

“Sell in May and go away...”

Equity markets ended April on a down note, so the next few days will be instructive as to whether the old "Sell in May and go away, and come back on St Ledgers Day..." adage will hold this year. For the record, this year, St Ledgers Day, 11 September will fall on a Saturday.



Source: shutterstock

April ended weak for stocks

Last Friday marked another soft day for equities, though I concede that just because stocks only rose on 1 day out of five last week, isn't exactly newsworthy this close to all-time highs, especially when the declines are pretty marginal.

Still, we are always looking for tentative signals, and there is little sense in pointing them out after they have already done their work. The market was broadly risk-off on Friday, with 10Y US Treasury benchmark yields also down, though only slightly, and falling less than 1bp remain at 1.63%, with higher yields looking more likely than lower to us at this point.

The EURUSD also balked at further EUR gains. there is a slew of stories this morning of analysts pointing to a much stronger EUR later this year, but the market action suggests that investors are having trouble swallowing this story on Europe's accelerating vaccinations and fiscal spending, when the Fed's "patience" story is already being dismissed by many and undermined by

comments from some of its own, including Robert Kaplan. Kaplan again suggested that owing to "excesses and imbalances in financial markets" the time had come to start talking about adjusting the Fed's asset purchases. Much of the market has been talking about this for weeks so for weeks. Our own James Knightley in NY reckons that a taper could start in 4Q21.

Asia FX was split on Friday, with SE Asia mainly in the lead, except for the SGD, which joined the KRW, and JPY in softening.

Data today

The G-7 highlight today is the Manufacturing ISM survey, which is a useful reminder that it is US non-farm payrolls week this week, so we will have a bunch of labour market data to look at between now and Friday ahead of the actual labour market release.

In addition to a ton of Asian manufacturing PMI data today, which could be quite mixed as semiconductor shortages weigh on production, we also have Hong Kong GDP for 1Q21, and Indonesian CPI.

Nicky Mapa has this to say on the Indonesian data: "April inflation will be released today with the market consensus expecting annual inflation for April of 1.5%YoY (was 1.4% in March). With the economy likely still registering negative year-on-year GDP in 1Q21, demand pressures have stayed soft with several regions still under partial lockdown restrictions to limit the spread of Covid-19. March will mark the 10th straight month inflation will be below the 2-4% inflation target of Bank Indonesia (BI) but the central bank will be constrained from trimming policy rates in the near term given the pressure on the IDR.

India election upsets for Modi's BJP

Prakash Sakpal writes this on the latest political news from India: "Against the backdrop of a worsening Covid-19 situation, with "confirmed" daily new infections over the weekend topping 400,000 and confirmed deaths from Covid-19 of about 3,700, results came in from elections in four states and a union territory held in late March. Prime Minister Modi's Bhartiya Janata Party (BJP) lost elections to regional parties in three states (West Bengal, Tamil Nadu, and Kerala), retained its hold in one (Assam), and made some inroads in the union territory Puducherry.

We expect an insignificant market impact from these election results. The release of Markit manufacturing PMI for April looks to be rather more meaningful for investors given that this data provides a glimpse into the economic fallout of the resurgent Covid-19 pandemic over the last month. We see nothing positive here for the INR. In yet more negative news for this currency, the preliminary trade figures for April out yesterday showed the monthly trade deficit widening to \$15.2 billion from \$13.9 billion in March. This comes off a huge 197% YoY export and 166% YoY import surges though these are flattered by a low base from the nationwide lockdowns a year ago. The INR gained some ground last week after a sell-off the previous week but still ended April as Asia's worst performer with a 1.3% loss against the USD -- the only Asian currency to depreciate on a month-end basis. We see no respite from weakness until the Covid-19 situation gets under control, which could take months".

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