

Some more irrelevant data

At the risk of wasting everyone's time, many non-manufacturing indices are released today, as well as Australian GDP and US labour market data, but probably none of it will make much difference to markets



My colleague in the US, whose notes I regularly link here, was scuttling for safety last night in NY as gangs of hammer-wielding youths roamed his neighbourhood looking for juicy retail looting opportunities in the flat-iron district of Manhattan. Judging by the FT article I read on waking this morning, they found plenty. Riots, curfews and some fairly mediocre coronavirus case numbers don't seem to be making any difference to the market mood, and I am beginning to wonder what will.

Today, the US, as elsewhere including some of the economies in our own Asia region, will release service-sector purchasing manager indices. These are liable to be dreadful.

We've already had the data for Australia, and it would be accurate only in a directional sense to say that these showed an improvement, with the final May index coming in at 26.9. although admittedly up from April's 19.5, it equates to a still frightening speed of contraction in this sector, which clearly remains a long way from stability. That would be indicated by a reading closer to 50. First-quarter Australian GDP data at this point in time can probably be relegated to a historical curiosity. They are going to show a contraction, just how big is the only question, and not one that markets will likely worry themselves about too much.

Maybe this will also be the reaction to Friday's US jobs figures? Today, the US releases ADP labour market data. This data is about the only vaguely helpful predictor for Friday's non-farm payrolls series. The consensus view is for a further eight million non-farm job losses and the unemployment rate to rise to within a whisker of 20%. But I would not at this stage put any money on opening my screens next Monday morning to see equities in the red. That just doesn't seem to happen any more.

In fact, it appears we have entered a world where, whatever horrors are thrown at the economy, the expectation is that sufficient fiscal and monetary firepower can and will be thrown at the problem to make it go away. I think that is a fantastically naive position to take. The next few months should show whether or not I am right.

Asian data releases today

(From Prakash Sakpal)

Singapore: The manufacturing PMI for May is due today. Unlike big PMI bounces elsewhere in the region from their all-time lows reached in April, we don't see Singapore's PMI moving much in either direction from its 44.7 reading in April. The index has been below 50 since February, signifying contraction. But there has been a dichotomy between the PMI data and the hard data on output, given the lopsided recovery dominated by pharmaceuticals. Everything else is weak and an accelerated GDP contraction in 2Q is still inevitable (ING forecast -6.8% YoY).

Thailand: Titanun Mallikamas, an assistant governor of the Bank of Thailand sees the current account to be close to balance in the rest of the year, as weak tourism receipts offset persistent surplus from goods trade. The cumulative current surplus of \$8.9 billion in the first four months of the year is \$5 billion narrower than a year ago, thanks to increasing outflows on the services side. Narrowing current surplus remains a headwind for THB appreciation ahead, though the currency has been on a steady appreciation path since April and has recovered almost half of the 10% loss incurred in the first quarter.

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