

Temporary tech trip

This does not feel like an opportunity for the stock bears to shout. "I told you so", rather an opportunity for stock bulls to refind their mojo



Source: Shutterstock

I want to say "told you so", but that would be wrong on so many different levels

If I have any regular readers (I sometimes wonder if I'm the only one), you will know that I have not mentally participated in this stock rally, even if I did increase my skin in the game with a minor pension fund top up a few weeks ago. Much angst that caused me.

But I can't take any satisfaction from the overnight sell-off, because it doesn't look like much other than profit-taking. Pretty massive profits I grant you. Anyway, the correlation between different asset classes is very informative. This was not rotation out of stocks into bonds. 10Y US Treasury yields fell 2 bps, which is no more than background noise. Also, this is not "Risk off" returning. Gold was soft, as was Bitcoin. The dollar also did not rally into this equity sell-off as you might expect in a big risk-off reversion. Indeed, though it was a little softer on the day, it was gaining ground when stocks were selling.

Asian FX is currently treating this more cautiously. Most currencies yesterday were on the softer side vs the USD, though the real price action in response to the overnight equity developments has probably yet to be seen. The JPY has made some small gains, in keeping with a safe-haven story - but pretty small-beer so far. The stand-outs were actually the AUD and NZD, which many,

including ourselves, had also thought overbought and in need of a correction, so they may simply be evidence of more cross-asset correlation, in this case, with stocks. We may see a bit more form these currency pairs today, though as we approach tonight's US non-farm payrolls release, all bets are likely to be pared right back.

Other than the cross-currency correlations, the price-action of the equity market yesterday was also telling. Both the S&P500 and Nasdaq opened slightly down yesterday, and both then sold steadily for most of the session. This was orderly, not panicked. And there was a small intraday rally towards the close. Equity futures are still pointing to further declines, but I'd wager these will be modest compared to yesterday, with the payrolls numbers playing a more important role. Yesterday, there really was no particularly significant macro information, unless you count the non-manufacturing ISM (wasn't too bad, even if it did come off a little bit), and some downplaying of new guidance notions from a couple of fed speakers. As usual, my day-job played almost no role in market proceedings.

Day ahead

With little to speak of on the release calendar today in Asia ([see also our sister note "ASEAN Bytes"](#) for commentary on Singapore retail sales, PMIs and Philippines inflation), the big question is, what will payrolls look like today? With the follow-up, "And how will markets respond?"

I'm tempted to suggest that with the Fed out of ammunition (whatever they tell you to the contrary), with patience waiting for a vaccine becoming strained (markets want it yesterday), and no sign still of a fiscal patch from US Congress to keep things ticking over ahead of the Presidential Election, if I knew for sure that we were headed for a weak payrolls figure (in line with the ADP numbers earlier in the week), I would probably be a renewed seller of equities. But then I'd have been a seller throughout most of this rally, so I'm not sure you should read anything into this.

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