

Tempting fate

Yesterday's stock decline was unexpected, but not unreasonable. Futures markets are looking for more today. Can it last? Don't ask me...



Coin toss

Contrarian indicator

I guess it was to be expected, my exasperation with markets' seeming lack of correlation with events in the real world had me suggesting yesterday that the continued grind higher in Covid-19 cases might not be enough to cause a meaningful market correction. When the last bear turns bullish...its time to sell.

Futures markets are suggesting more of the same today, and with the USD looking stronger in this setting Asian FX will probably struggle today. We do have end-of-month, quarter and half-year coming up, which could add to the volatility of stocks, and by extension, FX in the coming days. But I'm still not sure we won't see value algorithms sucking up cheaper stocks before too long. So whether this correction turns out to be "meaningful" in the sense of exceeding normal volatility, and lasting more than a day or two, remains very much a mystery.

The US Covid-19 new case numbers that largely accounted for this change of view remain horrible, and the previous April 7-day moving average high looks as if it may be beaten within days. That, together with a worse trade outlook (following US tariffs on European goods, including gin!) might be enough to cement the recent risk re-think in place and deliver the meaningful correction that

with 24-hours of hindsight, is looking rather more probable today.

Rest of the world

In **New Zealand**, yesterday's RBNZ decision didn't deviate much from our [prior expectations](#), and the RBNZ left policy unchanged but talked up their various options for doing more should that be necessary, which they seemed to think was likely. That helped to weaken the NZD, and generalized USD strength seems to be keeping it pressured lower today too.

Dragon boat festivals will keep Greater China markets quiet today, but it's a full calendar for US releases today. Saying that, there is nothing that is likely to shed much light on the current market situation. Revised US 1Q20 GDP is now of historical interest only. Durable goods orders are too volatile to read much into a single reading. Likewise advance trade figures.

The Covid-case numbers may be the most important news over the next 24 hours.

And From Prakash Sakpal:

"Thailand: [The Bank of Thailand kept rates on hold but slashed its economic forecasts](#). It sees GDP tumbling 8.1% this year, steeper than the previous view of a 5.3% fall. The downgrade came as the May trade data yesterday showed exports and imports crashed by 22.5% YoY and 34.5% respectively. The central bank also lowered its inflation outlook for the year to -1.7% from -1.0%. But its optimism about both growth and inflation rebounding in 2021 (to 5% and 0.9%) might be misplaced given the uncertain global Covid-19 situation. Meanwhile, a unanimous vote for stable policy yesterday backs our view that the BoT easing cycle has ended".

We also have BSP meeting today, with a further 25bp rate decision looking likely - [see today's ASEAN Bytes](#) by Nicky Mapa and Prakash Sakpal for more on that.

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