

The end of the week is near

That's the end of the week in case you misread the title, not the end of the world. But if you were long stocks right now, what would you do as Friday nears, payrolls looms and a weekend of new virus news approaches...?



roulette

Source: Shutterstock

Market optimism seems misplaced

Each morning, before turning on my PC and opening Bloomberg, I scan the newswires for the key headlines. Then, as a sort of test, I try to guess which direction equities have moved overnight. It is not as easy as you would think, which shows that there is far more going on in markets than just a response to "new news".

This morning, I was wrong. Looking for reasons why stocks should have risen yesterday, I came up with the following excuses:

- Joe Biden's strong performance on Super Tuesday reduces the likelihood of a Sanders Presidential run - markets are worried about higher taxes under Sanders.
- Talk about the G7 finance Ministers commitment to action (yet they didn't actually promise anything, and market response on the day itself was underwhelming, surely this is old news)

- And more old news in the form of talking up central bank actions (BoC cut 50bp yesterday, but the BoE didn't change rates).

This Friday, we get what is normally a market-moving economic release, non-farm-payrolls. I, fortunately, don't have the job of forecasting this any more, though spent most of my career having to do so, and didn't exactly cover myself in glory. Frankly, its a lottery.

Then in the US, the CDC appears to be ramping up its testing for the Covid-19 virus. This seems likely to deliver more market-negative higher confirmed case numbers over the weekend, and, who knows, perhaps very much higher in the US. The case numbers in Europe seem to be escalating in a worrying fashion (most importantly, threatening my forthcoming French holiday), and I don't know about you, but if this were a game of roulette and red was down and black up, I would be eyeing the red squares keenly.

And another thing...

While we watch the non-China new Covid-19 cases carefully, let's not lose sight of China in all of this. It is tempting to assume that they are now more or less out of the woods, but as my colleague Iris notes this morning, there are risks. She writes "There are reported cases of positive testing Covid-19 infected patients who had tested negative two to three times before being released from hospital. This raises questions about whether these "returned" positive cases could spread the virus further.

It looks as if there are three risks now in China on Covid-19:

1. a crowded workforce returning to work;
2. imported Covid-19 cases; and
3. "returned positive" cases.

Any of these, if not controlled properly, could result in another peak of Covid-19 in China, and could move the market negatively".

And in the ASEAN region, there is this from Prakash Sakpal:

"Thailand: February CPI is due today. The high base effect in the key CPI components of food and transport likely pulled inflation down to 0.8% YoY from 1.1% in December. As Covid-19 is weakening demand further, persistent excess capacity limits price pressure from the supply side. We see inflation staying below the Bank of Thailand's 1-3% policy goal over the rest of the year and the central bank cutting rates again at the March meeting. The Finance Ministry is mulling a THB 100 billion (0.6% of 2019 GDP) stimulus to soften the impact of the virus. We are sceptical any of these policy measures reviving the economy this year.

Singapore: January retail sales today will reinforce the message of continued weak consumer spending. We expect a steeper fall than December's -3.4% YoY. An accelerated decline in automobile sales evident from a 39% YoY fall in new vehicle registrations in January is to be blamed here. Hopes remain pinned on the record fiscal stimulus reviving demand, though that's probably something for the second half of the year. The recession looks more likely than not in the first half".

There's not much else to focus on in terms of economic releases today and nothing that will overshadow Friday's payrolls.

Good luck over the weekend (no note from me tomorrow).

Stay safe and keep those hands washed!

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