



Inflation Newsflow Rebounds from Depressed Levels

Key Message: The ASR/WSJ NewsFlow Indicator appears to have stabilised following seven months in which it saw a stark decline. The Global Inflation component has made the biggest contribution to that, rising ten points in the last two months. This has offset the decline in the Monetary Policy component as central banks have turned more dovish. Inflation Newsflow has seen significant increases in most regions (from a low base), but the US has been a notable exception, rising only marginally since January.

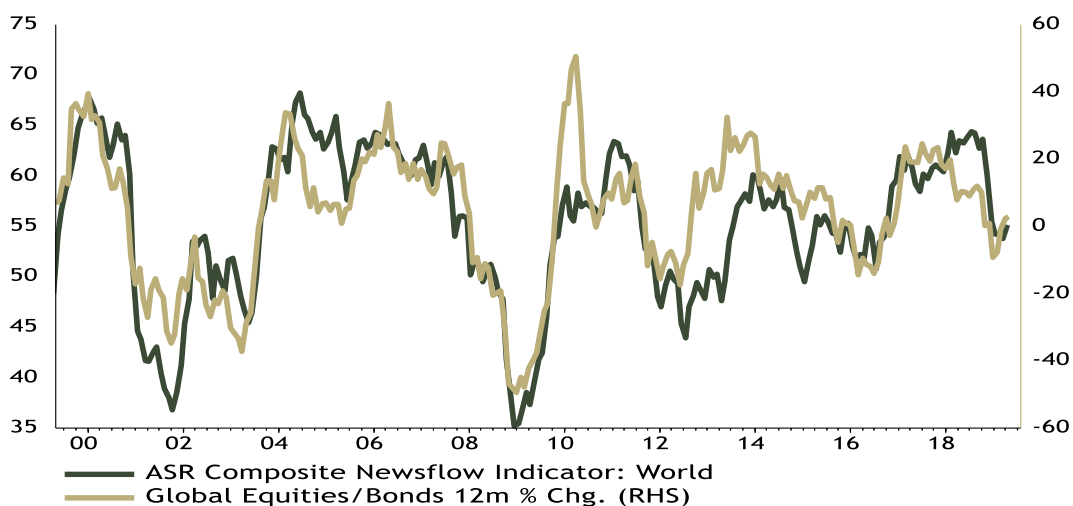
- The **ASR/WSJ Global Composite Newsflow Indicator** (CNI) rose 1.4pts in April.
- Four of the six component indices rose (Economic, Revenues, Labour Market and Inflation), while the Earnings and Monetary Policy components fell.
- The Economic component was the biggest mover, rising 4.1pts to 30.9, but remaining weak vs its history.
- We focus in this month's report on our Inflation Newsflow indices. Global Inflation Newsflow has risen in four consecutive months and registered sharp increases in March and April, but notably this has only taken it back to the middle of its range.
- Most regions have seen similar rises in their Inflation Newsflow, with the Eurozone and China both rising by 35pts or so since the beginning of the year (Charts 3 + 4).
- The US has been a notable laggard, with US Inflation Newsflow rising just 3pts in the same time period (Chart 2).

Table 1: Global Composite NewsFlow Index at 55.2 in April (53.8 in March)

Global CNI		Economic CNI	Earnings CNI	Revenues CNI	Labour Market CNI	Inflation CNI	Monetary Policy CNI
May-18	63.2	47.3	66.8	68.0	48.0	72.5	76.9
Jun-18	63.8	47.6	66.1	67.6	46.8	78.2	76.6
Jul-18	64.4	46.3	68.2	67.9	46.2	77.4	80.5
Aug-18	64.2	44.6	67.7	68.2	49.0	73.9	82.0
Sep-18	62.8	42.7	65.8	68.8	46.5	72.2	80.6
Oct-18	63.6	40.1	66.0	67.9	52.0	72.6	83.1
Nov-18	60.0	38.0	66.4	66.1	45.2	65.6	78.9
Dec-18	55.5	26.7	63.5	65.7	46.0	55.5	75.4
Jan-19	54.2	26.0	61.6	63.7	45.3	55.6	73.2
Feb-19	54.2	30.5	62.7	65.6	43.5	55.7	67.0
Mar-19	53.8	26.8	62.8	65.2	43.9	62.0	62.3
Apr-19	55.2	30.9	61.9	66.4	46.4	65.7	59.8

Source: ASR Ltd. / Factiva.com / Datastream from Refinitiv

Chart 1: Global Composite NewsFlow Index vs Global Equities % YoY



Source: ASR Ltd. / Factiva.com / Datastream from Refinitiv

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All our regional Inflation Newsflow Indicators have risen since the start of the year. We include three in this report but please ask if you would like to see those for Japan, the UK or Australia

Most started from low bases and despite recent improvements remain below their 5Y moving averages, so do not suggest imminent upward inflationary pressure. But they do have a good relationship with various manufacturing input prices/prices paid surveys, so going forward we may see less downward pressure on those metrics

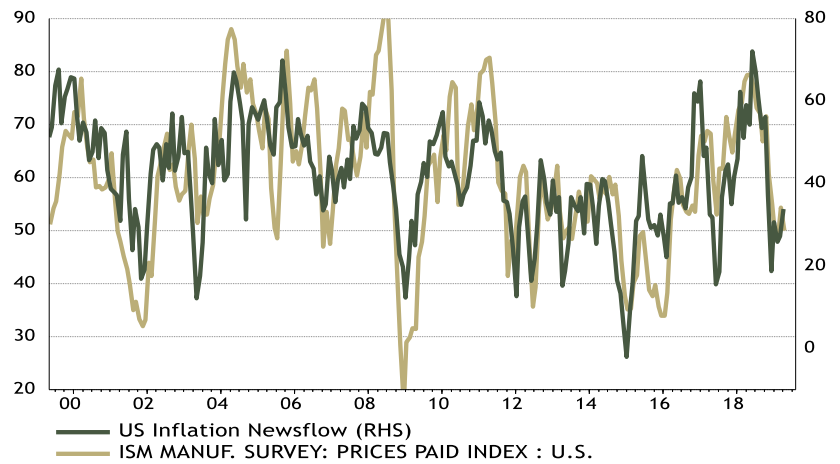
US Inflation Newsflow has risen just 3pts since January, although it is up 15pts from its December low

Eurozone Inflation Newsflow has risen 36pts since January, albeit from a much lower base

Chinese Inflation Newsflow has risen 32pts since the start of the year, but was flat in April

Inflation Newsflow Rebounding

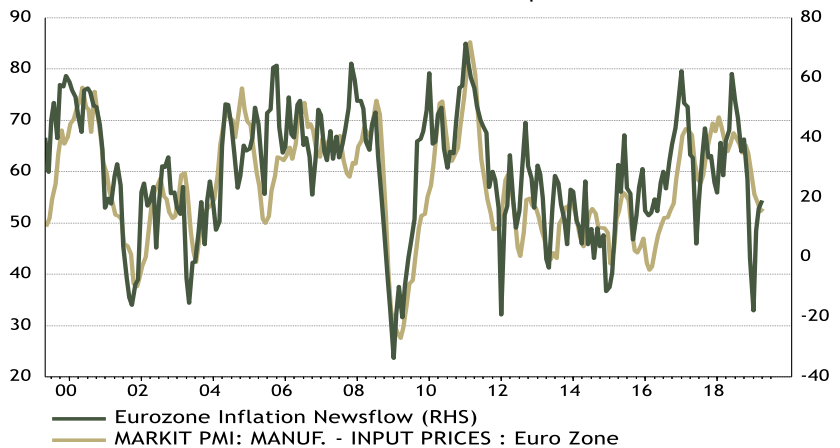
Chart 2: US Inflation Newsflow vs ISM Manuf. Prices Paid



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Chart 3: E'zone Inflation Newsflow vs PMI Manuf. Input Prices

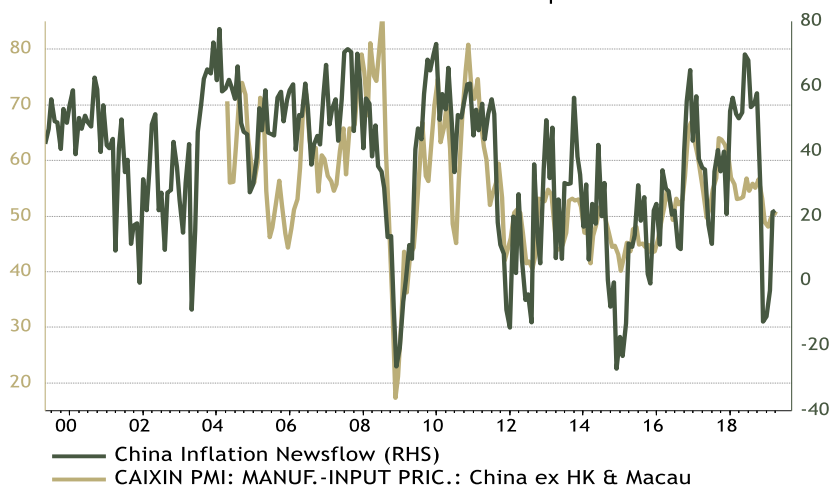
ASR Inflation Newsflow Indicator & PMI Input Prices - Eurozone



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Chart 4: China Inflation Newsflow vs PMI Manuf. Input Prices

ASR Inflation Newsflow Indicator & PMI Input Prices - China



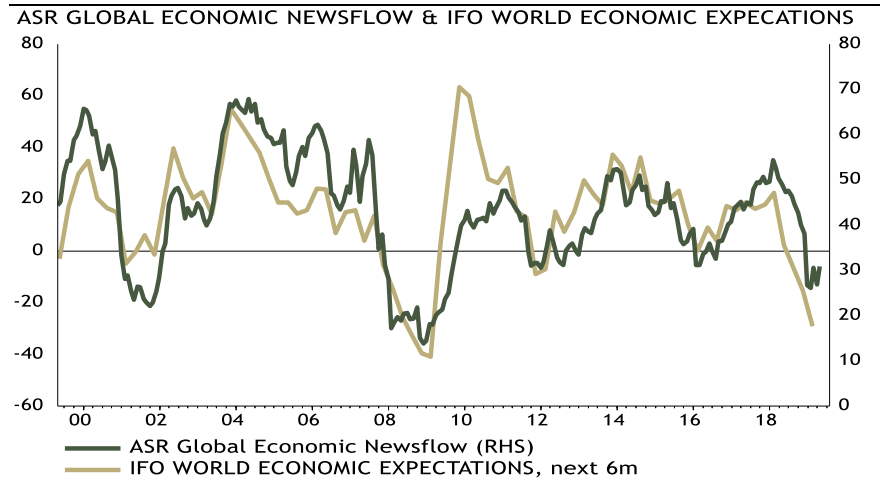
Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 1)

Among the global components the Economic Newsflow was the biggest mover, rising 4.1pts in April. It has stabilized following its marked deterioration in Q4 2018 but remains fairly weak vs its history

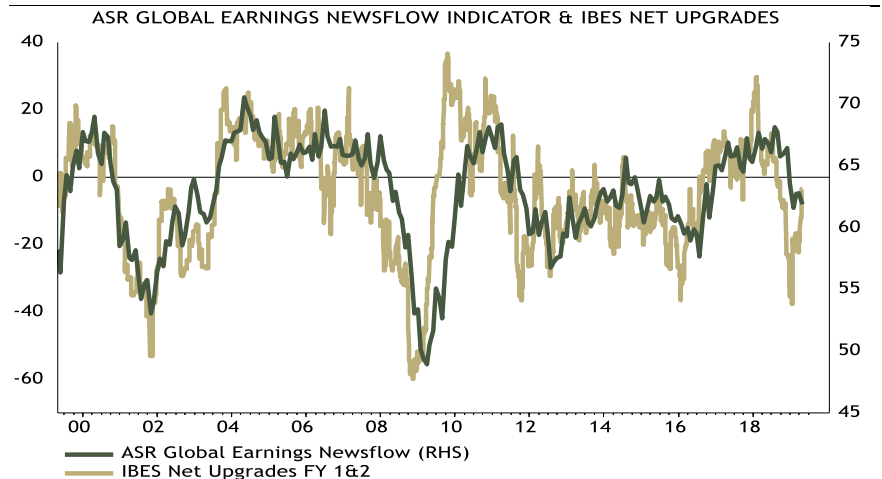
Chart 5: Global Economic NewsFlow



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Corporate Earnings Newsflow fell 0.3pts in April, remaining immune to the improvement in the IBES Net Upgrades

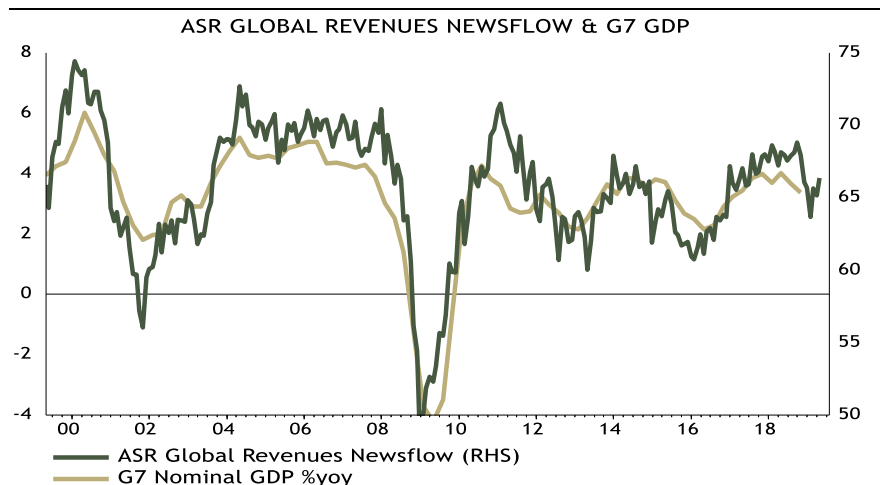
Chart 6: Global Corporate Earnings NewsFlow



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Global Revenues Newsflow improved by 1.2pts in April, indicating a steady path for G7 nominal GDP growth YoY

Chart 7: Global Revenues NewsFlow

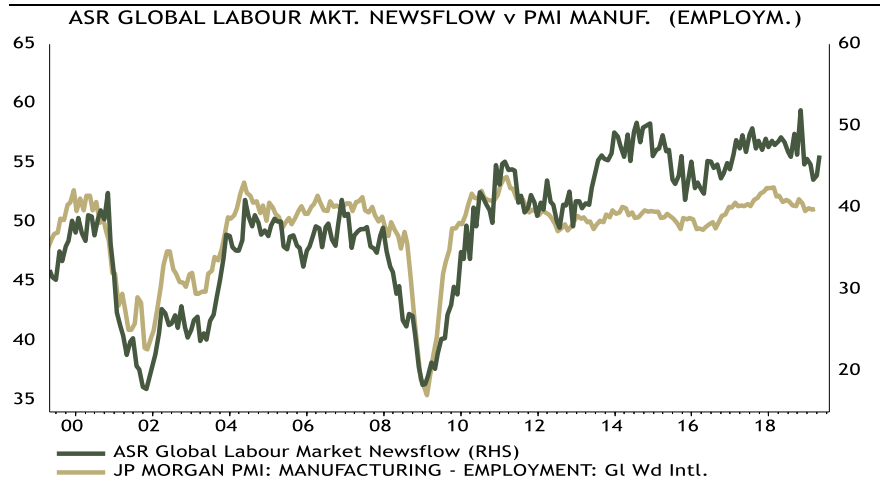


Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 2)

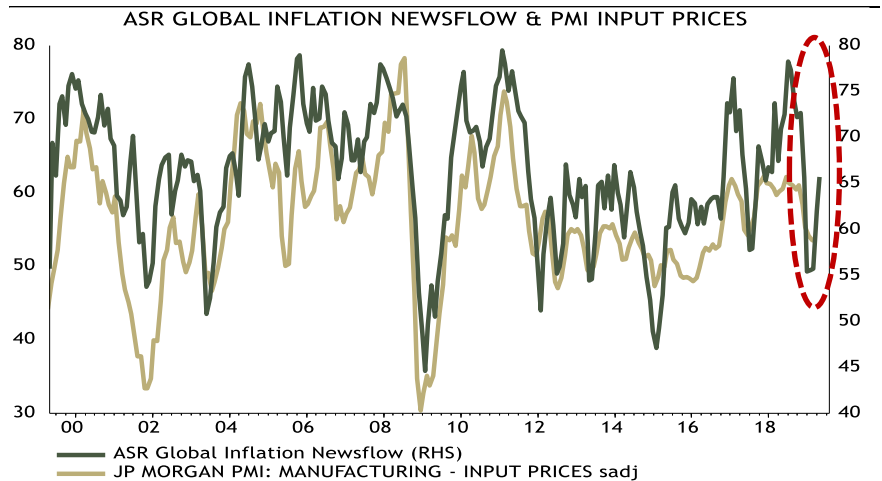
Chart 8: Global Labour Market NewsFlow



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Global Labour Market Newsflow picked up to 46.4, rising 2.5pts, as employment data continued to improve in most major regions

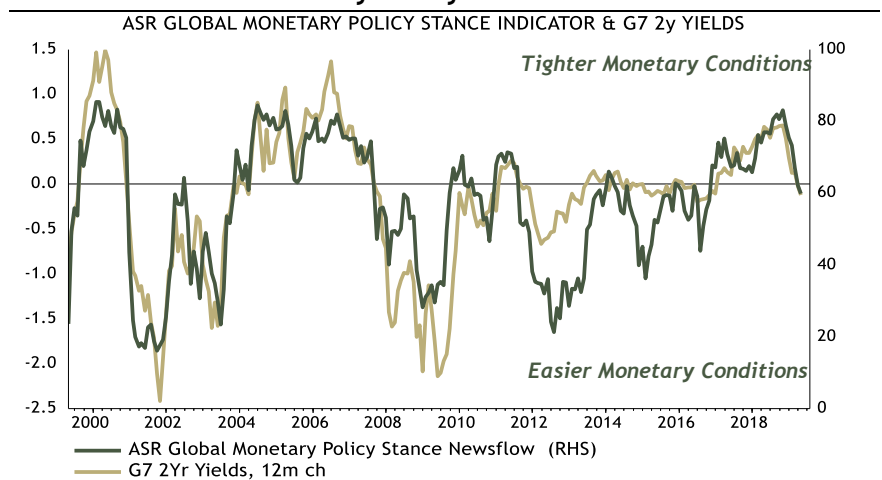
Chart 9: Global Inflation NewsFlow & PMI Input Prices



Source: ASR Ltd./Factiva.com/Markit/Datastream from Refinitiv

Global Inflation Newsflow continued to climb, reaching 65.7, up 3.7pts

Chart 10: Global Monetary Policy NewsFlow



Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

Global Monetary Policy Newsflow fell 2.5pts to 59.8 and is now down 33.3pts from its October 2018 peak. The Newsflow picked up coverage of the ECB's hints at possible rate cuts in its April meeting, President Trump's repeated calls for the Fed to lower interest rates and India's rate cut



Methodology

These series are created by searching the Dow Jones Factiva database for ‘positive’ and ‘negative’ macroeconomic news stories, counting them, and then calculating the difference (the ‘net’ news flow).

The searches are done in English, so the global series will be dominated by stories from and about the Anglo sphere. But they still capture global trends surprisingly well.

The Global CNI is built up from six sub-indices: Economics; Corporate earnings; Revenues; Labour market; Inflation; Monetary conditions.

Global CNI readings of more than 50 have tended to be associated with stock returns beating bond returns on a year-on-year basis.

Sample of keywords or principles for each sub-component:

Economics:

Economic upturn, recovery, expansion etc. versus economic downturn, slowdown, pessimism etc.

Corporate earnings:

Stronger, improving expanding versus weaker, declining, contracting company earnings, profits, income, margins etc.

Revenues:

Higher, better, increasing, encouraging etc. or weakening, declining, slumping or falling revenues, sales, demand etc.

Labour market:

Rising, increasing payrolls, employment etc. versus falling, lower, declining unemployment, jobs etc.

Inflation:

Stories on inflation, either rising, higher, increasing etc. or slowing, falling, lower etc.

Monetary policy:

News articles referring to easier, stimulative, monetary policy, lower interest rates or quantitative easing versus tight, restrictive policy or interest rate rises.

Absolute Strategy Research (ASR) and the Wall Street Journal (WSJ) are now working together on the production and development of the Absolute Strategy /WSJ NewsFlow indices. ASR is responsible for the production of the data and the analysis embodied in this research report. WSJ may simultaneously publish the data and provide independent commentary.

**This publication is part of a wider ASR research project analysing news flow.
We are grateful for the research efforts of Tom Malone and Misha Boskovic in helping to
create and update these indicators.**

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