



Some respite, but Newsflow Remains in a Downtrend

Key Message: The Composite Newsflow Indicator bounced marginally in September, with five of the six component indices rising. It would be premature to call this the start of the recovery however – both the CNI and most of the component indices remain lower than two months ago.

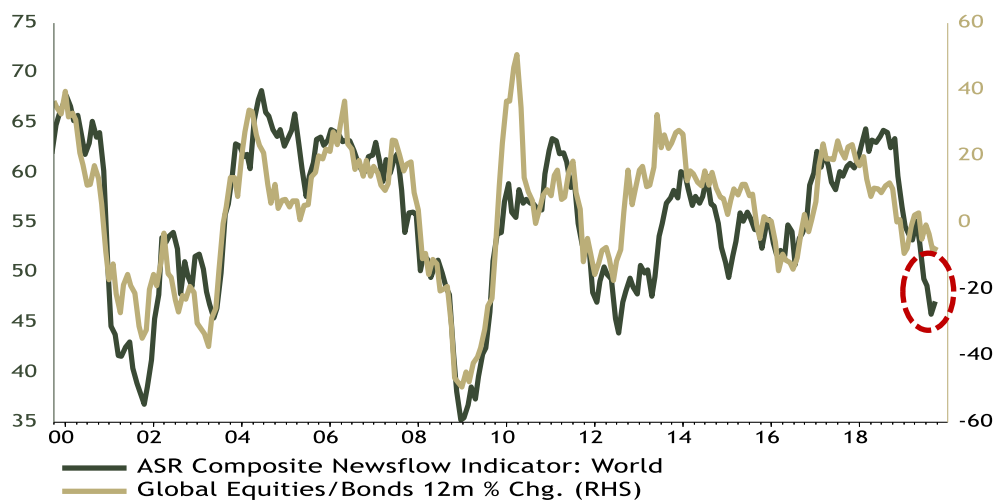
- The **ASR/WSJ Global Composite Newsflow Indicator (CNI)** rose to 47.1 in September from 45.8 in August, its first increase in five months. Readings below 50 typically coincide with bond returns beating stock returns.
- The biggest mover was the Global Economic component, which rose to 23.8 from 19.4, but this follows a month in which it saw its biggest fall since 2000, and it remains significantly below its July level.
- Among the other components, the Earnings and Labour Market Newsflow saw significant rises in September, but both remain down on a three-month view.
- This month we have expanded our Newsflow coverage into south-east Asia, with our new ASEAN+2 Newsflow indicators, introduced on page 2 (the '2' being South Korea and Taiwan). Unsurprisingly the Economic Newsflow component dovetails nicely with those of Japan and China. All three have seen major declines in the past year.

Table 1: Global Composite NewsFlow Index at 47.1 in September (45.8 in August)

Global CNI		Economic CNI	Earnings CNI	Revenues CNI	Labour Market CNI	Inflation CNI	Monetary Policy CNI
Oct-18	63.4	39.4	66.0	67.9	51.8	72.0	83.4
Nov-18	59.7	37.2	66.0	66.3	45.6	64.8	78.3
Dec-18	56.6	29.5	63.8	65.4	46.9	58.5	75.3
Jan-19	54.6	27.4	62.4	64.1	45.4	57.7	70.6
Feb-19	53.7	29.7	62.7	65.5	43.8	56.5	63.9
Mar-19	53.3	27.2	62.8	65.3	43.9	62.0	58.6
Apr-19	55.2	30.9	61.9	66.4	46.4	65.7	59.8
May-19	53.0	32.5	62.8	63.8	46.1	63.7	48.9
Jun-19	49.4	32.6	63.4	64.5	42.8	60.8	32.3
Jul-19	48.7	32.2	60.7	63.9	41.9	60.5	32.9
Aug-19	45.8	19.4	60.2	63.0	39.2	60.6	32.4
Sep-19	47.1	23.8	62.9	63.5	42.1	61.1	29.3

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

Chart 1: ASR/WSJ Global Composite Newsflow Indicator



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

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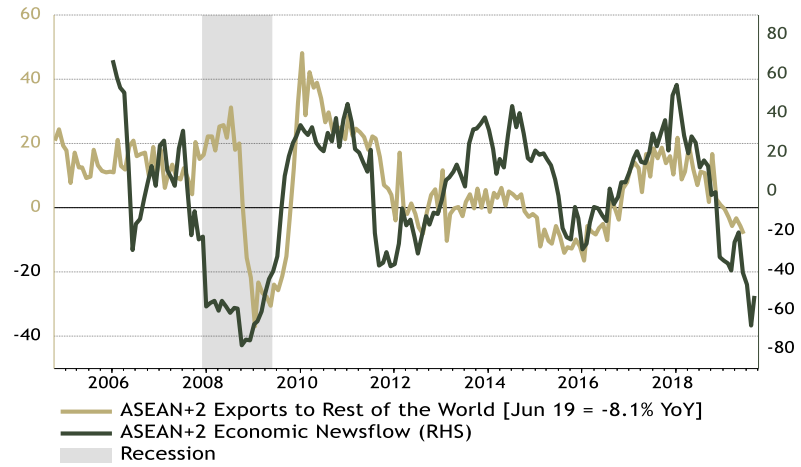
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Introducing the ASEAN plus 2 Newsflow

Chart 2: ASEAN + S.Korea + Taiwan Economic Newsflow

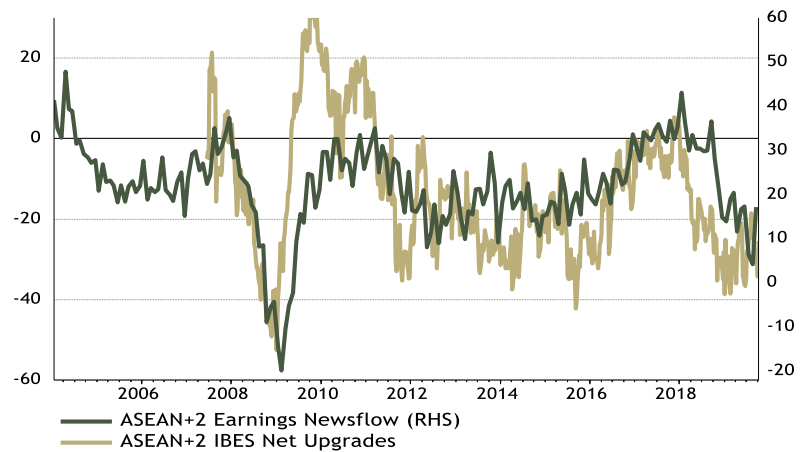
Our ASEAN+2 Economic Newsflow index is consistent with a major fall in ASEAN+2 exports



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

Chart 3: ASEAN plus S.Korea + Taiwan Earnings Newsflow

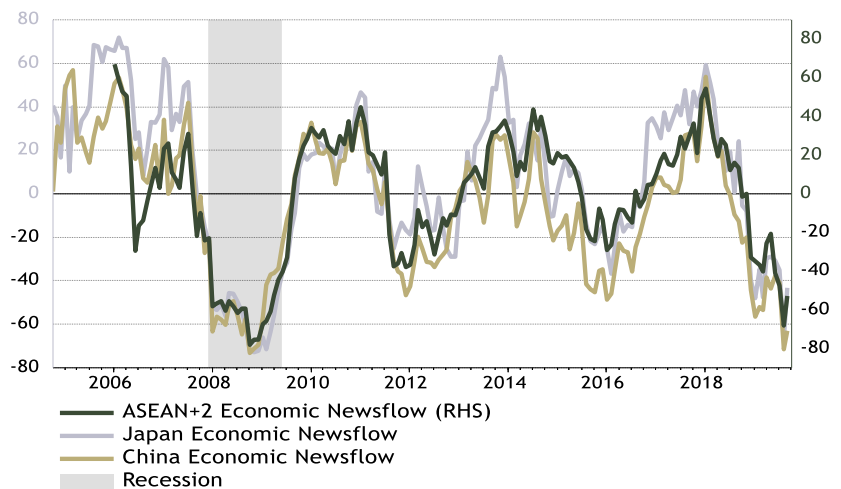
The Earnings Newsflow looks slightly more positive, but the index is quite volatile and the trend is unclear



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

Chart 4: ASEAN plus S.Korea + Taiwan Revenues Newsflow

Our ASEAN+2 Economic Newsflow Index has a good relationship with our China and Japan indices, which comes as no surprise, given the economic linkages between them. All three bounced in September, but in ASEAN and Japan are at levels that have previously coincided with recessions



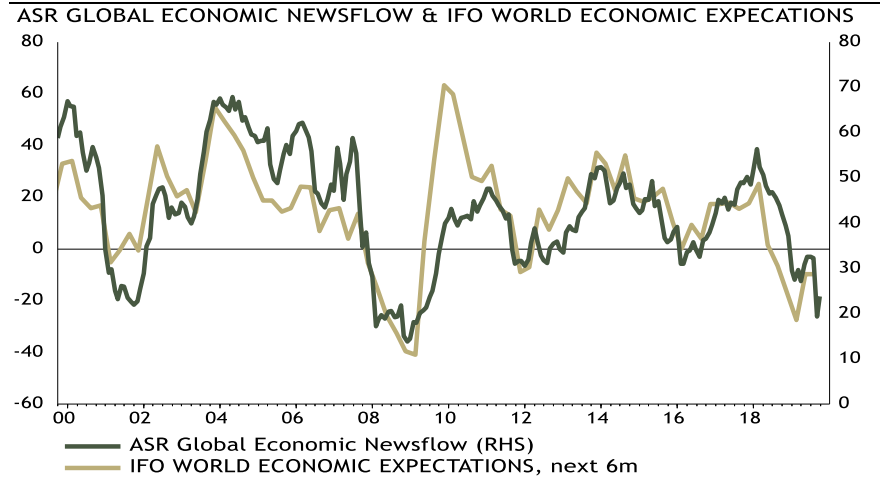
Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 1)

Following a major fall in August, Global Economic Newsflow recovered somewhat in September, rising to 23.8 from 19.4. It remains significantly below its 32.2 July reading however and in line with 2009 levels when the global economy was recovering from the GFC

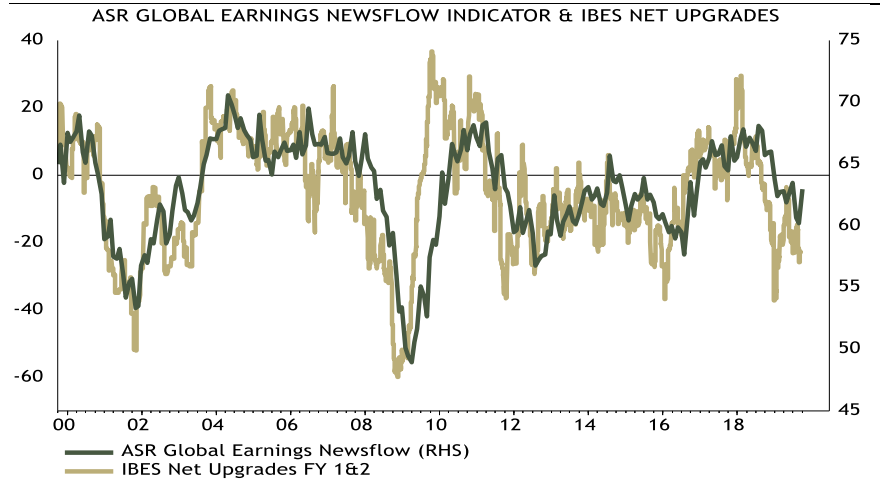
Chart 5: Global Economic NewsFlow



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

Global Earnings Newsflow rose to 62.9 in September from 60.2

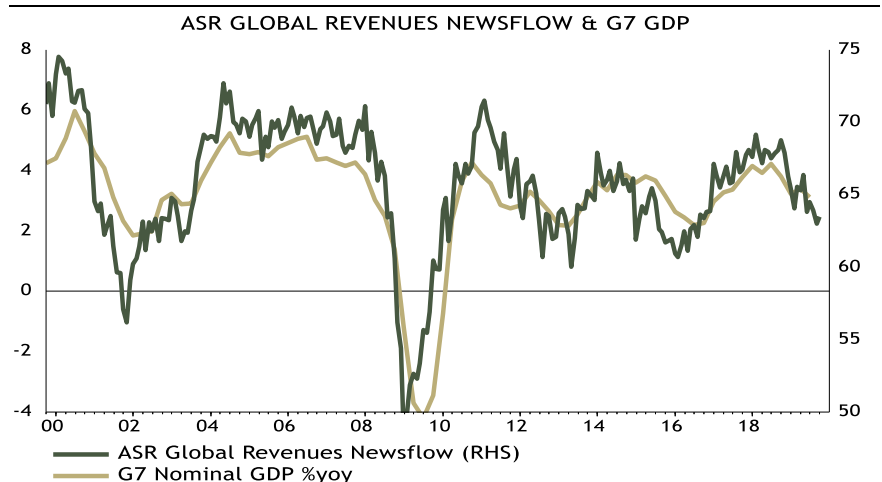
Chart 6: Global Corporate Earnings NewsFlow



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

Global Revenues Newsflow rose marginally in September but remains on a negative trend, consistent with G7 nominal GDP %yoy growth falling back to around 2%

Chart 7: Global Revenues NewsFlow

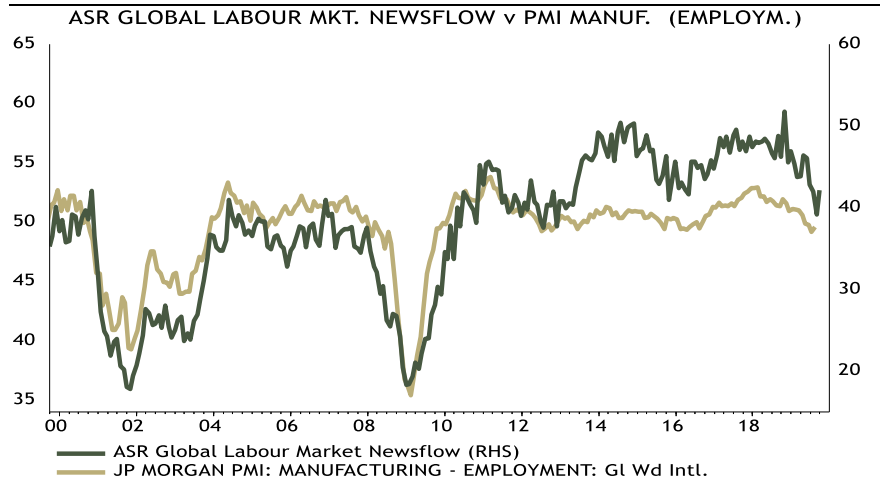


Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 2)

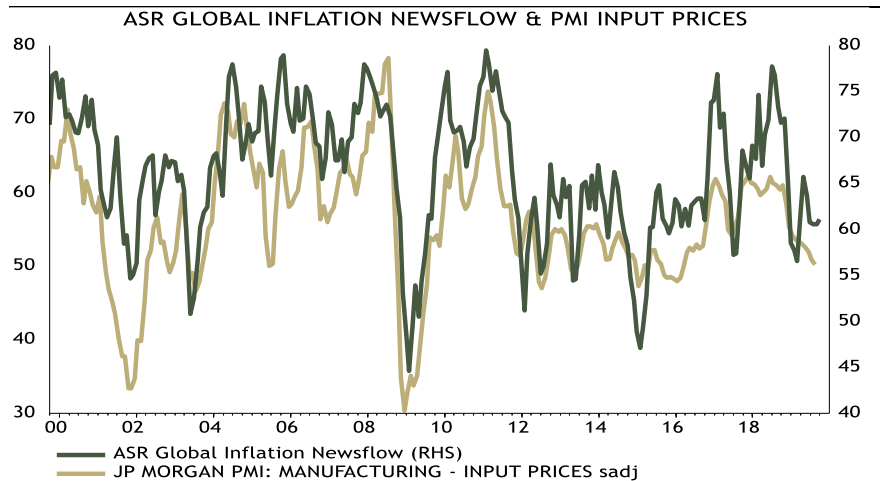
Chart 8: Global Labour Market NewsFlow



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

Global Labour Market Newsflow bounced but remains down on a three-month view

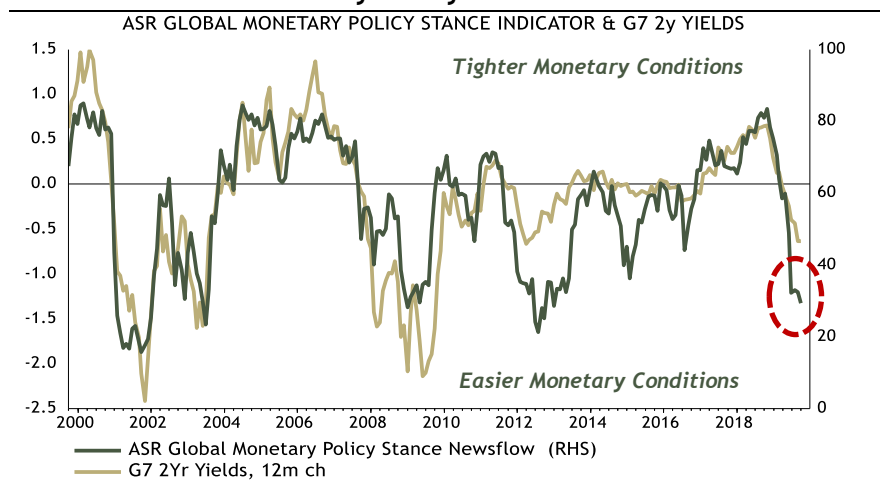
Chart 9: Global Inflation NewsFlow & PMI Input Prices



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

Global Inflation Newsflow remained fairly flat in September

Chart 10: Global Monetary Policy NewsFlow



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

Following a pause in August, Global Monetary Policy Newsflow continued its decline in September, reaching a new multi-year low. This was fueled mainly by the Fed's rate cut. There was also coverage of lower borrowing costs in China and central bank rate cuts in Brazil, Russia and Turkey. Going against the grain was Norway's rate 25bp hike



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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