



Global Equity Rebound Outpacing Newsflow

- The **ASR/WSJ Global Composite Newsflow Indicator (CNI)** declined 0.4pts in March to 53.8 and is down 1.5pts in the past three months.
- The Inflation and Monetary Policy components saw major moves, Inflation Newsflow rising to 62.0 from 55.7, and Monetary Newsflow falling to 62.3 from 67.0, its fifth consecutive monthly decline. Both remain far from their extremes however.
- We focus in this month's report on the link between the Newsflow and stock/bond returns. The strength of this relationship is particularly noteworthy given our searches make no attempt to capture price action coverage.
- The recent rebound in global equities has not been reflected in the global Newsflow.
- Similarly in the US, Eurozone and Japan, the regional Newsflow indicators have continued to show weakness while local equity/bond returns have strengthened.

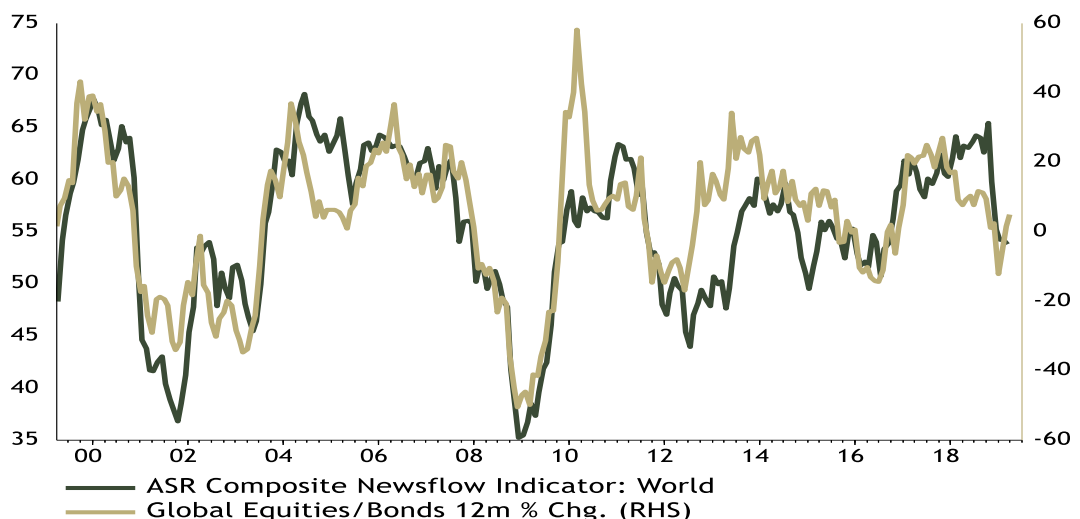
Key Message: The ASR/WSJ NewsFlow Indicators have remarkably strong relationships with the relative performance of stock vs bond returns (see Charts 1-4). The recent outperformance by global equities is just starting to run ahead of our Global Composite NewsFlow Indicator (CNI). The latter has been held back by weak Economic and Inflation readings. For equity outperformance to continue we would like to see more positive NewsFlow – and that may require a bigger policy response than we have seen so far.

Table 1: Global Composite NewsFlow Index at 53.8 in March (54.2 in Feb)

	Global CNI	Economic CNI	Earnings CNI	Revenues CNI	Labour Market CNI	Inflation CNI	Monetary Policy CNI
Apr-18	63.3	48.8	67.1	68.1	48.3	70.7	76.7
May-18	63.1	47.1	66.8	67.9	47.7	72.3	76.6
Jun-18	63.6	47.4	66.1	67.5	46.5	78.1	76.3
Jul-18	64.2	46.1	68.1	67.8	45.9	77.2	80.3
Aug-18	64.0	44.4	67.7	68.1	48.7	73.7	81.8
Sep-18	62.6	42.5	65.7	68.7	46.1	72.0	80.3
Oct-18	65.5	42.0	66.5	68.8	55.5	74.8	85.4
Nov-18	59.8	37.8	66.4	66.0	44.9	65.4	78.6
Dec-18	55.3	26.6	63.5	65.6	45.7	55.2	75.1
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

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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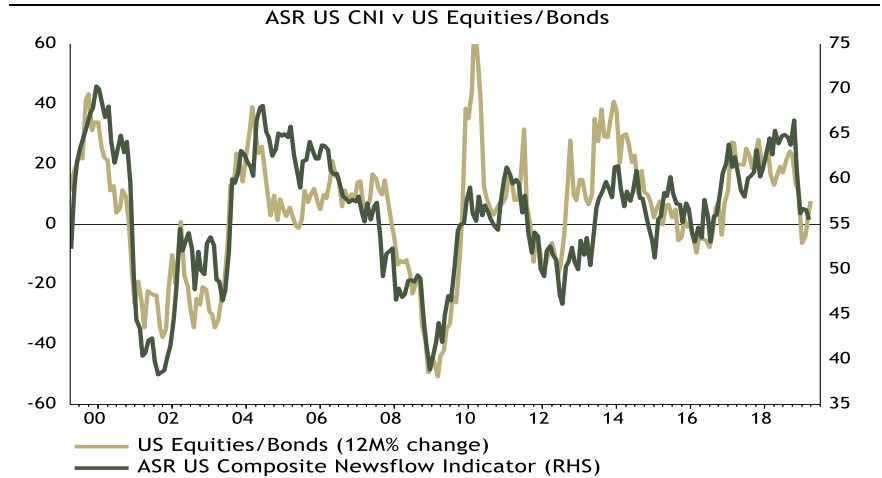
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Newsflow and Stock/Bond Returns

Chart 2: US CNI vs Equities/Bonds

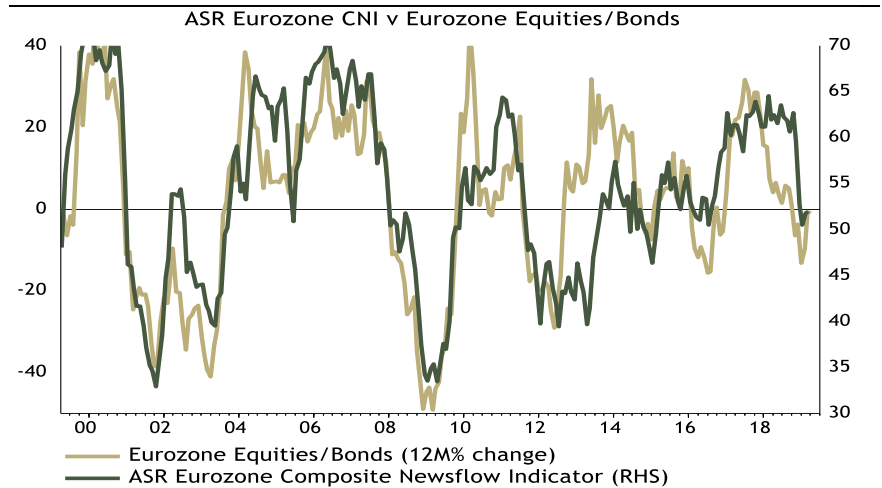
The US CNI has arrested its decline but shown little sign of improvement, hovering around the level at which it bottomed out in December



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

Chart 3: Eurozone CNI vs Equities/Bonds

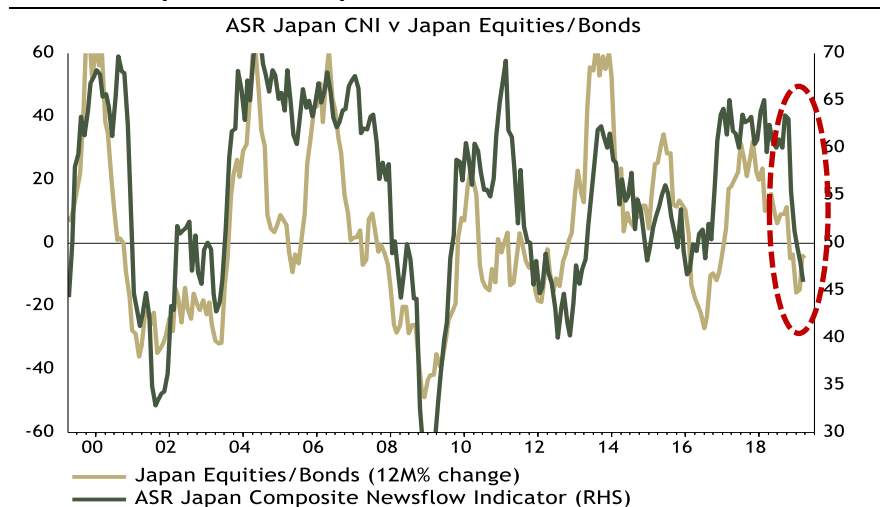
The Eurozone CNI has seen a modest bounce in 2019, driven mainly by a large rise in its Inflation component, which rose from 41.1 in January to 58.1 in March. The other components have weakened or seen little change. If you would like to see these charts please get in touch



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

Chart 4: Japan CNI vs Equities/Bonds

Japan's CNI has continued on a downward trend, falling from 49.6 in January to 45.9 in March, contrasting with the Japanese Equity/Bond 12M%Chg



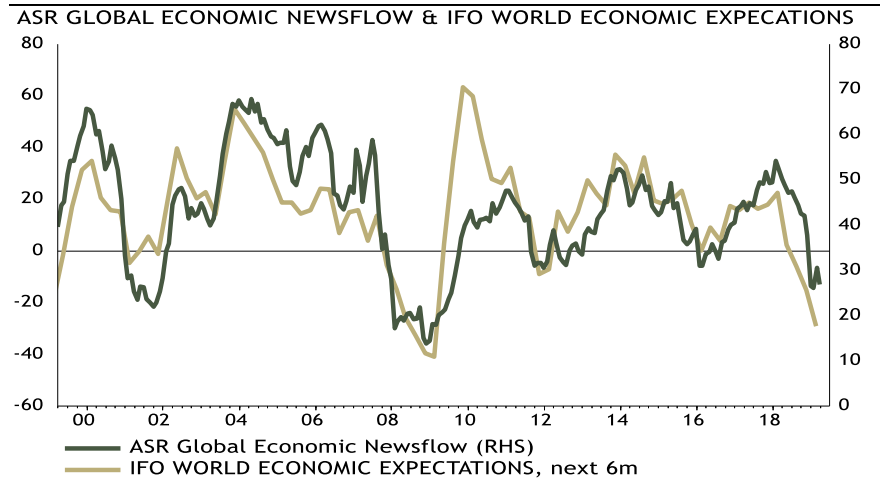
Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 1)

Following an uptick in February, Global Economic Newsflow has declined back to around its January level. At 26.8 it remains in a trough lower than any seen since 2009

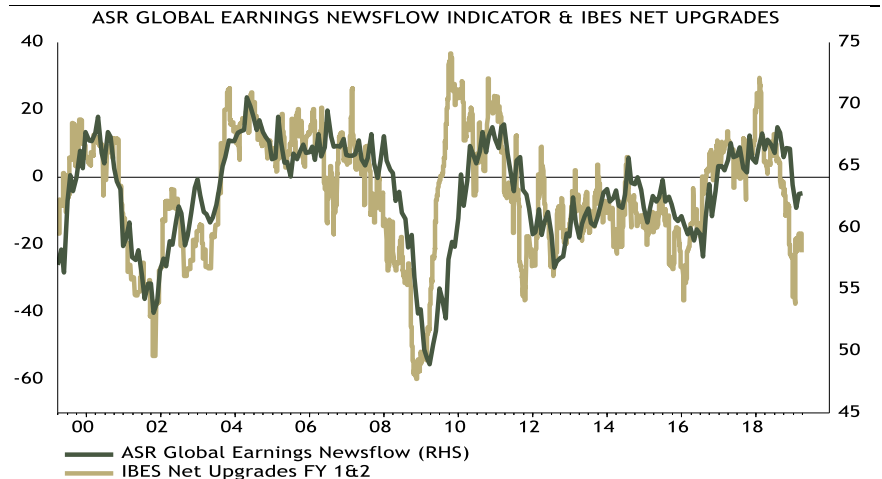
Chart 5: Global Economic NewsFlow



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

Corporate Earnings Newsflow was unmoved in March from February levels and remains consistent with negative IBES Net Upgrades

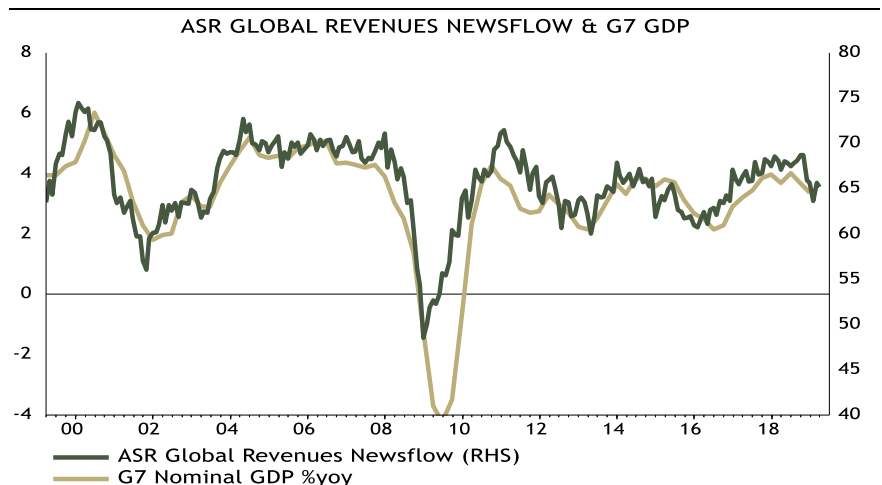
Chart 6: Global Corporate Earnings NewsFlow



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

Global Revenues Newsflow declined slightly to 65.2 from 65.6

Chart 7: Global Revenues NewsFlow

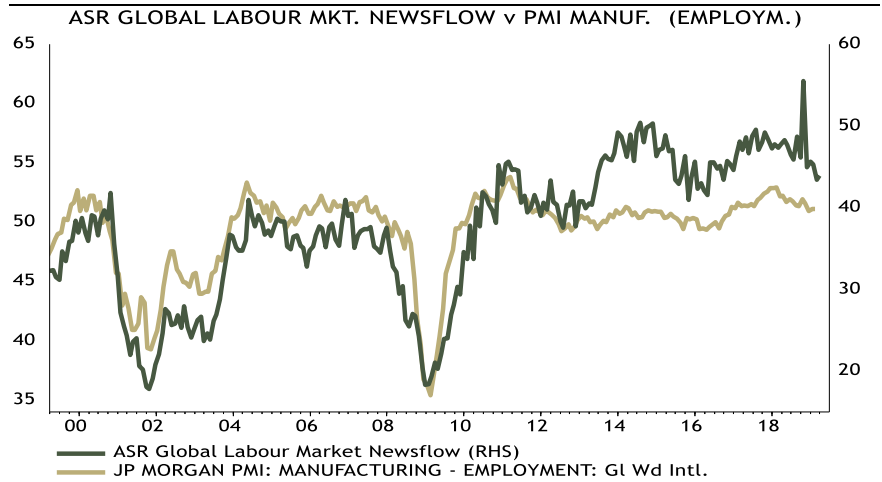


Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



ASR/WSJ Newsflow Components (Part 2)

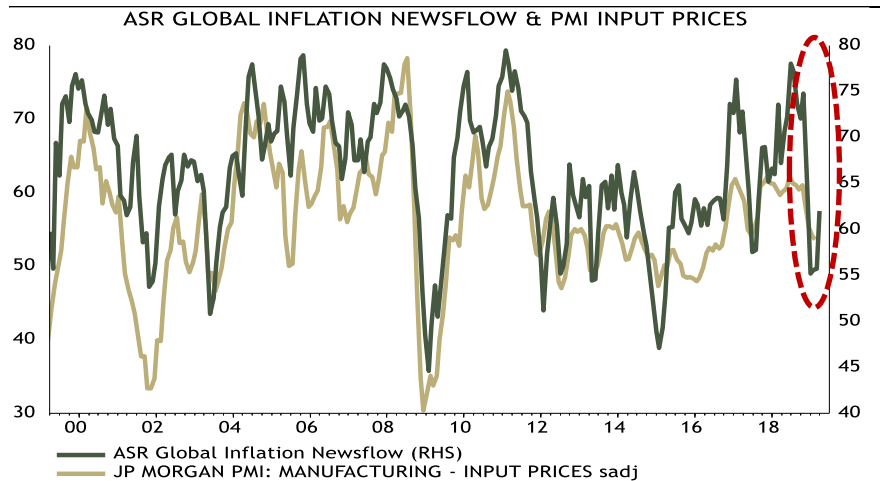
Chart 8: Global Labour Market NewsFlow



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

Global Labour Market Newsflow rose marginally to 43.9

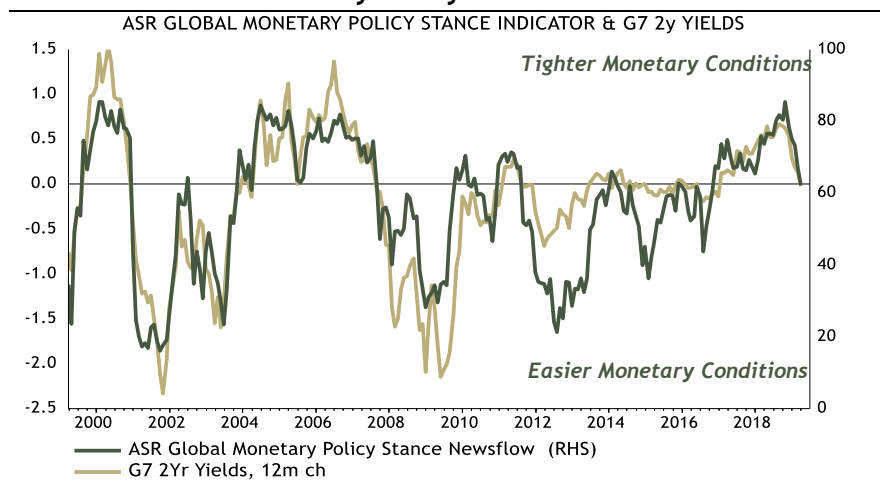
Chart 9: Global Inflation NewsFlow & PMI Input Prices



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

Global Inflation Newsflow jumped markedly in March to 62.0 from 55.7. Such a move has often been accompanied by a rise in the Manufacturing Input Prices PMI

Chart 10: Global Monetary Policy NewsFlow



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

Global Monetary Policy Newsflow continued its decline in March, falling significantly to 62.3 from 67.0. This was off the back of further doveishness from the Fed, which announced a halt to Quantitative Tightening and indicated rates would remain on hold until 2020, and the ECB, which announced TLTRO-III, a new series of quarterly longer-term refinancing operations



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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