



## Ex-US Corporate Earnings Newsflow weakens

**Key Message: Global Corporate Earnings Newsflow was the main mover in July, falling to 60.7 from 63.4. That figure is flattered by strong US data; Outside the US we are seeing much weaker Earnings Newsflow, which in some cases has fallen below 2015/16 levels (e.g. Japan, E'zone, China).**

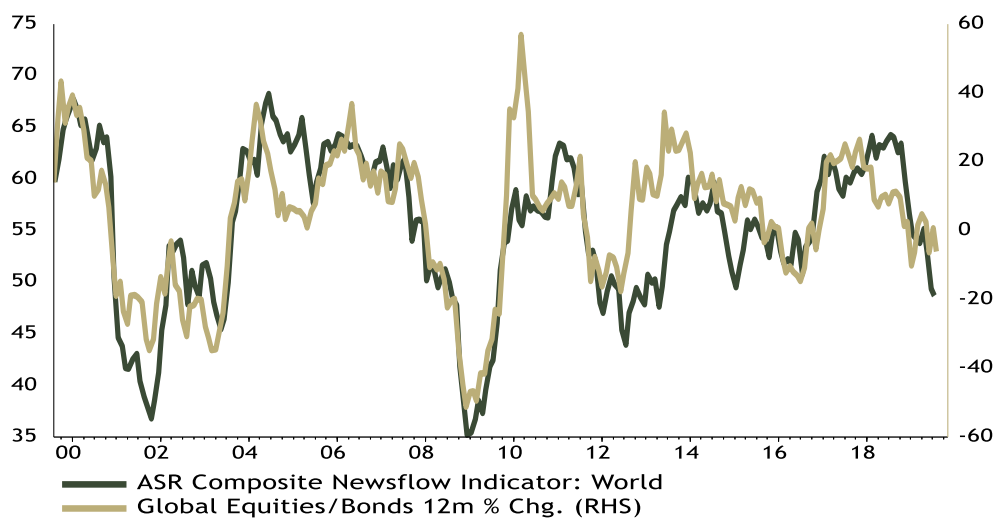
- The **ASR/WSJ Global Composite Newsflow Indicator (CNI)** fell to 48.7 in July from 49.4. Readings below 50 typically coincide with weakness in the JP Morgan Global Manufacturing PMI and bonds returns beating stocks returns.
- Five of the six component indices fell, the exception being the Monetary Policy component, which rose to 32.9 from 32.3, stabilising for the first time in nine months, but remaining at multi-year lows, consistent with loosening global monetary policy.
- On page 2 we highlight three regional Corporate Earnings Newsflow indices. Earnings Newsflow indices for the Eurozone and China have reached lows not seen since 2014 and 2012 respectively.
- The regional Earnings Newsflow indices have good relationships with their respective IBES Net Upgrades indices. The China and Eurozone readings are consistent with major negative revisions. US Earnings Newsflow remains pretty healthy by contrast, consistent with flat Net Upgrades.

**Table 1: Global Composite NewsFlow Index at 48.7 in July (49.4 in June)**

	Global CNI	Economic CNI	Earnings CNI	Revenues CNI	Labour Market CNI	Inflation CNI	Monetary Policy CNI
Aug-18	64.1	44.0	67.7	68.1	48.9	73.4	82.2
Sep-18	62.6	42.1	65.7	68.8	46.3	71.8	80.8
Oct-18	63.4	39.5	66.0	67.9	51.8	72.2	83.3
Nov-18	59.7	37.3	66.0	66.3	45.6	65.0	78.1
Dec-18	56.6	29.6	63.8	65.4	46.9	58.7	75.1
Jan-19	54.6	27.4	62.4	64.1	45.4	57.7	70.6
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
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

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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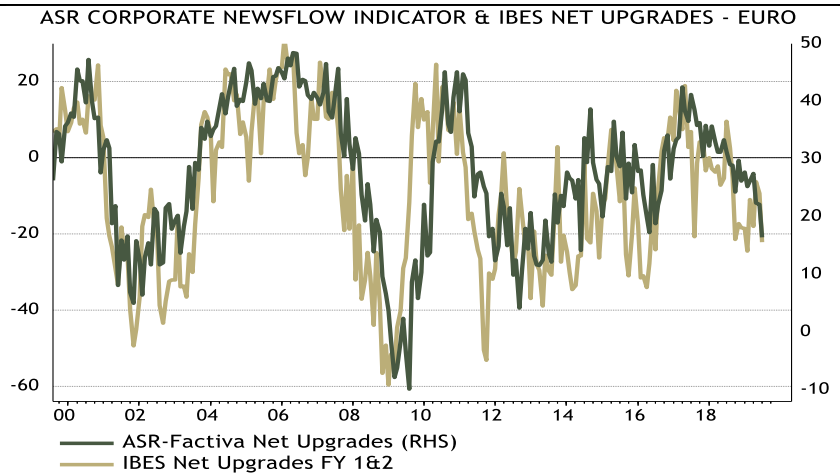
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## Ex-US Corporate Earnings Newsflow is weak

*Eurozone Corporate Earnings Newsflow reached 16.4 in July, lower than any point since 2014, when the Eurozone was recovering from 2012's eurocrisis*

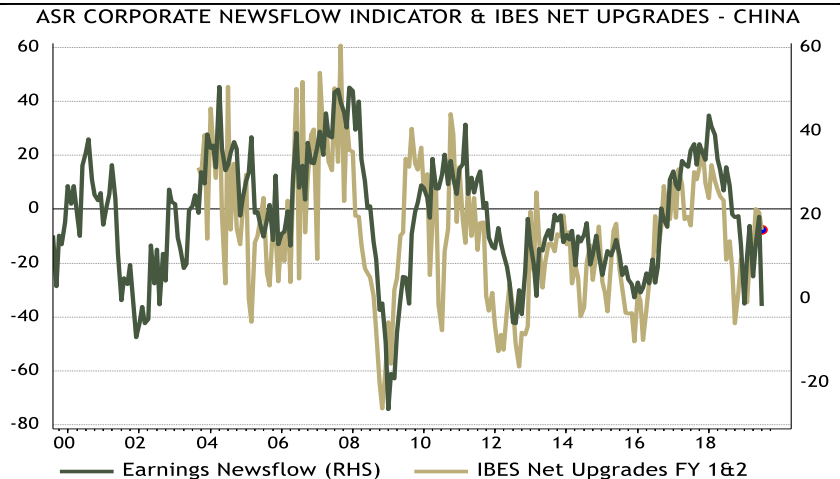
**Chart 2: Eurozone Corporate Earnings Newsflow**



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

*China Corporate Earnings Newsflow, at minus 1.7 in July, is at its lowest level since 2012 (although it had another slightly higher low point in January this year)*

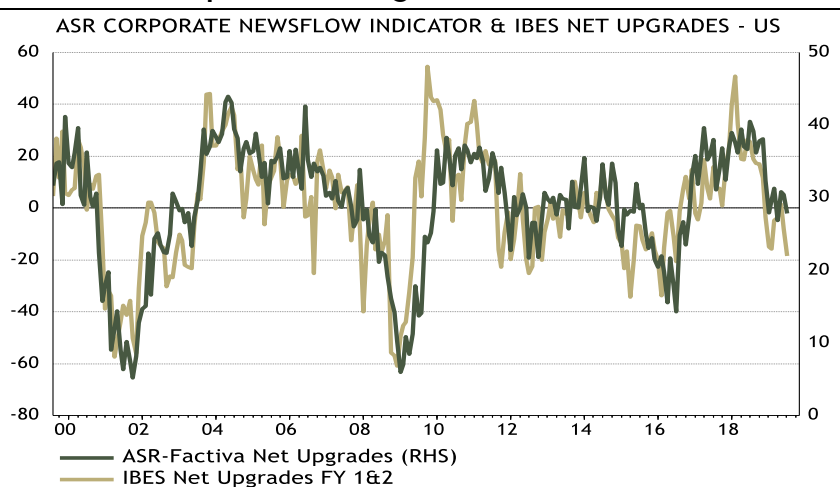
**Chart 3: China Corporate Earnings Newsflow**



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

*Our Japan Corporate Earnings Newsflow Index, not included in this report, has crumbled since May, falling to minus 12, its lowest level since Japan emerged from the GFC*

**Chart 4: US Corporate Earnings Newsflow**



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

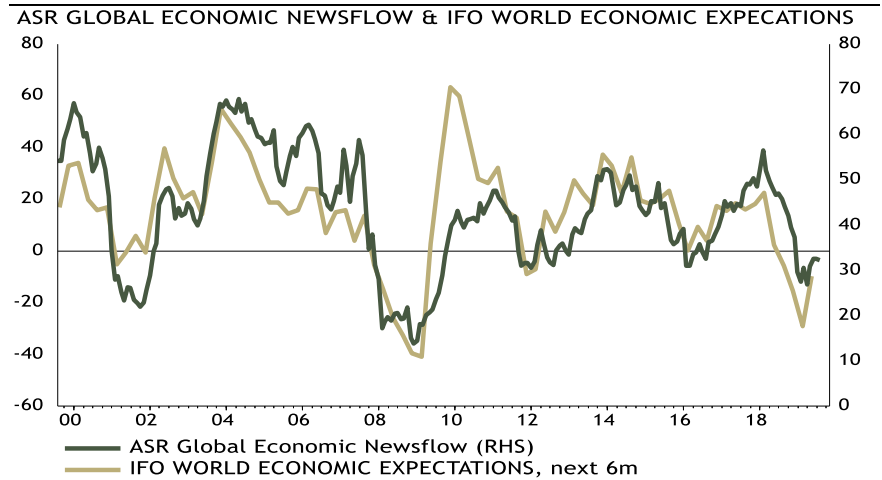
*Crisis what crisis? The US Earnings Newsflow appears to be shrugging off the weakness afflicting the rest of the world*



## ASR/WSJ Newsflow Components (Part 1)

*Global Economic Newsflow fell in July to 32.2 from 32.6*

**Chart 5: Global Economic NewsFlow**

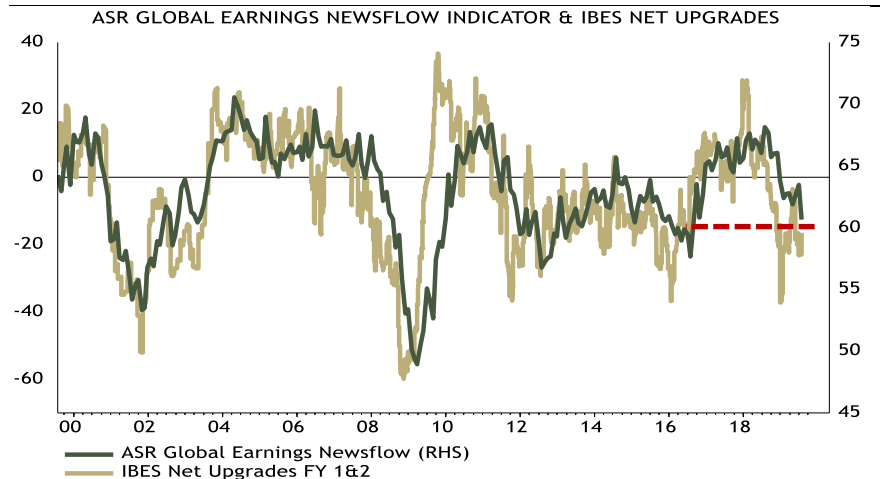


Source: ASR Ltd./Factiva.com/Datastream from Refinitiv

*Global Corporate Earnings Newsflow has this month started to reach levels it last hit in 2016, falling to 60.7 from 63.4*

*In our view this number is probably flattered by strong US data*

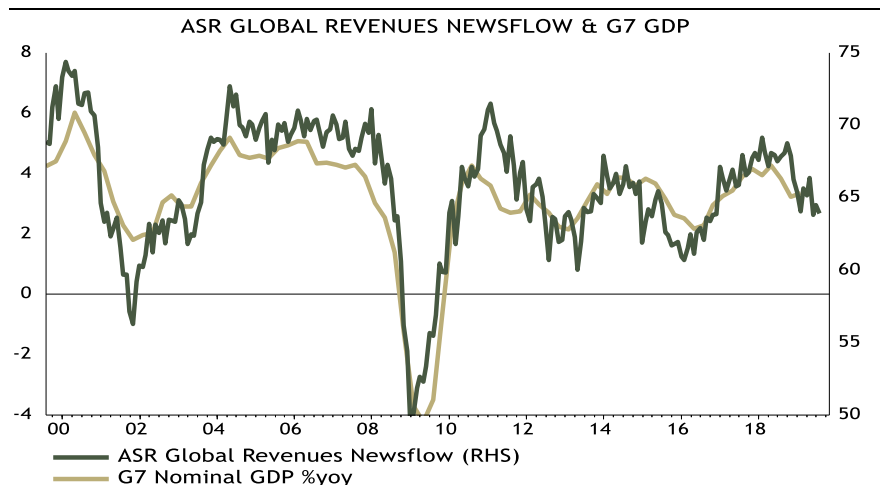
**Chart 6: Global Corporate Earnings NewsFlow**



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

*Global Revenues Newsflow fell marginally to 63.9. It is consistent with G7 nominal GDP growth of around 2%*

**Chart 7: Global Revenues NewsFlow**

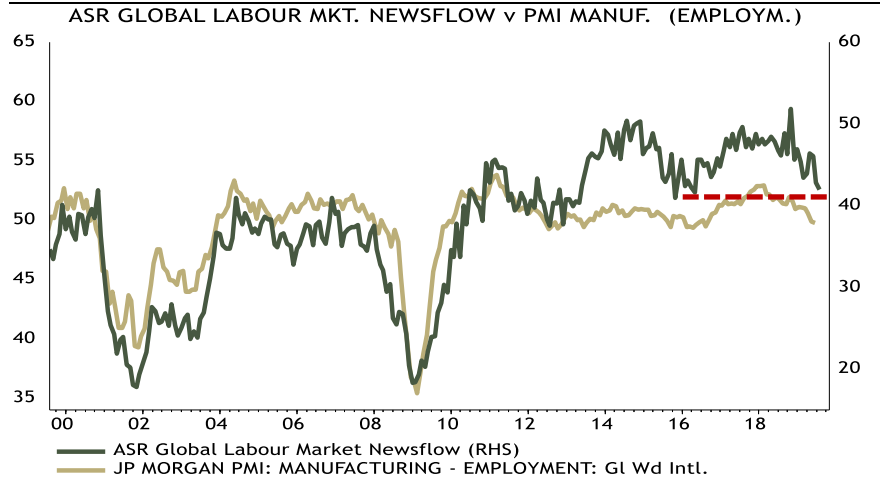


Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



## ASR/WSJ Newsflow Components (Part 2)

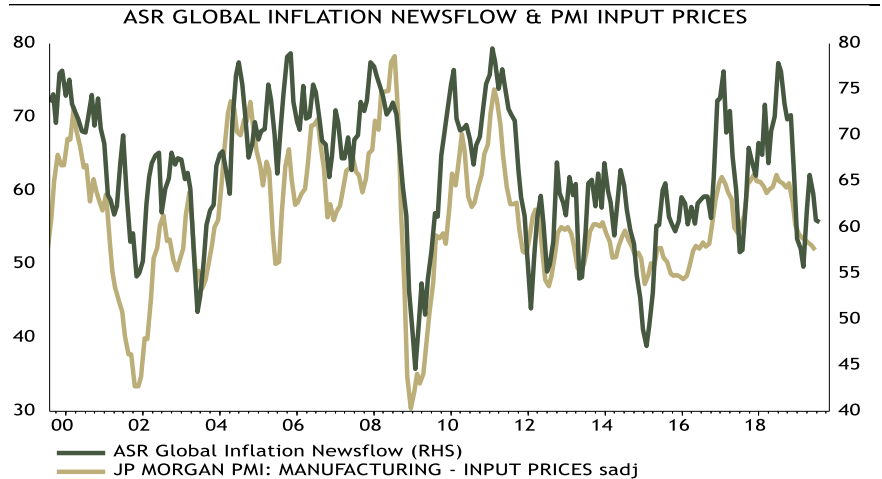
**Chart 8: Global Labour Market NewsFlow**



*Global Labour Market Newsflow fell to 41.9 from 42.8. This is its lowest level since April 2016.*

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

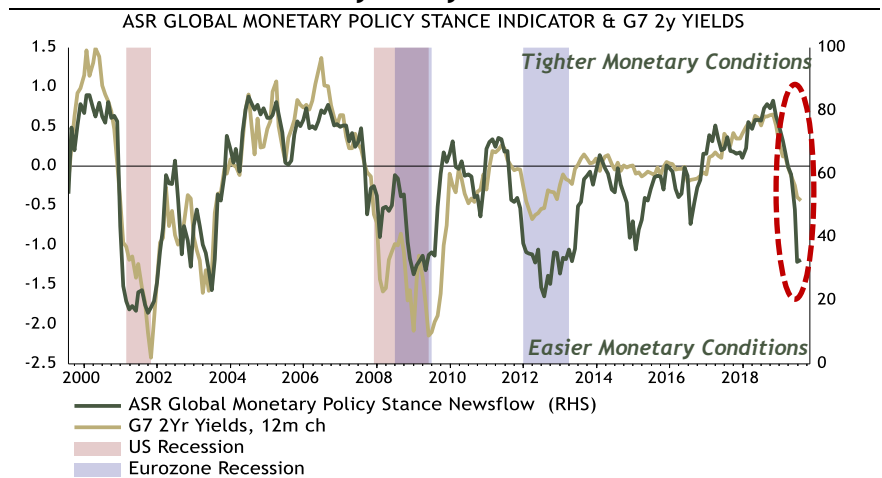
**Chart 9: Global Inflation NewsFlow & PMI Input Prices**



*Global Inflation Newsflow fell marginally to 60.5 from 60.8.*

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

**Chart 10: Global Monetary Policy NewsFlow**



*Global Monetary Policy Newsflow stabilised in July, rising to 32.9 from 32.3. This is the first time it has risen in the last nine months...*

*...Monetary Newsflow at current levels has typically been associated with recessions*

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



## 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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