



China Composite Newsflow Index arrests stark decline

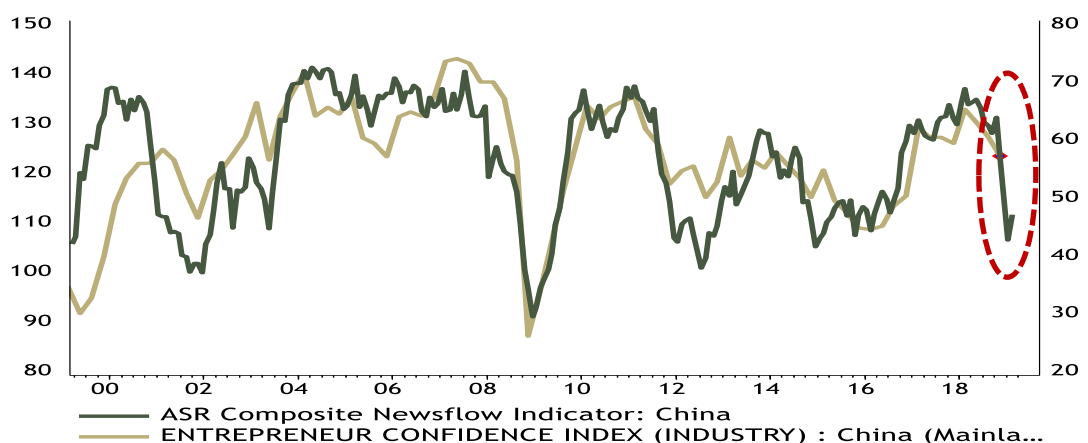
- The **ASR/WSJ Global Composite Newsflow Indicator (CNI)** was unmoved in February from January at 54.2. It is down 5.6pts over the past three months.
- There was movement among the six sub-components however, with four (Economic, Earnings, Revenues and Inflation) rising, and two (Labour Market and Monetary Policy) declining.
- The Monetary Policy component was the biggest mover, falling to its lowest level since December 2017, indicating a higher ratio of stories about loosening global monetary conditions.
- **As markets await the publication of Chinese activity data for Jan/Feb our China CNI saw a modest rebound from 42.7 to 47.1. Following several months of steep declines it remains down 10pts on a 3-month view (Chart 1) and 17pts off its October high.**
- Among the Chinese components Economic Newsflow rose marginally but remains at lower levels than those seen since 2009. Chinese Revenues Newsflow rebounded more strongly but remains consistent with negative YoY% USD trade growth. Chinese Monetary Policy Newsflow declined, indicating a higher ratio of stories about loosening monetary conditions.
- **Key Message: Our China CNI experienced a modest rebound this month, perhaps reflecting coverage of government stimulus efforts. As yet however it remains consistent with downside risk to Chinese business confidence, Chinese trade over coming months.**

Table 1: Global Composite NewsFlow Index at 54.2 in February (54.2 in Jan)

	Global CNI	Economic CNI	Earnings CNI	Revenues CNI	Labour Market CNI	Inflation CNI	Monetary Policy CNI
Mar-18	62.0	50.0	66.4	67.0	47.8	67.2	73.8
Apr-18	63.2	48.6	67.1	68.0	48.4	70.7	76.7
May-18	63.0	46.9	66.8	67.8	47.8	72.2	76.7
Jun-18	63.6	47.2	66.1	67.4	46.6	78.0	76.4
Jul-18	64.2	45.9	68.1	67.7	46.0	77.2	80.3
Aug-18	64.0	44.2	67.7	68.0	48.8	73.6	81.8
Sep-18	62.9	44.8	65.7	69.7	44.8	72.9	79.7
Oct-18	65.5	41.8	66.5	68.7	55.6	74.8	85.4
Nov-18	59.8	37.7	66.4	65.9	45.0	65.3	78.6
Dec-18	55.2	26.4	63.5	65.5	45.8	55.1	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

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

Chart 1: China Composite NewsFlow Index



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

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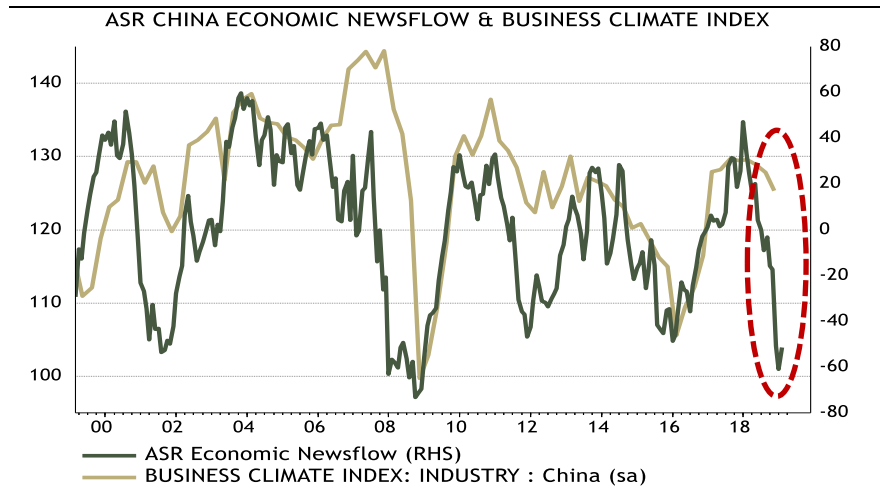
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China in Focus

A modest improvement in February has not reversed the negative trend in Chinese Economic Newsflow, which remains at levels not seen the GFC recovery. It typically had a good relationship with the Chinese Industrial Business Climate Index, indicating downside risks for that index

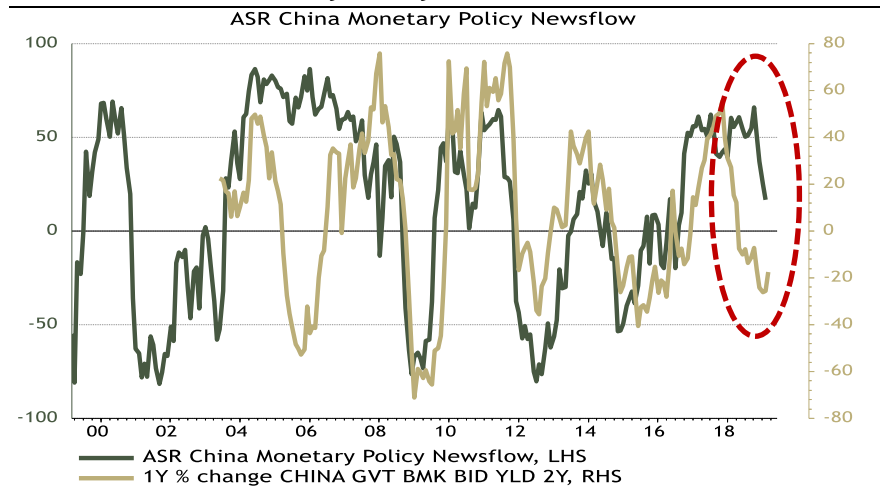
Chart 2: China Economic NewsFlow



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

China Monetary Policy Newsflow has fallen sharply from its 65.9 October high to 16.7 in February. Coverage of the PBoC's cuts to the required reserve ratio (RRR) appear to have driven the more recent moves. It remains somewhat elevated vs history however

Chart 3: China Monetary Policy NewsFlow



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

China Revenues Newsflow saw a healthier rebound in February rising by 19.8pts from -7.5 to 12.3. Despite this improvement it remains at levels consistent with a %YoY fall in Chinese total trade (USD)

Chart 4: China Revenues NewsFlow



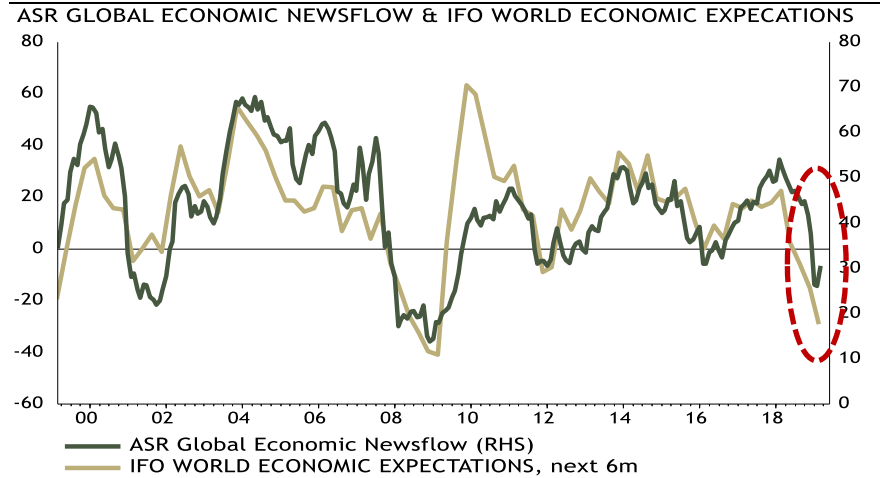
Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



Global Components (Economic, Earnings, Revenues)

Global Economic Newsflow bounced in February from 26.0 to 30.5, its first positive move in five months. It is down 7.7pts on a three-month view

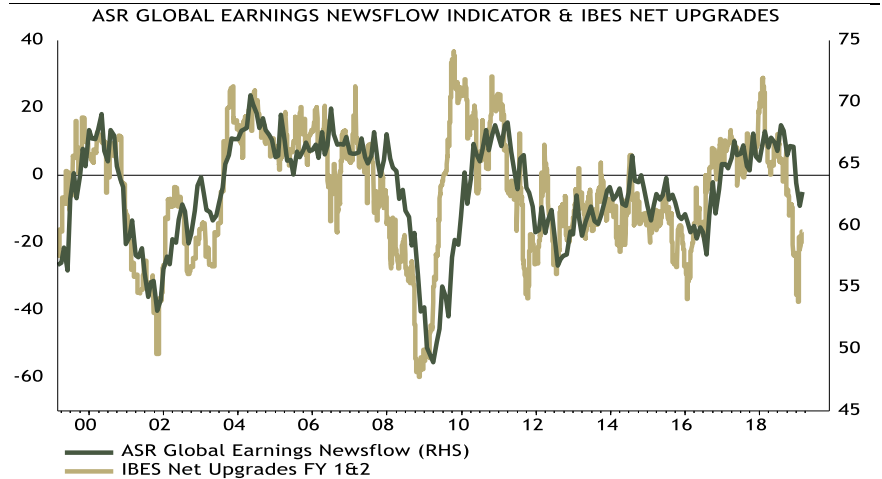
Chart 2: Global Economic NewsFlow



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

Corporate Earnings Newsflow also rose slightly, though it remains consistent with negative net upgrades

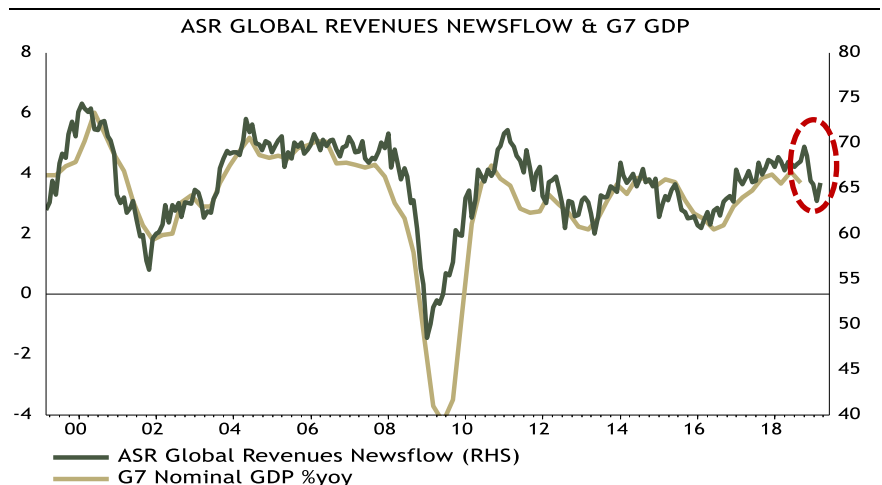
Chart 3: Global Corporate Earnings NewsFlow



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

Global Revenues Newsflow rose to 65.6 from 63.7, its first positive monthly move since September last year

Chart 4: Global Revenues NewsFlow



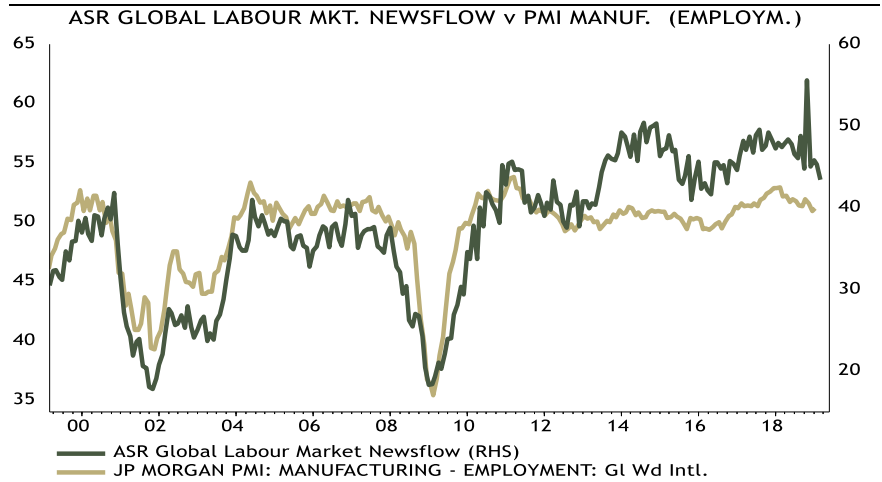
Source: ASR Ltd./Factiva.com/Datastream from Refinitiv



Global Components (Labour, Inflation, Monetary)

Global Labour Market Newsflow was one of only two global components which declined in February, falling to 43.5 from 45.3

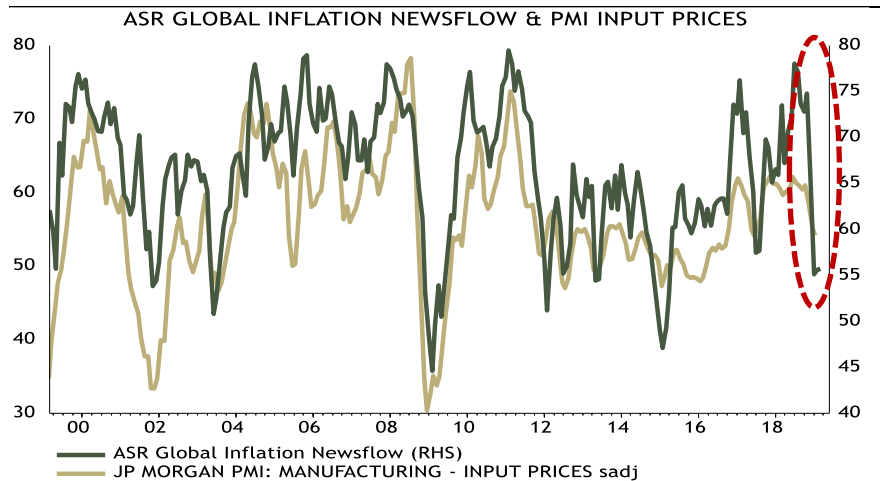
Chart 5: Global Labour Market NewsFlow



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

Global Inflation Newsflow rose slightly to 55.7 from 55.6, but has failed to meaningfully regain any of the ground it lost following its sharp December decline. It is consistent with further weakness in the Manufacturing Input Prices PMI

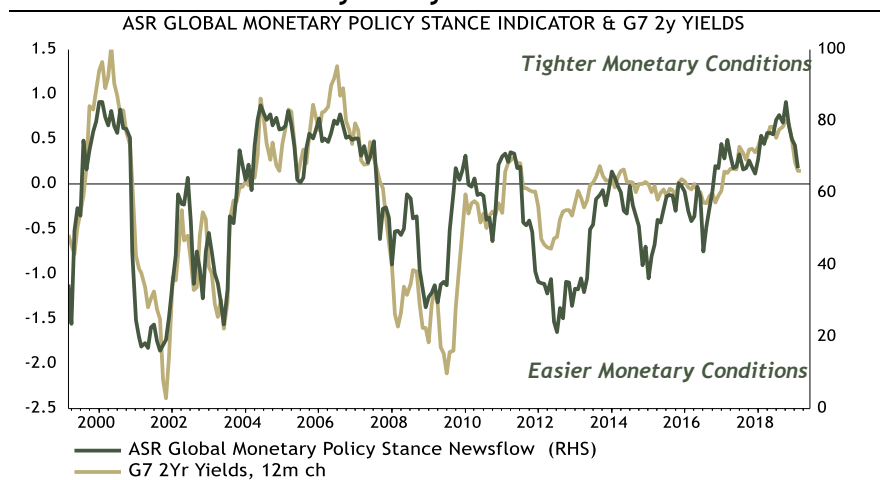
Chart 6: Global Inflation NewsFlow & PMI Input Prices



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

Global Monetary Newsflow was the biggest mover among the global components in February, falling to 67.0 from 73.2. This was unsurprising given the Fed's doveish u-turn at the end of January (which Dom looks at in today's [Economics note](#)). The Fed move also prompted speculation of the likely impact on other central banks that would be forced to rethink planned rate rises

Chart 7: Global Monetary Policy NewsFlow



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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