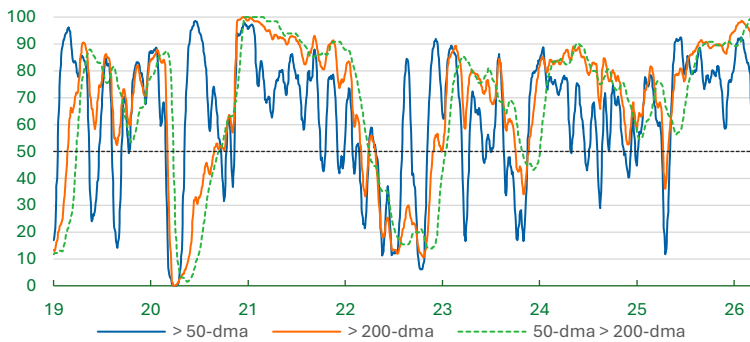


## Concerns continue to mount

### Global Market Performance Indicator

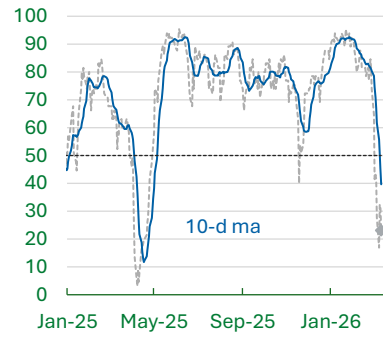
(% of 65 global indices, 10-d ma)



Source: Investing.com, Watt Strategic Economic Advisors

### GMPI

(% of 65 global indices)



Source: Investing.com

## Overview

WSEA's Global Market Performance Indicator (GMPI) continues to show mounting concerns in markets — fallout from the ongoing war in the Middle East. At present, only 15 markets are currently above their 50-dma.

Not surprisingly, a primary concern is the interruption of the flow of traffic through the Strait of Hormuz — the largest recorded disruption on record. Tanker flow has all but stopped, and attacks on ships traversing the waterway only amp up the potential economic and financial market risks. The Strait of Hormuz chart only has data through 8 March, but things have not improved in recent days. Hence, the risks to the global economy continue to percolate.

Also, not surprisingly, the Middle East supply shock has put material upward pressure on oil prices. Brent crude oil is back over USD100/bbl for the first time since mid-August 2022. For WTI, there had been a great deal of attention on the brief spike to near USD120/bbl on 9 March. Though the price has pulled back soon after that spike, there is still upward pressure on oil prices due to the ongoing tensions. The record release of oil reserves by the IEA member countries (400 million barrels) has done little to clam markets. This is because there are limits to the release of strategic reserves while there is no set date for the re-opening of the Strait of Hormuz. It is far from clear that the strategic reserves can cover the gap. Meantime, as those reserves are “strategic” some countries might balk at running them down too far in current circumstances. Hence, amid supply-induced upward pressure on oil prices, there is also a great deal of uncertainty embedded in oil prices. As a result, oil price volatility is quite high.

High and volatile oil prices are potentially very disruptive to the energy sector and by extension to the global economy as those higher prices and the underlying uncertainty spread through global supply chains. The last time oil price volatility was higher was in 2020. However, at that time, the disruption was due to a collapse in demand, which drove oil prices down. As economies re-opened, things started to return to “normal.” This time, the issues is a serious supply shock, and the longer it lasts, the more the challenges spread through global supply chains. It could easily become much more difficult to return to “normal.”

### Still focused on US markets

In this shortened report, we wish to highlight some of the issues from our last report. In particular, we are paying close attention to US stock markets, specifically, the S&P 500, the DJIA, and the Nasdaq. All are very close to their 200-dma. A swift end to the war in the Middle East might provide some relief, but also note that the S&P 500 was basically stalling out even before the recent market shock. In short, the market was desperate for a new narrative. Unfortunately, the most pressing narrative now is a worrisome one. The key point is that even if the war ends soon, markets will still need a new narrative to support a sustained upswing. If not, any market bounce might not have any wind beneath its wings.

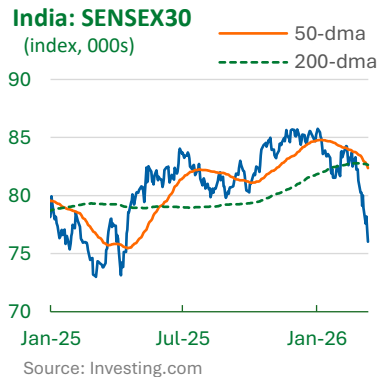
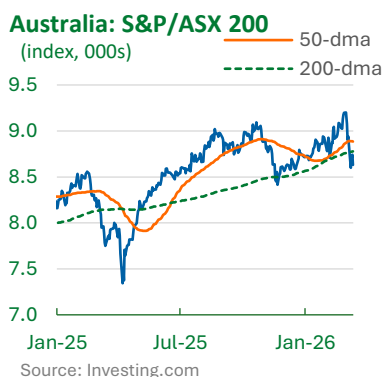
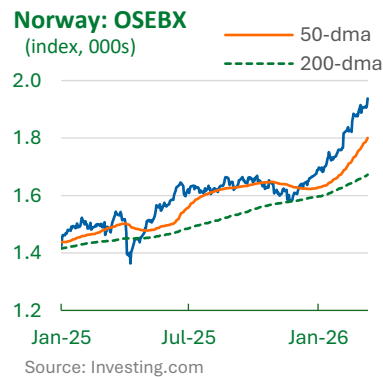
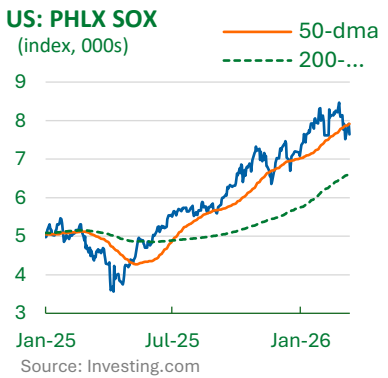
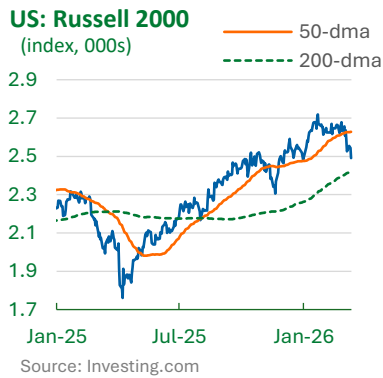
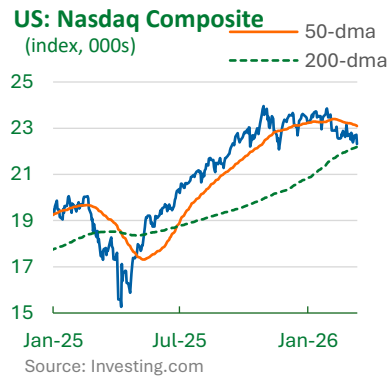
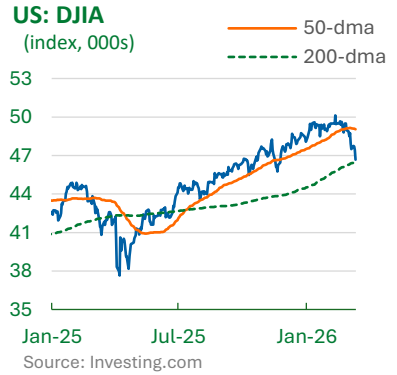
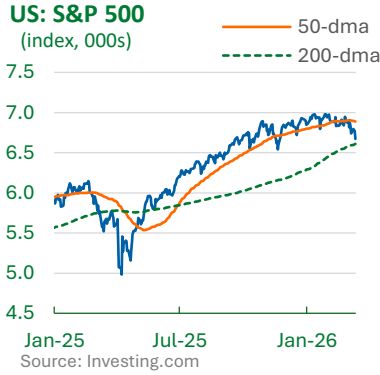
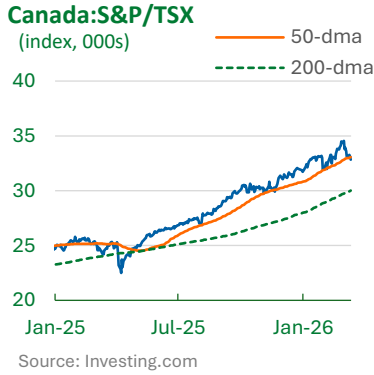
There are some intriguing stories in global markets. For example, despite the downward pressure on broader US markets, the Philadelphia semiconductor index remains elevated. Hence, there does still seem to be solid support for firms involved in semiconductor design and manufacturing. There might, therefore, still be a bit of life in the data center/AI narrative.

Other markets in focus include Norway and Canada. Norway is a cleaner oil play so it is seeing some notable gains recently. Canada is more diversified, with less weight on the energy sector and more susceptible to spillovers from developments in the US. As a result, Canada is a balancing act. It is outperforming the US indices, while it is lagging the more energy-sensitive Norwegian market. In other words, Canada seems pretty boring. That said, I am not complaining.

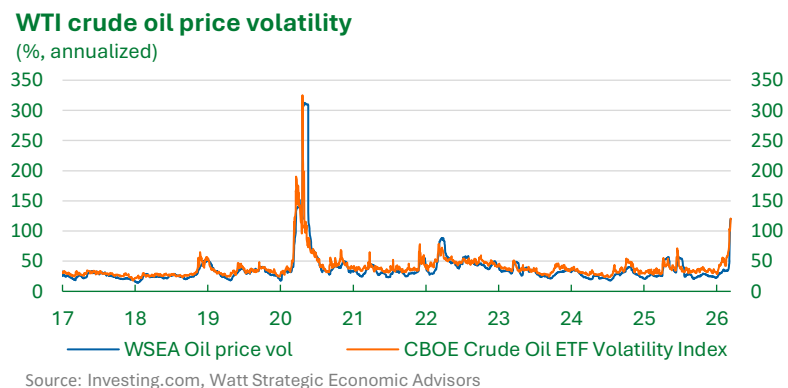
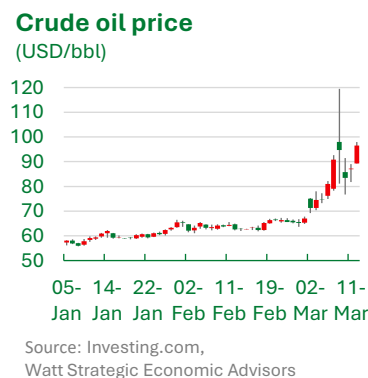
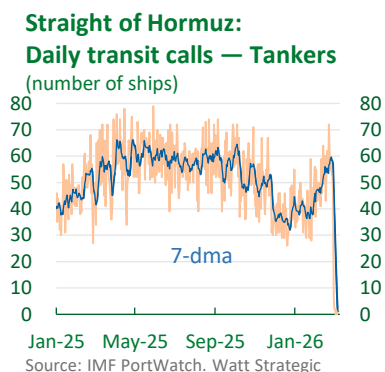
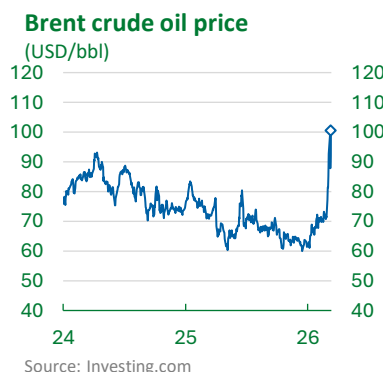
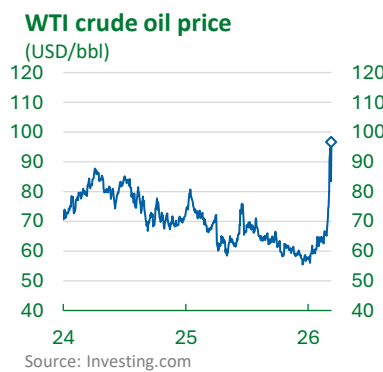
Some other markets that are in focus are Australia and India's Sensex. In Australia, its stock market has been testing its 200-dma in recent days. There are only a few markets currently below that threshold, but Australia is one of first hinting at a possible rollover in market sentiment.

Turning to India, the Sensex has been under assault. Selling pressure, however, was building before the Middle East war. But, as India imports a substantial share of its oil from the Middle East, the headwinds to the Indian stock market have intensified. Also, note that the 50-dma has fallen below the 200-dma — a Death Cross. This is only the second market to post such a cross over. The other, Denmark, is more a cautionary tale of market concentration risks than a sign of deteriorating sentiment. That said, two markets have now posted Death Crosses, so we will be on watch for more to see if there is a more widespread deterioration of sentiment on global markets.

## Key markets



## Other indicators to watch



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