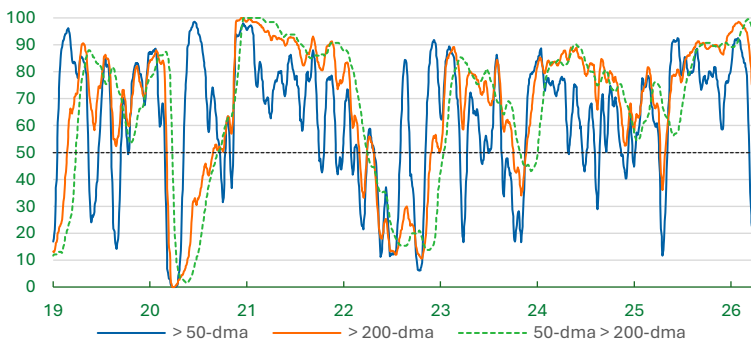


Markets show some nervousness into weekend

Global Market Performance Indicator

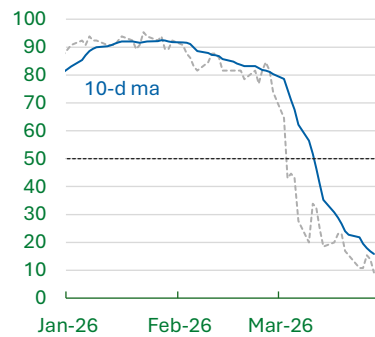
(% of 65 global indices, 10-d ma)



Source: Investing.com, Watt Strategic Economic Advisors

GMPI

(% of 65 global indices)



Source: Investing.com

Overview

WSEA's Global Market Performance Indicator (GMPI) continues decline, despite efforts by some prominent individuals to boost market sentiment. At the present time, only 6 of 65 global markets (9.2%) are currently above their 50-dma. The 10-dma of this indicator is just over 15%. However, short of a stunning reversal in market direction, the low point hit after the Liberation Day tariff announcement in early April 2025 is going to be tested. Note that after Liberation Day — at it worst — only 2 global markets remained above their 50-dma.

What we are watching more closely is the number of markets that are falling below their 200-dma. In the past, such as during periods of widespread financial crisis or concerns about financial stability, the bottom would effectively fall out of markets. Global stocks indices would plunge through their 50-dma and their 200-dma in short order amid clear signs of distress if not outright panic.

Presently, while many markets have broken below 50-dma, several markets are holding above their 200-dma. To some extent this is because markets were in strong upswings to start this year, so the 50-dma was well above the 200-dma. However, in some cases, it might be a sign of some complacency that the war will end quickly, or that the structural damage to the global economy will be limited or quickly reversed.

Such a market mindset would leave market participants vulnerable to social media posts from the US President. That is, markets are responsive to indications of moves to de-escalate. It now seems as though markets are starting to become more concerned and more focused on longer-term market valuations in some markets.

In the US, we now see the S&P 500, the DJIA, and the Nasdaq are below their 200-dma. In fact, looming in the next few days, the Nasdaq's 50-dma looks to fall below its 200-dma. The S&P 500 might observe a similar crossover not long after that. These crossovers will represent the changing circumstances for these markets. Recent developments also suggest that it is more difficult to see the endgame of what is going on in the Middle East. It is becoming less of a situation that markets can look through.

While the US President talks about putting off aggressive bombing campaigns and seems to suggest that there are efforts to cool things down, there are thousands of US troops on the way to the Middle East. Musings on de-escalation are starting to ring hollow when troop movements suggest escalation looms.

As a result, we are also again seeing oil prices rise into the weekend. While neither WTI, nor Brent are at their recent highs, event risks are significant during periods when markets are closed.

Also, markets are increasingly coming to grips with the ongoing closure of the Strait of Hormuz and the risks that this poses to the global oil industry, the global economy, but also to a wide array of other global industries.

Some of the markets that are showing more acute strains of the Middle East war and the closure of the Strait of Hormuz are Germany, and Kuwait (which also, of course has a direct regional concern too). In Germany, the DAX is set for an imminent break of the 50-dma below its 200-dma.

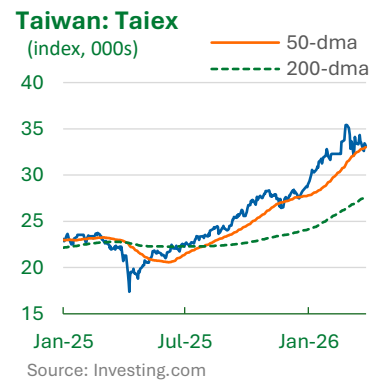
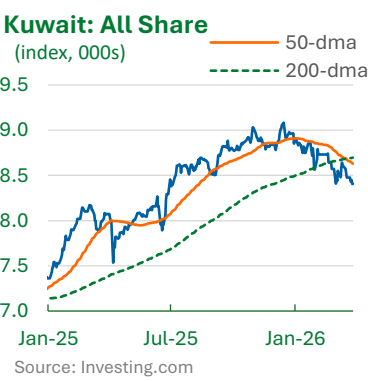
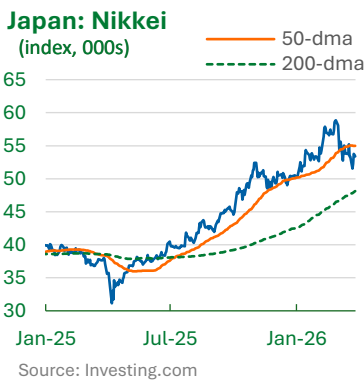
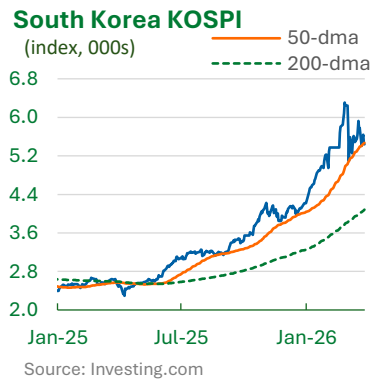
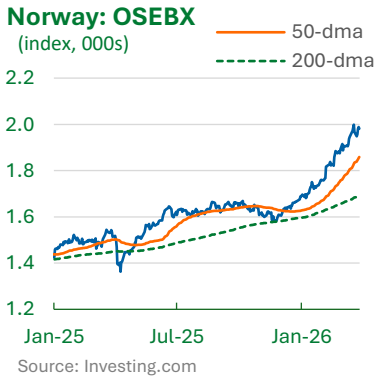
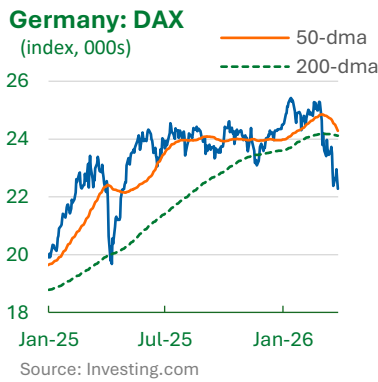
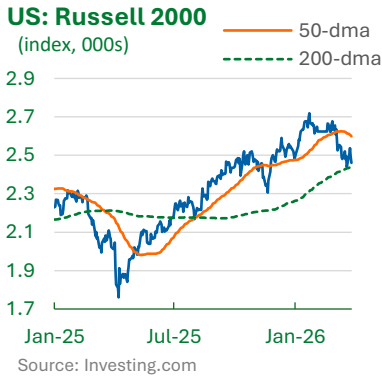
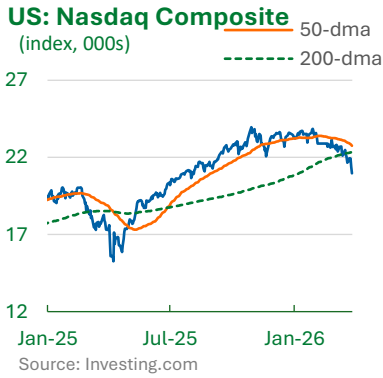
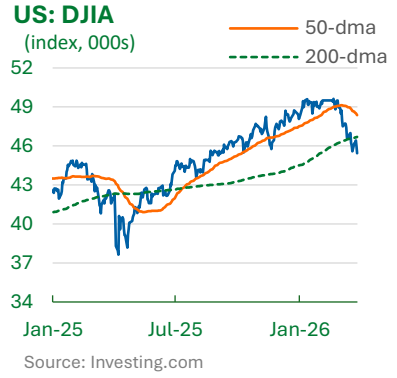
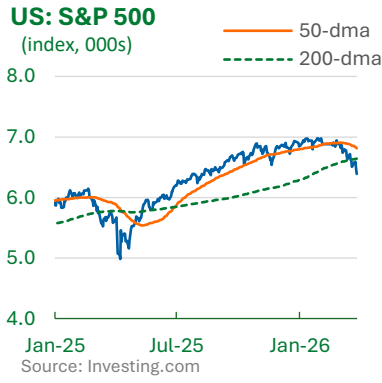
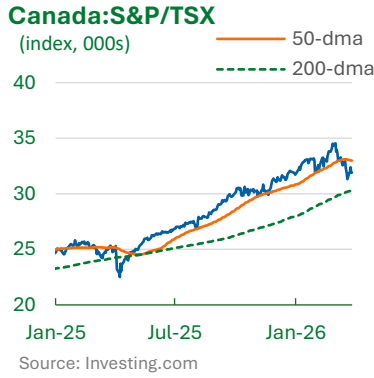
Not all bad news

That said, there are some markets that are still holding on, if not doing well. For example, in the US, the Philadelphia semiconductor (SOX) index now looks to have broken below its 50-dma, but it remains well above its 200-dma. As well, markets in Japan, South Korea, and Taiwan are showing some resilience, though all are off peak levels. SOX, South Korea and Taiwan remain supported by still strong prospects for tech industry demand: AI data centers and potentially, the need for semiconductors to rebuild missile batteries.

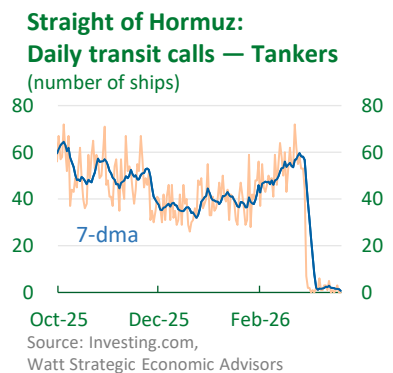
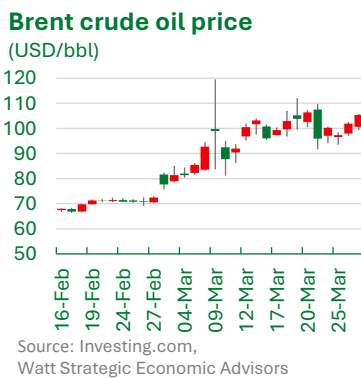
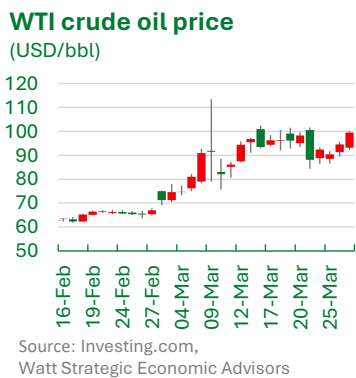
Then there are markets like the energy-heavy one in Norway. It has been on fire since mid-November and continues to rise even as geopolitical risks increased sharply on the military actions against Iran. (Not charted, but Nigeria's stock market is also surging on the rise in energy/oil prices).

The Canadian S&P/TSX, which also has a large energy component, has been hit by some cross-currents. The rise in oil prices is providing a strong boost to the Energy sector, but concerns about higher interest rates and the decline in gold prices have weighed on the Financials and Materials sectors. Hence, the S&P/TSX is trading in the range between its 50-dma and its 200-dma.

Key markets



Other indicators to watch



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