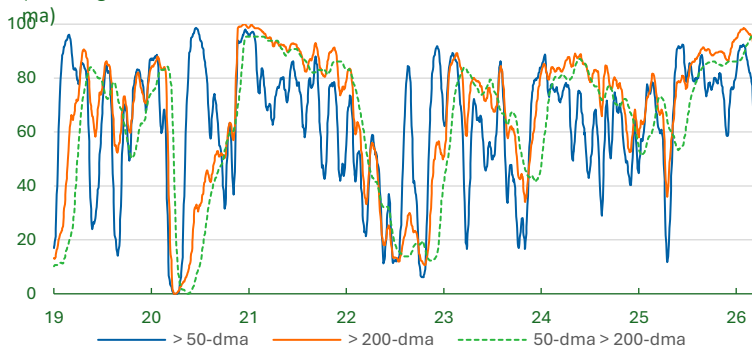


Markets tumble; Regulators monitoring

Global Market Performance Indicator

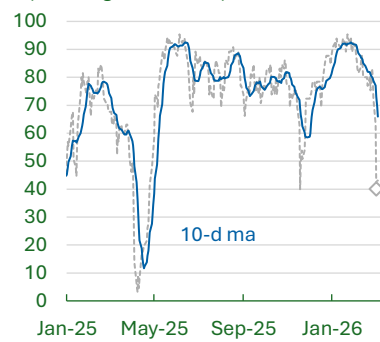
(% of 65 global indices, 10-d)



Source: Investing.com, Watt Strategic Economic Advisors

GMPI

(% of 65 global indices)



Source: Investing.com

Overview

WSEA's Global Market Performance Indicator shows the impact of the Middle East war on market sentiment. The spot reading shows that only 40% of global markets are currently above their 50-dma. Not surprisingly, the most dramatic moves have been in the past few days. The sharp downdraft dragged the 10-dma of our GMPI indicator to its lowest level since early December. Note, however, that the indicator was already heading lower, suggesting that global market sentiment was already softening before getting pummeled by the Middle East war.

Some of the markets that had been high-flyers over recent weeks suffered the most. This might be partly due to some profit-taking after some very strong gains, in addition to the spike in uncertainty. This does not necessarily signal a definitive change in market direction. There will of course be those who might be prepared to jump on these sell-offs in the belief that the market impact will only be short-term. For many investors, that has been their lived experience. Load up on sharp sell-offs — The Fed Put and its global variations. As well, it is far from clear that economic/financial fundamentals have deteriorated markedly.

Among the high-flyers who have lost some altitude, South Korea's KOSPI index tumbled by 18.4% earlier this week. That said, the index rallied 9% in the most recent session, on a perceived decrease in geopolitical stress and, oh yeah, President Lee Jae Myung asking officials managing the market stabilization fund to act "appropriately and swiftly." Similarly, Taiwan's TAIEX index unwound a healthy amount of its recent gains. Again, the TAIEX did stabilize a bit today.

Looking at other markets, some have benefited from the turbulence in the Middle East and the upward pressure on oil prices. Specifically, stocks in major oil producers did well such as Norway's OSEBX and Nigeria's NSE. Canada's S&P/TSX declined a bit, but it remains above its 50-dma with oil prices cushioning any blows. Meantime, some other markets that generally show some sensitivity to oil prices have suffered from the geopolitical/regional risks, for example, Kuwait's All Share index.

In the backdrop of many markets, regulators are paying attention and seem primed to ensure market/financial system stability. Hence, that investors are prepared to jump onto selloffs might be a sign of confidence that regulators and market overseers are doing their job. Though no formal actions have been taken, regulators in the US, EU, UK, Japan, the Gulf states and elsewhere have indicated that they are monitoring developments. That said, regulators are focused on risks to systemic/financial stability, their job is not to boost markets after every downturn. It would be perilous to confuse the two. Market selloffs do not necessarily amount to systemic risks. Nonetheless, institutions matter, and eroding institutions is potentially a catastrophic mistake.

US markets: No longer going up, but not quite going down

Looking at the US markets, there has been some uncertainty over how to deal with the uncertainty. However, if you look at the major US markets what you see is that they are all testing, or below, their 50-dma. Interestingly, both the S&P 500 and the NASDAQ seem to be mapping out rollovers. That is upward momentum has been lost, potentially setting the stage to head lower. This is not necessarily a prelude to a sharp sell off. Instead, it highlights a shift in narrative. What had been driving markets upward has run out of energy, and there needs to be a new development to spark further gains. Into this narrative interregnum, there was a significant shock.

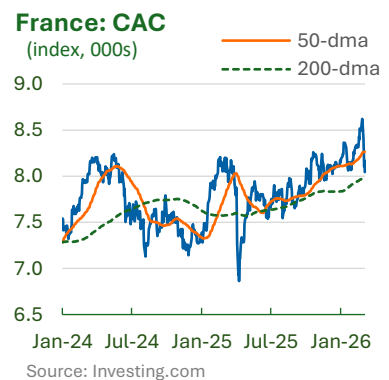
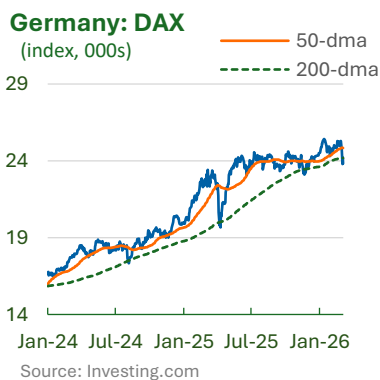
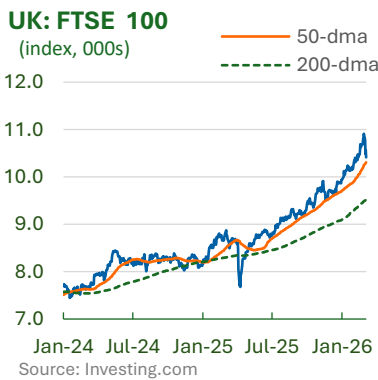
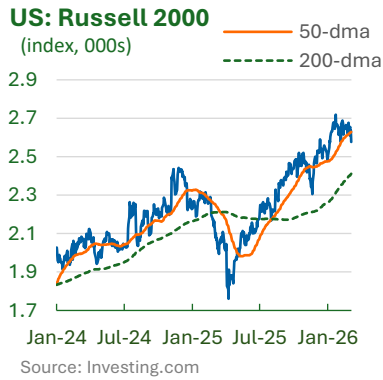
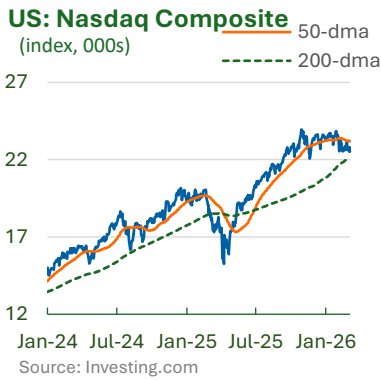
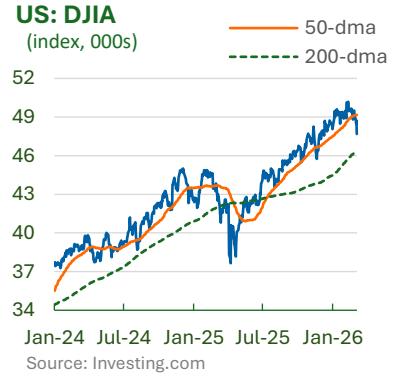
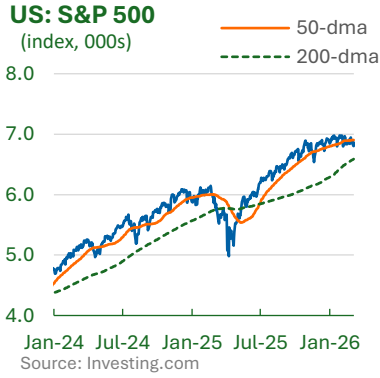
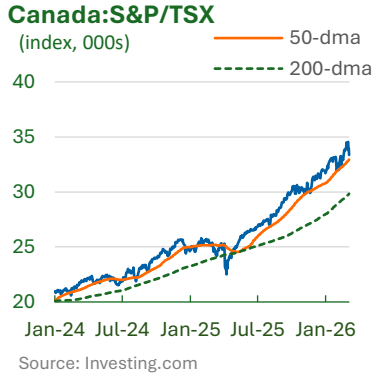
We have also seen several European markets falling below their 50-dma. The disruptions in global energy markets turned a focus toward Europe, which is heavily reliant on imported energy products. As a result, there are concerns about inflation in Europe which might cause the ECB to delay any potential additional rate cuts.

That said, we are not seeing dramatic sell offs, and we are not seeing many markets breaking their 200-dma. Germany's DAX is one of the exceptions, while France and Ireland are getting close to their 200-dma. Short-term sentiment has deteriorated, but thus far, market developments seem orderly.

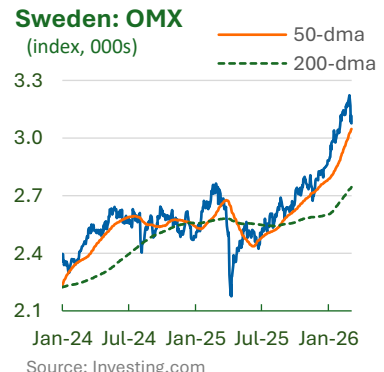
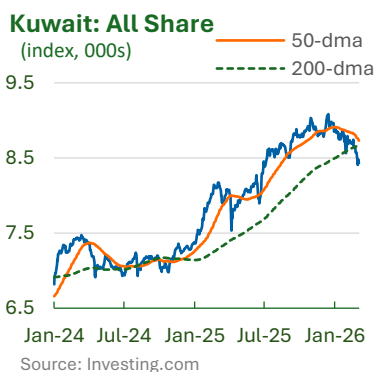
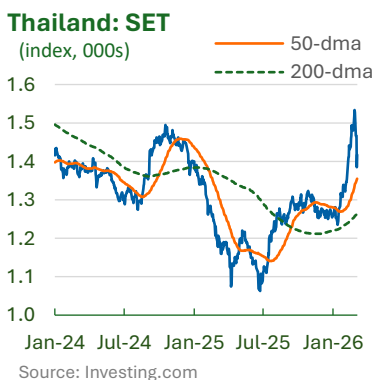
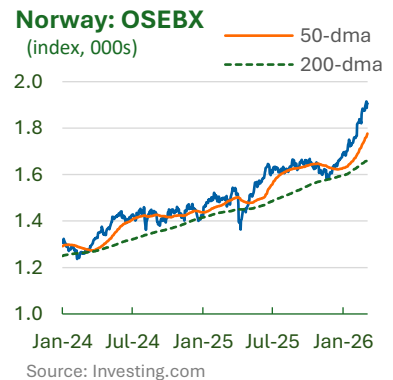
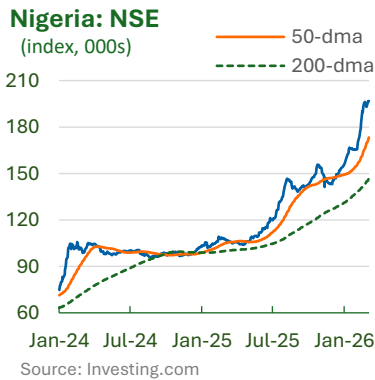
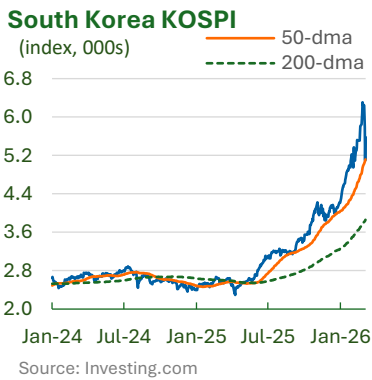
Some other markets that are standing apart from the crowd are Hong Kong's Hang Seng, Indonesia's JKSE, and India's Sensex have all taken out their 200-dma. However, all of these markets were either going down already, or were, at best, trading water. The global downward pressure just pushed them over the threshold.

Bottom line: Market sentiment was already rolling over before the war in the Middle East started, and several markets were potentially exposed to profit-taking. What is unclear is whether this will just be short-term correction — blowing off some steam — or the early stages of a more persistent decline in global stocks. The length of the war will matter, but so will any broadening of the conflict, or any greater disruption to global supply chains beyond the Strait of Hormuz.

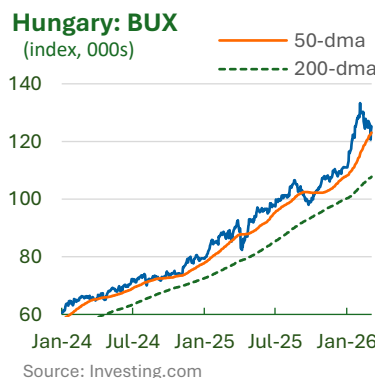
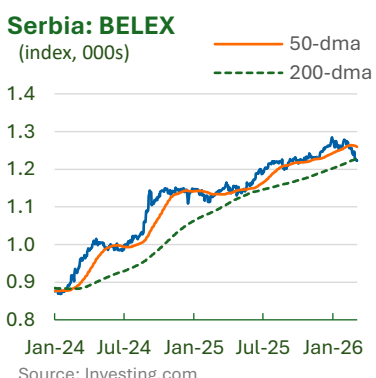
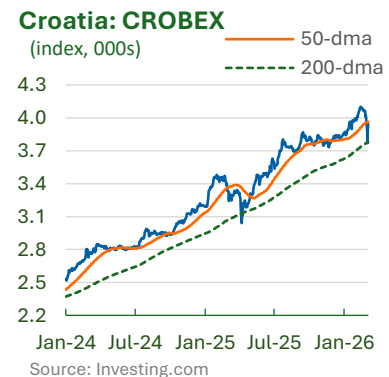
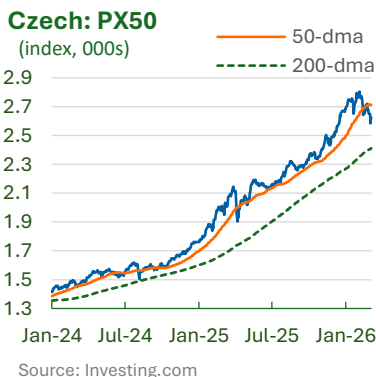
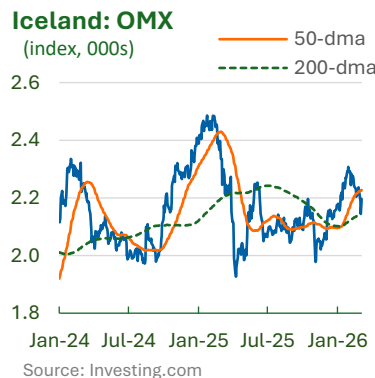
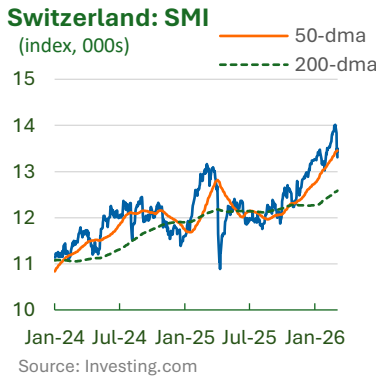
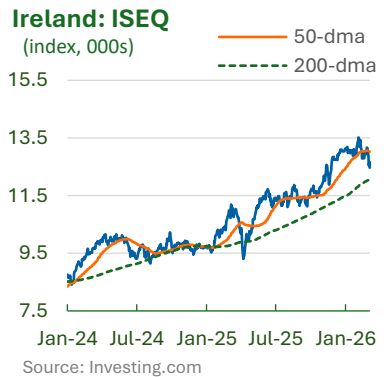
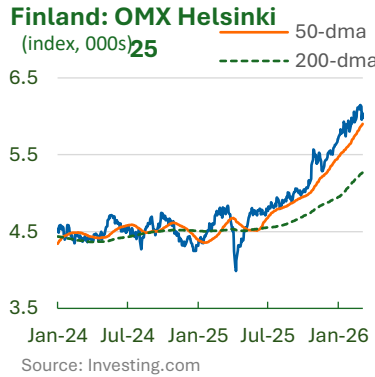
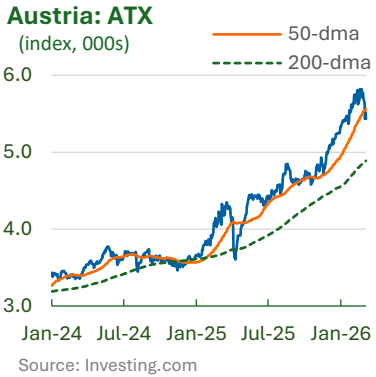
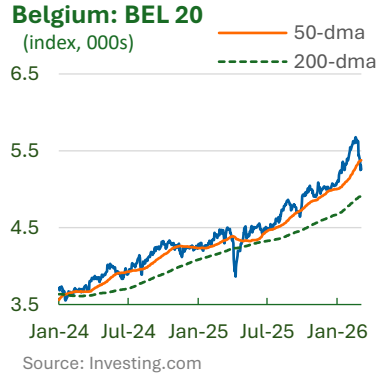
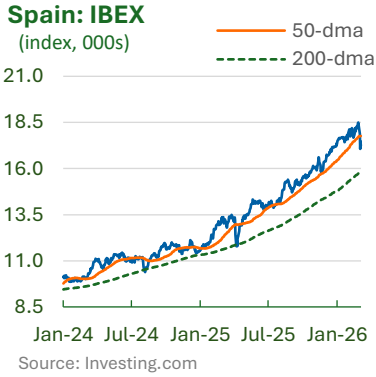
Key markets



Markets in focus



More European markets



Latin American markets

Brazil: Bovespa
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Mexico: INMEX
(index, 000s) — 50-dma — 200-dma



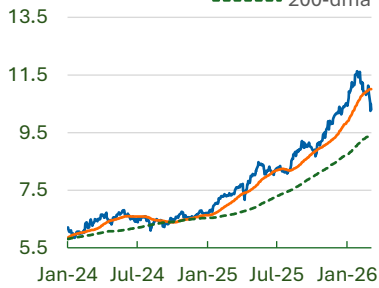
Source: Investing.com

Argentina: Merval
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Chile: IPSA
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Colombia: COLCAP
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Asia, Africa, Middle East

Hong Kong: Hang Seng
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Taiwan: Taiex
(index, 000s) — 50-dma — 200-dma



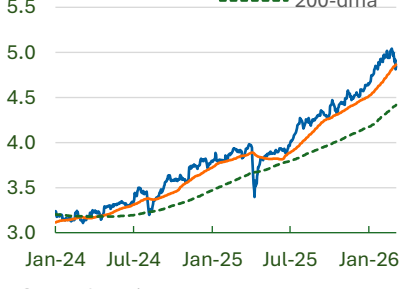
Source: Investing.com

Shanghai Composite
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Singapore: SGX
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Vietnam VN Index
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Indonesia: LX45 Index
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

Malaysia: KLCI Index
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

UAE: ADX General
(index, 000s) — 50-dma — 200-dma



Source: Investing.com

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