

Chinese stock rallies, Japan's loose liquidity and Slowbalisation

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This week's charts offer insights into China's great reopening from two angles: the aftermath of stock busts and tourism to Japan. Speaking of Japan, its yield control policy means liquidity is being added to the market on a global basis. For India, we offer a model to predict economic growth. We track which nations are showing positive PMIs and promoting the most women to the boardroom. Finally, we measure how globalisation has stalled, why the high-yield credit market might stay interesting, and note that fewer Americans than usual missed work due to bad weather.

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Comparing Chinese bear markets and bouncebacks

China's zero-Covid policy was tough on its equity market. As our chart shows, it was the worst bear market in recent memory, posting a maximum intra-year decline, or drawdown, of 46 percent from its peak that year.

However, steep declines by the MSCI China Index are not unusual. As the European sovereign debt crisis sideswiped markets around the world, the Chinese benchmark posted a maximum drawdown of 38 percent during 2011.

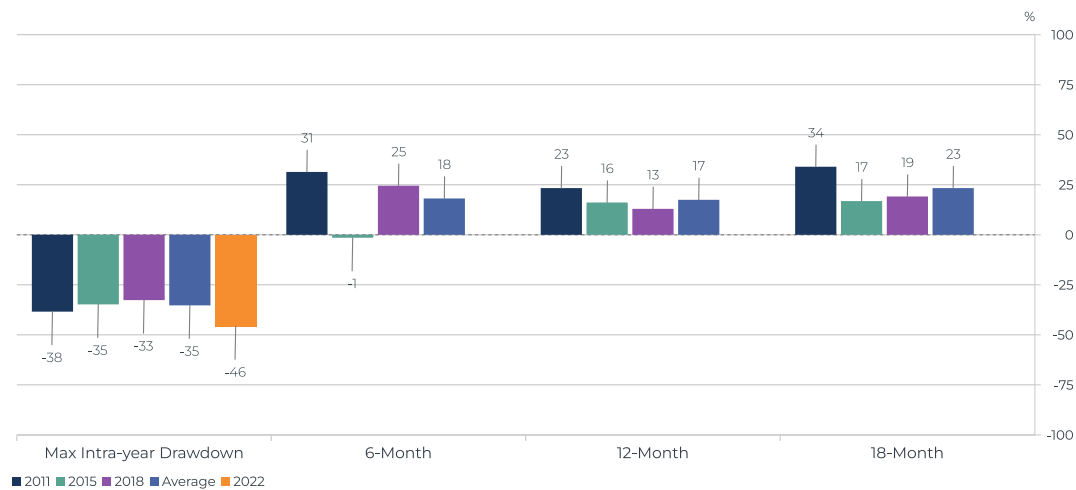
Amid US-China trade tensions during the Trump administration, the drawdown reached 35 percent. And in 2015, a period of market froth in China was followed by a 35 percent decline on recession concerns.

For investors gauging whether history endorses a bet on China's reopening, there was a modest rebound after the 2011, 2015 and 2018 episodes, averaging 18 percent over 6 months and 23 percent over a year and a half. The MSCI China Index is already 30 percent above its October trough.

Tip: this chart allows for the [change region](#) function.

MSCI China Index returns from market bottom

Source: MSCI



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A decade plus of Slowbalisation

This chart tracks our globalisation barometer – as measured by the sum of exports and imports as a percentage of GDP.

Our chart starts in 1970, at the tail end of what can be considered the postwar era of reconstruction, international cooperation, Keynesian economic approaches and fixed exchange rates.

In about 1980, a trend towards economic liberalisation began. This second wave of globalisation, in green, was marked by growing access to cheap, deregulated labour in emerging markets and other innovations such as container shipping.

Since the financial crisis, globalisation looks more like “slowbalisation,” with the barometer in retreat. Tariffs are rising, environmental concerns are prompting consumers to seek locally produced goods, and countries are aiming to “reshore” industries at a time of heightened geopolitical tension.

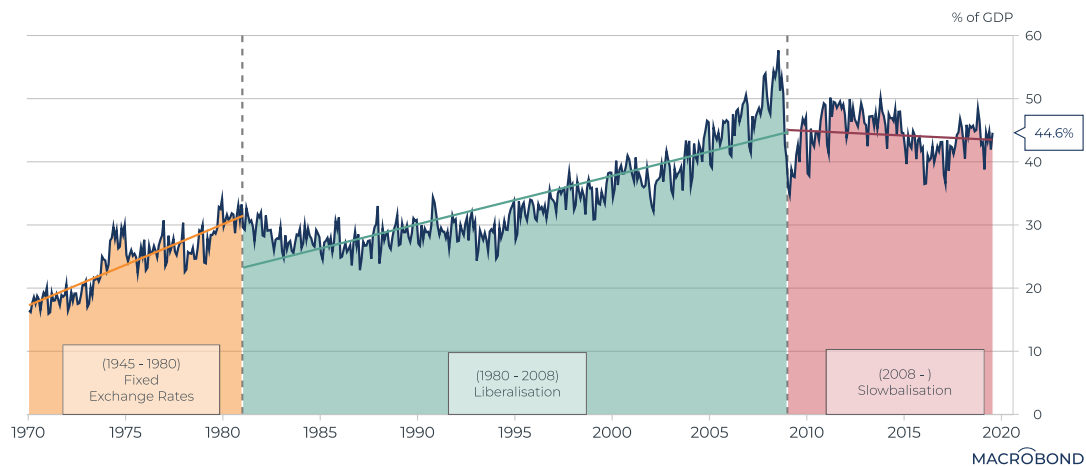
Carbon taxes may be the next blow to globalisation, making shipping more expensive.

World - Eras of Globalisation

Trade openness slowed following the global financial crisis

(Sum of exports and imports as a percent of GDP)

Sources: International Monetary Fund (IMF), United Nations Conference on Trade & Development (UNCTAD)



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Loose policy in Japan means central banks are adding liquidity again

Last month, we wrote about [Japan's yield control policies](#). The central bank is an outlier globally – the last of its peers to maintain negative interest rates. Japan had recently surprised markets by widening the range of acceptable government bond yields, prompting speculation that a greater policy shift could follow.

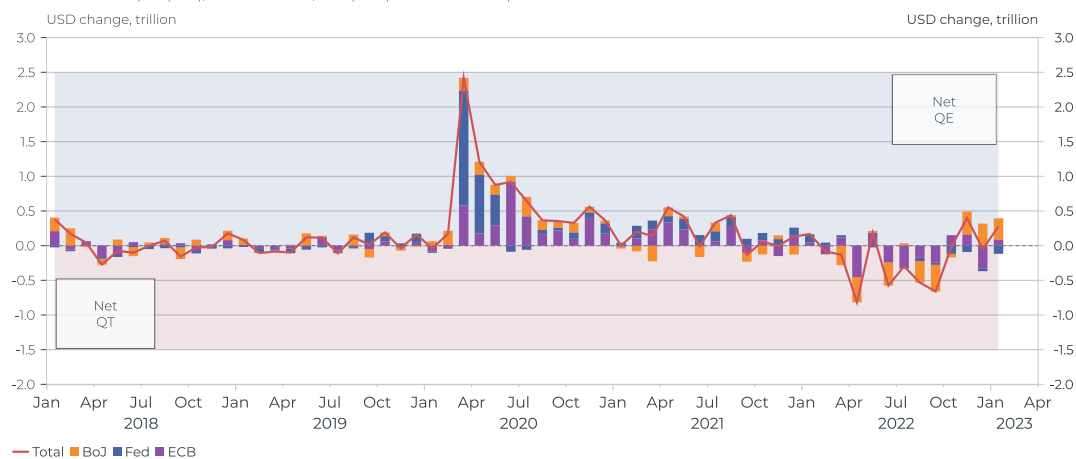
But the Bank of Japan vowed to double down and keep buying bonds to keep yields low. As our chart shows, these purchases were recently bigger than the Federal Reserve's quantitative tightening program.

This means that on a global basis, central banks are once again adding liquidity to global financial markets. This likely contributed to the rally across equity and credit markets in January.

BoJ quantitative easing greater than Fed quantitative tightening

MoM change in central bank assets

Sources: Bank of Japan (BOJ), Federal Reserve, ECB (European Central Bank)



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India is slowing down in our Nowcast

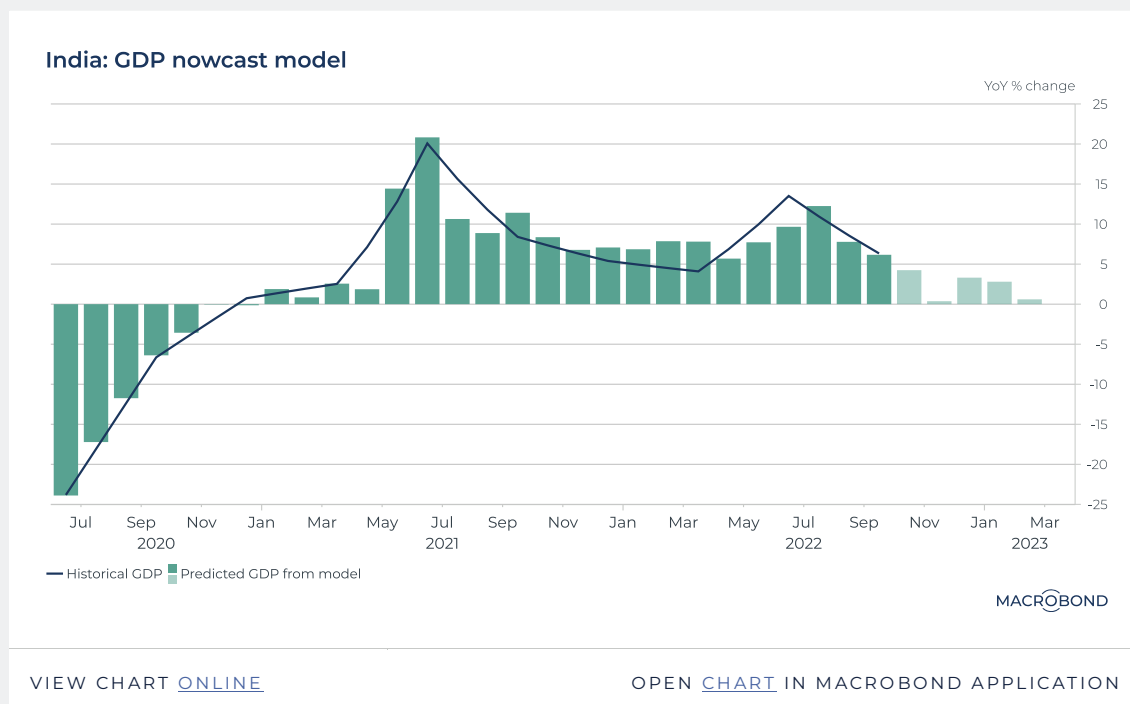
Our latest Nowcast takes a look at India, [which is likely to surpass China's population this year](#) while also being buffeted by higher oil prices.

Nowcast models aim to “predict” the present for the economy, given there is a lag before data becomes available, and keep investors ahead of the curve.

We used a variety of alternative high-frequency indicators to construct this regression model, including rainfall, coal stocks, power production and railway freight earnings. We combined these with more traditional data, such as unemployment, industrial production, and manufacturing PMI. All of these variables are leading indicators of GDP.

However, Macrobond users can change any of these input variables to create their own Nowcast.

Our model is predicting that India experienced a slowdown in the fourth quarter, with year-on-year growth of about 3.7 percent, below the average of the last couple of years.



Bond candlesticks show yields burning historically bright

It was one of the greatest ever routs for bonds in 2022 as inflation picked up and central bankers tightened monetary policy. Corporate bonds were no exception.

Now, with yields at attractive levels, many observers of the debt market are saying “bonds are back” as an interesting investment. Many corporate bond yields, in fact, are at a two-decade high.

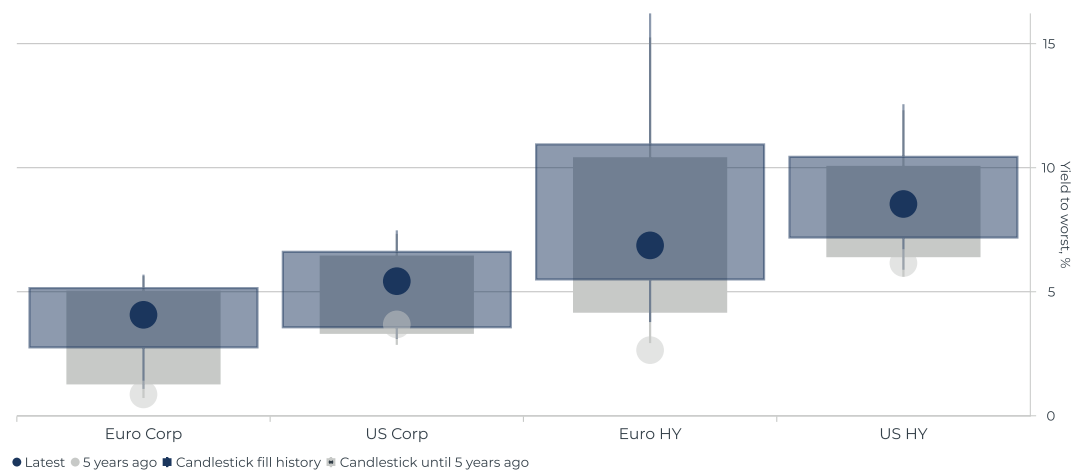
This visualisation uses “candlesticks” to show what corporate bonds in different categories – European, American, high-yield or not – are yielding. Yields are compared to their much lower levels five years ago, their historic extremes, and percentile ranges in different eras.

The following chart requires a subscription to the ICE BofAML add-on database.

Yields available across corporate credit markets have risen

Source: ICE BofAML

Candlestick charts illustrate inter-quartile (IQ) ranges as well as 10th and 90th percentile extremes



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Banks tighten loan standards and that has implications for high yield

While yields on the most speculative corporate debt are higher than five years ago, one indicator suggests there may be more substantial moves to come.

The chart tracks measures of alternative ways companies can borrow money: via bank loans or tapping the public debt markets.

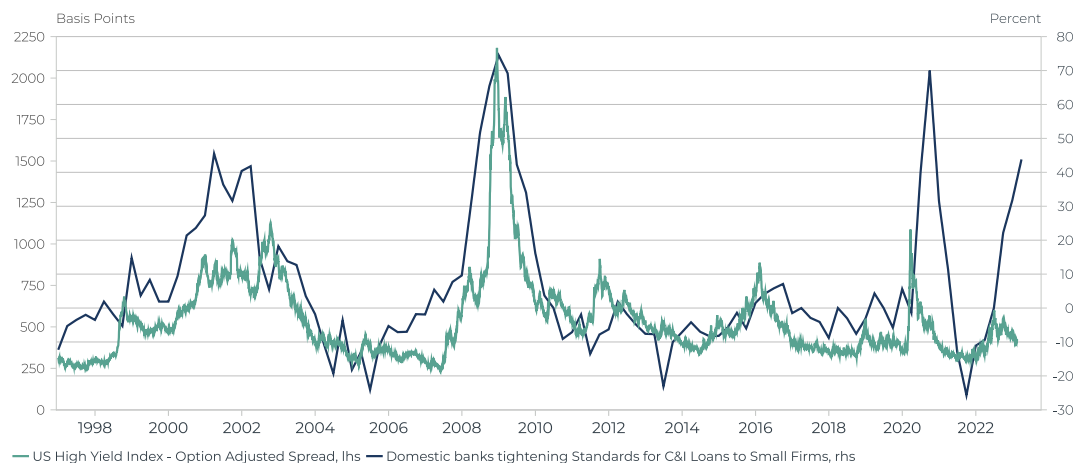
The green line tracks a US high-yield index. The blue line measures the percentage of domestic banks tightening or loosening standards for commercial and industrial loans to small firms.

Historically, they tend to correlate. But recently, there is a severe divergence, with more and more banks presenting companies with tougher loan conditions. Will higher yields in the world of higher-risk credit securities follow, as history suggests?

The following chart requires a subscription to the ICE BofAML add-on database.

United States: increase of tightening standard for C&I loans historically goes in pair with HY OAS jump

Source: Federal Reserve, ICE BofAML



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Women in the workforce and C suite from Norway to Egypt

One of the most remarkable economic megatrends has been the rise of women in the workforce. But this has evolved quite differently around the world.

This chart tracks a range of countries, charting the participation rate for women in the workforce (the x-axis) against the share of CEOs that are female (the y-axis). This attempts to measure how much a country has eliminated the “glass ceiling.”

We can broadly split nations into three categories.

Egypt, India, the UAE and Saudi Arabia are notable for having both low female workforce participation and few female CEOs.

Norway, Singapore and France are notable for having both a high share of women in the workforce and a significantly greater proportion of female CEOs than other countries. (To be sure, even in Norway, men account for more than 85 percent of those top jobs.)

Most countries, including the US, cluster together in between those extremes: many women in the workforce, but not so many CEOs.

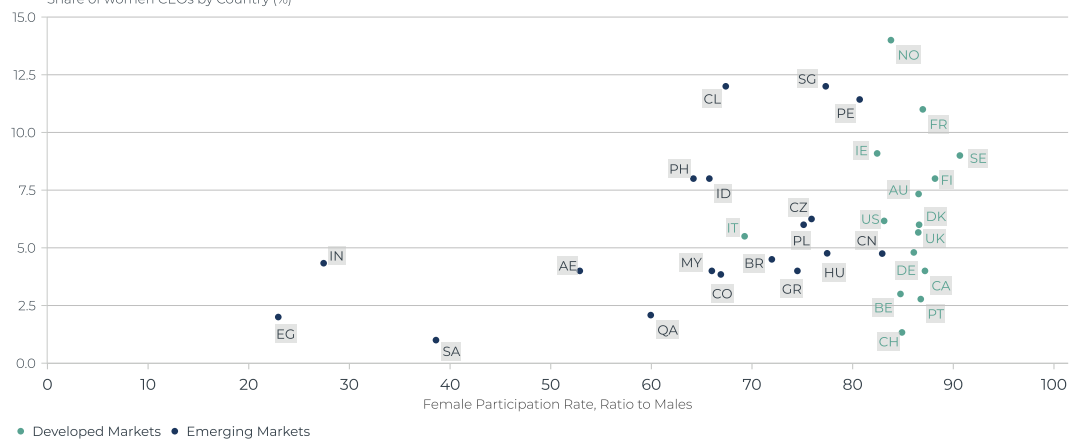
The following chart requires a subscription to the Macrobond/FactSet add-on database.

Female CEOs and Labour Market Participation

The share of women CEOs is higher where their participation rate is also higher

Source: FactSet, World Bank

Share of women CEOs by Country (%)



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Chinese tourists are slowly returning to Japan

China's great reopening is expected to impact many other economies. ([See the replay of our recent webinar on the topic for more.](#))

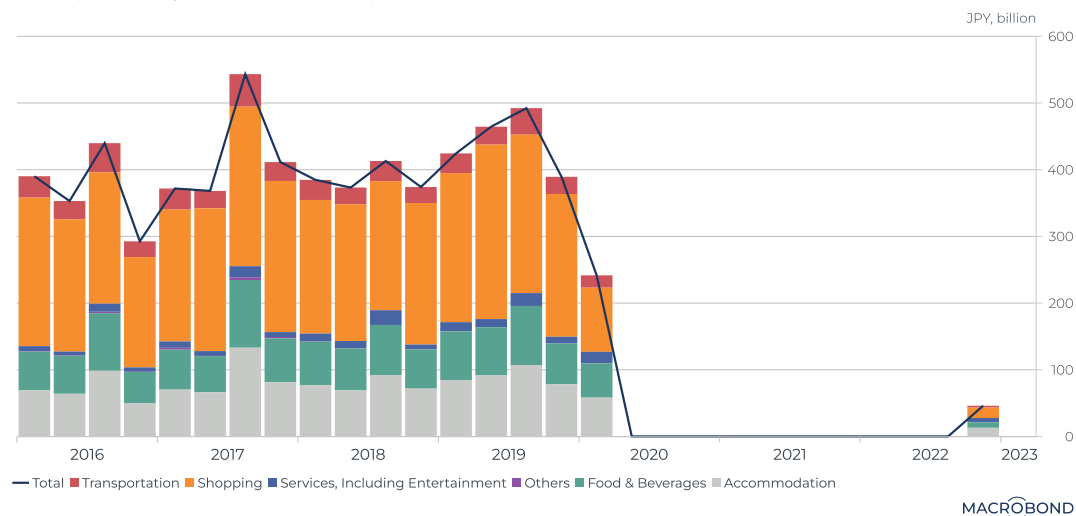
When we asked Macrobond users to share their 2023 outlooks, several were particularly interested in Thailand, a popular spot for Chinese tourists pre-pandemic. Tourism is so important to the southeast Asian nation that one observer was [predicting a big year for the Thai baht](#).

This chart examines another popular destination for Chinese tourists: Japan. It breaks down Chinese travellers' spending in their eastern neighbour by category, including hospitality and accommodation.

It's easy to spot the three years where China closed its borders to fight Covid. For more than 10 quarters between 2020 and 2022, the tourism spending was nil. Chinese travellers were travelling and spending again in the fourth quarter – but only just.

Japan: tourism spending per category, travelers from China

Source: Japanese Ministry of Land, Infrastructure, Transport & Tourism



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Fewer blizzards mean more Americans came to work

Here's a potentially surprising side effect of climate change: fewer "snow days" keeping workers in wintry nations from their jobs.

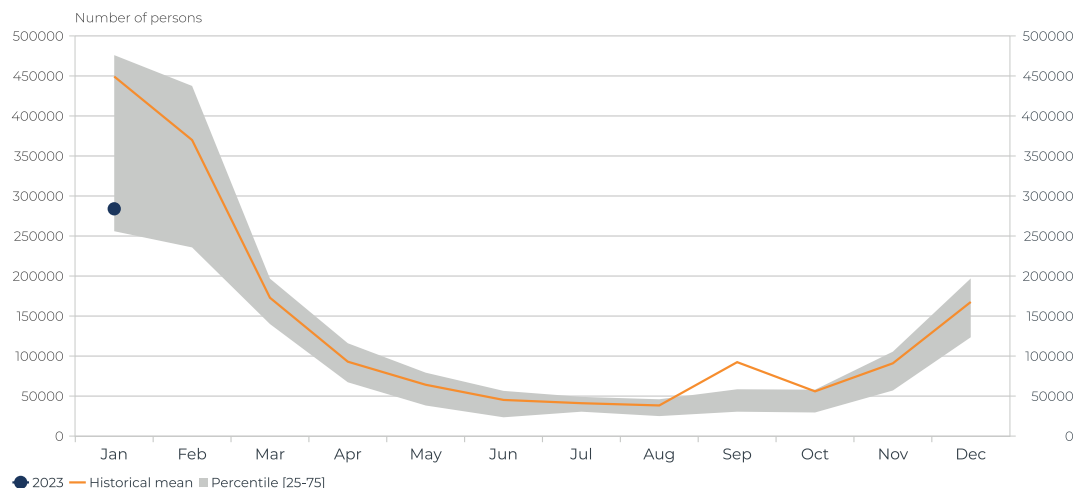
The chart tracks how many US workers were prevented from showing up to their jobs due to bad weather. It charts the historical mean over the course of the year. Unsurprisingly, January and February see the most absences.

But this year, just 280,000 workers were affected in January, well below the 450,000 average.

The mild weather might also be a factor in [the biggest surprise from that January jobs report: the labour market's resilience](#) after a year of monetary tightening.

Number of US workers not at work due to bad weather

Source: U.S. Bureau of Labor Statistics (BLS)



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PMIs suggest emerging markets will grow while developed markets stumble

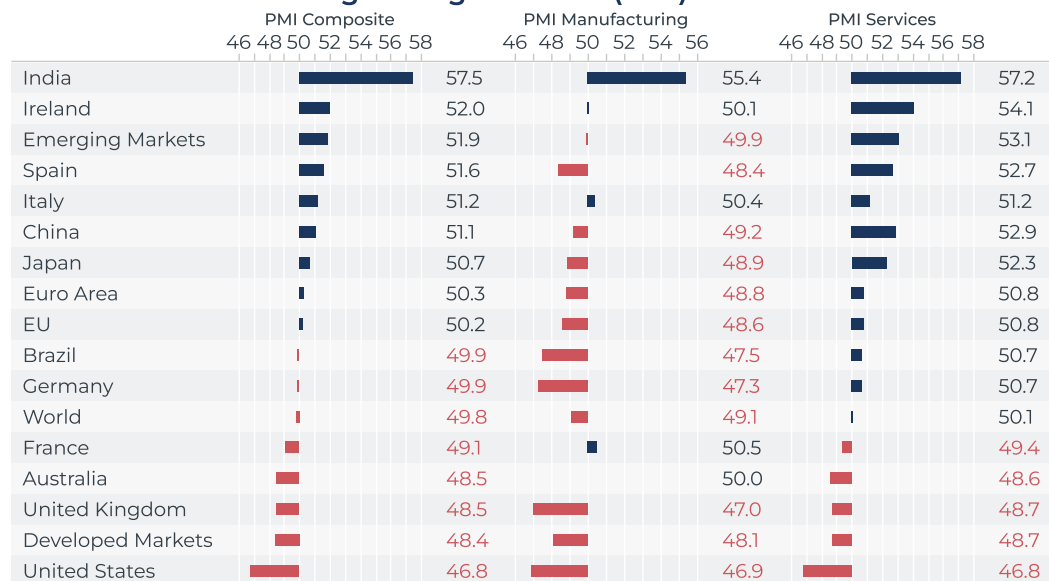
The Purchasing Managers' Index (PMI) is a measure of whether economic contraction is likely, based on whether supply-chain managers are expecting growth to pick up or recede.

This chart shows the Composite PMIs (in blue) for various nations and groups of countries, as well as its subcomponents in manufacturing and services. A reading above 50 means expansion; below 50 means contraction.

Pulling out some global trends, it emerging markets are expected to expand while developed markets contract.

China's reopening is in focus here, as well; expansion is predicted, barely. we can see that World Emerging Markets are expected to expand (PMI Composite of 51.9 in January), whereas Developed Markets are expected to contract (48.4). Second, China is expected to expand (51.1) following the end of it strict zero Covid Policy. Third, at the extreme, we have India which is expected to have the most robust growth (57.5) and the US which is expected to have the lowest (46.8). The UK are not far from the US (48.5). Finally, this rebound will be mainly driven by the Services (65% are above 50) than the manufacturing (23%).

S&P Global - Purchasing Managers' Index (PMI)



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Macrobond news

Macrobond webinar – February 16, 2023

China's great reopening: assessing the prospects for Asia's growth engine

Are we on the cusp of a boom in tourism and trade as pent-up Chinese demand is unleashed? What is the outlook for economies intertwined with China, from Australia to Germany?

Our speakers examined whether Asia's biggest economy is likely to resume its role as the global growth engine – or whether headwinds like a deflating property bubble will weigh heavily on China and its trading partners.

[WATCH REPLAY](#)

Guest blog: Saudi Arabia must persist in its diversification drive

Dr. Said Al Shaikh, a professor at the Kingdom's University of Business and Technology and former chief economist at a major bank, says the nation's Vision 2030 plan is key to build employment in non-oil sectors.

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