



MORNING BRIEFING

January 27, 2020

Going Viral?

See the [collection](#) of the individual charts linked below.

(1) Panic attacks vs bear markets. (2) Going for a ride with the Blue Angels. (3) Will latest virus outbreak be Panic Attack #66, or something much worse? (4) SARS, MERS, EVD, and now nCoV. (5) We are all virologists now. (6) Bad start to the Year of the Rat in China. (7) Signs of global life in commodity prices and flash M-PMIs. (8) Housing-led growth in US during 2020? (9) US leading indicators may have run out of room to signal economic expansion. (10) Railcar loadings are depressing, while truck tonnage is upbeat. (11) Neither boom nor bust in global forward revenues and earnings. (12) What's the message from the bond market? (13) Movie review: Jojo Rabbit (+).

Virology I: Panic Attack #66? What is the difference between panic attacks in the stock market and outright bear markets? The former tend to be relatively short selloffs, of around 5% to less than 20% in the S&P 500. They turn out to be good buying opportunities. Corrections are the more severe versions of panic attacks amounting to selloffs of 10% to less than 20%. Bear markets are longer selloffs typically lasting more than a year with the S&P 500 down 20% or more. (See our [S&P 500 Bear Markets and Corrections Since 1928](#).)

Panic attacks tend to reflect widespread fears that a disturbing headline-grabbing event could trigger an economic recession. Relief rallies ensue once those fears dissipate. During panic attacks, the forward P/E of the S&P 500 declines while forward earnings continues to increase or, at worst, flattens out for a short while. During bear markets, both the forward P/E and forward earnings dive. This distinction is easy to see in our monthly and weekly Blue Angels analysis for the S&P 500 ([Fig. 1](#) and [Fig. 2](#)).

Joe and I count 65 panic attacks since the start of the current bull market. (See our "S&P 500 Panic Attacks Since 2009" [Chart Book](#) and [Table](#).) The list includes six corrections (declines of 10% or more but less than 20%) and seven mini-corrections (declines of 5% or more but less than 10%) since 2008 ([Fig. 3](#)). The remaining panic attacks on the list are totally subjective, with declines of less than 5%, though they were accompanied by lots of worry about worse outcomes. By our reckoning, the most recent panic attack occurred last August on fears that

the inversion of the yield curve was a harbinger of a recession. So far in 2020, there have been no panic attacks through last week. Rising tensions between Iran and the US earlier this month did not trigger a panic attack.

Will the coronavirus outbreak that started in the Chinese city of Wuhan, Hubei turn out to be just the latest panic attack that provides yet another buying opportunity for stock investors? Fears that it could turn into a pandemic knocked stocks prices down last week, especially on Friday ([Fig. 4](#)). What's the difference between an epidemic and a pandemic? The former occurs when a disease either affects more people than usual within a locality or spreads beyond its usual locality. A pandemic is an epidemic of worldwide proportions. The recent coronavirus outbreak has the potential to turn into a pandemic since it has already spread beyond China's borders.

So far, it seems comparable to previous outbreaks of viruses, including:

(1) *SARS*. The Severe Acute Respiratory Syndrome (SARS) outbreak of 2003–04 in China. It spread worldwide within a few months, but it was quickly contained. SARS is a virus transmitted through droplets that enter the air when someone with the disease coughs, sneezes, or talks. No known transmission has occurred since 2004.

(2) *MERS*. Middle East Respiratory Syndrome (MERS) is a contagious, sometimes fatal respiratory illness. It's often spread through close contact with an infected person. Symptoms include fever, cough, shortness of breath, and sometimes nausea, vomiting, and diarrhea. The disease was first identified in Saudi Arabia in 2012.

(3) *EVD*. Ebola Virus Disease (EVD)—a.k.a. “Ebola hemorrhagic fever” (EHF) or simply “Ebola”—is a viral hemorrhagic fever of humans and other primates caused by Ebola viruses. The 2014–16 outbreak in West Africa was the largest and most complex Ebola outbreak since the virus was first discovered in 1976. There were more cases and deaths in this outbreak than all others combined. It also spread between countries, starting in Guinea then moving across land borders to Sierra Leone and Liberia.

All three outbreaks were contained before they could have a significant impact on the global economy or financial markets around the world. For now, we expect the same outcome with the current outbreak.

Virology II: Lockdown. In any event, we aren't virologists, and the news over the weekend suggested that the problem may be harder to contain than the three outbreaks listed above. Consider the following:

(1) *Spreading rapidly.* The 1/26 [issue](#) of the *Washington Post* reported that the spread of the coronavirus—named “2019-nCoV”—is accelerating. The rate of infection has been increasing daily in China, with a 50% jump in cases on Sunday to almost 2,000 people, and a similar leap expected on Monday. So far, more than 50 million people have been placed on lockdown in central China. A travel ban covers 16 cities in central Hubei province, which is the epicenter of the outbreak.

(2) *Adapting fast.* The article stated: “Scientists have already noticed that the virus is adapting to humans much faster than its predecessor, the SARS (severe acute respiratory syndrome) coronavirus. That outbreak killed more than 750 people in 2002-2003. It took the SARS virus three months to mutate into a form that spread easily among humans, but the related Wuhan coronavirus took only one month...”

(3) *Negative economic consequences.* If the virus continues to spread rapidly, especially in China, the economic and political consequences could be bad news for China's rulers if it leads to social unrest. We have to admit that we are somewhat concerned about the potential global economic and financial implications as well. We've observed before that wars that have disrupted global commerce historically have had negative consequences for the global economy. Pandemics can have similar negative consequences.

(4) *Not as bad as the flu, so far.* On a worldwide basis, 2,102 cases with 56 deaths attributable to 2019-nCoV have been confirmed through Sunday. By comparison, the Centers for Disease Control and Prevention (CDC) [estimates](#) that influenza has resulted in 9 million–45 million illnesses, 140,000–810,000 hospitalizations, and 12,000–61,000 deaths annually from 2010 through 2017 in the US alone. Preliminarily, the CDC [estimates](#) that 80,000 Americans died of the flu and its complications last winter—the disease's highest death toll in at least four decades. The flu is also caused by a coronavirus.

(5) *Real-time dashboard.* The Johns Hopkins Center for Systems Science and Engineering regularly updates its [online dashboard](#) for tracking the worldwide spread of the Wuhan

coronavirus outbreak. The data visualization reflects statistics collected from multiple sources, including the World Health Organization, the Centers for Disease Control and Prevention, the National Health Commission of the People's Republic of China, and Ding Xiang Yuan, a social networking site for health care professionals that provides real-time information on cases.

Virology III: Global Economy Before & After Wuhan. Of course, the global economy could be infected by the latest virus outbreak if it isn't quickly contained. The timing of the outbreak during China's Lunar New Year week was both good and bad for the virus' spreading. Most businesses were closed; that's the good news. But millions of Chinese were traveling to be with their families for the holiday, which may have allowed the virus to spread more rapidly and widely. However, the Chinese government is moving quickly to quarantine areas that are infected. Already, some international flights out of China have been cancelled.

The latest batch of global economic indicators shows some pickup in global economic activity. The positive tone might reflect easing trade tensions between the US and China starting late last year and culminating in their signing a Phase 1 trade agreement on 1/15. The tone of the next batch may be determined by the course of the coronavirus outbreak. Let's examine the latest, relatively upbeat batch:

(1) *Commodity prices.* The CRB raw industrials spot price index rebounded smartly since its recent low of 433.89 on 12/3/19 ([Fig. 5](#)). It was up 7% to 464.37 as of Thursday last week. It declined on Friday—led by its copper price component—as did China's MSCI stock price index ([Fig. 6](#)). The price of oil also edged down last week on fears of a global slowdown if the virus continues to spread around the world.

(2) *Flash PMIs.* The good news is that Markit's flash M-PMI for the US remained above 50.0 during January at 51.7, though it edged down from a recent high of 52.6 during November ([Fig. 7](#)). The Eurozone's flash M-PMI edged up from 46.3 during December to 47.8 this month. Weighing on the region's index has been Germany's M-PMI, which rose to 45.2 this month from a September 2019 low of 41.7. At least that's a move in the right direction. Japan's M-PMI edged up to 49.3 this month from 48.4 last month. The really good news is that the Eurozone's NM-PMI was 52.2 during January, continuing to hover around 52.0 since late 2018.

(3) *US business surveys.* As Debbie reports below, the averages of the three available Fed district business surveys (New York, Philadelphia, and Kansas City) were strong during

January, led by Philly's survey ([Fig. 8](#)). The average of the composite business indexes for the three regions rose from zero at the end of last year to 6.9 during January. The average employment index rose from a recent low of zero during August 2019 to 10.8 during January.

(4) *US housing market*. The US housing market has been showing lots of signs of life recently. The mortgage applications index for new purchases jumped during the first two weeks of January to the highest readings since October 2009 ([Fig. 9](#)). Single-family housing starts soared 11.2% m/m and 29.6% y/y during December. Single-family building permits rose to a new cyclical high at the end of last year ([Fig. 10](#)). It may be that the 62 million cohort of Millennials, who turned 24–38 years old last year, may finally be buying houses. That would be a big positive for the US economy.

(5) *US leading indicators*. The Index of Coincident Economic Indicators rose to a new record high during December. However, the Index of Leading Economic Indicators (LEI) has stalled for the past 15 months, though at a record high. Debbie and I have observed that some of the cyclical components of the LEI may have maxed out their usefulness as leading indicators because the current economic expansion has lasted for so long. For example, it's hard to imagine that there is much more room for improvement in initial unemployment claims, which have been down recently to the lowest readings in 50 years!

(6) *US transportation indicators*. If you are looking for a depressing US economic indicator, hop aboard a freight train and count the railcars. The growth rate of this measure (based on its 26-week average) was -5.7% y/y during the 1/18 week ([Fig. 11](#)). This series has been highly correlated with the comparable growth rate in industrial production, which was -1.1% during December.

On the other hand, the ATA truck tonnage index rose 3.1% y/y during December, remaining in record-high territory ([Fig. 12](#)).

(7) *Forward revenues & earnings*. Finally, it's hard to get either excited or upset about forward revenues and forward earnings through the 1/16 week for the MSCI US, Developed World ex-US, and Emerging Markets ([Fig. 13](#) and [Fig. 14](#)). They've mostly stalled near record highs, with the US showing a bit more resilience than the other two in recent weeks. There's neither a global boom nor a bust in these indicators.

Bonds: Signaling the Fed Is Done. Has the bond market been infected with the coronavirus? The 10-year US Treasury bond yield fell to 1.70% at the end of last week, down 23bps from a recent high of 1.93% on 12/23/19 ([Fig. 15](#)). The comparable TIPS yield was back down to only 0.02%, while the expected-inflation proxy embedded in the spread between the nominal and real yields edged down to 1.68% ([Fig. 16](#)). Is the bond market signaling that a recession is coming?

We don't believe so. The yield-curve spread between the 10-year bond yield and the federal funds rate has remained positive, at 15bps on Friday ([Fig. 17](#)). The credit-quality spread between the nonfinancial corporate high-yield composite and the 10-year Treasury has remained very narrow, at 353bps on Friday ([Fig. 18](#)).

In our opinion, the bond market is signaling that the Fed won't be raising interest rates this year, especially if the recent virus outbreak proves hard to contain and depresses global economic growth, which has been showing some faint signs of improving lately.

Movie. Jojo Rabbit (+) ([link](#)) is about a 10-year-old boy who aspires to be a member of the Hitler youth movement. It's a quirky movie that takes a look at World War II through the eyes of a child. Jojo quickly recognizes that there is a big difference between the propaganda that is all around him and the facts on the ground, as he sees them. It reminds us that propaganda (a.k.a. fake news) isn't a recent development. It's been around as long as tyrants have been shoving their version of the facts into our collective consciousness. What's different now is that social media and artificial intelligence provide autocratically inclined people with more tools to shovel their lies more efficiently. I'll leave it to you to decide who those malevolent people are today.

CALENDARS

US: Mon: New Home Sales 731k, Dallas Fed Manufacturing Index -1.6. **Tues:** Consumer Confidence 128.0, Durable Goods Orders Total & Ex Transportation 0.9%/0.3%, Core Nondefense Capital Goods Orders & Shipments 0.1%/0.2%, Richmond Fed Manufacturing Index -3, S&P CoreLogic 20-City Composite Home Price Index 0.3%_{m/m}/2.4%_{y/y}. (DailyFX estimates)

Global: Mon: Germany Ifo Business Climate, Current Assessment, and Expectations Indexes

97.0/99.1/94.8. **Tues:** Australia CPI 1.7% y/y, BOJ Summary of Opinions, Lane. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index fall 1.0%, for only its third drop in 16 weeks and its biggest since late September. The US MSCI ranked 24th of the 49 global stock markets we follow in a week when only 12/49 countries rose in US dollar terms. That compares to a 1.1% decline for the AC World ex-US index as all regions declined. EAFE was the best performer, albeit with a drop of 0.6%, followed by EM Latin America (-1.1%) and EMU (-1.1). BRIC (-3.5) was the worst performer, followed by EM Asia (-2.7), EM Eastern Europe (-2.4), EMEA (-1.8). Sri Lanka was the best-performing country, rising 2.7%, followed by Israel (1.5), New Zealand (1.2), Denmark (0.8), and Morocco (0.6). Of the 20 countries that underperformed the AC World ex-US MSCI last week, Chile fared the worst, falling 5.8%, followed by China (-4.9), Hong Kong (-4.4), Argentina (-3.0), and Russia (-2.7). During 2019, the US MSCI ranked an impressive 8/49 for the year, with its 29.1% gain well ahead that of the AC World ex-US (18.1). The US MSCI ranks 14/49 with a gain of 2.2% so far in 2020. Among regions, these are outperforming the AC World ex-US's 0.5% ytd gain: EM Eastern Europe (1.4), EMEA (0.9), and EM Asia (0.8). The ytd laggards: EM Latin America (-0.8), EMU (-0.3), BRIC (0.3), and EAFE (0.4). The best country performers ytd: Pakistan (6.0), Turkey (5.8), Israel (4.8), Mexico (4.2), and Indonesia (3.9). The worst-performing countries so far in 2020: Hungary (-7.3), Austria (-3.9), Chile (-3.6), Colombia (-3.3), and South Africa (-3.1).

S&P 1500/500/400/600 Performance ([link](#)): All three of these market-cap indexes fell last week—the first time that's happened in nine weeks. LargeCap's 1.0% decline was smaller than the drops recorded by MidCap (-1.5%) and SmallCap (-2.2). LargeCap ended the week 1.0% below its 1/17 record high, and MidCap was down 1.7% from its record high on 1/16. SmallCap is closest to a correction, at 7.5% below its 8/29/18 record. Just six of the 33 sectors moved higher, down from 30/33 sectors rising a week earlier. LargeCap Utilities' 2.4% gain was the biggest in the latest week, followed by SmallCap Utilities (1.4), LargeCap Real Estate (1.0), MidCap Utilities (0.7), LargeCap Tech (0.3), and SmallCap Real Estate (0.2). SmallCap Energy (-10.7) was the biggest decliner last week for a third straight week, followed by MidCap Energy (-9.6), LargeCap Energy (-4.2), SmallCap Materials (-3.5), MidCap Materials (-3.3), and SmallCap Industrials (-3.0). Regarding 2019's performance, all three indexes ended the year with healthy double-digit gains: LargeCap was up by 28.9%, followed by MidCap's 24.1% rise and SmallCap's 20.9% gain. Just two of these indexes now are up ytd in 2020, and one

just barely: LargeCap leads with a gain of 2.0%, ahead of MidCap (0.1) and SmallCap (-0.5).

S&P 500 Sectors and Industries Performance ([link](#)): Three of the 11 sectors rose last week, and five outperformed the S&P 500's 1.0% decline. That compares to 10 rising and six outperforming the S&P 500's 0.9% gain a week earlier. Utilities was the best-performing sector with a gain of 2.4%, ahead of Real Estate (1.0%), Tech (0.3), Consumer Staples (-0.5), and Industrials (-1.0). Energy was the biggest decliner with a drop of 4.2%, followed by the also-underperforming Materials (-2.3), Financials (-2.2), Health Care (-2.0), Consumer Discretionary (-1.5), and Communication Services (-1.4). During 2019, the S&P 500 soared 28.9% for its best gain since 2013 as all 11 sectors rose for the first time since 2010. The S&P 500 is up 2.0% so far in 2020, with eight sectors posting gains and five ahead of the index. The 2020 ytd leaders: Tech (6.2), Utilities (5.8), Communication Services (3.8), Real Estate (3.3), and Industrials (2.5). The 2020 ytd laggards: Energy (-5.9), Materials (-2.7), Financials (-1.4), Health Care (0.4), Consumer Discretionary (0.5), and Consumer Staples (1.0).

Commodities Performance ([link](#)): Last week, the S&P GSCI index tumbled 4.8% for its biggest decline in 57 weeks. Two weeks ago, the index was close to exiting a correction from its cyclical high on 10/3/18. It ended the latest week 19.2% below that high, and is close to a bear market again. Gold was the best performer last week with a gain of 0.7%, followed by Wheat (0.5%) and Silver (0.2). Unleaded Gasoline was the biggest decliner with a drop of 7.8%, followed by Crude Oil (-7.5), Nickel (-7.0), and Heating Oil (-6.8). The S&P GSCI commodities index is down 6.9% so far in 2020 after ending 2019 with a gain of 16.5%. The top-performing commodities so far in 2020: Cocoa (7.6), Sugar (7.2), Gold (3.6), Zinc (3.0), and Lean Hogs (2.8). The biggest laggards in 2020: Coffee (-15.1), Natural Gas (-14.6), Heating Oil (-14.1), GasOil (-12.4), and Crude Oil (-11.3).

S&P 500 Technical Indicators ([link](#)): The S&P 500 price index fell 1.0% last week for its biggest decline since late August, and weakened relative to its short-term 50-day moving average (50-dma) and its long-term 200-day moving average (200-dma). The index's 50-dma relative to its 200-dma rose for a 14th week following nine straight declines. Its 50-dma is now at a 23-month high of 6.5% above its 200-dma and has formed a Golden Cross for 44 weeks after 17 weeks in a Death Cross formation. The S&P 500's 50-dma rose for a 16th week following three down weeks, but the price index fell to 2.8% above its rising 50-dma from a 10-month high of 4.6% above its rising 50-dma a week earlier. It had bottomed in late August at 3.5% below its 50-dma, which was down from 6.6% above during February 2019—its highest level since October 2011. The 200-dma rose for a 33rd week. It had been rising for 16 weeks

through mid-May after falling from October 2018 to February 2019 in the first downtrend since May 2016 (when it had been slowly declining for nine months). The index traded above its 200-dma for a 34th week, but weakened to 9.5% above its rising 200-dma from a 24-month high of 11.0% above its rising 200-dma a week earlier. It had peaked at a seven-year high of 13.5% above its rising 200-dma during January 2018. That compares to 14.5% below on 12/24/18, which was the lowest since April 2009.

S&P 500 Sectors Technical Indicators ([link](#)): Eight of the 11 S&P 500 sectors traded above their 50-dmas last week. That's down from all 11 above a week earlier as Energy, Financials, and Materials moved below. For a second week, the longer-term picture—i.e., relative to 200-dmas—had all sectors except Energy trading above. That's down from all 11 above in the prior three weeks when Energy was above for the first time since October 2018. That's still up from six at the end of August, which was the lowest count since early June. Ten sectors are in the Golden Cross club (with 50-dmas higher than 200-dmas), unchanged from a week earlier. That compares to just two sectors in the club during February and all 11 in January 2018. Energy has not been in a Golden Cross for 63 straight weeks. Nine sectors have rising 50-dmas now, down from all 11 a week earlier as Energy and Materials turned down. That's up from just three in early October. Ten sectors have rising 200-dmas, unchanged from a week ago. The sole laggard, Energy, has been mostly falling since October 2018. Materials and Financials moved higher for a 22nd week in their successful attempts at new uptrends for the first time since September 2018. That compares to just two sectors with rising 200-dmas in January 2019, in what was then the lowest count since all 11 sectors had falling 200-dmas two years before.

US ECONOMIC INDICATORS

Leading Indicators ([link](#)): Leading indicators fell four of the last five months of 2019, though remained in record-high territory. The Leading Economic Index fell 0.3% in December, but was within 0.7% of July's record high. The LEI (0.1% y/y) is flat with a year ago, slowing steadily from September 2018's peak rate of 6.5%. In December, five components rose, three fell, while the average workweek and real consumer goods orders were unchanged. Jobless claims (-0.23ppt) posted the biggest decline—though they're so low, it's hard to see them move lower. Next came the ISM new orders diffusion index (-0.18) and building permits (-0.12)—with the latter not far from November's cyclical high. The report noted: "Its six-month growth rate turned slightly more negative in the final quarter of 2019, with the manufacturing indicators pointing to continued weakness in the sector. However, financial conditions and consumers' outlook for

the economy remain positive, which should support growth of about 2 percent through early 2020.”

Coincident Indicators ([link](#)): The Coincident Economic Index (CEI) increased in four of the five months of 2019 to a new record high—climbing 0.8% over the period. The yearly rate eased to 1.2% y/y, down from 2.4% at the start of the year. Once again, three of the four components of the CEI increased, with production the outlier. 1) Real personal income—excluding transfer payments—was one of the biggest contributors to December’s CEI, increasing in 10 of the 12 months of 2019 and climbing 2.0% y/y—its slowest rate since January 2017. 2) Job gains in December fell short of expectations, with downward revisions to the prior two months. Employment climbed 145,000 (vs 160,000 expected) last month, its slowest pace since May, while revisions show November and October gains were a net 14,000 lower. 3) Real manufacturing & trade sales climbed 0.5% during the final two months of last year, back to within 0.1% of August’s record high. 4) Industrial production fell 0.3% in December as mild weather triggered a 5.6% drop in utilities output, while mining output jumped 1.3% and manufacturing production posted its first back-to-back gain this year.

Regional M-PMIs ([link](#)): Three Fed districts have now reported on manufacturing activity for January—Philadelphia, New York, and Kansas City—and show growth picked up this month. Thanks to a sharp acceleration in the Philly Fed region, the composite (to 6.9 from 0.2) index posted its best performance since last May. By region: Philadelphia (17.0 from 2.4) recorded its strongest growth in eight months; Kansas City’s (-1.0 from -5.0) activity continued to contract, though at a slower pace; and New York’s (4.8 from 3.3) measure remained stalled at a sluggish rate. The new orders index (7.6 from -0.1) shows billings expanded considerably faster pace than in December. Orders expanded in both the Philly (18.2 from 11.1) and New York (6.6 from 1.7) regions, while Kansas City’s (-2.0 from -13.0) contracted at a slower pace. Employment (10.8 from 6.7) data show manufacturers hired at a slightly faster pace this month, with Philadelphia (19.3 from 16.8) factories hiring at double the pace of New York’s (9.0 from 10.4). Kansas City (4.0 from -7.0) manufacturers added to payrolls for the first time since last June.

GLOBAL ECONOMIC INDICATORS

US PMI Flash Estimates ([link](#)): Business activity this month expanded at its fastest pace in 10 months, according to flash estimates, driven by a continued acceleration in services activity, while manufacturing activity slowed for the second month, though remained close to recent

highs. January's C-PMI improved for the third month, from 50.9 in October to 53.1 this month, with the NM-PMI increasing from 50.6 to 53.2 over the three-month period, to its best reading since last March. The M-PMI took a step back again this month, to 51.7, after accelerating from 50.3 in August to a seven-month high of 52.6 in November. According to the report, momentum across the private sector continued to pick up at the start of 2020, with overall output rising at the sharpest pace since last March. Still, the underlying data highlights a "manufacturing sector that is not out of the woods yet," recording only modest gains in output and new orders. Nevertheless, expectations across the private sector improved at the start of 2020, with optimism reaching a seven-month high in January.

Eurozone PMI Flash Estimates ([link](#)): "Eurozone growth remains muted at start of 2020" was the headline of this month's IHS Markit's flash estimate report. The C-PMI flash estimate was unchanged at December's 52.9, up from September's 50.1 which was the second-smallest expansion of output across manufacturing and services since the current upturn began in July 2013. January's NM-PMI (to 52.2 from 52.8) showed services activity eased slightly, while the M-PMI (47.8 from 46.3) revealed the manufacturing sector is moving closer to stabilization after contracting for a year. Looking at the top two Eurozone economies, Germany's C-PMI (51.1 from 50.2) climbed to a five-month high, as Germany's service sector (54.2 from 52.9) expanded at its fastest pace in five months, while manufacturing (45.2 from 43.7) contracted at its slowest pace in 11 months. France's C-PMI (51.5 from 52.0) shows growth eased slightly (and was nearly identical to Germany's 51.1), though France's M-PMI (51.0 from 50.4) moved further above the breakeven point of 50.0, while the NM-PMI (51.7 from 52.4) showed service-sector growth easing to a four-month low. Meanwhile, the rest of the Eurozone showed signs of weakness, as output growth slowed to a six-and-a-half-year low, while new order volumes were unchanged and payrolls were increased only fractionally.

Japan PMI Flash Estimates ([link](#)): Japan's economy rebounded at the start of 2020—moving from contraction to expansion. January's C-PMI (to 51.1 from 48.6) moved above the breakeven point of 50.0 after remaining below during every month of Q4. January's move up was driven by the service economy, with the NM-PMI improving dramatically from 49.4 in December to 52.1 this month. Meanwhile, the M-PMI (49.2 from 48.4) moved closer to 50.0 "in wake of easing of US-China tensions and some optimism regarding Japanese relations with South Korea," according to the report.

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