



Post-COVID: Is the business cycle broken?

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All data presented here are updated as of 14 Apr 2023

A scan of global news → What's going on??

Al Jazeera

US job growth strong in March, unemployment falls to 3.5 percent

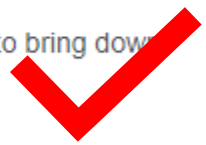


The Straits Times

US private hiring rose in December as labour market remains strong

Labour market strength has been a key area as policymakers battle to bring down surging inflation. Read more at [straitstimes.com](https://www.straitstimes.com).

6 Jan 2023



ING Think

Eurozone labour market still going strong with unemployment at 6.5%

November 2022 was another strong month for eurozone labour markets. Unemployment was unchanged from October at 6.5%, the lowest rate since...

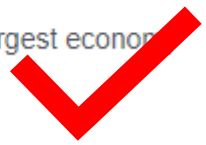
9 Jan 2023



BBC

US jobs growth remains strong despite rate rises

Jobs growth in the US remained strong last month, as the world's largest economy continued to defy expectations of a slowdown.



CNBC

Stocks fall to end Wall Street's worst year since 2008, S&P 500 finishes 2022 down nearly 20%

Stocks slipped on Friday to end a brutal 2022 with a whimper, as Wall Street wrapped up its worst year since 2008 on a sour note.

30 Dec 2022



Reuters

How 2022 shocked, rocked and rolled global markets

Trillions of dollars wiped off world stocks, bond market tantrums, warring currency and commodities and the collapse of a few crypto...

30 Dec 2022



Bloomberg.com

The Stock Market Was So Bad in 2022 Even Hedges Couldn't Help You

A hedged portfolio of equity exposure performed worse than the S&P 500...

16 Dec 2022

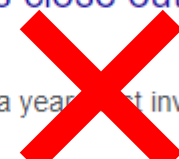


CNN

Goodbye 2022 -- and good riddance. Markets close out their worst year since 2008

Wall Street has said goodbye — and good riddance — to 2022, a year that investors would rather forget.

30 Dec 2022



Many people (investors) were angry in 2022

Stock indices that ended 2022 in the Red

Euro Area STOXX 50	0.8
Norway OBX	-0.4
Tanzania All Share	-0.8
Germany DAX 30	-1.1
Czech Republic PX50	-1.7
Japan Nikkei 225	-2.5
Slovenia SBI TOP	-2.5
Ireland ISEQ	-2.5
Thailand SET 50	-2.9
Canada TSX, 60	-4.3
Netherlands AEX	-4.8
Estonia Tallinn	-5.2
Kazakhstan KASE	-5.8
Luxembourg LuxX	-6.4
United States DJIA	-7.4
Sweden OMXS30	-8.5
Malaysia KLCI	-8.5
AC Asia, MSCI, All Cap, Index, Price Return, Local Currency	-8.8
Latvia Riga	-9.1
Philippines PSEI	-9.2
Baltics Nasdaq OMX	-9.4
Belgium BEL 20	-11.8
Israel TA35	-12.0
New Zealand NZX 50	-12.1
MSCI AC World	-12.3
Switzerland SMI	-12.8
Hong Kong Hang Seng	-13.2
MSCI EM Asia	-14.0
MSCI ASEAN	-14.0
MSCI EM	-14.1
Finland OMX Helsinki 25	-14.1
United States S&P 500	-14.1
Austria Wiener Börse	-14.3
Hungary BUX	-14.5
Kenya NSE 20	-14.6
Hong Kong, Hang Seng, China Enterprises Index, Price Return, Close, HKD	-16.6
South Korea KOSPI 50	-16.7
China FTSE A Share	-17.1
EU STOXX Enlarged 15	-17.9
Poland WIG 20	-19.9
United States, Nasdaq, 100 Index, Close, USD	-21.3
Iceland OMX 8	-22.5

■ Performance [Value at, sort desc.]

US S&P 500

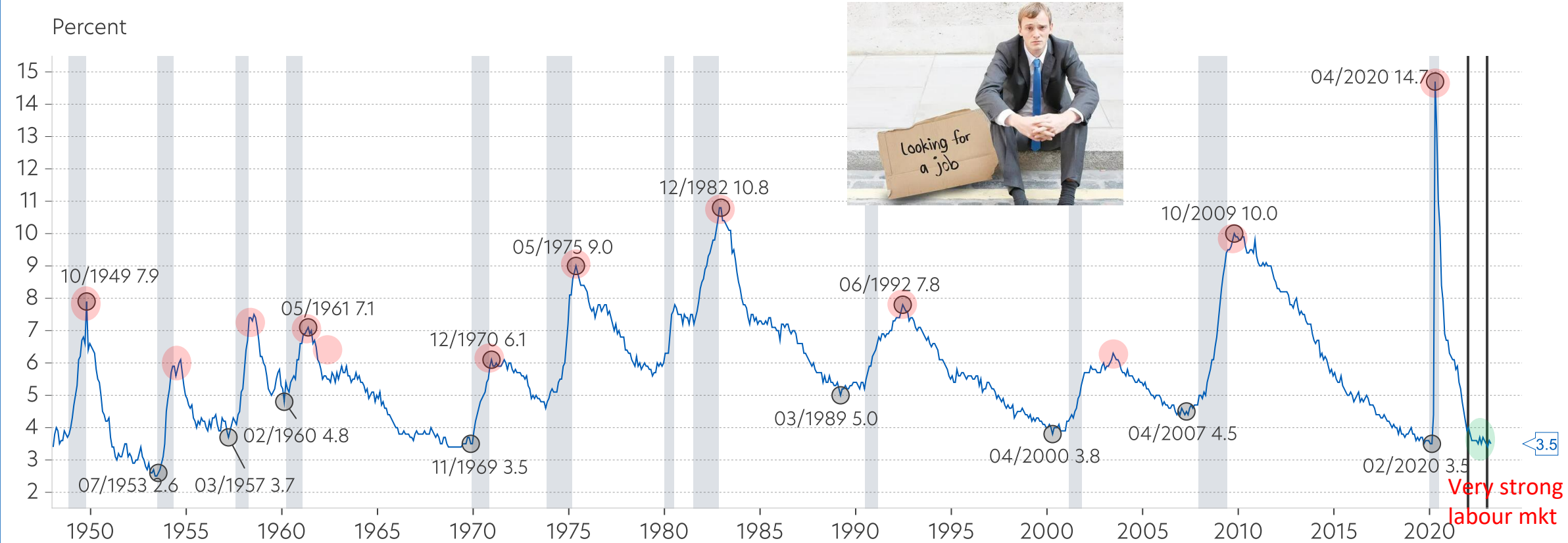


— United States, Equity Indices, S&P, 500, Index, Price Return, Close, USD

Source: Macrobond, UOB Private Bank

But, the economy was growing well.

US Unemployment Rate



— US Unemployment Rate, SA

Source: Macrobond, UOB Private Bank, University of Michigan, U.S. Bureau of Labor Statistics (BLS)

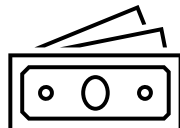









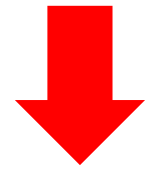



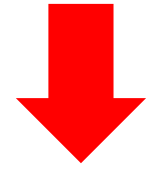
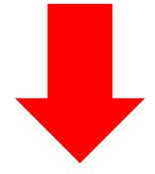


Global economy was growing well.

But stock markets were mostly down.

What happened? Did the business cycle break down?

Wait... What exactly is the business cycle?

Let me do a little survey here...

 Income	 Prices	Your Emotion	My Definition	Economic Season
			Reflation	
			Inflation	
			Stagflation	
			Recession	

The constant interaction of stakeholders of an economy...

劳 Labour

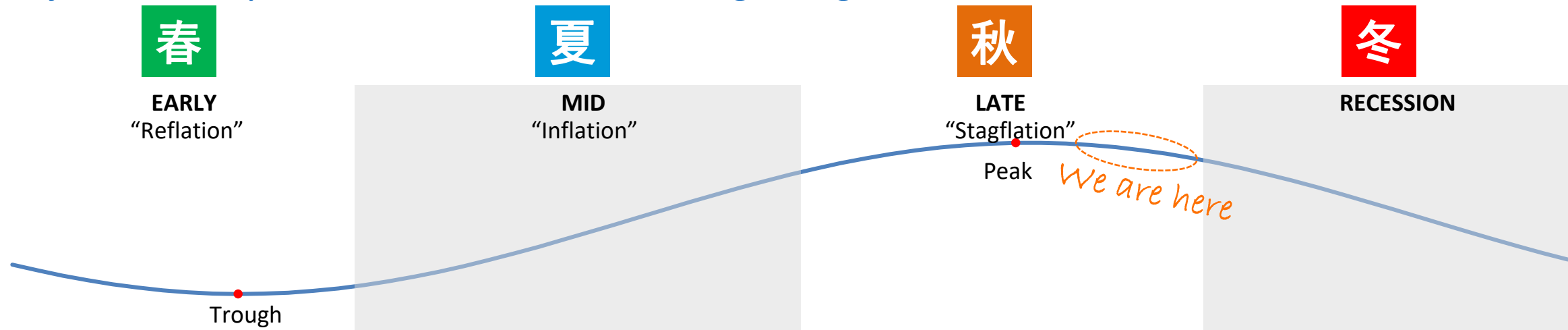
The
Economy

Corporates 资

Government 政



Don't just take my word. DIY the answer using this guide



政
经
劳
资

LATE	
Fiscal/Monetary tightening	✓
Economic growth peaks, stagnates, slows	✓
Unemployment at lowest levels, wages increasing, tight lab mkt	✓
Earnings disappoints and business sentiments are poor	?

✗
✗
✗
✗

World Bank's latest outlook: A summary & talking points



2023 Global GDP Growth

Jun 22 projection = 3%

Jan 23 projection = 1.7%

Mar 23 projection = 2%

*“Global growth has slowed to the extent that the global economy is **perilously close to falling into recession.**”*



Ayhan Kose

Chief economist and director of the World Bank Group's Prospects Group

*“The risks that we warned of six months ago have materialized and **our worst-case scenario is now our baseline scenario.** The world's economy is on a razor's edge and could easily fall into recession **if financial conditions tighten.**”*

“Singapore’s GDP growth is projected to **moderate significantly** this year, in line with the global goods and investment cycle downturn.”

“The drag on global investment and manufacturing from tighter financial conditions will **intensify** in the quarters ahead.”

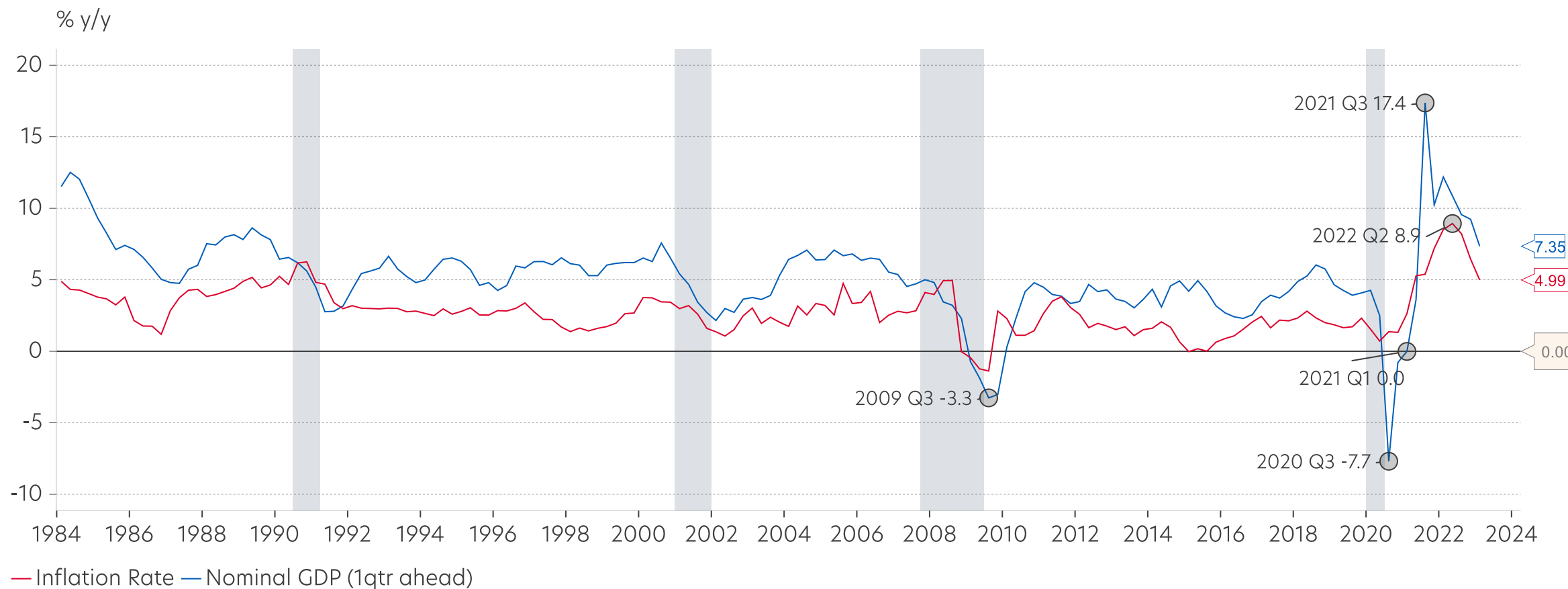
With **intensifying risks** to global growth, the domestic economic slowdown could be **deeper** than anticipated.

Singapore’s GDP growth is projected to be **below trend** this year.

“Prospects for Singapore’s GDP growth this year have therefore **dimmed.**”

经: US economy is cooling...

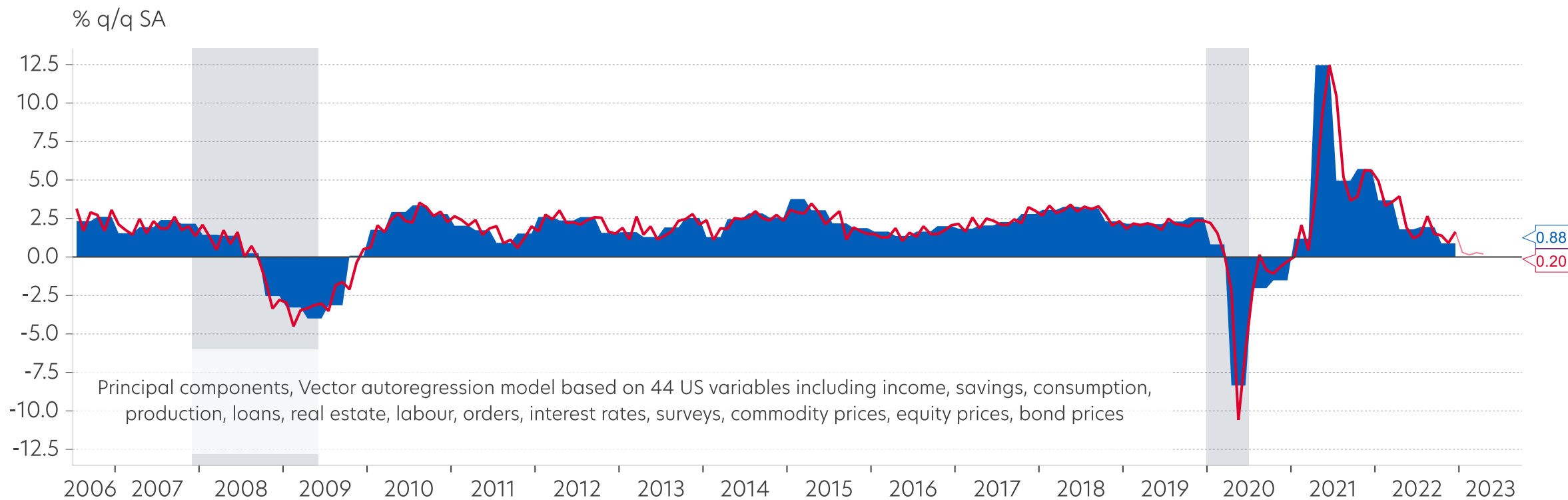
US Nominal GDP Growth Rate and Inflation Rate



Source: Macrobond, UOB Private Bank, U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS)

经: US economy is cooling... quickly!

UOB PB US GDP Nowcast Model



— Nowcast ■ Historical GDP

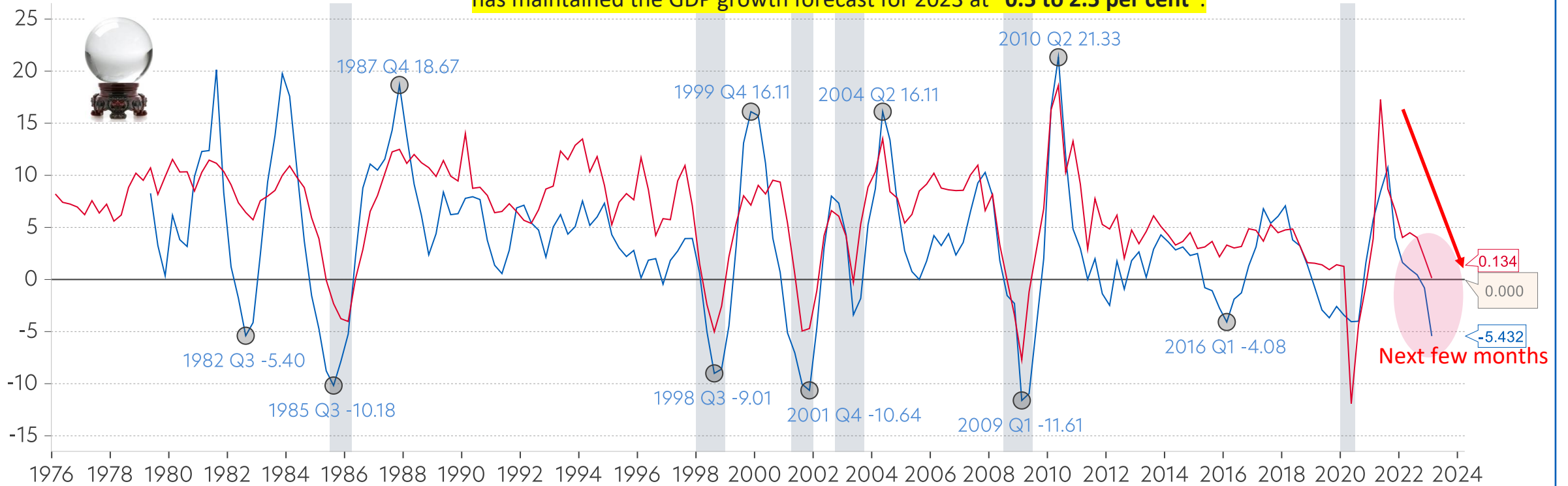
Source: Macrobond, UOB Private Bank, U.S. Bureau of Economic Analysis (BEA), Federal Reserve, S&P Global, U.S. Census Bureau, National Association of Realtors (NAR), U.S. Bureau of Labor Statistics (BLS), OECD (Organisation for Economic Co-operation & Development), Federal Reserve Bank of Kansas City, Conference Board, Freddie Mac, Federal Reserve Bank of New York, Federal Reserve Bank of Dallas, Federal Reserve Bank of Philadelphia, Nasdaq, Chicago Board Options Exchange (CBOE), MSCI

经: Singapore economy is cooling fast too

Singapore Real GDP and Composite Leading Indicator

13 February 2023: The Ministry of Trade and Industry announced today that the Singapore economy expanded by 3.6 per cent in 2022. **MTI**

has maintained the GDP growth forecast for 2023 at **"0.5 to 2.5 per cent"**.

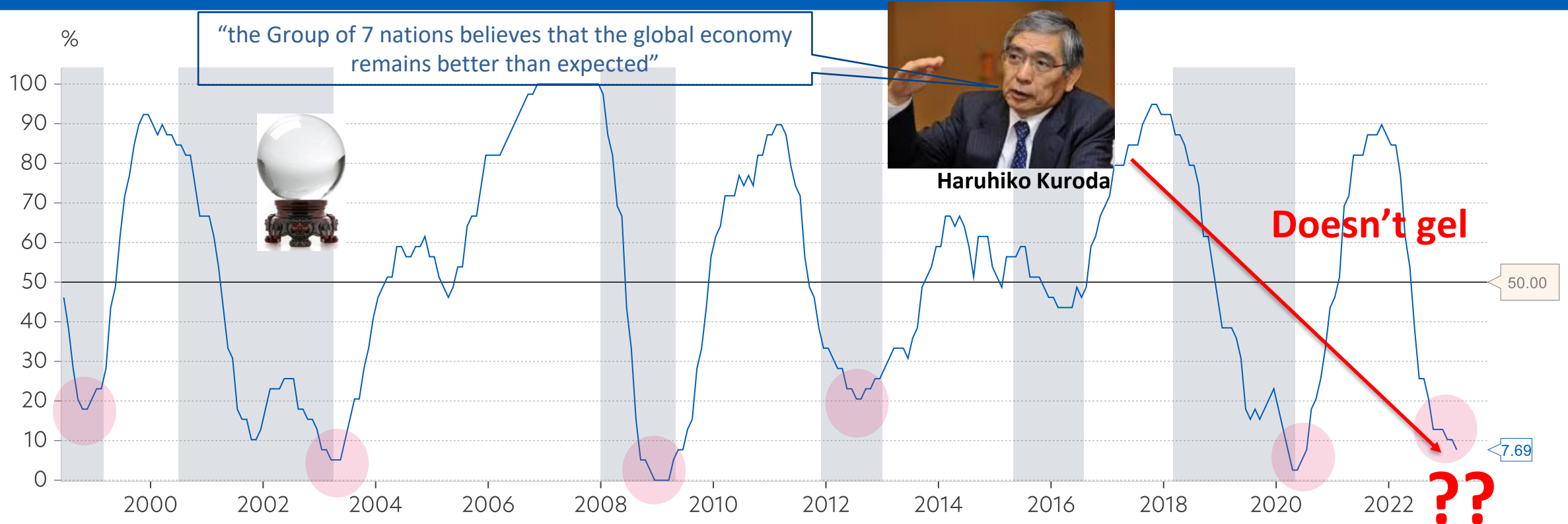


— Gross Domestic Product, Total, Constant Prices, SGD — Leading Indicators, Statistics Singapore, Quarterly Composite Leading Indicator, Index

Source: Macrobond, UOB Private Bank, Singapore Department of Statistics (SingStat)

经: Only 8% of global economies expecting “better 6M ahead”

Global Composite Leading Index Breadth

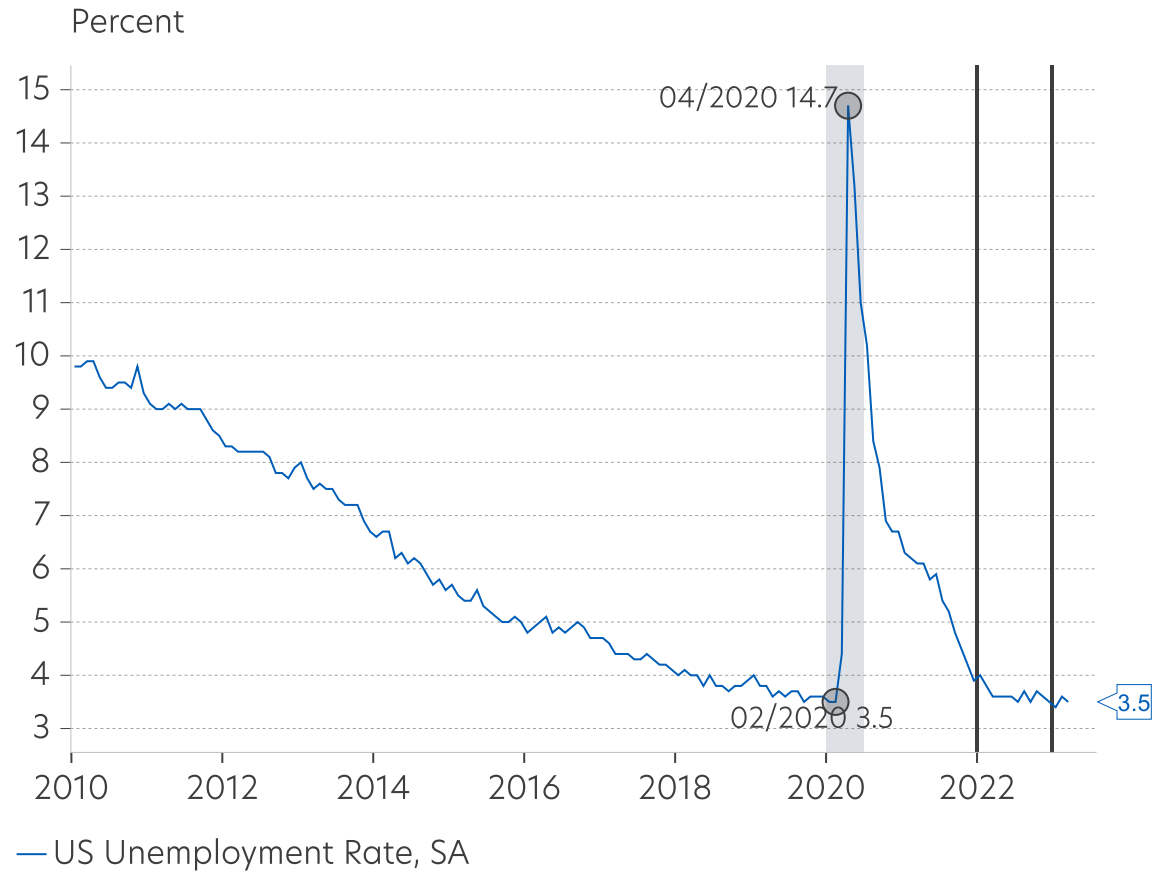


— CLI Breadth

Source: Macrobond, UOB Private Bank
Note: % of 39 economies/regions that report better economic prospects
Shaded regions denote OECD recessions

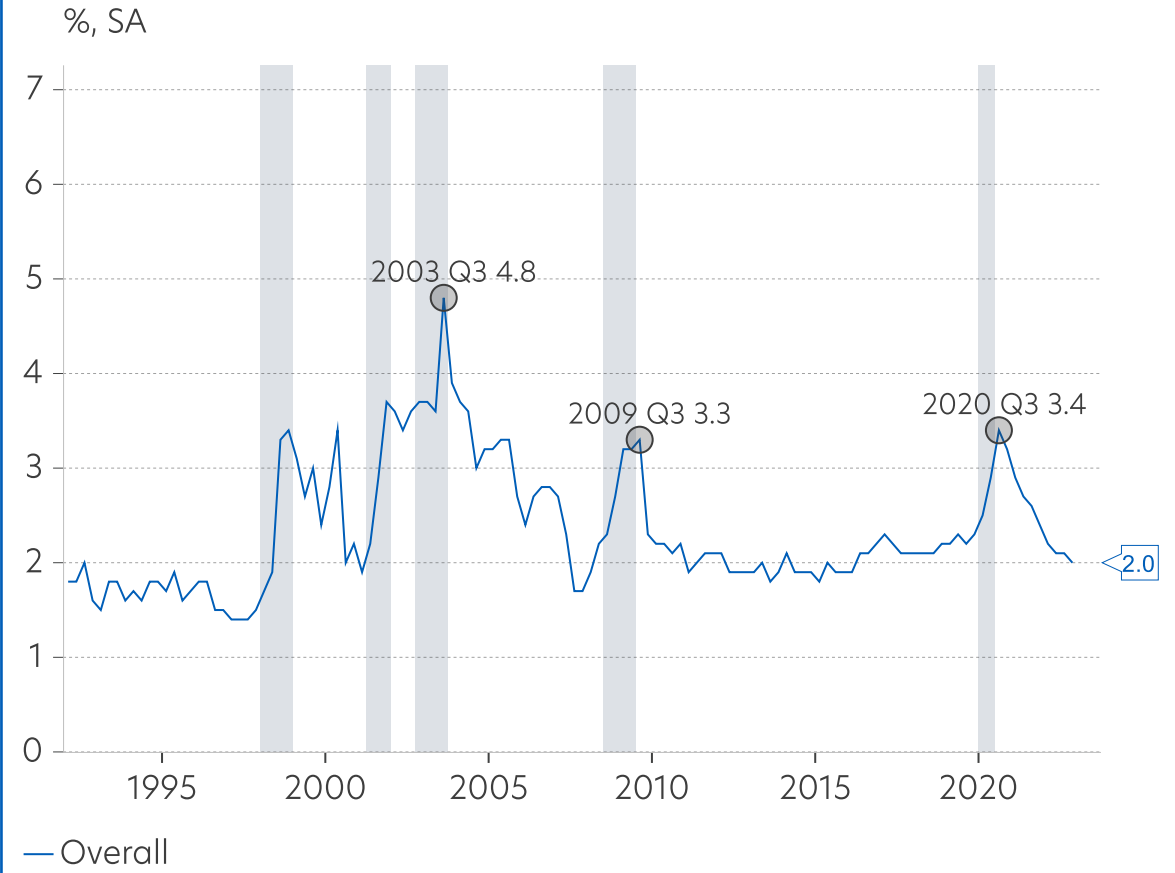
劳: Unemployment rates are low

US Unemployment Rate



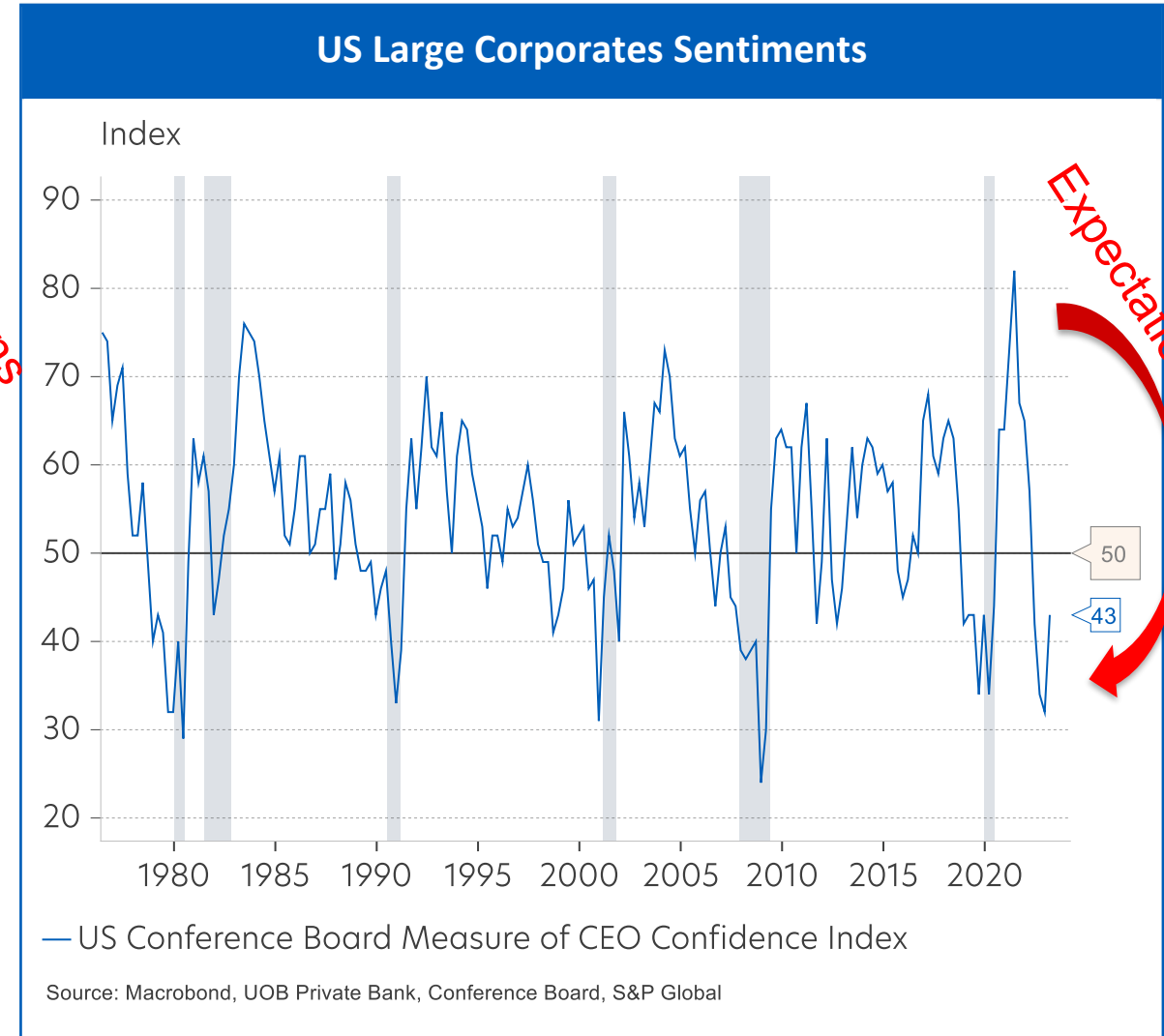
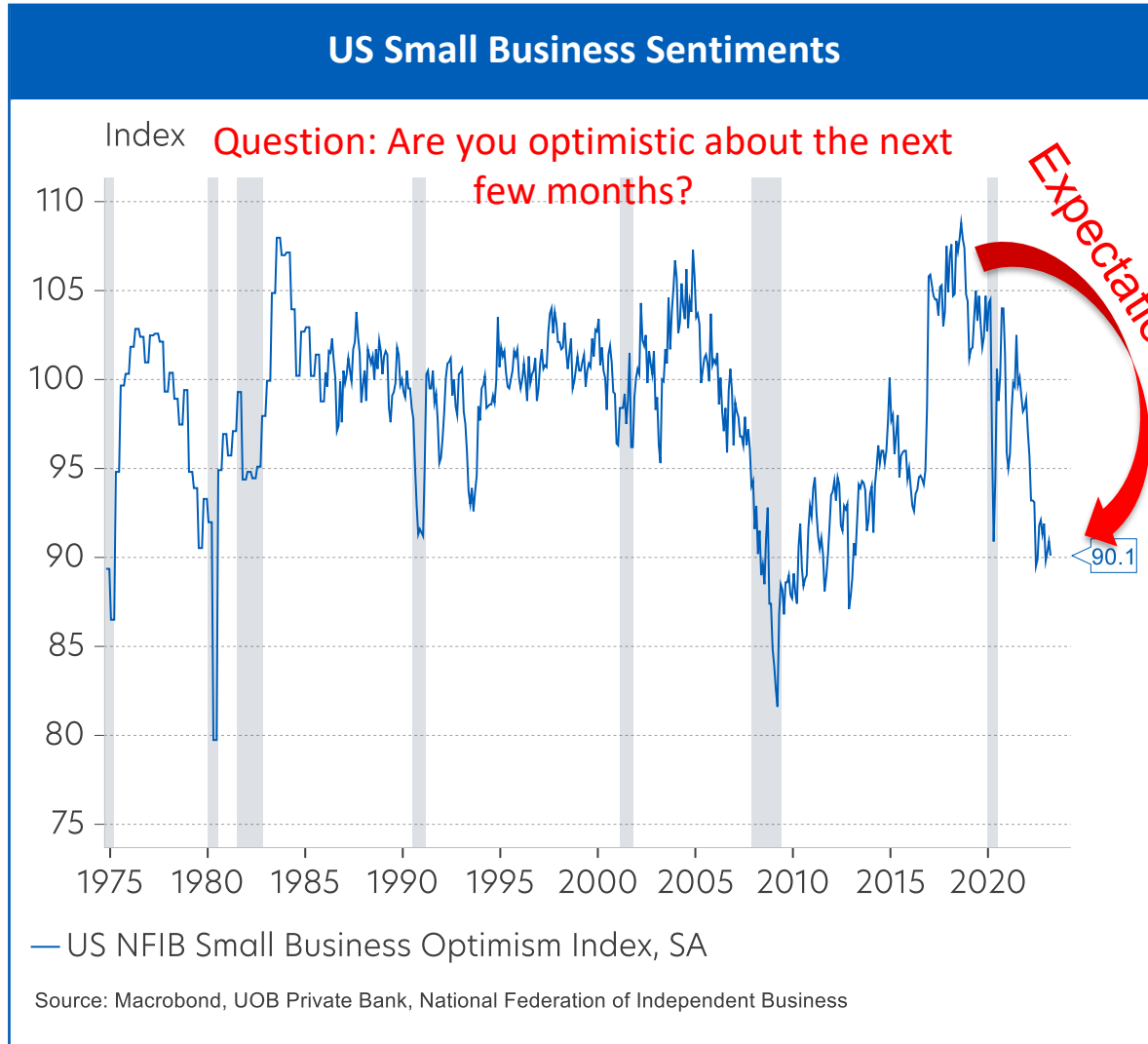
Source: Macrobond, UOB Private Bank, University of Michigan, U.S. Bureau of Labor Statistics (BLS)

Singapore Unemployment Rate

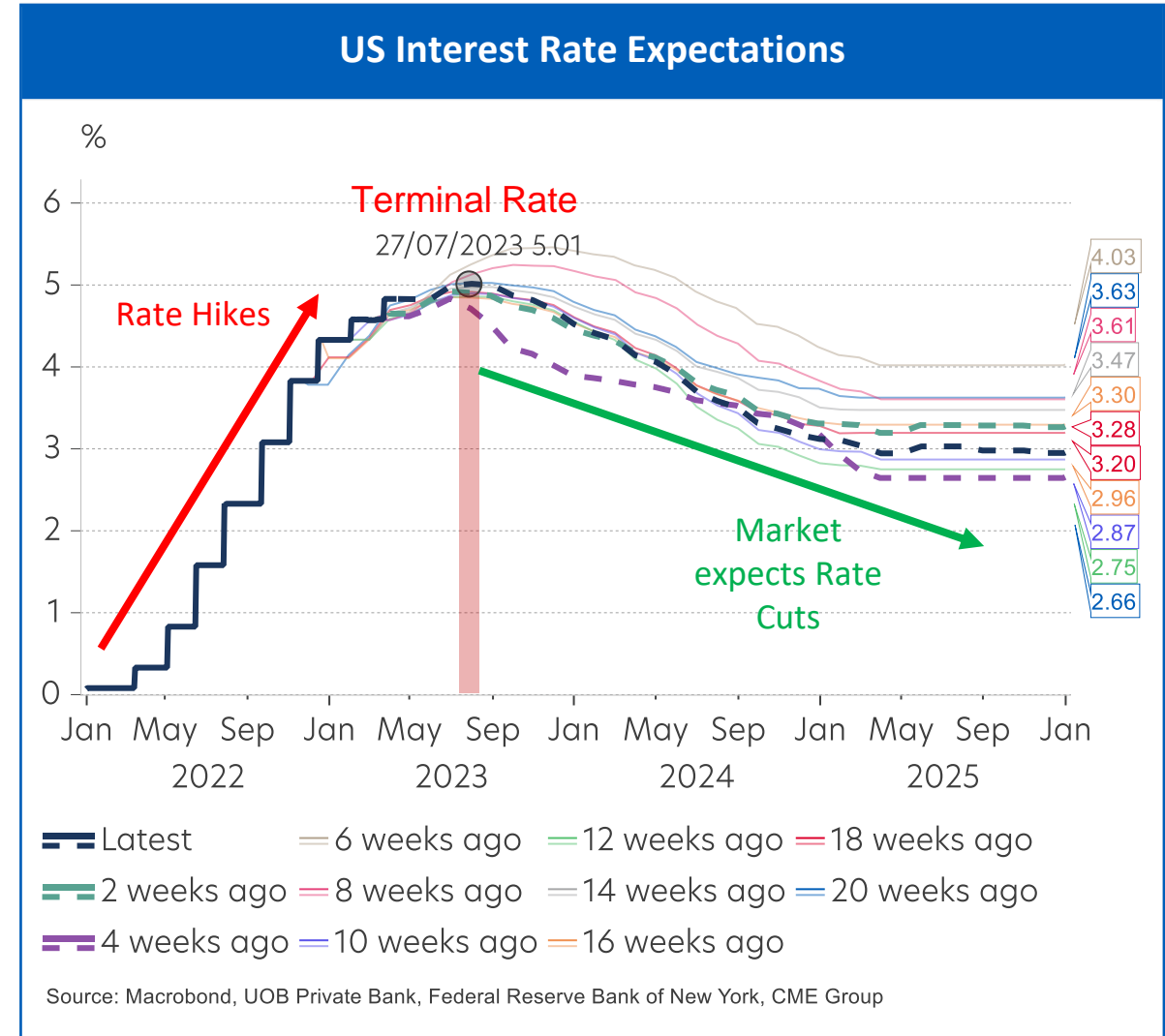
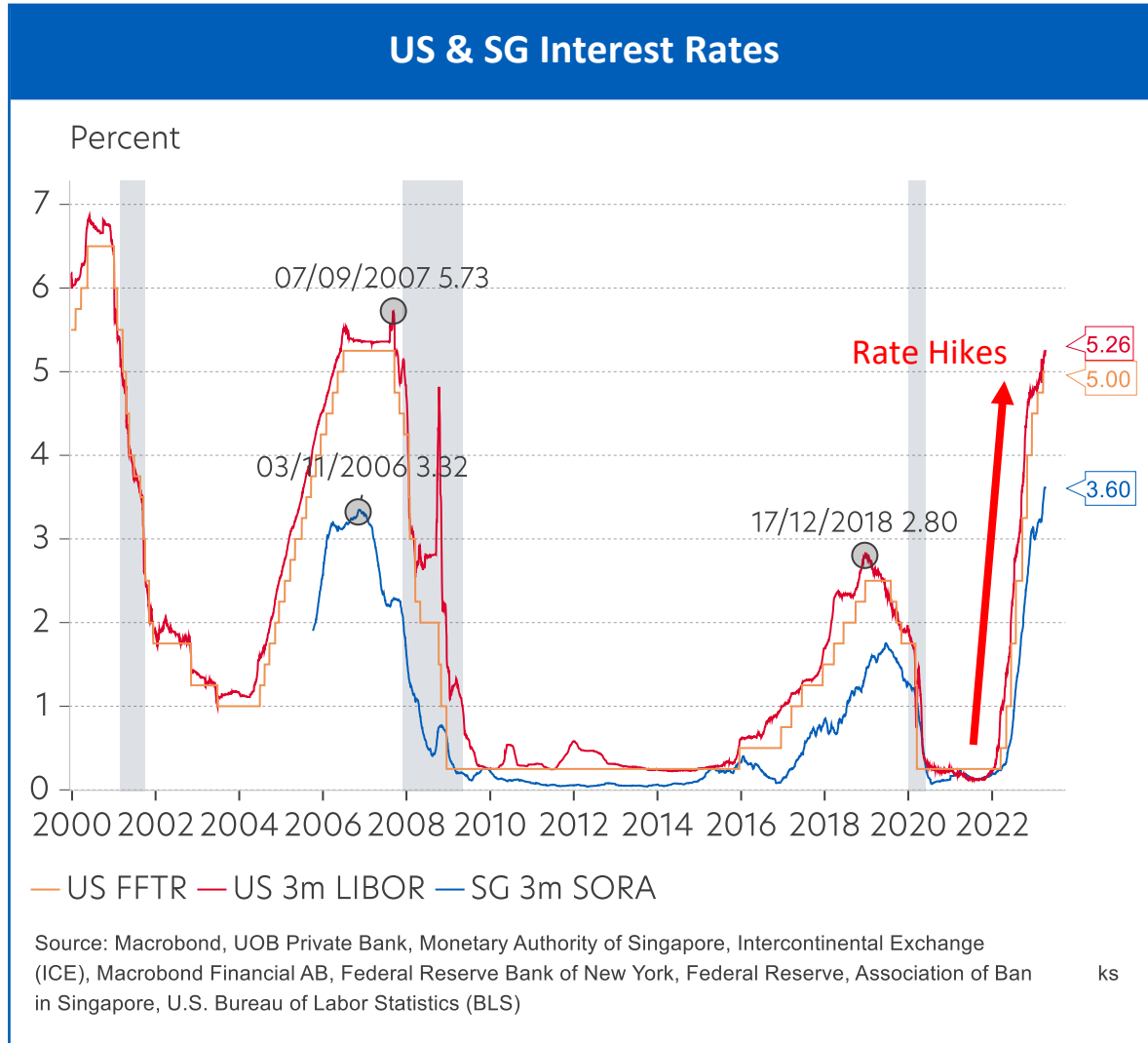


Source: Macrobond, UOB Private Bank, Singapore Ministry of Manpower

资: Business owners are getting really pessimistic



政: Monetary policy remains tight, but rates peaking



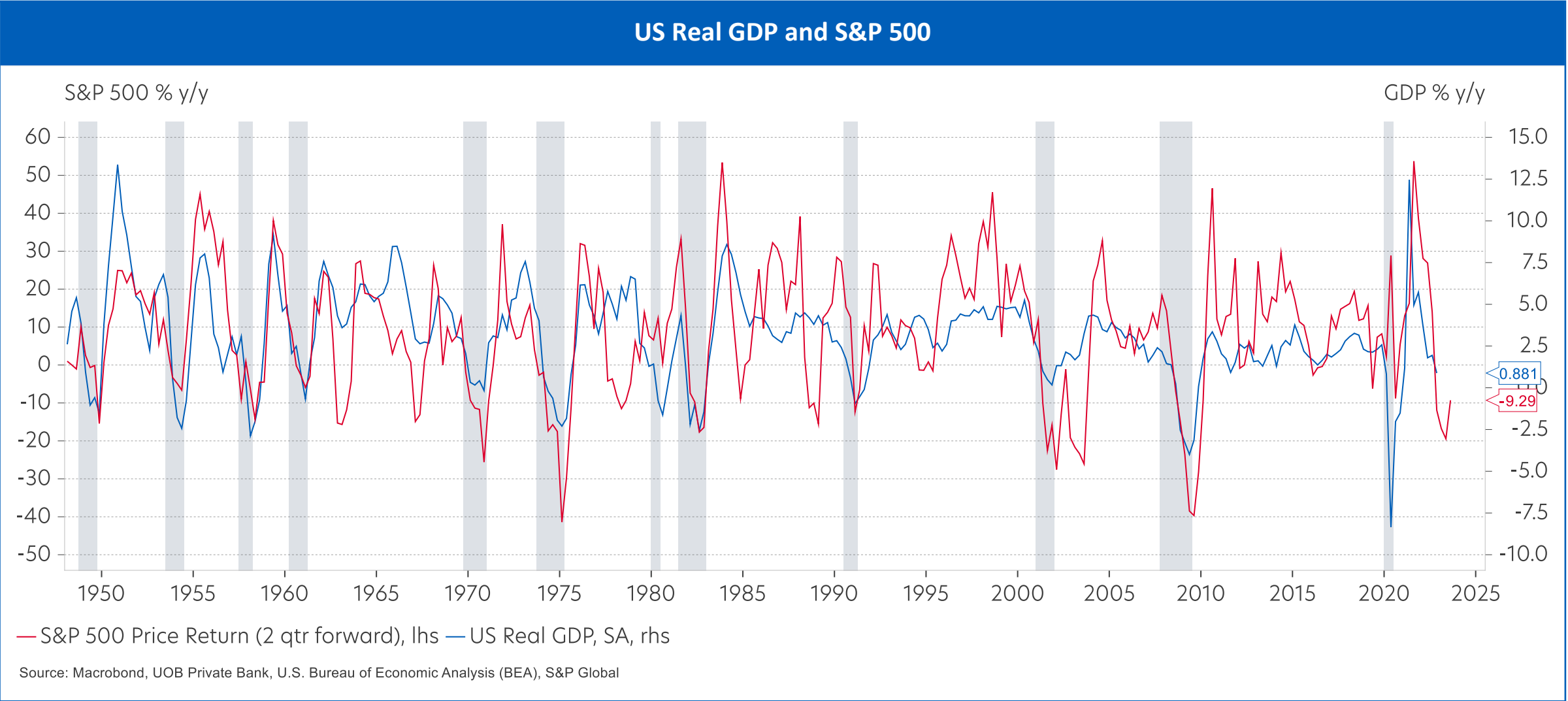
We still haven't answered...

The business cycle did not break down. Indicators predict accurately where we are.

We are in Autumn and Winter is Coming.

Why then did Equities underperform when economic growth was alright and we didn't have a recession last year?

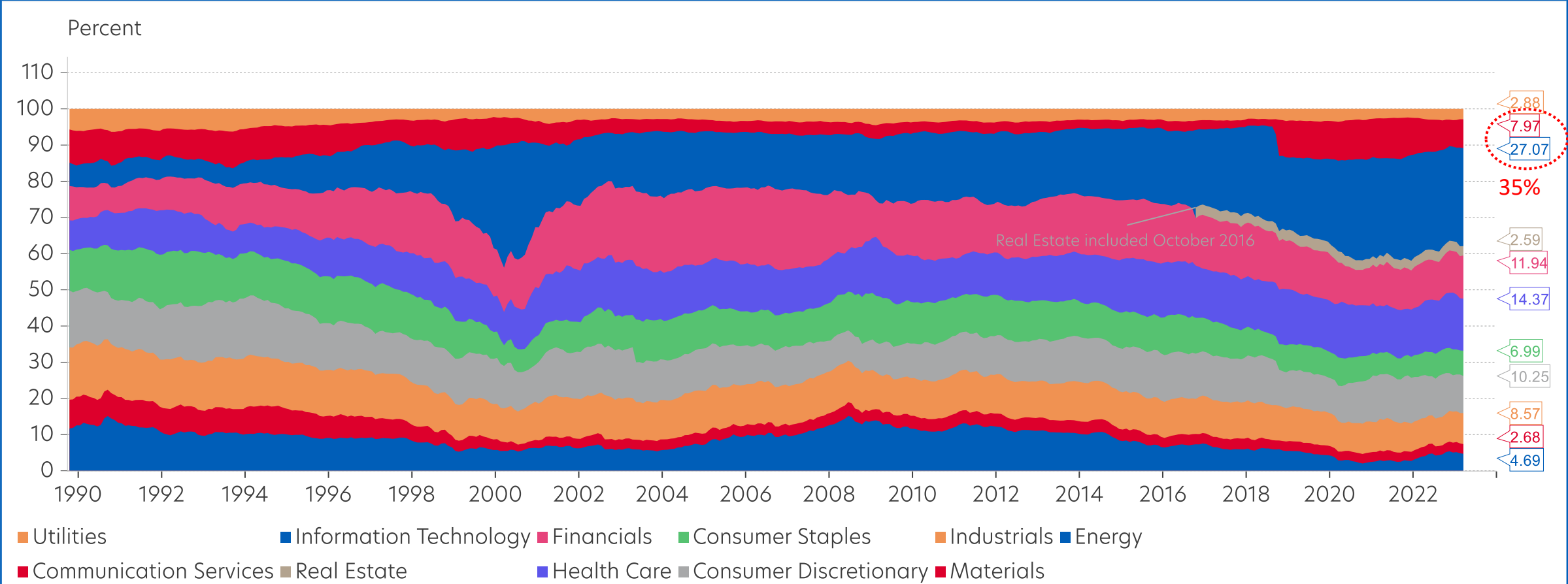
Equities are quick tempered – Anticipatory & Jittery



Larger % of “Growth sectors” in S&P 500 (“interest-rate sensitive”)

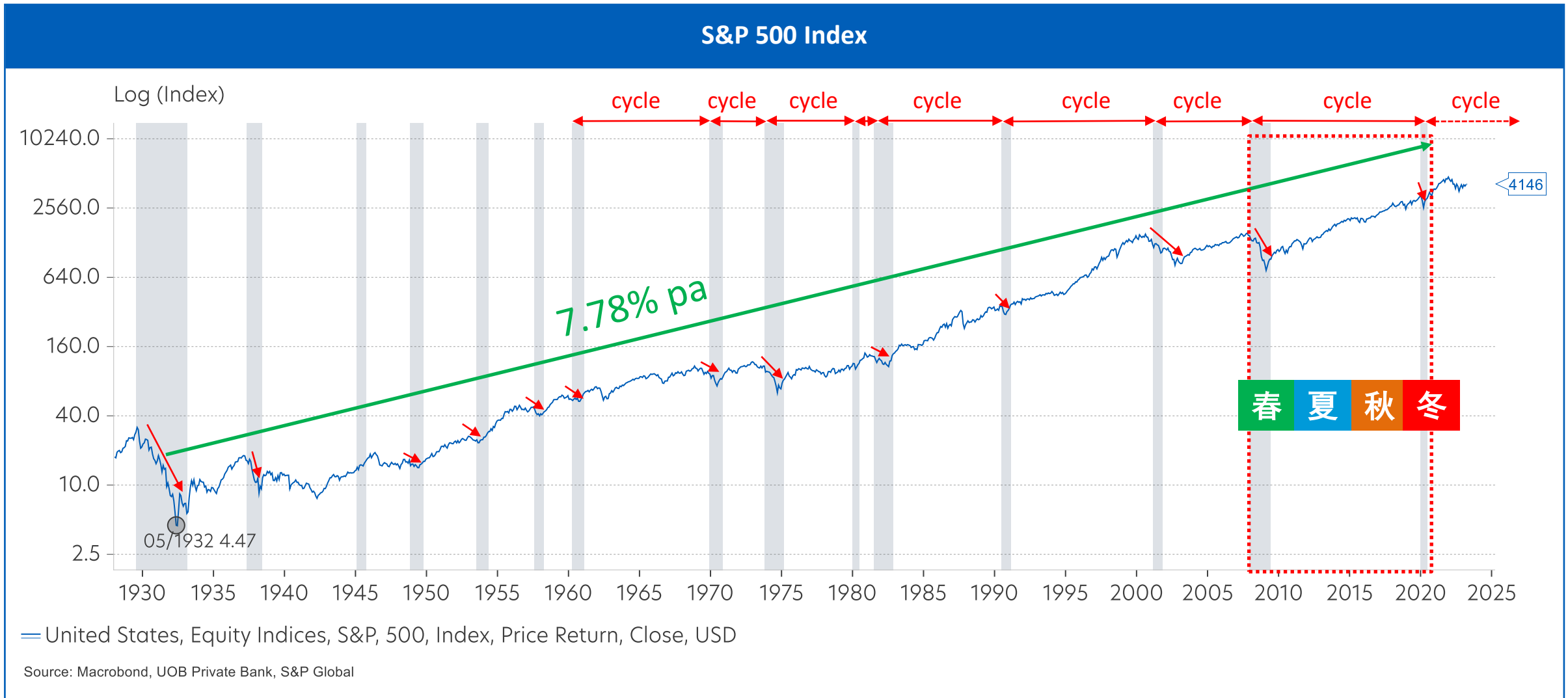


S&P 500 Sector Weight Evolution



Source: Macrobond, UOB Private Bank, S&P Global

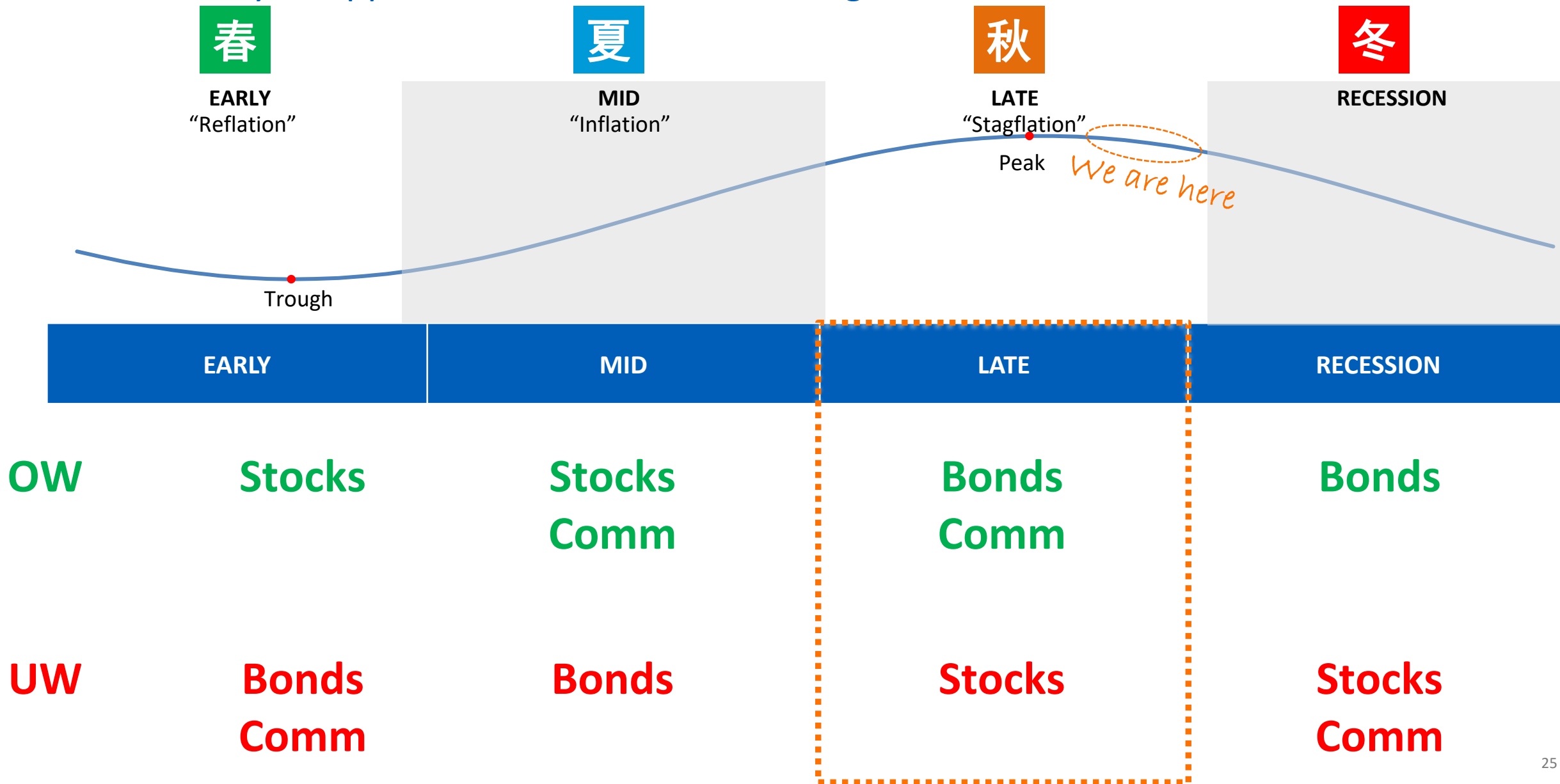
Staying invested is important. Knowing business cycle equally so.



Summary

- Asset markets are **highly anticipatory** of real economic activities.
- The **constant interaction** of stakeholders in an economy forms the **business cycle**. But the **constant expectation** of the interaction of stakeholders in an economy forms **asset markets** (equities, fixed income, etc) movements.
- Asset markets are also highly jittery. Other than economic fundamentals, one need to look at **Valuations, Technicals, Fund Flows, Sentiments, Alternative data**, etc.
- Sell-offs in Equities do not always lead to an economic recession; but **before every recession, Equities do get sold-off**.
- The **increasing share of “Growth” stocks** (eg: Technology, Comms Svcs) in stock indices (eg: S&P 500) will provide “false signals” on economic activities as they are more “interest-rate sensitive” than “economically sensitive”.

The business cycle approach to successful investing





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United Overseas Bank (UOB) Private Bank

Francis is an Investment Strategist with UOB Private Bank. Before this, he was an economist with UOB's Global Economics and Markets Research team, where he was responsible for ASEAN economics. Francis also provides regular economic commentaries in English and Mandarin through local and international print and broadcast media.

Before joining UOB, Francis held roles in Asian and global financial institutions as an investment strategist and an investment manager. His career also included stints as an economist at the Singapore Ministry of Trade and Industry and the Singapore Tourism Board, where he specialised in Tourism Economics.

Francis holds a Bachelor of Social Science (Honours) in Economics and a Master of Social Science in Applied Economics from the National University of Singapore. Continuing his academic interests in the field of applied economics, Francis also contributed a chapter titled "Tourism Demand in Singapore: Estimating Neighbourhood Effects" in the Handbook of Tourism Economics (2013) and published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the Ecological Indicators journal (2014).





Right By You