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Markit Economic Research

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Flash PMIs

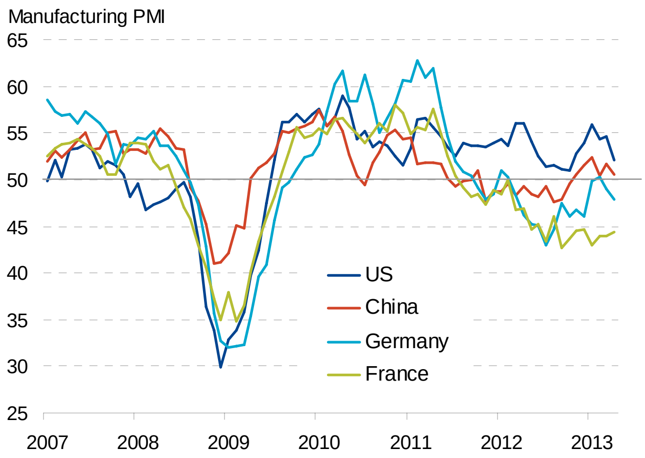
Weaker PMI data hit markets on global growth worries

- **Shanghai Composite and Hang Seng fall sharply as weak China PMI drives renewed growth worries**
- **Commodities hit by demand fears**
- **Euro falls 0.6% as eurozone PMI raises chance of ECB rate cut**

Weaker than expected flash PMI surveys from Markit for China, the US and the euro area have led to increased worries about the global economy.

Commodity-related assets and Asian equities have suffered due to the darker global outlook, and the euro has also fallen sharply as the ongoing contraction of the eurozone PMI has raised the prospect of a rate cut by the ECB.

Markit flash PMI surveys



Markit's flash HSBC Manufacturing PMI for China pointed to a near-stagnation of business activity, coming in at 50.5, down from 51.6 in March and below the Bloomberg consensus of 51.4. The Shanghai Composite shed 1.4% shortly after the release and ended the day with a loss of 2.6%. The Hang Seng fell by just over 1%.

However, the fact that the weakness of the China PMI was driven by slower new order growth, reflecting a renewed decline in new export work, led to growing fears about global demand and pushed commodity-currencies such as the Aussie dollar (AUD) lower against USD (see chart below). AUD was down over 20 pips following the release of the data, with the currency holding ground at around 1.0230 for the rest of the day.

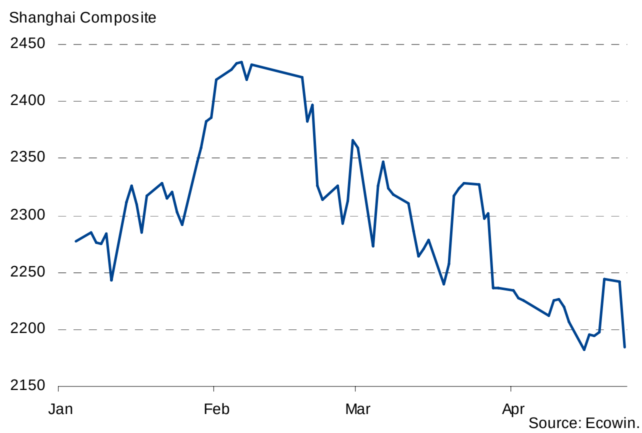
On the commodity markets, copper, oil and rebar prices were also down in trading after the darker outlook of the China PMI release. Copper hit its lowest for a year-and-a-half, falling 1% after the China PMI release, while Brent crude fell below the $100 mark again at one stage before rising back to $100.01 to limit the overall fall to 0.4%.

The downbeat news was followed by some brighter news as an upturn in the Markit flash PMI for France indicated a marked easing in the pace of economic contraction for April. The manufacturing PMI came in broadly as forecast (44.4 against a consensus of 44.1), but the service sector PMI jumped to 44.1 against a consensus of 42.0. The euro bounced on the news, up around 60 pips to $1.3080.

However, the rally was short-lived, as German flash PMI data fell well short of expectations, pushing the euro down to $1.2984, a drop of just over 0.7%. The manufacturing PMI for Germany slipped to 47.9 (consensus: 49.0), while activity in the service sector contracted slightly with the respective index down to 49.2 and confounding expectations of a rise to 51.0.

The euro fell 0.6% against the US dollar, 1.2% against the yen and 0.2% on sterling.

China equities slide on weak flash PMI



Source: Ecowin.

Euro slumps as PMI raises ECB rate-cut prospect

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