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## Recession watch

- The chart below shows Now-Casting tracking GDP levels for US, Europe, China & Japan in z-score terms. Relative to the one year history, most are experiencing slightly sub-trend growth.
- The exception is Japan where Friday's Economy Watchers Survey report produced a notable beat in the Current Conditions index. Usual health warnings given it is only one data point but it boosted Q2 tracking GDP growth by 71bp taking it from a small negative to +0.5% QoQ. On Qi, **it is the only major economy posting above trend growth.**



- Stronger domestic growth features as a top 10 positive driver for both the [Nikkei](#) & [TOPIX](#) on Qi's Long Term models. But only just. The LT relationships put more emphasis on healthy risk appetite & tight credit spreads.
- VIX & credit dominate Qi's Short Term models too but this time, at the individual factor level, **Japanese GDP is the biggest single positive driver**. The model also emphasises a weaker Yen.
- As a rule, we default to our LT models for their more stable relationships but, in volatile markets, the ST models can be useful in picking up near term trends.
- On this occasion, if the high frequency economic data can build some positive momentum then, all else equal, that would help macro model value turn higher. The Yen may have lost its safe haven status but could Japanese equities provide some respite from global recession fears?
- RETINA™ subscribers can now receive real-time alerts when Now-Casting tracking GDP numbers experience a meaningful shift.

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