

## **Monday – October 20th**

### **So what's the bottom line this week?**

**As we kick off this week, the biggest question on people's minds is - what drove the stock market's wild swings last week, and what's next on the cards? Here's a look at what to look out for in finance news this week....**

Dear Money For Nothing listeners,

As we kick off this week, the biggest question on people's minds is - what drove the stock market's wild swings last week, and what's next on the cards?

As I always say, we have no crystal ball but market mood swings have been more than obvious. From one day to the next, even within a few hours, stocks swung from despair to optimism, deep losses to big gains. Investors were storm-tossed in every part of the world with plunging oil prices, signs of a slowdown in Europe and fear of Ebola on the downside yet strong corporate earnings and reassuring jobs market figures on the upside.

The only true winner appear to be the Chicago Board Options Exchange's volatility index. Also known as the VIX it doubled over the past month: from 12 to 26.

(<http://www.foxbusiness.com/markets/2014/10/17/anxiety-is-back-wall-street-fear-gauge-vix-soars-during-wild-wall-street-week/>) Even though that's nowhere near the 80 reached in the financial crisis, the recent spike means traders are bracing for more big jumps and steep drops. All of a sudden Wall Street's fear gauge is beeping once again.

So what should we be looking out for this week?

### **A possible European recession**

German's poor manufacturing numbers last week proved to be the icing on the cake. The International Monetary Fund cut its 2014 Eurozone growth estimate to an anemic 0.8 percent and then plunging industrial output numbers for August didn't help either. Investors are terrified that Europe could slip into another recession and the slowdown could impact the US and emerging markets alike. Let's see what happens with the Eurozone's purchasing managers' index, a broad gauge of business activity, which comes out Thursday.

### **A possible pickup in US spending**

Given that one of the triggers for the 460 point drop in the Dow last Wednesday was a report showing a decline in September retail sales, a spending pickup would be a great medicine to pacify investors' jitters. Let's see what happens when Amazon reports earnings on Thursday.

### **China's GDP number**

Remember that China is slowing too. An AFP survey has predicted that China's economic growth in the third quarter fell to its slowest since the depths of the global financial crisis more than five years ago. (<http://www.businessinsider.com/afp-china-growth-seen-at-five-year-low-in-q3-afp-survey-2014-10>) The government will release the official GDP figure on Tuesday.

## **The Hong Kong government's talks with student leaders on political reform**

It's all related to the overall Mainland ethos. Carl Minzner, a Fordham Law School professor claims that in this 110th birth anniversary year of Deng Xiaoping, new Communist party slogans are stressing things like “traditional” culture and values. (<http://www.latimes.com/opinion/op-ed/la-oe-1019-minzner-end-of-china-reform-20141019-story.html#page=1>) State researchers are being warned against foreign collaboration and archives previously open to Western scholars are being closed off. Is this how Beijing deals with influences it perceives as threats? And what does it mean for Hong Kong's pro-democracy Umbrella Movement. Carrie Lam, has announced that talks with student leaders on political reform are scheduled to take place on Tuesday. (<http://rthk.hk/rthk/news/elocal/news.htm?elocal&20141019&56&1046895>) Let's hope that this time they actually happen.

All this and a slew of Q3 earnings scheduled right through the week.

Thoughts? Questions? Ideas? Let us know at Facebook.com/MoneyFor Nothing on RTHK Radio 3

Yours in money,

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