THE WORLDWIDE ECONOMIC GROWTH STORY: CHINESE AND INDIAN STOCKS ALONGSIDE COMMODITIES

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Lows in the Chinese and Indian stock marketplaces in late October 2008 preceded the S+P 500's major bottom on 3/6/09 at 667. Yet the final lows in China's stocks, as in India's, occurred in early March 2009 alongside the S+P 500.

The US stock marketplace (S+P 500 benchmark) continues to advance toward its crucial "final peak" during the worldwide economic crisis, 5/19/08 at 1440 (10/11/07 pinnacle 1576). To many players, the still fairly recent S+P 500 low on 10/4/11 at 1075 perhaps seems a relic of a distant dismal past.

But not only are China's stocks (Shanghai Composite) far below (around sixty-three percent) their 10/16/07 plateau at 6124. India's (Sensex) remains rather distant (about 17.6pc) from its 1/10/08 top just over 21200. Despite the bull move in US equities, the Chinese and Indian stock playgrounds have continued within downtrends that began in November 2010/ April 2011 (or even earlier, in the case of China). Admittedly, China's and India's equity marketplaces may not reflect their so-called overall economies. But these sustained equity downtrends do fit the cuts by many gurus in growth forecasts for these two national economies.

Given the importance of China and India to the worldwide economic growth story, these Chinese and Indian bear stock trends should make one ask how strong the overall world economy really is. US stocks and overseas ones need not travel in the same direction. Observers still should wonder which near term trend will prevail over time (going forward), the bull one in US stocks, or the bear one in China/India.

Of course one should supplement this equity perspective by reviewing stocks in other advanced nations, as well as in emerging marketplaces. As always, interest rate and currency trends (especially for the US dollar) are relevant.

However, many commodity groups (at various times) in 2011 began bear trends. Despite differences between the various commodity sectors, this rough overall commodity pattern tends to fit the bear trend story expressed via Chinese and Indian stock patterns. The broad Goldman Sachs Commodity Index peaked at 762 on both 4/11/11 and 5/2/11. Is the petroleum complex an exception to trends in base metals, steel, iron ore, steam coal, silver, agriculture in general, and even gold? Perhaps. There is obviously a risk of an Iranian event. Brent made a new high on 3/1/12 at 128.4, just above its April 2011 summits around 127.0. Yet NYMEX crude and US Gulf Coast gasoline and diesel fuel prices remain below their spring 2011 heights. Current overall petroleum industry inventories in advanced nations are at above average levels in days coverage terms, though a move to just-in-case inventory management probably has tightened oil stocks.

Maybe the money printing/low government interest rates/deficit spending by the US and many other nations will continue to rally some equity marketplaces (like America's, especially given its very low Treasury yields) and bolster many commodities. However, the bearish commodity trends that commenced in 2011, when interpreted alongside Chinese and Indian stock trends, nevertheless warn of slowing international growth and that a bear trend in US stocks may commence fairly soon. A popular refrain: "strong stocks (S+P 500) equals strong commodities, weak stocks equals weak commodities". The stock aspect of this refrain probably should be widened to include members in addition to the S+P 500 and related "advanced" (OECD) nations.

In any event, despite the rally in the S+P 500, trends in the Chinese and Indian stock marketplaces warn that the worldwide economic crisis probably is not close to being solved.

Eleven charts with comments are attached. Most of the charts begin on the start date for a major low in late 2008 or early 2009. To better highlight its recent trends, Brent is an exception to this presentation. So is iron ore, where data prior to end May 2009 is unavailable.

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