

Why Equity Markets Are Weak

It's not fundamentals that are driving equity markets and responsible for the current weakness. Fundamentals were bound to weaken once the first round of inventory restocking had taken place and the benefits of cost cutting had been realized.

The world economy is still weak, but in a recovery phase, and conditions have returned to normal, albeit at depressed levels.

What is driving equity markets lower is tightening of monetary conditions as central banks across the world try to normalize policy after a period of unprecedented monetary stimulus.

India and China have increased their reserve ratios, the Aussies have raised rates, even the Fed is slowing its pace of mortgage asset purchases.