

October 23, 2024

Meetings

“Meetings move at the speed of the slowest mind in the room.” – Dale Dauton

“Growth is never my mere chance; it is the result of forces working together.” – James Cash Penny

Summary

Risk mixed with focus on US rates rising to levels where 3Q earnings look weak to value hopes and as the US election worries rise with just 13 days to the vote. The US \$13bn 20Y bond sale today along with the Fed Beige Book and new home sales might keep rates as the center of focus, but the bigger story is likely from Canada where the BOC is expected to follow the Fed with a jumbo rate cut. What that does to FX and to risk matters. The link of IMF speakers to volatility is also a consideration with BOJ and the Japan election this Sunday clearly a concern given JPY is near 152 and the last MOF intervention zone. Markets are chasing trends and rethinking carry with EM markets wanting to believe that the meetings ahead lead to better outcomes.

What's different today:

- **Gold touches new record highs for 7th consecutive day** up to \$2,750 - led by geopolitical worries, US election and global easing outlook for central banks
- **Iron Ore dips below \$105 ton** - linked to doubts about China demand - IMF and US Treasury Yellen both warn current stimulus won't significantly boost domestic China demand.

- **US weekly MBA mortgage applications drop 6.7% for 4th consecutive week** – matching rate moves higher in mortgages. Refinancing applications fell 8.5% while new homes fell 5%.
- **iFlow** – Mood indicator peaks out but still extremely positive, carry bottoming but still negative, Trend extends gains in positive territory. FX in G10 yesterday was about USD buying, NOK and DKR buying against AUD, EUR, SEK and GBP. In EM its about selling across LatAM against buying of KRW, PHP and ZAR. Bonds show same trend of Australia buying, South Africa selling along with China. Equities remain mixed with G10 negative, and EM mixed with South Africa, Brazil and India seeing inflows.

What are we watching:

- **Bank of Canada rate decisions** expected to cut rates 50bps to 3.75% - with market pricing in 48bps of this, key will be forward guidance and BOC news conference.
- **US September existing home sales** expected -1.6% to 3.8mn - key is how rate moves drive sales vs. supply
- **US Fed Beige Book** - used for regional anecdotal evidence for growth and inflation risks ahead of November decision.
- **IMF speakers:** Bank of Japan Governor Kazuo Ueda, Bank of England Governor Andrew Bailey, European Central Bank President Christine Lagarde and ECB chief economist Philip Lane, and German Finance Minister Christian Lindner
- **Fed speakers:** Federal Reserve Board Governor Michelle Bowman, Richmond Fed President Thomas Barkin speak
- **3Q earnings:** Tesla, Boeing, IBM, Ameriprise, Northern Trust, AT&T, Boston Scientific, General Dynamics, Thermo Fisher Scientific, Coca Cola, Nextera Energy, Hilton Worldwide, United Rentals, O'Reilly Automotive, Lam Research, Newmont, Las Vegas Sands, Rollins, Align Technology, CME and others.

Headlines

- Korea Oct consumer confidence up 1.7 to 101.7 - best since July – Kospi up 1.12%, KRW off 0.35% to 1382.40
- Singapore Sep CPI slows to +0.3% m/m, 2.0% y/y - lowest since Mar 2021 – SGD off 0.3% to 1.3205
- Taiwan Sep industrial production slows to 11.22% y/y - lowest since March – TWD off 0.4% to 32.084

- Turkey Oct consumer confidence up 2.4 to 80.6- best since June 2023 – TRY off 0.3% to 34.26
- South Africa Sep CPI slows to 0.1% m/m, 3.8% y/y - lowest since Mar 2021 – ZAR off 0.3% to 17.605
- Poland Sep unemployment steady at 5% - PLN off 0.4% to 4.023
- US former President Trump accuses UK Labour Party of interference in US election – FTSE off 0.45%, GBP off 0.1% to 1.2975
- US weekly API oil inventories report +1.643mb crude build, more than the 0.7mb expected, while gasoline fell 2.019mb leaving it 4% below the 5Y average and distillates fell 1.478mn 10% below average – WTI off 1.8%

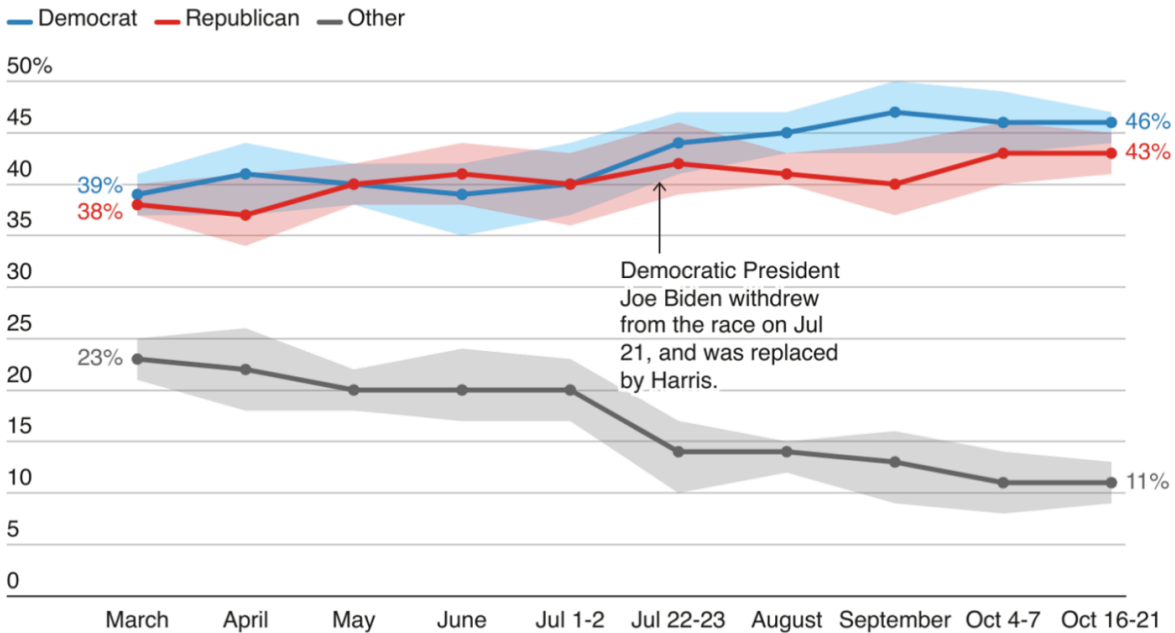
The Takeaways:

First rule of meetings - do not have them unless you know what will come out of them. The decisions and debate made in meetings are set before anyone sits down. Or so goes the management rule about moderating surprises with pre-arranged questions and answers. Markets are not run by such rules and while some would want that efficiency, others find opportunity in the volatility and uncertainty. While the world is waiting for the US and Japan elections, the IMF meetings and BRICS summit are providing plenty of unease for investors as discussions of geopolitical risks, global debt and ongoing worries about growth and inflation mix together. The BRICS expansion talks in Kazan Russia highlight the split of the post-Cold War peace fragility with the focus on Putin hosting discussions with China Xi and India Modi over his Ukraine war. The President of Iran and Turkey will follow. Markets are watching gold and oil as risk markers for escalation as South Korea confirms along with other nations that North Korean troops are in Ukraine ready to fight. The wars in Israel and Ukraine hang over the BRICS summit as they do the IMF/World Bank meetings. Having said that the data has been good in the US and the USD has rallied back to 2 1/2 month highs linked to the rising rate views as Fed easing expectations are pared back. The role of the US election in rate moves is also something to consider though all the polls continue to show it's too close to call.

Exhibit #1: Is the US election too close to call or will we have certainty Nov. 5?

Harris vs. Trump: Reuters/Ipsos US presidential poll tracker

Democratic Vice President Kamala Harris has a marginal lead over Republican former President Donald Trump among U.S. registered voters nationally, Reuters/Ipsos polls show, and the race remains extremely close in the swing states that will decide the election.



Note: The nationwide surveys were conducted between March 7 and Sept 23. They gathered responses online from between 833-3562 U.S. registered voters, with margins of error between 1.8 to 3.5 percentage points.

Source: Reuters, BNY

Details of Economic Releases:

1. Korea October consumer confidence rose to 101.7 from 100 - better than 101 expected. Consumer sentiment regarding current living standards remained unchanged at 90, while expectations for future conditions improved by two points to 96. Sentiment about anticipated household income for the future rose by one point to 99, and expectations for household spending also increased by one point to 109. Furthermore, perceptions of current domestic economic conditions increased by two points to 73, and outlooks for future conditions rose similarly to 81. Inflation expectations were set at 2.8% for the coming year, with three-year expectations at 2.7% and five-year expectations at 2.6%

2. Singapore September CPI rose 0.3% m/m, 2.0% y/y after 0.7% m/m, 2.2% y/y - higher than the 1.9% y/y expected - lowest since March 2021. Food prices rose the least in 31 months (2.6% vs 2.7% in August). Meanwhile, cost of housing and utilities eased (3.2% vs 3.4%), linked to accommodation. In addition, transport prices fell (-1.0% vs 0.2%), mainly dragged down by private transport; as did clothing (-0.3% vs -2.6%); and communication (-1.0% vs 0.7%). On the other hand, costs accelerated for healthcare (4.1% vs 3.7%), driven by outpatient services; recreation

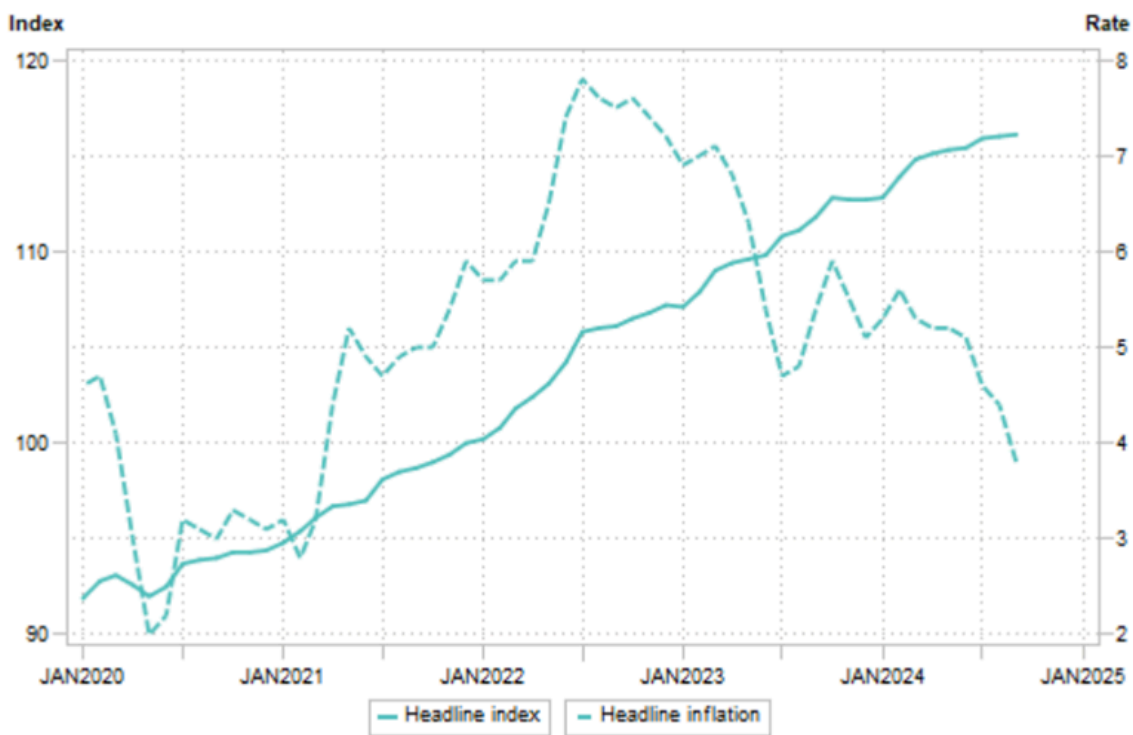
and culture (4.5% vs 4.2%), led by holiday expenses; education (3.4% vs 3.0%); and miscellaneous goods and services (1.2% vs 0.9%), mostly due to personal care. The annual core inflation rate edged up to a three-month high of 2.8%,

3. Turkey October consumer confidence rises to 80.6 from 78.2 - better than 78.5 expected - highest reading since June 2023, as households were less pessimistic about their financial situation over the next 12 months (82.1 vs 77.4 in September) and the general economic outlook for the same period (75.3 vs 74.5). Additionally, assessments of spending on durable goods in the coming year turned positive, increasing to 100.1 from 96.2. However, views on the current household financial situation became slightly more negative (64.7 vs 64.8).

4. South Africa CPI rose 0.1% m/m 3.8% y/y after 0.1% m/m, 4.4% y/y - lower than the 3.9% y/y expected - lowest since march 2021. The main downward contribution came from transport costs which declined for the first time in 13 months (-1.1% vs 2.8% in August), mainly due to fuel (-9%). A litre of inland 95-octane petrol was ZAR 22,19, the lowest since February 2023. Price increases for vehicles have also slowed (3.6% vs 8.4% a year ago). Meanwhile, cost of food and non-alcoholic beverages rose 4.7%, the same as in August. Softer annual rates were recorded for hot beverages; meat; bread & cereals; while vegetables, fruit, recorded higher inflation rates. In addition, cost of housing and utilities rose 4.8%, the same as in August but prices rose faster for alcoholic beverages & tobacco (4.7% vs 4.3%).

Exhibit #2: Does the SARB have more room to ease?

- CPI headline index numbers and year-on-year rates



Source: South Africa Stats, BNY

Disclaimer & Disclosures

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