

October 29, 2024

## Kitchen Sinks

*“The ideal novel: throw in everything but the kitchen sink, Then add the kitchen sink.” – Edward Abbey*

*“Life will throw everything but the kitchen sink in your path, and then it will throw the kitchen sink. It’s your job to avoid the obstacles. If you let them stop you or distract you, you’re not doing your job, and failing to do your job will cause regrets that paralyze you more than a bad back.” – Andre Agassi*

### Summary

Risk on as the China floating of \$1.4trn stimulus feels like a everything but the kitchen sink is being thrown at that economy by the government. The data on jobs was better in Japan and Singapore, while the focus on 3Q earnings heats up today with big tech. The fear factors over elections remain but geopolitical fears are lower even as oil is up 1.3% after losing 5% yesterday. The German confidence bounce and the UK approvals add to views of stability in growth but the Swedish surprise contraction in 3Q makes clear that monetary policy remains essential to keeping it all together. Throw in the doubts about fiscal policy whether in the US or Japan or China and you see the focus return to rates with today’s host of key economic data from JOLTS to house prices to trade and consumer confidence may not mix well with the 7-year sale.

**What’s different today:**

- **Bitcoin trades \$70k** – first time since June – with BTC ETF flows key along with Trump trade hopes while ETH leads up 2% today and Gold up 0.3% again.
- **Iron Ore drops to \$104 ton at 1-month lows**– ahead of China NPC meetings and doubts about demand.
- **iFlow** shows Mood continuing lower but still extreme, carry holding near flat and trend lower. FX markets bought USD again with CHF and SEK and NOK against EUR and GBP selling. The equity selling notable still in G10 except in Norway and Swiss. While EM was mixed with India and Singapore selling. The bonds markets show buying New Zealand selling in Poland and China.

### What are we watching?

- **US September job openings** expected 8mn after 8.04mn – key also will be quits rate.
- **US September flash goods trade deficit** expected \$96bn after \$94.3bn – key for 3Q GDP estimates.
- **US August house prices FHA** expected up 0.1% m/m after 0.1% m/m while 20-City Shiller index expected up 0.2% m/m after 0.27% m/m.
- **US October conference board consumer confidence** expected up 99.5 from 98.7 – with focus on jobs hard to get as well.
- **US 3Q earnings:** Alphabet, Advanced Micro Devices, McDonald's, Pfizer, PayPal, Corning, First Solar, Visa, MSCI, Sysco, DR Horton, Edison, Chubb, Caesars Entertainment, EQT, Stanley Black & Decker, Ecolab, American Tower, Masco, Incyte, FirstEnergy, Zebra Technologies, Royal Caribbean Cruises, IDEX, FMC, Mondelez, Stryker, DaVita, Essex Property
- **Bank of Canada Governor Tiff Macklem speaks** - focus is on rate cut plans ahead.
- **US Treasury** sells \$44 billion of 7-year notes and also sells 2-year floating rate notes; sells \$48 billion of 12-month bills

### Headlines

- Japan Sep unemployment off 0.1pp to 2.4% - best since January - MOF Kato vows to closely watch FX moves – while DPP Tamaki warns BOJ on policy shifts – Nikkei up 0.77%, JPY off 0.1% to 153.45
- Singapore 3Q unemployment off 0.2pp to 1.8% - best since 1Q 2023 – SGD off 0.15% to 1.3250

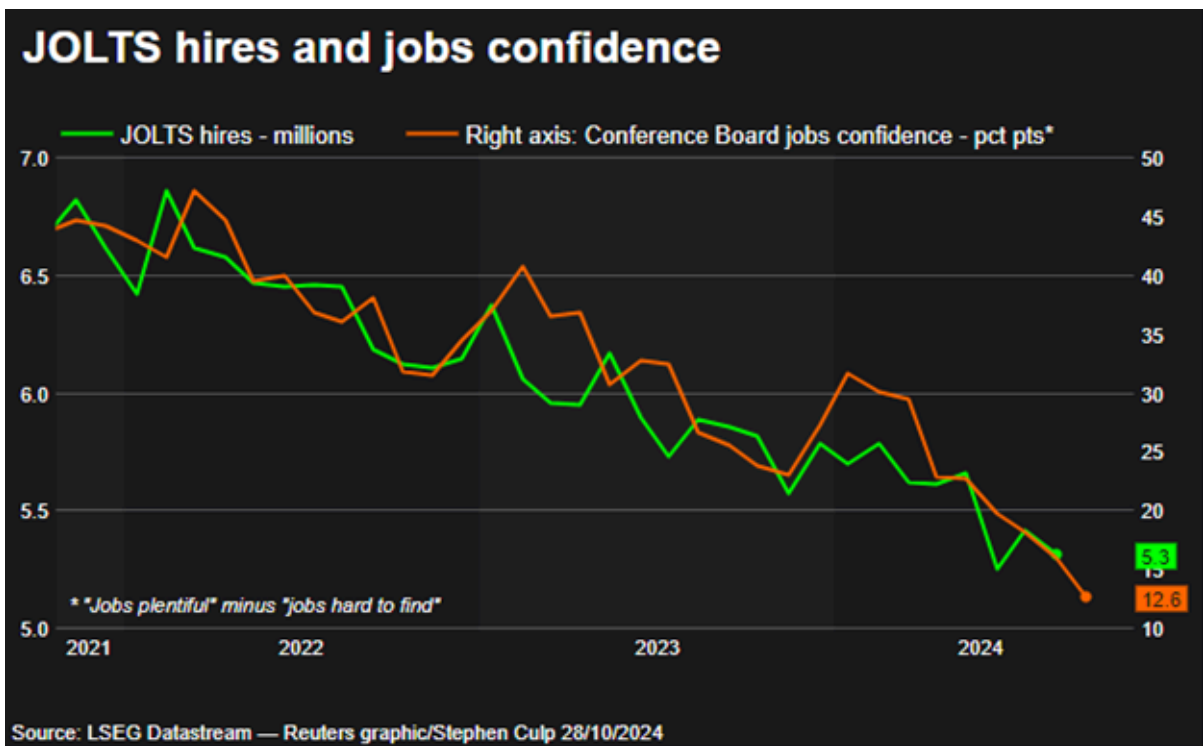
- China considers CNY10trn (\$1.4trn) fiscal stimulus package - CSI 300 off 1%, CNH off 0.15% to 7.1545
- Sweden enters technical recession as 3Q flash GDP -0.1% q/q, -0.1% y/y – OMX up 0.2%, SEK off 0.1% to 10.663
- German Nov GfK consumer confidence improves 2.7 to -18.3- 2nd monthly gain, best since April 2022 – DAX up 0.35%, Bund 10Y up 3bps to 2.313%, EUR off 0.1% to 1.0800
- UK Sep mortgage approvals rise to 65,650 – highest in 2-years – FTSE up 0.1%, GBP up 0.1% to 1.2985

### **The Takeaways:**

As China appears to be ready to throw everything but the kitchen sink at their growth problems, markets digest the implications for more global deficits and higher rates. The shift of focus from the US monetary policy to the US fiscal policy started in June after the Presidential Debate between Trump and Biden. The Trump trade started then and has been in the background since but one week before the election it's now a dominant driver for prices across markets. From a news perspective the week ahead matters with key data - JOLTS today will likely be critical to monetary policy views into the Fed for the ongoing 25bps or 50bps debates for November and December meetings. However, the news yesterday afternoon is likely the most critical in bridging the two worries about rates. The Treasury said on Monday it plans to borrow \$546 billion in the fourth quarter, \$19 billion lower than the July estimate, but bond markets remain agitated by Trump's extensive tax cut pledges with the government's budget deficit already running at a significant 6.4% of GDP. The MOVE index that measures the US bond market volatility touched yearly highs after this release. The worry about US rates rising particularly in the longer duration rests on its effect for mortgages and autos first. But behind that is the role it plays in corporate borrowing and that is where 3Q earnings show up today as a key driver. The mix of confidence about growth and rate stability and jobs mixes today to combine the two worries about monetary and fiscal policy ahead.

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### **Exhibit #1: Is Jolts a market mover today?**



### Details of Economic Releases:

**1. Japan September Unemployment dips to 2.4% from 2.5% - better than the 2.5% expected** - lowest level since January, with the number of unemployed declining by 40,000 to a 20-month low of 1.68 million and employment falling by 90,000 to 67.82 million. The labor force was down by 120,000 to 69.49 million, and those detached from the labor force increased by 160,000 to 40.37 million. The non-seasonally adjusted labor force participation rate rose to 63.5% in September from 63.3% in the same month a year earlier. Meanwhile, the jobs-to-applications ticked higher to 1.24 in September, slightly above expectations and the prior figure of 1.23.

**2. Singapore 3Q unemployment dips to 1.8% from 2.0% - better than the 2.0% expected** - the lowest level since Q1 of 2023, a preliminary estimate showed. Retrenchment dropped to 2,900 from 3,270 in Q2. Lay-offs decreased or remained stable across sectors, with business reorganization/ restructuring remaining the top reason for retrenchment. Meanwhile, total employment grew by 2,400, more than double the growth of 11,300 in Q2, as both resident and non-resident employment rose at faster paces. Concurrently, employment among higher-skilled pass types was stable. Looking ahead, the city's Ministry of Manpower said there may be a decline in hiring and wage expectations among companies in the following quarter, due to uncertainty in export-oriented sectors. Nevertheless, employment in Q4 is likely to expand further, and the labor market is expected to remain tight,

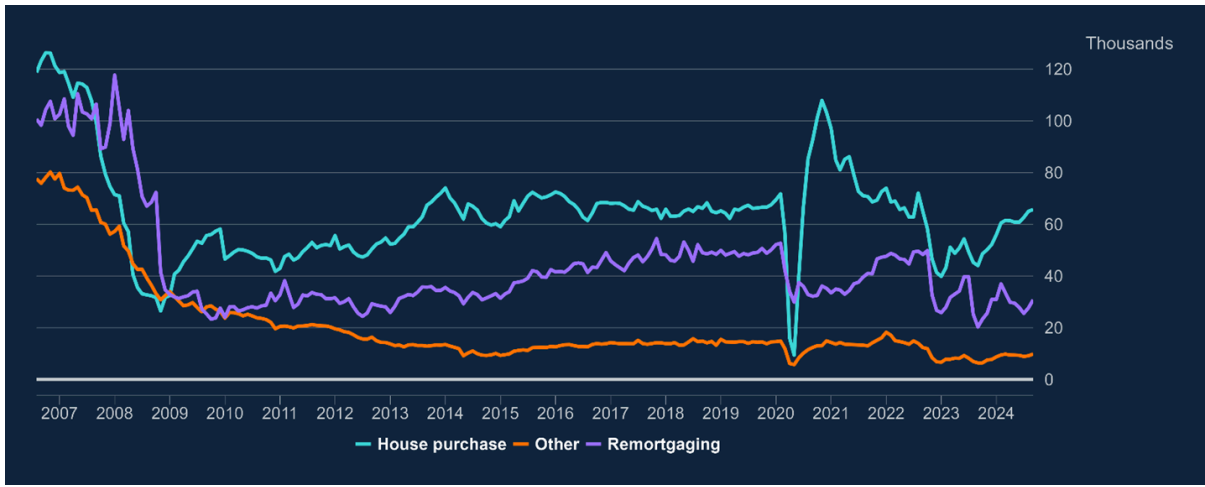
**3. Sweden 3Q GDP flash -0.1% q/q, -0.1% y/y- after -0.3% q/q, +0.5% y/y - less than the 0.4% q/q, 0.7% y/y expected** - indicates that the Swedish economy has entered a technical recession. According to a national economist at Statistics Sweden, the decline was attributed to weak figures reported for July and September. "Sweden's gross domestic product decreased in September, and together with weak performance in July, this contributed to negative growth for the third quarter overall compared with the previous quarter," said Melker Pettersson Loberg, an economist at Statistics Sweden.

**4. German November GfK consumer confidence improves to -18.3 from -21.0 - better than -20.5 expected** - second monthly gain and best since April 2022. Income expectations strengthened (13.7 vs 10.1 in October) and the propensity to buy reached its highest level in near three years (-4.7 vs -6.9), both advancing for the second month running. In addition, the tendency to save declined slightly. However, economic prospects declined for the third month (0.2 vs 0.7), following a downward revision of economic growth this year. "Despite this improvement, the consumer climate remains very low," said Rolf Bürkl, a consumer expert at NIM. He noted that uncertainties from crises, wars, and high prices continue to curb consumption. Meanwhile, a rise in company insolvencies, plans for job cuts, and intentions to relocate production abroad also weigh on consumer sentiment.

**5. UK September mortgage approvals rise 700 to 65,650 - more than the 64,900 expected** – highest in 2-years while approvals for remortgaging, which only capture remortgaging with a different lender, rose for the second consecutive month to 30,800 in September, a month-on-month increase of 3,100. The 'effective' interest rate, which is the actual interest paid, on newly drawn mortgages decreased by 8 basis points, to 4.76% in September. Over the same period, the rate on the outstanding stock of mortgages increased slightly to 3.74%, from 3.72% in the previous month.

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**Exhibit #2: Do mortgage approvals mean BOE on hold?**



Source: UK BOE, BNY

**Disclaimer & Disclosures**

Please direct questions or comments to: [iFlow@BNY.com](mailto:iFlow@BNY.com)



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