BNY

iFlow

MARKET MOVERS

November 4, 2024

Falling Behind

“Keep your face always toward the sunshine – and shadows will fall behind you.” – Walt Whitman

“If you are not constantly reinventing yourself, you’re falling behind.” – Anne Sweeney

Summary

Risk mixed as markets digest a light weekend for news, chase polls that show Harris with slight edge, and in the US fell behind one hour for daylight savings. The Japan markets were closed for Culture day while the China focus is on the NPC passing the stimulus plans and Europe returns from All Saint’s to a slightly better manufacturing PMI while Turkey CPI slows to July 2023 lows. Markets unwind some of the betting on a Trump trade with USD lower with keen focus on MXN and CNH, Bitcoin lower and US bonds slightly bid. The next 48 hours are seen as likely to be volatile - with little other news to counter the US vote focus. On the day ahead, the news agenda is light with focus on the US $58bn 3Y sale and further 3Q earnings.

What’s different today:

- **Chile September Imacec economic activity stalls to 0%** y/y after a 2.3% y/y gain – trade was up 2.9%, services up 1.6% but goods production fell -2.3% - linked to lower electricity generation.
- **EU NatGas rises to E40mwh** – led by demand as lower wind speeds hurt alternative production. Solar production also in seasonal lag mode.

- iFlow: Mood indicator neutral, as is Carry and Trend and Value – markets stuck in a wait-and-see mode with back in focus – USD sold Friday with CHF, JPY, SEK and GBP buying. EM mostly bought except in LatAm. Equities mostly negative except in Chile, Japan, Swiss and Hong Kong. Bonds bought in US again along with India.

What's are we watching?

- **US September Factory orders** expected -0.4% from a -0.2% m/m in August - focus is on manufacturing weakness..
- **Corporate earnings:** Constellation Energy, Marriott, Brookfield Asset Management and Fox will report earnings before the bell. Palantir will report after the markets close.
- **US Treasury** sells $58bn in 3-year notes

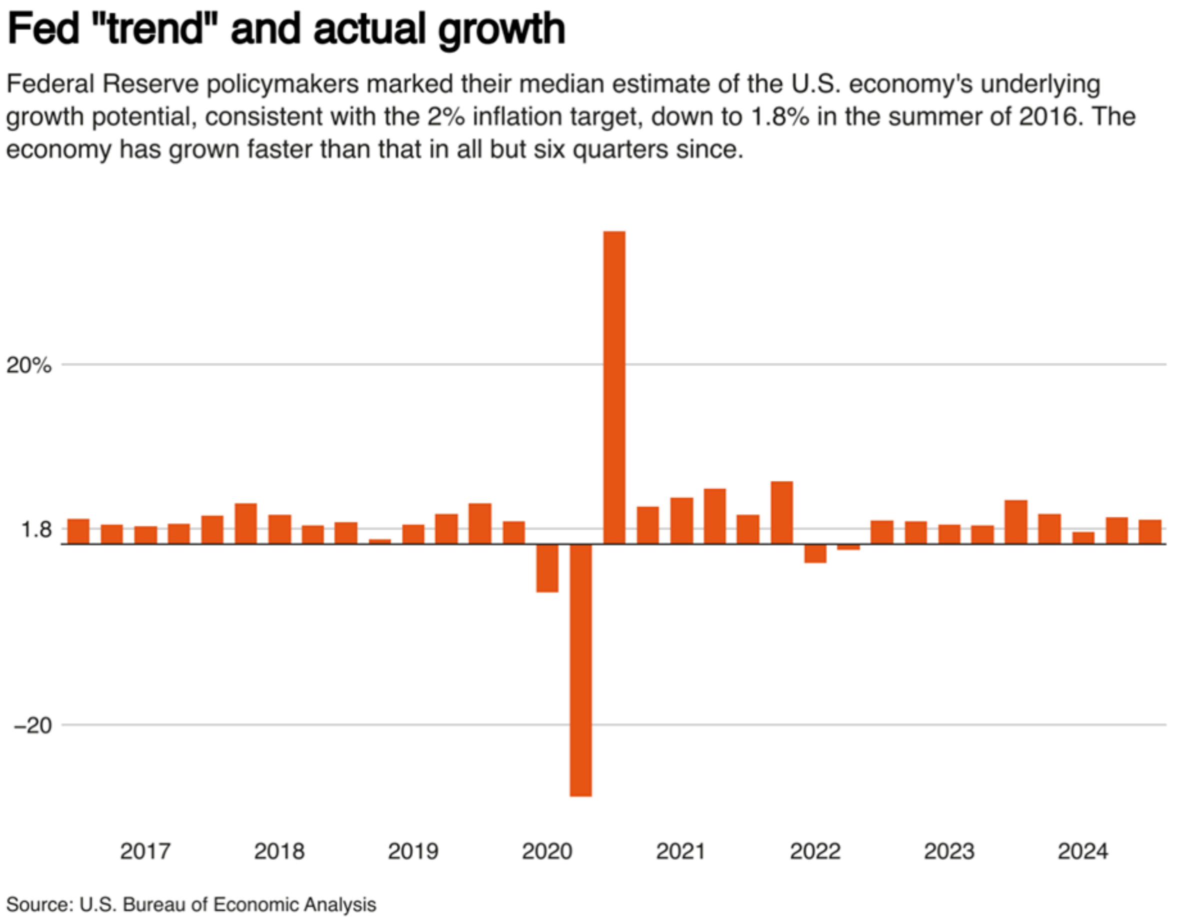
Headlines

- S.Korea oppositiion party agrees to cut capital gains tax - Kospi up 1.55, KRW up 0.7% to 1369.6
- India Oct final manufacturing PMI up 1 to 57.5 - bounce back in foreign orders – Sensex off 1.18%, INR off 0.25% to 84.105
- Turkey Oct CPI off 0.8pp to 48.58% - with core 47.75% y/y- lowest since June 2023 – TRY off 0.5% to 1374.20
- Eurozone Oct final manufacturing PMI up 1 to 46 - best since May - as Germany up 3 to 43, Spain up 1 to 54.5 but Italy off 1.4 to 46.9 and France off 0.1 to 44.5 – Eurostoxx 50 up 0.15%, EUR up 0.6%
- US election polls still point to too close to call but momentum shifts slightly to Harris - S&P500 futures up 0.1%, US dollar index off 0.3% to 103.65, 10Y US bond yields off 10bps to 4.285%
- OPEC+ confirms delay in oil output plan until January - continues to cut 2.2mpd of production - Brent up 2.8% to $75.10

The Takeaways:

Falling behind in November has become a hurdle for trading in the first week of the month, and this year seems especially bad given the uncertainty of the US election. Trading is on hold and waiting in many places. The economics of the 3Q are clear but the slowdown in 4Q is just taking shape as the October US jobs report highlighted, the hurricanes distorted the US growth story. he Atlanta Fed's closely-watched "GDPNow" model has estimated economic growth ebbing to 2.3% from 3.4% over the past week, the 10-year Treasury 'term premium' capturing investor risk compensation longer term remains at its highest in a year as are key gauges of Treasury volatility. The biggest issue for markets falls from the myopia of the US election drowning out the importance of other policies like the FOMC and the rest of the world. The Fed meeting is seen as a 25bps pro-forma action but the noise of economic data and the actual trend in US potential growth all point to risks for 2025 in a bounce back in both growth and inflation. How markets see the election will add to worries over rates and the balancing act of the the FOMC. The role of the USD in absorbing shocks will be on going. US exceptionalism will require a different chart on potential to hold - namely more productivity, more AI investments, more trade and ongoing confidence in the US consumer.

Exhibit #1: Does Potential matter?



Source: Reuters, BNY

Details of Economic Releases:

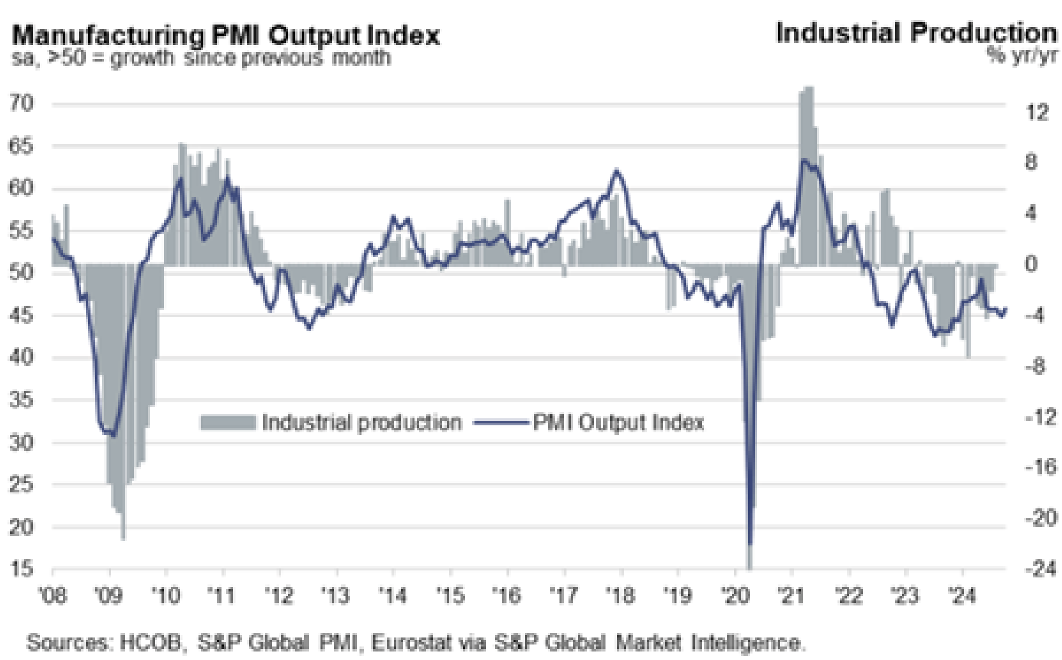
1. **India October final HSBC manufacturing PMI rises to 57.5 from 56.5 - better than the 57.4 flash.** Output growth accelerated amid favorable market conditions, with new orders rising at a rate stronger than the average in nearly 20 years of data collection. Also, foreign sales grew robustly after experiencing the weakest rise in 1-1/2 years in September, and buying levels continued to expand. Regarding employment, firms hired additional staff, leading to the first decline in backlogs in over a year. Meanwhile, input delivery times shortened for the eighth month, although only slightly, as the vast majority of panelists

reported no change in vendor performance. On the pricing side, input costs rose the most in three months but remained below the long-run trend. Meanwhile, output prices increased solidly, outpacing the series trend. Finally, the level of positive sentiment was above the average in the over 13-1/2 year of series history.

2. **Turkey October CPI moderates to up 2.88% m/m, 48.58% y/y after 2.97% m/m, 49.38% y/y - more than the 48.3% y/y expected** - still, this marked the fifth consecutive slowdown in consumer prices growth and the lowest level since July 2023, as inflation eased for most sub-indexes. Prices mainly moderated for housing, water, electricity, gas and other fuels (89.39% vs 97.87% in September), transport (26.14% vs 26.60%), and furnishing, household equipment, routine maintenance of the house (39.22% vs 40.29%). In contrast, inflation went up food and non-alcoholic beverages, reaching 45.28%, up from 43.72% in the previous month. Meanwhile, core inflation fell to 47.75%, the lowest since June 2023, down from 49.10% in September.

3. **Eurozone October final HCOB manufacturing PMI rises to 46.0 from 45.0 - better than 45.9 flash** - the improvement suggests a slower rate of decline in the Eurozone's manufacturing sector—the mildest since May. This October reading marks the twenty-eighth consecutive month of contraction, the longest downturn since records began in 1997. Production volumes fell for the nineteenth month in a row, constrained by a further drop in new factory orders, which also led to further job cuts. On a positive note, declines in output, sales, and employment slowed, though business confidence dropped to its lowest in a year.

Exhibit #2: Does the PMI suggest a bottoming out?



Source: S&P PMI, BNY

Disclaimer & Disclosures

Please direct questions or comments to: iFlow@BNY.com

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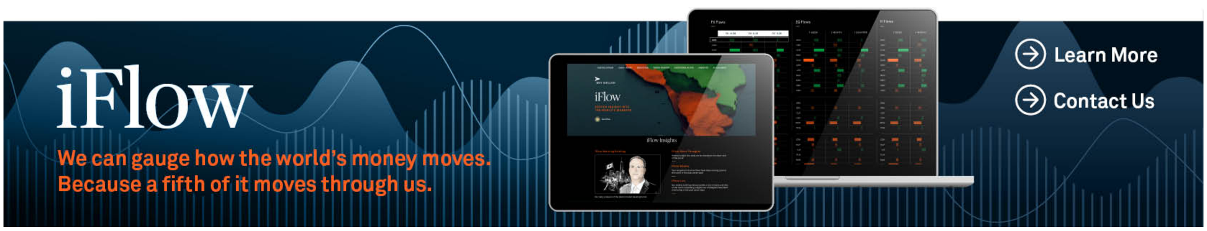

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