

November 11, 2024

## Brass

*“Brass shines as fair to the ignorant as gold to the goldsmiths.” – Elizabeth I*  
*“Be this our wall of brass, to be conscious of having done no evil, and to grow pale at no accusation.” - Horace*

### Summary

#### Summary:

Risk mixed as Veteran’s Day holiday and post US election planning dominates flows with China new loans at 15-year lows while Japan gets PM Ishiba minority government confirmed and as Trump/Putin talk Ukraine -Oil is lower Nat Gas higher and the USD stronger again along with BTC at new record highs. US House control not yet confirmed but still assumed to be Republican by market with Trump naming Lighter as USTR. Over the weekend, China CPI was lower and PPI even more so - leaving China shares underperforming. EUR is lower as Germany debates how fast to set an election. The lack of US news doesn’t mean the US dollar isn’t in play, rather it’s the rest of the world trying to figure out how to set up for Trump 2.0 and the week ahead with CPI and growth the key focus.

#### What’s different today:

- **Eurozone TTF natural gas prices rise to 11-month highs at E43mwh.** Linked to cold weather, lower wind and solar output, while US natgas prices rise 6% due to storm Rafael disruptions.
- **iFlow Friday shows another USD buying spree** with JPY joining in along with CHF and AUD. The EM world saw MXN rally back along with EMEA CZK, HUF but not PLN.

The equity markets are mixed with Australia, Sweden and Japan buying while in bonds its about the US, Brazil and India in flow.

### What's are we watching?

- **Mexico September industrial production** expected 0% y/y after -0.9% y/y - with focus on growth for Banxico meeting this week.
- **Veterans Day Holiday shuts U.S. Federal offices, cash bond market.** Stock market remains open

### Headlines

- China Oct M2 rises 0.7 to 7.5% y/y while new CNY loans slow 1trn to 500bn - loan growth at record lows -while vehicles sales jump 7% y/y – CSI 300 up 0.66%, CNH off 0.25% to 7.2190
- Japan PM Ishiba wins parliament vote, will lead minority government - Japan BOJ Summary of Opinions for October meeting - divided on hike timing due to US election - while Oct EcoWatchers outlook slips 1.4 to 48.3 - worst in 3-months – Nikkei up 0.08%, JPY off 0.8% to 153.75
- China maps out baseline for South China Sea, sets up “more targeted” steps against Philippines - PHP off 0.6% to 58.60
- Trump tells Putin to not escalate Ukraine war, Kremlin denies conversation – Oil off 1.75%
- New Zealand 4Q business inflation expectations up 0.1pp to 2.1% y/y – NZD flat at .5970
- Indonesia Oct consumer confidence slips 2.4 to 121.1 - worst since Dec 2022 – IDR off 0.1% to 15,675
- Turkey Sep industrial production up 1.6% m/m, -2.4% y/y while unemployment steady at 8.6% - TRY up 0.1% to 34.335
- Norway Oct CPI-ATE drops 0.4pp to 2.7% y/y - lowest since Apr 2022 – NOK off 0.6% to 11.066

### The Takeaways:

The Brass capital of the US was Waterbury, CT. Today the largest exporters of the compound metal are Chile and Germany. The point being that brass is the standout for military dress uniforms and that today is the day for all such outfits to be worn. Where stuff comes from matters in a mercantilist world and that maybe the paradigm for figuring out tariff talk from Trump. However, there are other points to consider in a world where oil and other energy has become less fungible and where labor costs at home matter again – witness the

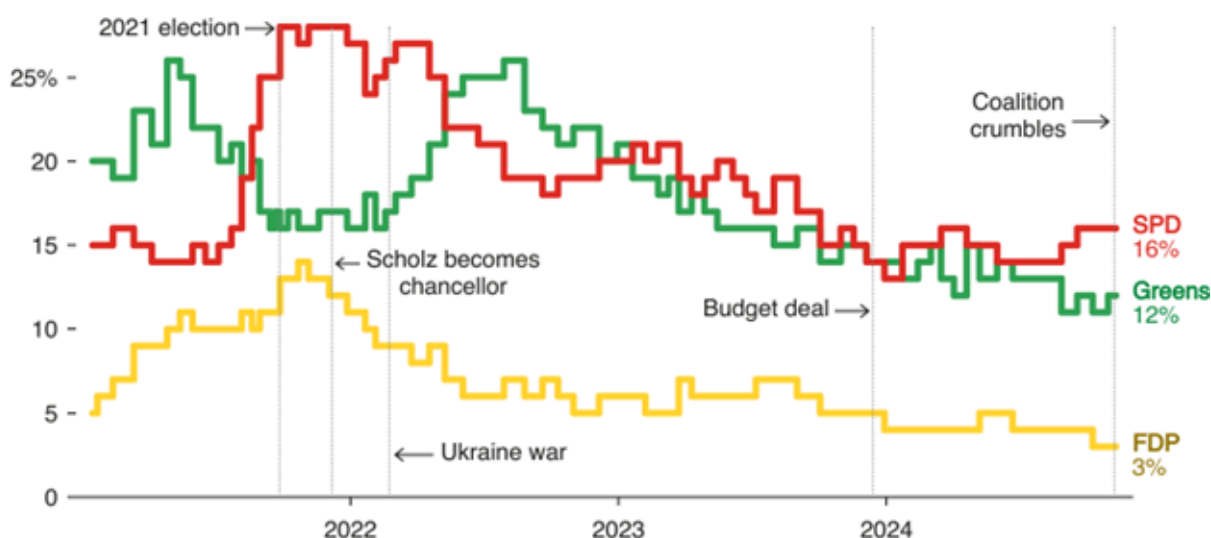
rise in Japan wages or US ones. Markets are going to spend this week thinking through the best ideas for 2025 and then gingerly places those trades into the markets. Trump trades have been defined as equities up particularly US focused companies, USD up particularly against big trading partners and BTC up. The bond markets remain the confusion and that may have to wait for the official House vote counts and the actual budget plans of the new government. Until then markets are content to polish their brass and wait for another election – the next big one being Germany with the coalition splintering causing the EUR to trade at 4 ½ month lows.

## Exhibit #1: Is German Election key for EUR?

### Germany's coalition government crumbles

The three-party ruling coalition collapsed as Chancellor Olaf Scholz sacked his finance minister and paved the way for a snap election, triggering political chaos in Europe's largest economy.

#### Popularity of the three parties



Note: Percentage values project voter support for each party.

• Source: Forschungsgruppe Wahlen | Reuters, Nov. 9, 2024 | By Tom Sims

Source: Reuters, BNY

#### Details of Economic Releases:

**1. China October M2 rises to 7.5% from 6.8% - more than the 6.9% y/y expected - while new CNY loans slow to CNY500bn from 1,590trn and from 738bn in 2023 October - worse than the 700bn expected.** It was the lowest magnitude of new yuan loans extended in the period since 2009, reflecting the low demand for new investment in projects in the Chinese economy. Additionally, the underwhelming data reflected the muted response to new credit to the batch of monetary stimulus measures conducted by the People's Bank of China. Total social financing was at CNY 1,400 billion, below market expectations of CNY 1,450

billion. These figures translated to an outstanding loan growth of 7.8%, missing expectations of 8% growth, to mark the lowest increase on record.

**2. Japan October EcoWatchers outlook slips to 48.3 from 49.7 - weaker than 50 expected** and worst in 3-months, while the current conditions slow to 47.5 from 47.8 - better than 47.2 expected but still the lowest since July. The measure for household budget trends fell, mainly due to a decline in the housing-related sector. Meanwhile, the measure for corporate trends rose, driven by an increase in the manufacturing industry. At the same time, the gauge for employment was higher.

**3. Turkey September unemployment steady at 8.6% as expected.** The number of unemployed persons increased by 35,000 to 3.1 million persons and employment rose by 95,000 to 32.823 million, pushing the employment rate up by 0.1 percentage point to 49.7%. Also, the number of persons in the labour force went up by 131,000 to 35.923 million. The labour force participation rate was 54.4%, higher than a downwardly revised 54.2% in August. Meanwhile, youth unemployment rate was 17.1%, up by 0.3 percentage point compared to the previous month.

**4. Turkey September industrial production rose 1.6% m/m, -2.4% y/y after -1.6% m/m, -5.2% y/y -near expectations** and the fourth consecutive month of falling industrial activity, but at the slowest pace in the sequence, as output declined less for manufacturing (-2.5% vs -5.4% in August). Meanwhile, output decreased further for mining & quarrying (-5.3% vs -5.2%), whereas growth slowed for electricity, gas, steam and air conditioning supply (1.1% vs 1.8%).

**5. Norway October CPI up 0.6% m/m, 2.6% y/y after 0.3% m/m, 3% y/y - better than 2.7% y/y expected** - while CPI-ATE (core) fell to 2.7% y/y from 3.1% y/y - lowest since April 2022. There was a broad slowdown in inflation across most sub-indexes, namely housing and utilities (4.5% vs. 5.1% in September), furnishings, household equipment and routine maintenance (1.2% vs. 2.3%), health (4.2% vs. 4.6%), and recreation and culture (3.5% vs. 4.5%). Additionally, inflation edged lower for food and non-alcoholic beverages (3.9% vs. 4%) and restaurants and hotels (2.8% vs. 2.9%), while prices declined for transport (-0.1% vs. 0.4%).

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**Exhibit #2: Norway CPI-ATE low enough for Norges cut?**

**Figure 1. 12-month rate, CPI and CPI-ATE. Per cent**

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Source: Stats Norway, BNY

### Disclaimer & Disclosures

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