

November 12, 2024

## Stasis

*“It’s the stasis that kills you off in the end, not ambition.” - Bono*

*“And there is a chance that everything we did was incorrect, but stasis is itself criminal for those with the means to move, and the means to weave communion between people.” – Dave Eggers*

## Summary

Risk off but this follows the rally post last week on the US election and the forces of equilibrium are back with fears of global growth intact against US policy changes. Stasis today is in the balance not in the lack of movement in markets. Rates cap stocks into more data – with focus today on the Fed senior loan officers survey – adding or subtracting from the rates are tight argument. The financial conditions are easy but not everywhere and that leaves the mixed result of Australia mood bouncing higher, Japan foreign orders better but China singles day sales less than hoped and German ZEW lagging on the coalition break and Trump election. Perhaps the worst worry for the world into 2025 is stagflation where jobs are hard to get and inflation sticky – something that showed up in UK unemployment today. FX leads today with USD at 1-year highs while BTC fails at \$90k and gold slips on hard currency talk.

### What’s different today:

- **Gold drops to 2-month lows at \$2,600** - off for the third day - as investors rethink fiat vs. hard currency risks into Trump Presidency.

- **US NFIB October small business optimism index jumps 2.2 to 93.7** - even as sales were lowest since July 2020 but outlook better -
- **iFlow – Carry still extremely negative** while mood bottoming and trend higher. USD buying extended yesterday along with JPY and NOK, CHF buying while EUR selling stands out. EM quiet except in APAC where selling dominated with SGD, INR and TWD. Equities mostly negative again in G10 except in Sweden and Australia while EM mixed with Israel and Singapore leading. Bonds are bought again in US and Turkey and Brazil.

### What's are we watching?

- **Federal Reserve's Senior Loan Officer Survey** on Bank Lending Practices – key for loan growth and demand
- **Fed speakers** Christopher Waller, Thomas Barkin, Neel Kashkari and Patrick Harker

### Headlines

- China Singles Day sales show robust growth and record shoppers- but no revenues released – CSI 300 off 1.1%, CNH off 0.25% to 7.2460
- Australian Nov Westpac consumer confidence jumps 4.8 to 94.6 - best in 2 1/2 years - while Oct NAB business confidence up 7 to +5 - best since Jan 2023 – ASX off 0.13%, AUD off 0.5% to .6540
- Japan Oct machine tool orders rebound +9.3% y/y- led by foreign orders – Nikkei off 0.4%, JPY off 0.25% to 154.15
- Turkey Sep retail sales up 2.3% m/m, 15.9% y/y- best since March - led by food and drink – TRY off 0.1% to 34.38
- South Africa 3Q unemployment drops 1.4pp to 32.1% - best in a year – ZAR off 0.7% to 18.08
- India Sep industrial production up 3.1% y/y while Oct CPI rises 0.7pp to 6.21% - 1-year highs – Sensex off 1.03%, INR off 0.1% to 84.39
- German Oct final CPI up 0.4% m/m, 2.0% y/y - as expected - highest in 3-months led by services - while Nov ZEW economic sentiment slips 5.7 to 7.4 -hit by US election and German coalition collapse - DAX off 0.95%, Bund 10Y off 2bps to 2.303%, EUR off 0.4% to 1.0610
- UK Sep unemployment jumps 0.3pp to 4.3% - worst since May - but wages up 0.4pp to 4.3% - BOE Pill warns on sticky wages – FTSE off 1%, GBP off 0.5% to 1.2815
- Trump set to nominate Florida Senator Rubio for Secretary of State – US S&P500 futures off 0.2%, 10Y US bond yields up 5.5bps to 4.36%, USD index up 0.3% to 105.87

## **The Takeaways:**

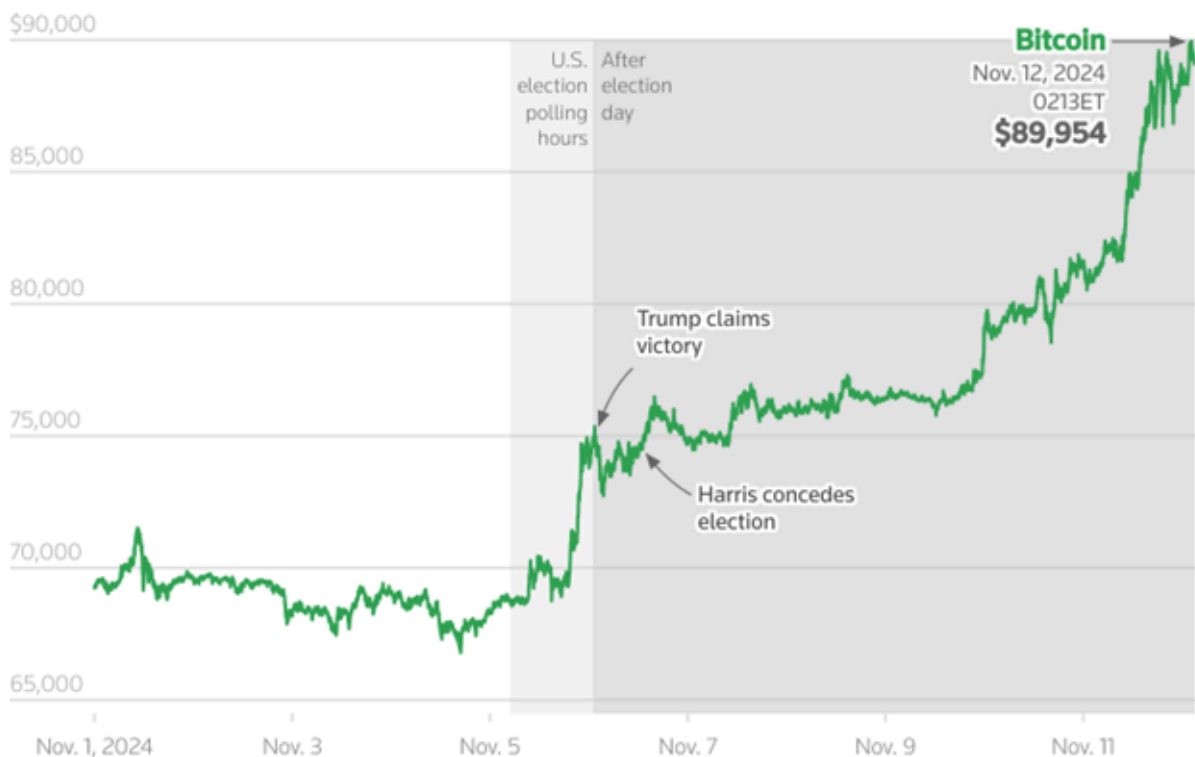
The failure of Bitcoin at \$90k isn't much of a worry that Trump trades are all wrong, but it should give some pause to the rush to own everything and in that finer discernment comes stasis to markets as the balancing act of value and momentum clash. The price to earnings ratio is too high in US shares while the level of bond yields looks too low given the risks on deficits and foreign flows. The Trump trade has mixed signals to growth with tariffs offset by tax cuts, while deregulation is offset by onshoring. There is plenty to watch on the day and week ahead – with the Fed speakers today essential to understanding how they game Trump 2.0 on their own economic outlooks for 2025. Then the Senior Loan Survey and the actual demand for money and the credit standards used matters as the Fed easing looks nearing a stasis point where the terminal rate could be higher than 3% and closer to 4% in this cycle. Many want something to watch to get the animal spirits of the moment – and there is nothing better than Bitcoin in the chase for trend and elliptical risks. The 25% in a week move has stalled and that alone makes it the best barometer of whether we are in equilibrium or still chasing money flows.

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### **Exhibit #1: Is BTC the new risk barometer?**

## Bitcoin is on the verge of \$90,000

Bitcoin has surged more than 25% to new record highs since Donald Trump's U.S. election win last week.



Note: data as of Nov. 12, 2024 03:00ET

Source: LSEG Workspace | Reuters, Nov. 12, 2024 | By Pasit Kongkunakornkul

Source: Reuters, BNY

### Details of Economic Releases:

**1. Australian November Westpac consumer confidence rises 5.3% to 94.6 after 89.8 - better than 89.5 expected** - improving for the second straight month and hitting the highest level in two-and-a-half years as the outlook on the economy and finances finally turned optimistic. Still, the index has now held below 100 for nearly three years, indicating pessimists continue to outnumber optimists. Key components of the index showed strong improvements: family finances compared to a year ago surged 6.8%, while expectations for the next 12 months rose by 4.4%. The economic outlook for the coming year jumped by 8.7%, and confidence in the five-year economic outlook rose by 6.5%. These gains were driven, in part, by easing concerns over future interest rate hikes. Matthew Hassan, Senior Economist at Westpac, commented, "Consumers are feeling less pressure on their family finances, no longer worried about further interest rate rises, and are increasingly confident in the economic outlook."

**2. Australian October NAB business confidence rises to 5 from -2 - better than +2 expected** - the first positive reading in three months and reaching its highest level since

January 2023, with notable improvements across most industries, except construction and retail. Meanwhile, business conditions stayed unchanged (at 7), as sales rose further (13 vs 12 in September), profitability remained steady (at 5), and employment intentions fell (5 vs 3). By industry, conditions declined in mining and manufacturing but improved in wholesale, finance, business & property services, and retail sectors. Labor cost growth in quarterly terms eased (1.4% vs 1.7%), as did product price growth (0.5% vs 0.6%), but retail price growth picked up (1.1% vs 0.6%). Simultaneously, growth in input costs slowed to a quarterly pace of 0.9% from 1.3% previously. Meanwhile, forward orders increased (-3 vs -5). Capex eased slightly (8 vs. 9), amid a drop in capacity utilization (82.5% vs 83.1%).

**3. Japan October machine tool orders rebound 9.3% y/y after -6.5% y/y - better than the -3.7% y/y expected.** The expansion was mainly boosted by a jump in foreign orders of 13.6% from a year earlier to JPY 89,095 million. Meanwhile, domestic demand remained weak, down by 1% to JPY 33,324 million. On a monthly basis, machine tool orders declined by 2.3%, shifting from a 13.1% surge in the preceding period. Considering the first ten months of the year, machine tools went down 1.7% to JPY 1,222,557 million.

**4. Turkey September retail sales rose 2.3% m/m, 15.9% y/y after 2.3% m/m, 13.7% y/y - more than the 2% m/m, 9.5% y/y expected** - the strongest expansion in retail activity since March, supported by higher sales in food, drinks and tobacco (+10.3%) and non-food products (+22.1%), particularly computers, books, telecommunications equipment (+40.1%), sales via mail orders and internet (24.8%), medical goods and cosmetic (+17.6%), and electronic goods and furniture (+10.5%). Meanwhile, sales stalled for automotive fuel.

**5. South Africa 3Q Unemployment improves to 32.1% from 33.5% - better than 32.9% expected** - first improvement since 3Q 2023. The number of unemployed individuals dropped by 354,000 reaching 8 million, the lowest figure in almost a year, while the labor force declined by 79,000 to 24.9 million. Discouraged work-seekers increased by 160,000 and the number of persons who were not economically active for reasons other than discouragement increased by 54,000. On the other hand, employment increased by 294,000 to an all-time high of 16.9 million. Job gains were concentrated in community and social services (+194k), construction (+176k), and trade (+109k), while the finance sector saw the largest decline (-189k). The expanded definition of unemployment, which includes those discouraged from seeking work, was 41.9% in Q3, compared to 42.6% in the previous three-month period.

**6. German October final inflation up 0.4% m/m, 2.0% y/y after 0% m/m, 1.6% y/y - unrevised as expected** - This marked the highest inflation in three months, as services inflation (4% vs 3.8% in September) and food (2.3% vs 1.6%) accelerated while rebounding for goods prices (0.4% vs -0.3%). Additionally, energy costs declined at a slower pace (-5.5%

vs -7.6%), mainly due to smaller drops in heating oil (-13.4% vs -17.9) and household energy (-3.2% vs 4.0%), amid base effects. Electricity and natural gas prices also fell by 5.5% and 0.8%, respectively. Excluding food and energy, core inflation rose to 2.9% in October from 2.7% in September.

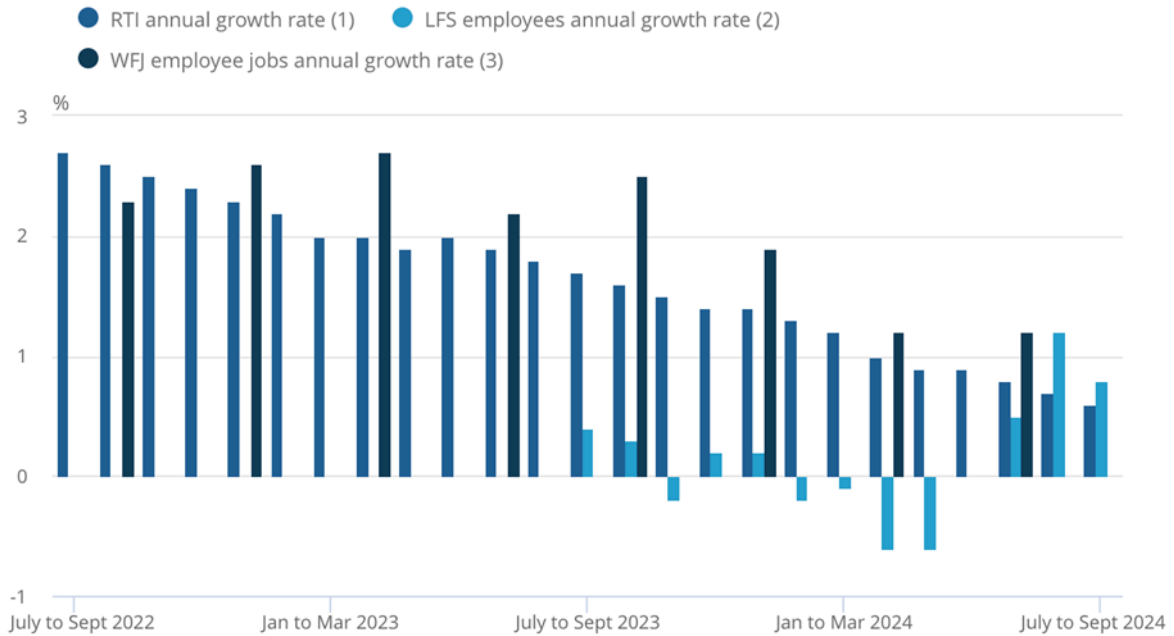
**7. German November ZEW economic sentiment index slips to 7.4 from 13.1 - weaker than 13 expected** - weighed down by Donald Trump's victory and the collapse of the German government coalition. The assessment of the current economic situation also deteriorated, with the current conditions gauge declining to -91.4 from -86.9, compared to forecasts of -85.9. "In the current survey, economic sentiment has declined - and the outcome of the US presidential election is likely to be the main reason for this. The fact that economic expectations for the US are clearly rising, while economic sentiment for China and the eurozone is falling, supports this view. Still, more optimistic voices were heard in the last survey days, expecting economic prospects for Germany to improve with snap elections on the horizon. Overall, what we're currently observing is a very dynamic development of economic expectations," according to ZEW President Professor Achim Wambach.

**8. UK September unemployment rises to 4.3% from 4.0% - more than 4.1% expected** and the highest level since the three months ending in May, driven by an increase in individuals unemployed for up to six months, while those unemployed for over six months remained above estimates from a year ago and also rose during the period. Meanwhile, the number of employed individuals increased by 220 thousand to 33.31 million, primarily due to year-over-year growth in full-time employment. The number of people with second jobs fell, now representing 3.7% of all employed individuals. Lastly, the economic inactivity rate held steady at 21.8%, unchanged from the previous period. Average earnings without bonus slowed to 4.8% from 4.9% 3M annualized while with bonus they rose to 4.3% from 3.9%. The October claimant count rose 26,700 after 10,100 - better than the 30,500 feared.

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## **Exhibit #2: Is there a stagflation risk in UK?**

**Annual growth rates, employment indicators, seasonally adjusted, UK,  
July to September 2022, to July to September 2024**



**Source: Labour Force Survey and Workforce Jobs from the Office for National Statistics, and Pay As You Earn Real Time Information (RTI) from HM Revenue and Customs**

Source: UK ONS, BNY

**Disclaimer & Disclosures**

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



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