BNY

iFlow
MARKET MOVERS

November 14, 2024

Frost

“Life starts all over again when it gets crips in the fall.” – F. Scott Fitzgerald

“I prefer winter and fall, when you feel the bone structure of the landscape. Something waits beneath it; the whole story doesn’t show.” - Andrew Wyeth

Summary

Risk on but for Asia where the frost of US policy shifts and a stronger USD hurts equities and makes bonds less clear as policy fixes wait for trade and inflation clarity. The RBA Bullock comments cap rate hike fears but the jobs report mixed and AUD lower with commodities mostly sagging. Oil higher despite IEA outlook and gold vs. BTC still in a race against the USD at 2-year highs. Japan politics lead to more spending, higher rates, lower shares and a weaker JPY. Markets in Europe found some relief as jobs improve in 3Q and as rate cuts seem to help smooth over jitters around Germany. EUR at 1.05 looks cheap but can always get cheaper and that helps equities as wll. There is a nip to the air in New York as we see the first heavy frost and that pervades the mood with Chair Powell speaking this afternoon, jobless claims, and PPI rounding out the trading session ahead. The wind is still blowing asset prices higher thanks to the certainty of the US election and the hopes that tax cuts and growth beat out tariffs and inflation.

What’s different today:

- **Copper drops to $4.00 lbs - lowest in 3-months -** blamed on USD and weak China demand. Gold and Silver both lower as well to 2-month lows

- **European Natural Gas Prices jump 5% to E46mwh** - most since last November - blamed on Russia supply disruptions fears.
- **iFlow continues to show USD buying against EUR, AUD** with carry negative, mood negative trend nearing flat. In EM USD bought against APAC and LatAm, with CZK and HUF exceptions. Equities mixed with Sweden and Australia up. Bonds still seeing US buying but selling Australia, Canada, UK and Mexico notably.

What's are we watching?

- **US October PPI** expected up 0.2% m/m, 2.3% y/y after 1.8% y/y - key for PCE estimates. Core PPI see up 0.3% m/m 3,0%% y/y
- **US weekly jobless claims** expected up 2k to 223k - with continuing claims 1.88mn off from 1.892mn
- **Fed Powell and Williams speeches in Dallas -** key for any reaction to CPI or other data
- **Mexico central bank rate decision** - 25bps easing to 10.25% expected - forward guidance key

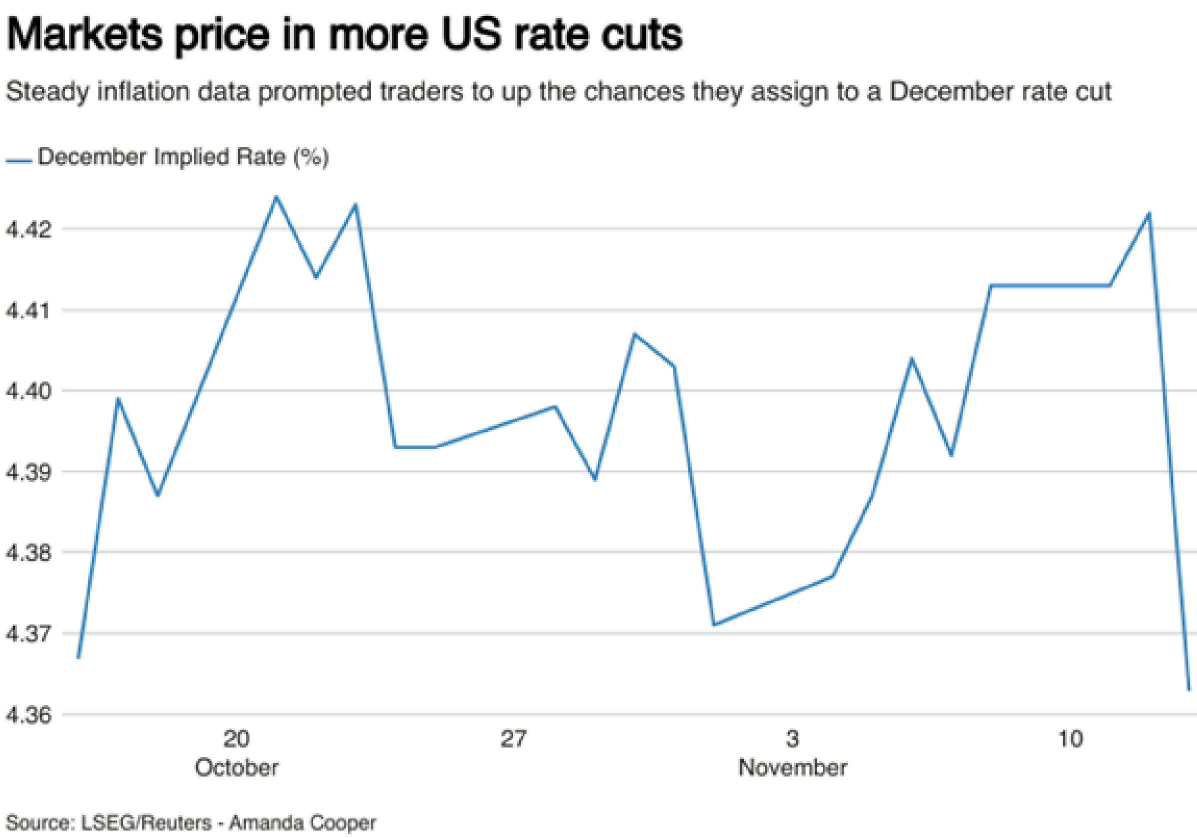
Headlines

- Australian Oct unemployment steady at 4.1% but jobs up just 15,900 - while RBA Bullock noted rates are restrictive enough – ASX up 0.37%, AUD off 0.25% to .6465
- Japan plans $87bn extra budget stimulus package - set for Nov 28 vote - Y30,000 handout to low-income households – Nikkei off 0.48%, 10Y JGB yields up 1.2bps to 1.047%, JPY off 0.3% to 155.95
- Inda Oct WPI rises to 2.36% y/y - most since June - led by food – Sensex off 0.14%, INR
- Sweden Oct CPIF rises 0.4% m/m 1.5% y/y - lowest since July 2021 - Riksbank Financial Stability Report sees risks lower but uncertainty abroad – OMX up 0.5%, SEK off 0.3% to 11.02
- Eurozone 3Q GDP unrevised at 0.4% q/q, 0.9% y/y while employment up 0.2% q/q, 1% y/y - while Sep industrial proaction fell —2% y/y - worst since June – EuroStoxx 50 up 1.4%, EUR off 0.3% to 1.0530
- US weekly API crude oil inventories fell -0.777mb when 1mb build expected, gasoline rose 0.312mb still 2% below 5Y average, while distillate rose 1.136mb - 6% below average. IEA 2025 oil outlooks sees supply surplus of 1mbd - WTI up 0.5%

The Takeaways:

Back to monetary policy as the fiscal policy while assumed to be easier isn't going to happen until 2025 and that leaves markets in the comfortable position that good things ahead and current positive trends can continue. The key part of that being Fed easing off from restrictive policy, with the sticky rather than hot inflation report yesterday adding to the warm fuzzy feeling for risk assets. The barometer of choice remains BTC but S&P500 and 6000 looks like a good place to pitch a tent. There is also the inevitable chasing of rate cuts ahead and the hope for 25bps for December is higher post CPI and waits for PPI and Powell to confirm. The certainty of the next few weeks of 2024 matters to the tape and the set up for how investors prepare for Trump 2.0. The USD exceptionalism and the view that there is little outside US investments for returns are dominating the discussion and leave fat tail risks for the year ahead. There is a limit to USD gains but its not a bottom for the EUR or JPY or EM until you hit something. That leaves the other story for today in MXN where 21 is the next big level and the Banxico rate cut is priced but not certain. How US vs. rest of the world deals with the FX risk matters as much as the actual level of rates.

Exhibit #1: Is inflation good enough for 75bps more Fed easing?



Source: Reuters, BNY

Details of Economic Releases:

1. Australian October unemployment steady at 4.1% with just 15,900 jobs after 61,300 - less than 25,000 expected. Full-time employment rose by 9,700, much softer than a downwardly revised 61,300 surge in September. Simultaneously, part-time employment added 6,200, down sharply from September's 12,500. Through the year to October, employment increased by 387,100 or 2.7%. The participation rate fell to 67.1% from 67.20%. The underemployment rate fell to 6.2% from 6.3% in September. Additionally, monthly hours worked in all jobs advanced by 3 million, or 0.1%, to 1,972 million.

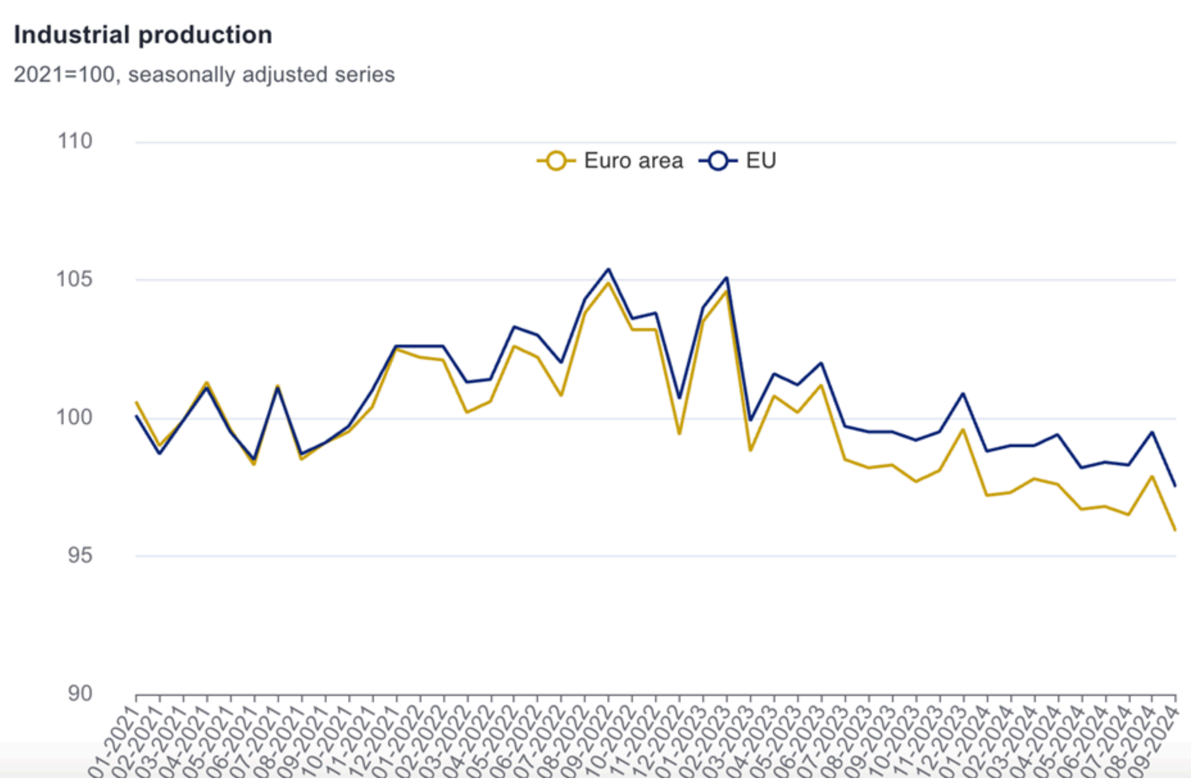
2. India October WPI rises to 0.97% m/m, 2.36% y/y after +0.13% m/m, 1.84% y/y - more than the 2.2% y/y expected - the fastest pace since June, driven by significant rises in food prices and a three-month high in manufacturing prices. Primary articles saw faster growth (8.09% vs 6.59% in September), while food prices registered the highest increase since June 2022 (11.59% vs 9.47%), mainly due to a sharp rise in the prices of vegetables (63.04%), potatoes (78.73%), and onions (39.25%). Meanwhile, manufacturing prices accelerated to a three-month high (1.50% vs. 1%), mainly driven by faster rises in food products (7.77% vs 5.49%) and rubber & plastic products (1.57% vs. 0.78%). In contrast, fuel & power prices fell the most since August 2023 (-5.79% vs -4.05%), attributed to drops in petrol (-7.35%) and HSD (-6.23%).

3. Sweden October final CPIF rose 0.4% m/m, 1.5% y/y after 0.3% m/m, 1.1% y/y - as expected - headline CPI held 1.6% y/y - the lowest rate since July 2021, mainly due to softer price increases for food and non-alcoholic beverages (1.75% vs 2.11% in September), housing and utilities (3.29% vs 4.39%), and health (4.2% vs 5.06%). At the same time, costs continued to drop but at a slower rate for transport (-2.34% vs -3.91%), communication (-3.52% vs -4.03%), and furnishings and household goods (-1.08% vs -1.65%). Conversely, prices rose for clothing and footwear (2.29% vs 1.51%) and restaurants and hotels (4.07% vs 3.77%). Meanwhile, the consumer price index with fixed interest rate, the central bank's target variable for the inflation target, grew 1.5%, following a 1.1% rise in September.

4. Eurozone 3Q GDP unrevised at up 0.4% q/q, 0.9% y//y after 0.2% q/q, 0.6% y/y - as expected. The employment in 3Q rose 0.2% after 0.1% - slightly better than 0.2% q/q expected. The German economy expanded 0.2%, surprisingly avoiding a recession, after a downwardly revised 0.3% decline in Q2. GDP growth also quickened in France (0.4% vs 0.2% in Q2), Estonia (0.1% vs 0%), Cyprus (1% vs 0.1%), Slovenia (0.3% vs 0.1%), Finland (0.4% vs 0.2%) and Lithuania (1.1% vs 0.3%). In addition, the GDP in Ireland (2% vs -1%) and Austria (0.3% vs 0%) rebounded and the Spanish economy remained robust (0.8% vs 0.8%). The Portuguese economy grew 0.2%, the same as in Q2 and growth in Slovakia stabilized (0.3% vs 0.3%). On the other hand, the Italian economy stalled, following a 0.2% rise in Q2 and Latvia remained in contraction (-0.4% vs -0.3%). GDP growth slowed in Belgium (0.2% vs 0.3%) and the Netherlands (0.8% vs 1.1%)

5. **Eurozone September industrial production fell 2% m/m, -2.8% y/y after +1.5% m/m -0.1% y/y - worse than the -1.4% m/m, -2% yy expected.** Output fell for energy (-1.5% compared to a 0.3% rise in August) and capital goods (-3.8% after a 3.8% increase). Production remained unchanged for intermediate goods (0% vs -0.3% prior), slowed for durable consumer goods (0.5% vs 1.9%), and accelerated for non-durable consumer goods (1.6% vs 0.2%). Among major Euro Area economies, Germany posted a significant 2.7% drop in production, while France and Italy recorded declines of 0.9% and 0.4%, respectively. Conversely, Spain reported an increase of 0.9%.

Exhibit #2: Is there a production crisis in Europe?



Source: Eurostat, BNY

Disclaimer & Disclosures

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

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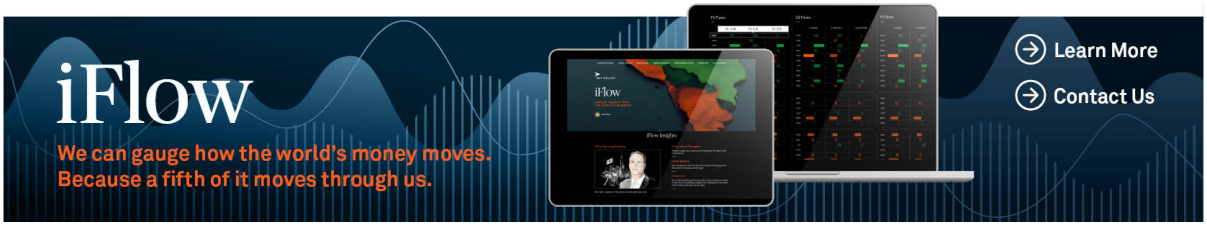

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