

November 18, 2024

## Cooling

*“When you can’t make them see the light make them feel the heat.” – Ronald Reagan*

*“Cooling bodies gravitate and heat as they gravitate-heating bodies radiate, and cool as they radiate.” – Walter Russell*

### Summary

Risk mixed as caution starts the week with focus on ECB and FOMC speakers and the CPI reports from Japan, UK and Canada in the week ahead. US shares focus on retail, the housing data and NVIDIA in the week ahead. Whether we are growing faster or slower now matters for money flows to the end of the year. The overnight trading stuck to bearish bias with China lower, Japan worried over BOJ Ueda rate hike risks and with higher NZD PPI, hawkish RBA Kent speech. EMEA The surprise maybe in the alternative to the USD which holds near 2-year highs as gold bounce from its lows and BTC continues higher. The focus on Chips and retail in the US ignores the G20 banter in Rio and it leaves markets on the day searching for something to hold onto for Trump trades as the weekend didn't deliver an expected Treasury nominee. The role of tariffs and taxes continues to drive speculation over 2025 but the present is about whether we are cooling or heating.

### What's different today:

- **India equities trade at 5-month lows** – Sensex off 0.31% to 77,339 - falling for 4th session - lined to weaker earnings and foreign outflows

- **Japan 10-year bond yields** up 2.2bps to 1.055% - muted despite BOJ Ueda rate hike talk.
- **iFlow continued to show USD buying** with EUR and AUD selling while EM APAC saw outflows. The equity markets see mood negative, but EM inflows mixed with APAC seeing Korea buying. The bond markets are bid in US still but not Australia or Denmark or New Zealand. EM saw Philippine bond selling along with Mexico and most of EMEA.

#### What are we watching:

- **US November NAHB housing market index** expected up to 44 from 43 - key for rate restrictiveness calls.
- **US Fed Speaker** Chicago Fed Goolsbee again.
- **ECB Lagarde speech** - follows Buch, Lane and de Guindos today talking about EUR/rate cuts.

#### Headlines

- New Zealand Oct NZ PCI off 0.2 to 46.2- even as service orders rise to Feb highs - while PPI rises input up 1.9% q/q - most since 2Q 2022 - while output up 1.5% q/q most in 2 years – NZD off 0.4% to .5840
- RBA Kent - Australia monetary policy no more potent than others- cites mortgage resiliency as key -ASX up 0.18%, AUD off 0.2% to .6450
- Japan Sep core machinery orders drop -0.7% m/m - 3rd monthly decline - BOJ Ueda open to tighteng in Dec, progress in wage-driven inflation — Nikkei off 1.09%, JPY off 0.6% to 155.15
- Thailand 3Q GDP up 0.8pp to 3% y/y - best since 3Q 2022 - led by government spending – THB up 0.1% to 34.80
- Singapore Non-Oil Exports drop -7.4% m/m -4.6% y/y - worst in 7-months, first drop since June - led by machinery and pharmaceuticals- SGD off 0.25% to 1.3450
- Swiss 3Q industrial production halves to 3.5% y/y - led by softer manufacturing – CHF off 0.1% to .8880
- ECB de Guindos warns on high government debt levels - while Sep trade surplus widens to E12.5bn as exports up 0.8% m/m – EuroStoxx off 0.5%, EUR flat at 1.0540
- US President Biden allows Ukraine to strike Russia with US long-range missiles - while report on Nvidia Blackwell Chips overheating drives AI sector

lower – S&P500 futures off 0.1%, US 10Y up 3bps to 4.40%, USD index up 0.1% to 106.77

### The Takeaways:

The central question on the day and likely the week is what happens to the US growth rate into 1Q 2025. The problem is we don't get much new information, leaving the focus on forward guidance from central bankers and more in the plans for Trump policy. The FOMC and the 60% chance for a rate cut in December matters on the day with little economic data this week to shift the facts, investors will be listening to Fed speakers and watching the key sectors that reflect restrictive rates. The US housing focus this week matters along with the retail earnings reports and the Nvidia earnings. What is clear from mortgage rates is that the Fed cuts already delivered -75bps - haven't really helped. This puts the focus on how builders feel and do. The focus on what wins and doesn't in the Trump administration is a 2025 game while the present is about rates and 1Q growth outlooks. USD gains haven't hurt yet, but they may in the weeks ahead. Rates remain in control of the current market mood.

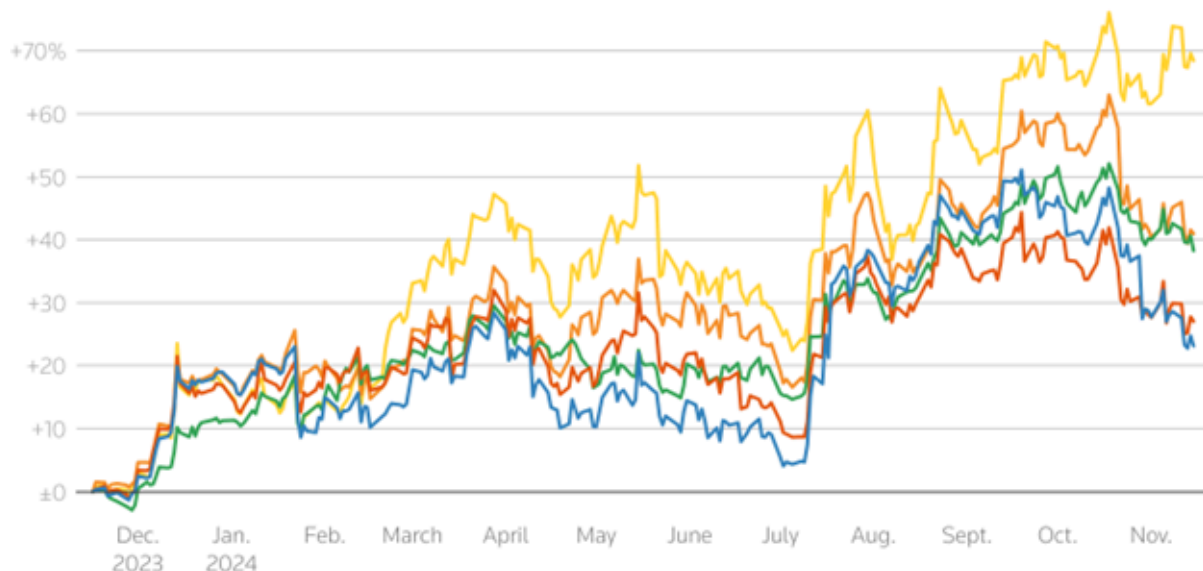
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### Exhibit #1: Are US homebuilders the barometer for growth?

#### Market performance of top US homebuilders

Change in stock value over the past year

— D.R. Horton — Lennar — NVR — PulteGroup — Toll Brothers



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By Reuters • Source: LSEG

## Details of Economic Releases:

**1. New Zealand October composite NZ PCI slips to 46.2 from 46.4 - weaker than 47.2 expected** - even as service PSI rose to 46 from 45.7 - New orders improved to 48.1, the best since February 2024, but overall activity/sales dropped to 44.3.

Employment recovered slightly to 46.4 after a steep fall in September. Negative feedback from businesses rose to 59.1% in October, compared to 58.5% in September, though it was lower than previous months. Respondents pointed to the cost of living and economic conditions as major

**2. New Zealand 3Q PPI rises for inputs up 1.9% q/q after 1.4% q/q, while output 1.5% q/q from 1.1% q/q - both more than 1% q/q expected.** Input prices were the highest since 2Q 2022. The largest input industry contributions were from dairy product manufacturing, up 10.9 percent, electricity and gas supply, up 8.5 percent, and meat and meat product manufacturing, up 8.0 percent. The output PPI rose to 2-year highs as the largest output industry contributions were from dairy cattle farming, up 13.9 percent; electricity and gas supply, up 6.3 percent; and sheep, beef cattle, and grain farming, up 10.5 percent.

**3. Japan September core machinery orders drops -0.7% m/m, -4.8% y/y after -1.9% m/m, -3.4% y/y - weaker than the +1.9% m/m, +2.2% y/y expected.** Orders for the manufacturing sector fell slightly to 388.3 billion yen, while those for the non-manufacturing sector rose 1.5% to 453.7 billion yen. Industries that saw the biggest declines were pulp, paper & paper products (-32.8%), information services (-25.7%), chemical & chemical products (-18%), food & beverages (-15.5%) and electrical machinery (-15.4%).

**4. Swiss 3Q industrial production slows to +0.3% q/q, +3.5% y/y after +3.7% q/q, +7% y/y - weaker than 5% expected.** The slowdown was primarily driven by a softer rise in manufacturing output (2% vs. 6.5% in Q2) and a renewed decline in mining and quarrying production (-4.1% vs. 1.6%). In contrast, output growth in electricity supply accelerated significantly to 20.2%, up from 12.9% in the prior quarter.

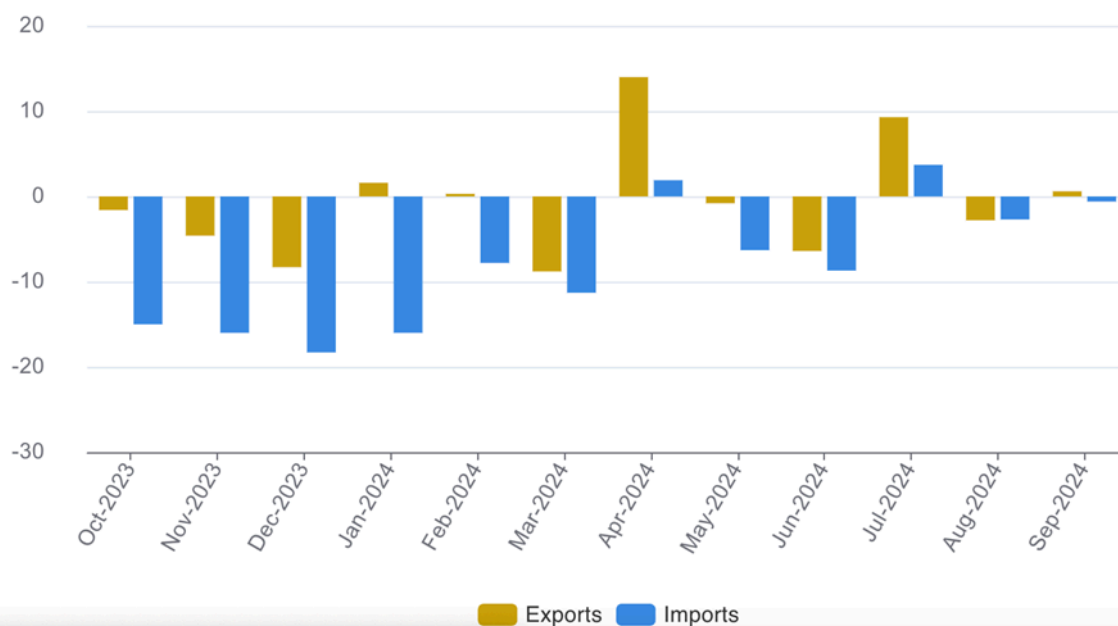
**5. Eurozone September trade surplus widens to E12.5bn after E9.8bn same month 2023 - better than E7.9bn expected.** Exports increased by 0.6% to EUR 237.8 billion, while imports decreased by 0.6% to EUR 225.3 billion. Also, the EU posted a trade surplus of EUR 9.6 billion in September, up from EUR 7.3 billion in

September 2023. Exports went up 0.8% to EUR 212.6 billion, due to higher sales of Chemicals & related products (10%), other manuf'd goods (0.4%) and food & drink (2.5%). Exports rose to the US (8.9%), the UK (2%) and Switzerland (5.1%), but fell to China (-4.2%). Meanwhile, imports declined by 0.3% to EUR 203.1 billion, mainly due to a fall in energy (-20%). Among major trading partners, purchases dropped from the US (-4.9%), the UK (-10.7%) and Switzerland (6.4%), but increased from China (12.5%).

## Exhibit #2: Does trade fix the EU growth worries?

### International trade in goods of the euro area

Monthly change compared to previous year, %



Source: Eurostat, BNY

## Disclaimer & Disclosures

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

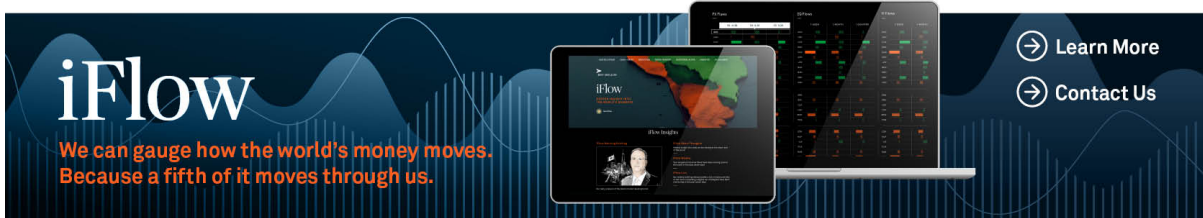


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