

November 21, 2024

Grind

“The only way to do great work is to love what you do.” – Steve Jobs

Summary

Risk off - markets in a holding pattern waiting for more data and news. Nvidia beat expectations but not enough to inspire a rally, BOJ Ueda made clear he wants to hike and that data matters. India's Adani group in spotlight with \$265mn in bribery charges against its chairman. Russia fired an ICBM on an attack adding to geopolitical tensions. The speculation about what Trump policy means to markets is center stage and there still in no clarity on US Treasury Secretary. Worries about USD vs. trade leaves gold and Bitcoin and oil higher. The news agenda today matters with the US jobless claims, Philly Fed and home sales all important along with Fed speakers and ECB speakers.

What's different today:

- **Bitcoin charges towards \$100k** - BTC up 4% to \$98k has gained 40% since the election with \$100bn now in Bitcoin ETFs in just 10 months.
- **India Sensex drops 0.5% to 77,156** - lowest in 5-months - with focus on Adani Group off 13.5% on US bribery charges.
- **iFlow moves continue in FX to show USD buying**, JPY and NOK buying against EUR and GBP selling. The bonds are bought in US and Australia and Brazil and sold everywhere else. Equities are negative in G10 and Mood index is extremely negative.

What are we watching:

- **South Africa SARB rate decision** with 25bps rate cut to 7.75% expected.
- **Canada October PPI** expected up 0.3% m/m after -0.6% - another datapoint for risk to BOC 50bps cut in December
- **US November Philadelphia Fed manufacturing index** expected 8 from 10.3 - moderation after big bounce
- **US weekly jobless claims** expected up 3k to 220k - while continuing claims expected off 3k to 1.87mn - matters to labor market view
- **US October existing home sales** expected up 0.8% m/m to 3.93mn from 3.84mn
- **Fed Speakers:** Cleveland Fed Beth Hammack will deliver welcome remarks at a conference hosted by her bank and the Office of Financial Research, while Kansas Fed president Jeff Schmid will speak at a luncheon hosted by the Fairfax Industrial Association.

Headlines

- **BOJ Ueda:** Focus is on data ahead of December meeting - will take JPY moves into account – Nikkei off 0.85%, JPY up 0.7% to 154.45
- **China Commerce Ministry** announces policy shifts to boost foreign trade ahead of Trump tariffs risks – CSI 300 up 0.09%, CNH up 0.1% to 7.2455
- **RBA Bullock:** “we don’t want to regulate” - urges industry agreement on payments reform - ASX off 0.04%, AUD up 0.2% to .6525
- **Turkey TCMB** leaves rates on hold at 50% - as expected - notes underlying inflation drop – TRY up 0.6% to 34.493
- **Norway mainland 3Q GDP** up 0.5% q/q- best growth since 4Q 2022 - led by refining – NOK up 0.25% to 11.028
- **French Nov business confidence** jumps 4 to 97 - but the climate drops 1 to 96 - job indicators higher – CAC40 off 0.1%, OATs 10Y off 1bps to 3.09%, EUR off 0.2% to 1.0525
- **UK Oct PSNB ex banks** rises £1.1bn to £17.35 - second largest on record - while Nov CBI industrial trends rebound 8 to -19% - FTSE up 0.4%, GBP off 0.15% to 1.2635

The Takeaways:

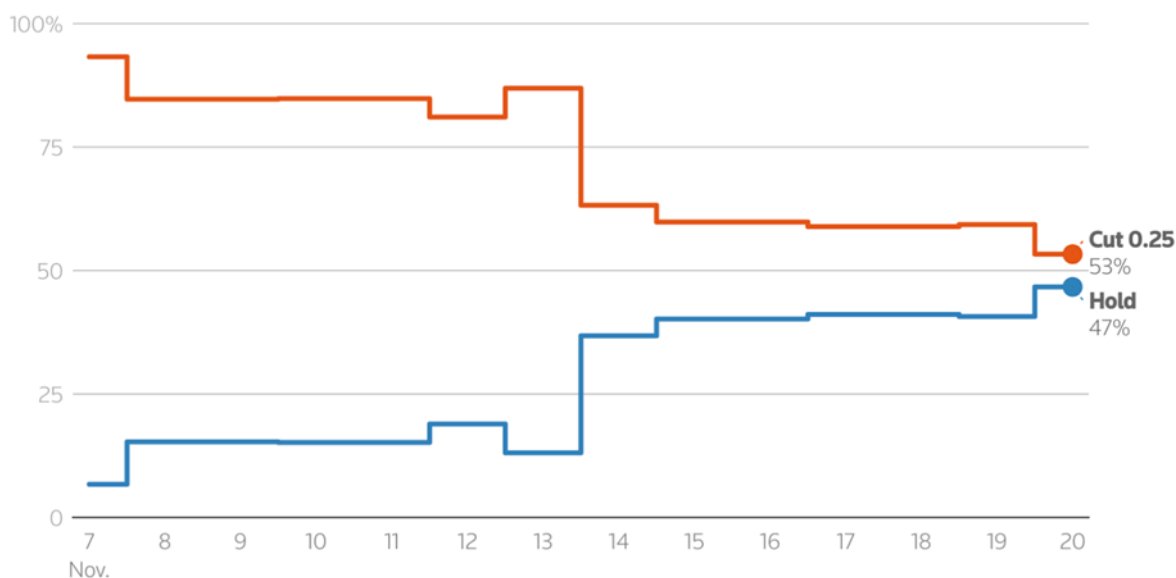
There is a difference between trading and investing. The grind of trying to make money out of markets everyday becomes trading, while investors have to have a longer-term horizon. Making the daily bread like a baker requires a grist mill

operator. Both jobs are clearly not easy but sometimes they interconnect and that is the analogy for today given the risks of markets as they look at US policy and uncertainty ahead. The US data on jobs and the snapshot of the Philadelphia Fed manufacturing index today matter both to traders and investors as the path for another easing rests first on the data. The grind of markets wanting more than they expect showed up last night with Nvidia earnings, and today it may be represented by the expectations of US growth leading to a stronger USD. That story seems to be conflicted with the other debate about how to make the US dollar strength match the US equities higher story. How this plays out starts with Fed December easing odds.

Exhibit #1: Fed odds for December join investors to traders

What will the Federal Reserve do with interest rates?

Odds of a change in federal funds target rate at the Fed's December 18 meeting, based on futures contracts



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By Reuters • Source: LSEG

Odds of a change in federal funds target rate at the Fed's December 18 meeting, based on futures contracts

Source: Reuters, BNY

Details of Economic Releases:

1. Norway 3Q GDP -1.8% q/q, +3.5% y/y after -2% q/q, 5.4% y/y - worse than the 5% y/y expected. The mainland GDP excluding oil and gas rose 0.5% q/q, 1.6% y/y after 0.3% q/q, 2.9% y/y - better than 0.3% q/q expected - best since 4Q 2022 driven by a 2.3% rise in industry and mining output, led by increases in oil refining, chemicals, pharmaceuticals, and machine repair. Fishing and aquaculture also surged by 14%. In contrast, electricity production declined due to reduced

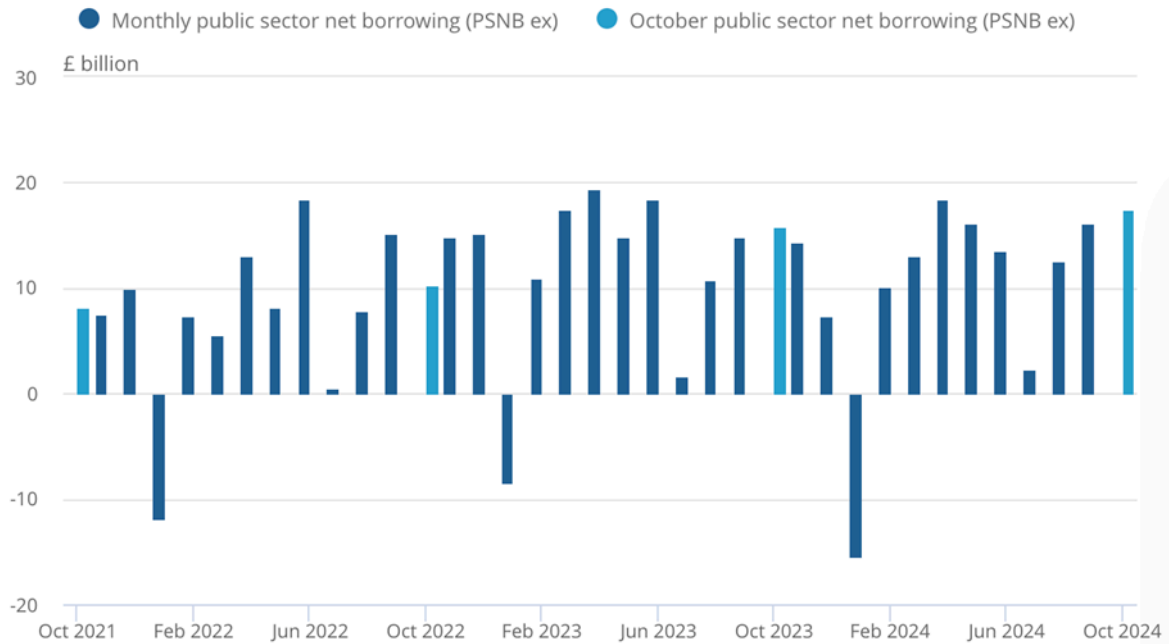
hydropower output, while there was a fifth consecutive quarterly drop in construction activity, dragged by weaker housing construction. On the expenditure side, household consumption remained largely unchanged, with car purchases declining, while service consumption and spending abroad rose.

2. French November business confidence jumps to 97 from 93 - better than 95 expected. Manufacturers were less pessimistic about past production (-7 vs. -12 in October), overall order books (-21 vs. -25), and foreign order books (-19 vs. -22). Assessments also turned positive for expected workforce changes (2 vs. -1) and personal production outlook (5 vs. -2). The gauge for perceived economic uncertainty eased to 23, down from 25 in the previous month. However, views were more negative regarding general production expectations (-14 vs. -12) and less optimistic about expected selling price trends (3 vs. 7).

3. UK October public sector net borrowing ex banks +£17.35 billion after £16.13bn - higher than the £12.3bn expected. Borrowing was the 2nd highest for an October month since monthly records began in January 1993. Current budget deficit which refers to borrowing to fund day-to-day public sector activities, and is part of borrowing, was £12.7 billion. Debt interest payable was £9.1 billion. Central government's receipts were £81.2 billion, of which tax receipts increased to £61.3 billion, including Corporation Tax, Income Tax and VAT. Compulsory social contributions decreased to £13.8 billion, largely because of the reductions in the main rates of National Insurance in early 2024. Central government's total expenditure was £88.5 billion. Borrowing in the financial year to October was £96.6 billion, the 3rd highest financial year-to-October b

Exhibit #2: Does the borrowing mean higher rates?

**Public sector net borrowing excluding public sector banks, £ billion, UK,
October 2021 to October 2024**



Source: Public sector finances from the Office for National Statistics

Source: UK ONS, BNY

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

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