BNY

iFlow

MARKET MOVERS

December 3, 2024

Biding Time

"Oh, Call back yesterday, bid time return." – Shakespeare

"Biding one's time is a very different thing from patience." – E.L. Konigsburg

Summary

Risk on as markets extend US rally yesterday and see limits to further USD buying, with US data and FOMC speakers key on the week with today's JOLTS one focal point. Fed Waller sounded dovish enough for a December easing and leaves the economic data as crucial for shifting market pricing which rose to 72% for 25bps easing yesterday. The news overnight was CPI from Korea to Turkey to Switzerland all allows for room to ease more for FX and that makes the EUR and how it trades still key barometer on the day for other markets. The CNY touched 2024 lows but China trade jitters aren't sufficient to derail rest of Asia with Nikkei up 1.91% leading and with US rates holding 4.20% 10Y suggesting rate to USD ranges hold as investors bide time until the Fed and BOJ.

What's different today:

- **US November Logistics Managers Index (LMI) fell 0.5 to 58.4 -** still the 12th month of expansion - what is notable is the organic expansion vs. external shock spikes in index. Inventory Levels slowed to 56.1 (-3.3), aligning with seasonal patterns, which eased Warehousing Utilization (-4.0) and Transportation Prices (-0.3) but increased Warehousing (+0.8) and Transportation (+1.7) Capacity. Inventory Costs (+2.9) and Warehousing Prices (+0.8) saw the fastest growth, reflecting higher costs as more inventory is held closer to consumers.
- **Oil rises 1% ahead of OPEC+ December 5 meeting** - with expectations for more from China on economic stimulus, better oil demand elsewhere and the testing of US ceasefire deal between Israel and Hezbollah. Trump tweets about Gaza hostages also noted.
- **iFlow shows carry bouncing further** on the index now positive – suggesting buying of MXN, COP and TRY yesterday has momentum. USD buying also notable in G10 with CAD and EUR and SEK seeing further outflows. The Equity markets are mixed still and mood index while extremely negative looks to be bottoming out. Fixed income shows ongoing US bond and India bond buying while EU and Australian and most of LatAm see outflows.

What are we watching:

- **US October JOLTS job openings** expected 7.48m after 7.443mn - key for FOMC views.
- **US December RCM/TIPP economic optimism index** expected up 54.1 from 53.2 - seen adding to ISM and other surveys post-election supporting equities
- **Fed Speakers** - Chicago Fed Goolsbee and Gov Kugler

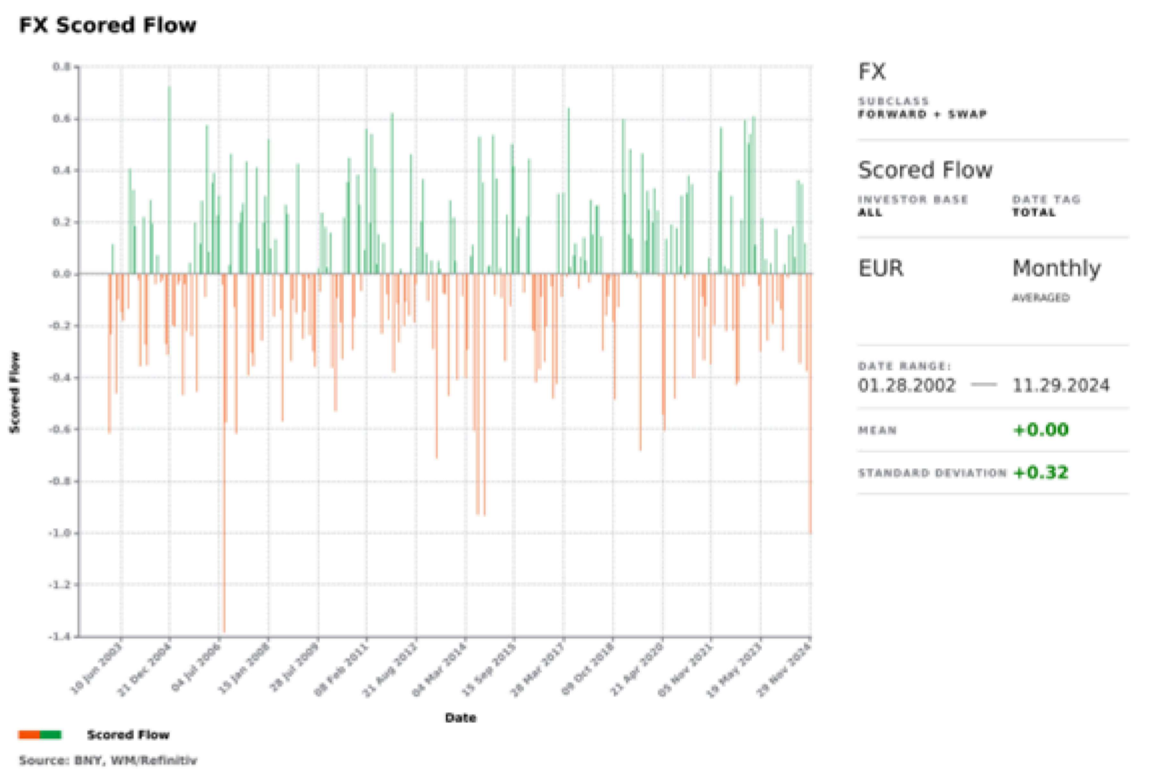
Headlines

- China bans exports of key rare earth metals to US - following US technology trade restrictions – CSI up 0.11%, CNH off 0.2% to 7.2985
- Korea Nov CPI up 0.2pp to 1.5% y/y — up from 45-month lows – Kospi up 1.86%, KRW up 0.1% to 1402.70
- Australia 3Q C/A deficit narrows A$2.3bn to A$14.1bn -6th quarterly deficit - led by trade – ASX up 0.56%, AUD up 0.1% to .6480
- New Zealand 3Q terms of trade up 0.3pp to 2.4% q/q - led by transport services – NZD off 0.1% to .5880
- Turkey Nov CPI moderates 1.4pp to 47.1% - lowest since June 2023 - lead by fuel and housing – TRY off 0.1% to 34.748
- South Africa 3Q GDP drops -0.3% q/q, +0.3% y/y - led by agriculture – ZAR up 0.15% to 18.106
- Swiss Nov CPI up 0.1pp to 0.7% y/y - led by alcohol – Swiss Mkt flat, CHF up 0.1% to .8855
- Spanish Nov unemployment drops -16k - best since Nov 2007 – IBEX 35 up 0.8%, SPGB 10Y up 0.5bps to 2.768%, EUR up 0.1% to 1.0515
- UK Nov BRC retail sales -3.4% y/y- blamed on storm Bert, weaker consumer confidence – FTSE up 0.7%, GBP off 0.1% to 1.2650
- Mexico Oct unemployment drops 0.4pp to 2.5% - MXN up 0.2% to 20.35
- Brazil 3Q GDP up 0.9% q/q, 4% y/y – as expected – while IPC Nov CPI up 1.17% m/m - adds to BCB rate hike views – BRL up 0.3% to 6.0485

The Takeaways:

The EUR has dominated risk markets, and the relative calm today is seen as important. It allows investors to bide time and wait for more data, more Fed speakers, more hope that deals can be struck and politics work through the process of a budget- The notable story overnight is in that relative calm. The elevated demand for FX hedges has pushed volatility to its highest since March 2023, reflecting growing concerns over weak economic data, political instability across key Eurozone economies with risk in France the focus but ongoing worries about Germany in 2025, along with the ECB priced for 50bps of easing vs. FOMC 25bps this month. All that suggests that there is a premium for the ranges ahead in both fixed income and FX markets, but perhaps that isn't sufficient to explain the price action around JOLTS or vehicle sales reports today. The positioning for trouble is clear from our iFlow data and its hard to see investors adding in a hurry to hedges in the EUR. This is only the second time in 22 years that we have seen this much EUR selling. That doesn't mean we won't see parity of EUR to USD or more USD gains elsewhere, it merely means the calm is a speed bump in the process of adjusting markets prices to economic realities.

Exhibit #1: USD buying against EUR has a limit?



Source: iFlow, BNY

Details of Economic Releases:

1. **Korea November CPI rises -0.3% m/m , +1.5% y/y after 0% m/m, 1.3% y/y - still better than 1.7% y/y expected.** Inflation remained below the central bank's 2% target for the third consecutive month, reinforcing its recent decision to lower interest rates. The core CPI (ex food and energy) was 0% m/m, 1.9% y/y.

2. **Australian 3Q Current Account deficit narrows to A$14.1bn after A$16.4bn - worse than the A$10bn expected -** 6th consecutive deficit. he surplus of goods and services shrank to AUD 3.3 billion, the smallest since Q2 2018, from AUD 6.5 billion in Q2, largely attributed to falling export prices amid persistently lower iron ore and coal prices, as global demand remained weak. Meanwhile, the shortfall of net primary income narrowed to AUD 17.3 billion from the prior gap of AUD 22.8 billion, pointing to the smallest since Q3 2021, due to a drop in dividends paid by Australian firms to overseas investors. In addition, the net secondary income deficit widened to AUD 81 million from AUD 47 million in Q2.

3. **New Zealand 3Q terms of trade rises 2.4% q/q after 2.1% q/q - more than the 1.8% q/q expected.** Export prices increased by 0.7% in the third quarter, following a 5.2% jump in the prior quarter. Meanwhile, import prices retreated by 1.7%, after a 3.1% rise in the previous period.

4. **Turkey November CPI moderates to up 2.24% m/m, 47.09% y/y after 2.88% m/m, 48.58% y/y - higher than the 1.9% m/m, 46.6% y/y expected** - still the lowest since June 2023 and the 6th month of disinflation, driven by lower inflation in housing, water, electricity, gas, and other fuels (74.45% vs. 89.39% in October). Prices also moderated for hotels, cafes, and restaurants (59.38% vs. 62.09%), alcoholic beverages and tobacco (39.32% vs. 52.15%), and communications (35.71% vs. 37.77%). In contrast, inflation for food and non-alcoholic beverages accelerated to a four-month high of 48.57%, up from 45.28%. Meanwhile, annual core inflation fell to 47.13%, the lowest since May 2023, down from 47.75% in October.

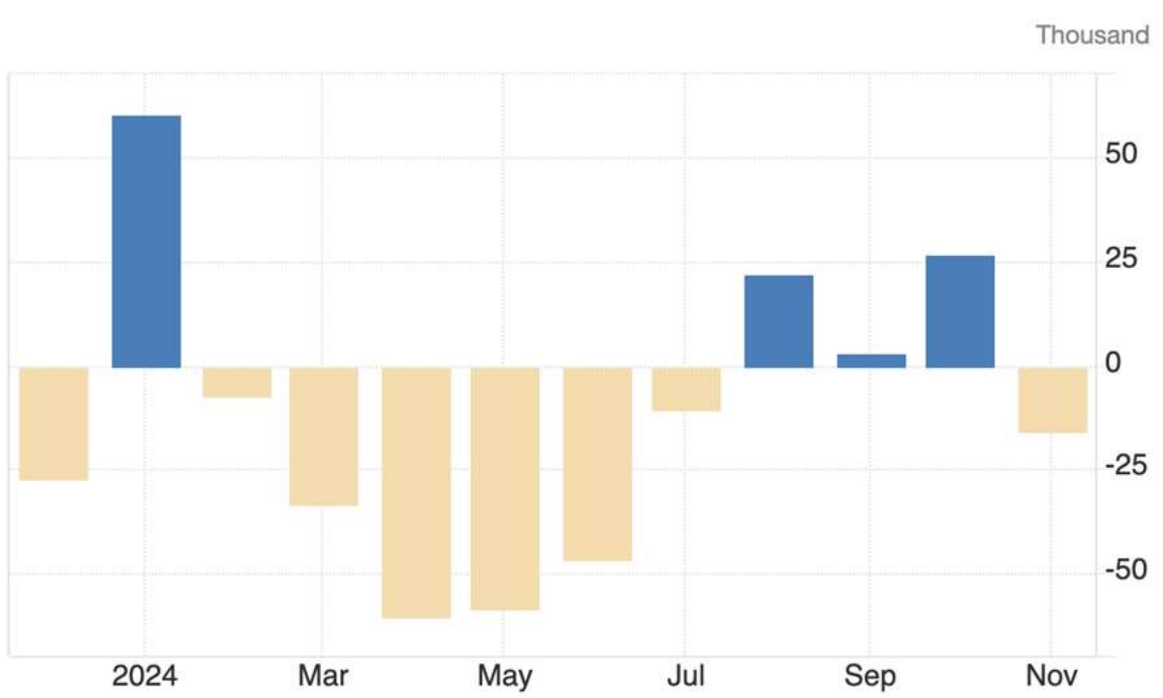
5. **South Africa 3Q GDP slows to -0.3% q/q, +0.3% y/y after +0.3% q/q, 0.3% y/y - weaker than 1.2% y/y expected.** Four of ten industries registered declines, primarily agriculture on

lower field crops (-28.8%, contributing -0.7 percentage points). Output also declined in transport, storage & communication (-1.6%); trade,catering & accommodation (-0.4%) and government services (-0.1%). On the other hand, the finance industry was the largest positive contributor, increasing by 1.3% and contributing 0.3 percentage points. On the demand side, changes in inventories negatively impacted 0.5 percentage points, while government spending contributed -0.1 pps. Meanwhile, household final consumption expenditure increased by 0.5%, and fixed investment grew by 0.3%. Net trade also had a positive contribution of 0.1 pps, following declines of 3.7% in exports and 3.9% in imports, respectively.

6. Swiss November CPI up -0.1% m/m, 0.7% y/y after -0.1% m/m, 0.6% y/y - less than the 0.8% y/y expected. Prices ticked higher for alcoholic beverages and tobacco (0.8% vs 0.5% in October), recreation and culture (1.2% vs 1%), and hotels and restaurants (2.3% vs 2%). Additionally, deflation slowed for transport (-1.7% vs -2.7%) and household goods & services (-0.6% vs -2%). Meanwhile, prices decreased at a faster pace for food and non-alcoholic beverages (-0.8% vs -0.3%) and clothing and footwear (-1.5% vs -1%). At the same time, costs moderated for housing and energy (3.3% vs 3.5%).

7. Spanish November unemployment drops -16,000 after +26.800 - better than the +29,500 expected. The registered unemployed fell 0.6% m/m to 2.568mn - lowest figure for November since 2007. Unemployment has decreased in all surveyed sectors compared to October, led by services (-8,693 people), industry (-2,268), construction (-2,124) and agriculture (-1,902). The group of people without previous employment declined by 1,049 people. Unemployment among young people under 25 years of age fell by 3,796 people to 196,074 compared to the previous month. Registered unemployment decreased across 11 of the 17 autonomous communities, with the largest declines in Andalusia (-8,464), the Community of Madrid (-4,451), and Catalonia (-2,307). On a yearly basis, unemployment has decreased by 148,813 people, or 5.4%.

Exhibit #2: Spanish unemployment claims for November



Source: Spanish Ministry of Employment, BNY

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

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