BNY

iFlow
MARKET MOVERS

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Early Bloomers

"One day all those late nights and early mornings will pay off." – Sean Gaillard
"The only time early bloomer has ever been applied to me is vis-à-vis my premature apprehension of the deep dread of existence thing…." Colson Whitehead

Summary

Risk on in the US and mixed elsewhere, market focus remains on Fed easing, and a bit less urgency to pricing in of a "Trump Trade" with higher equities, lower bonds and lower USD. Lack of heavy economic data added to focus on China and 3rd Plenum hopes for stimulus but Japan warning on intervention and ongoing pressure for a tech sector rotation leave Asia mixed, while Europe reflects the first rise in household lending from ECB survey and doubts about their meeting this week delivering faster easing. On the day, US retail sales will be a key focus bit the movers are in the price of rates globally from UK to Japan to China and Germany – with focus on curves and cutting risks. Few see any of the data ahead changing the course of central bankers' easing.

What's different today:

- **BTC rose to $65k but now down 2% on day and -5% on month** - the crypto currency rose to 1-month highs on Trump nomination and hopes for less regulation.

- **Gold nearing new all-time high at $2430 oz** - reaction in Asia to Fed Powell comments on weak CPI “add somewhat to confidence” one key driver.
- **iFlow** – Mood continues to remain significantly positive while trend is positive, carry negative. USD selling in G10 stalled yesterday while SEK saw notable selling along with ongoing JPY outflows. AUD buying notable as well. In EM BRL selling MXN buying stood out, same with ZAR outflow against PLN. Equities mostly negative in G10 except in New Zealand while positive in most of EM world. Fixed Income is bid except in Japan, Thailand.

What are we watching:

- **US June retail sales** expected down -0.3% m/m after +0.1% with control group up 0.2% after 0.4% - key for 2Q growth story.
- **June import prices** expected -0.2% m/m after -0.4% m/m while exports -0.1% m/m after -0.6% m/m – matters to inflation outlooks, USD story.
- **July NAHB housing index** expected flat at 43 – with move in mortgages stalling but rate talk may matter
- **Canada June consumer price index** expected up 0.1% m/m, 2.7% y/y after 2.9% y/y with core median expected 2.7% from 2.8% - key for BOC further easing path.
- **US corporate earnings**: Bank of America, Morgan Stanley, State Street, PNC, Progressive, United Health, Omnicom, JB Hunt
- **Federal Reserve Board Governor Adriana Kugler** speaks

Headlines

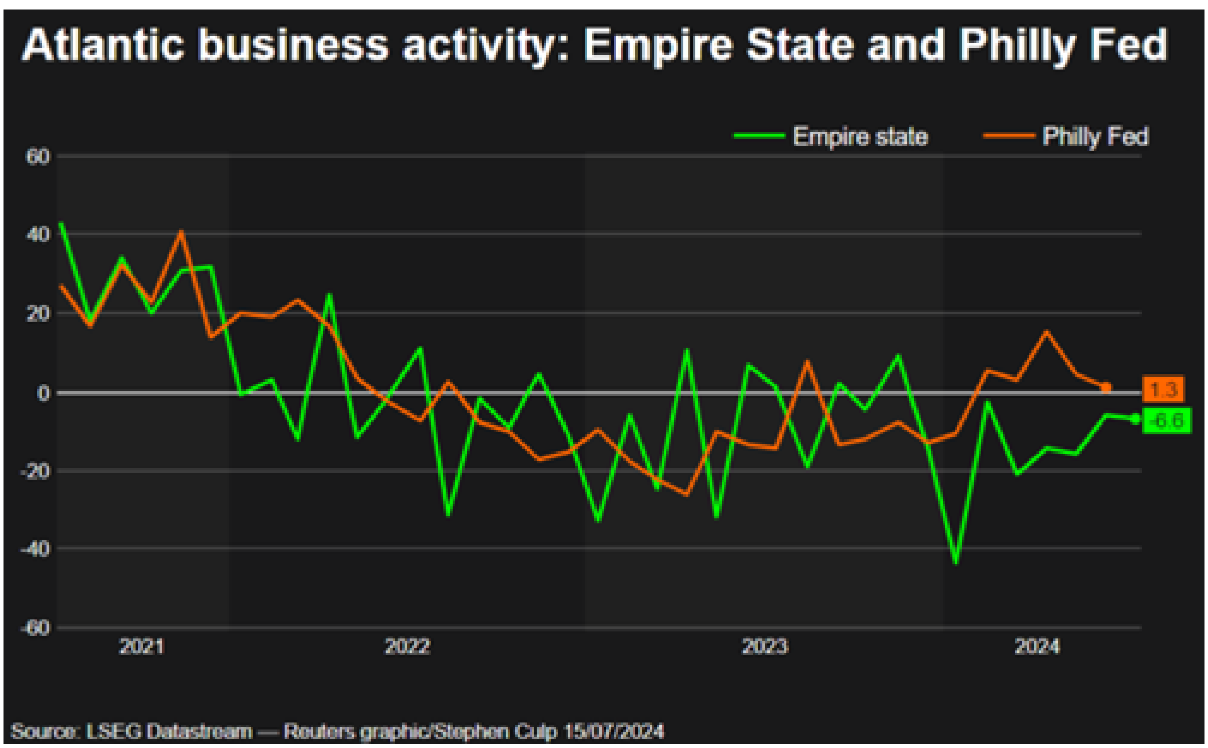
- Japan Cabinet Secretary Hayashi: Repeats ready to take all possible steps on FX, Japan May tertiary index -0.4% m/m led by transport and leisure – Nikkei up 0.2%, JPY off 0.2% to 158.45
- Italian May Trade surplus rises to E6.43bn - most in 34-months – MIB off 0.4%, BTP 10Y off 3.5bps to 3.71%
- French May C/A deficit narrows -E0.4bn to -E3.5bn - second worst in over a year – CAC 40 off 0.8%, OAT 10Y off 3.7bps to 3.07%
- German July ZEW economic sentiment fell 5.7 to 41.8 - first drop in a year, worst in 4-months but current conditions up 5.1 to -68.9 best in a year – DAX off 0.5%, Bund 10Y off 4.5bps to 2.423%

- Eurozone May trade surplus drops E1.1bn to E13.9bn as exports fell 0.5% y/y, imports fell 6.4% y/y - while ECB July bank lending survey shows demand drop for business but record rise for households – EuroStoxx 50 off 0.6%, EUR flat at 1.0895

The Takeaways:

If it's not inflation, it's growth. Market have shifted from worrying about central bankers ignoring inflation risks to fearing recessions – with China and Germany the sore spots. The US is more confused with political forces shifting outlooks into 2025 for more fiscal stimulus adding to growth hopes while the present slowdown from high-for-longer rate policy continues to push down many parts of the US economy. The balancing act for bonds, stocks and FX rests on the data releases even if they don't shift the Fed discussion or thinking. Where we see June Retail Sales today matters but so too, does the housing data and the way markets see 2Q earnings and 3Q outlooks from today. The risk of today revolves around the early blooming of the Trump Trade as the rest of the world buys bonds, eases off on equities and remains worried about the USD.

Exhibit #1: US July growth matters



Source: Reuters, BNY Mellon

Details of Economic Releases:

1. **Japan May tertiary industry index fell -0.4% m/m after +2.2% m/m - worse than +0.1% m/m expected.** The transport index fell -2.9% m/m, while living and leiesure services fell 3% m/m and finance fell 1.2%. Gains were seen ins wholesale trade up 3.2% m/m, retail trade up 1.0% and electricity up 2% m/m

2. **Italian May trade surplus jumps to E6.43bn after E4.83bn - more than the E3.55bn expected** - 34-month highs. Continues the trend of sharp increases to Italy's trade balance as prices for key commodities for the Italian economy have retreated since the start of Russia's invasion of Ukraine, limiting turnover in foreign purchases. Imports slumped by 5% from the previous year to EUR 49.719 billion, driven by declines in purchasing turnover of natural gas (-21.9%) and crude oil (-14%). Imports also fell for electrical devices (-15.6%) and textile products, clothing, leather, and accessories (-10.3%). On the other hand, exports fell by a softer 1.7% to EUR 56.15 billion, driven by lower sales of transportation equipment (-21.5%) and basic metals & metal products (-8.2%).

3. **German July ZEW economic sentiment index slips to 41.8from 47.5 - worse than 42.5 expected** - first drop in a year and lowest in 4-months. The economic outlook is worsening, amid falling exports, political uncertainty in France and the lack of clarity regarding future monetary policy by the ECB. Meanwhile, the current conditions index increased to -68.9, the highest in a year, from -73.8 in June and compared to expectations of -74.5.

4. **Eurozone May trade surplus slows to E13.9bn from E15bn - less than the E18bn expected** but still up from -E0.4bn deficit in May 2023. Imports tumbled by 6.4% to EUR 227.6 billion, while exports decreased at a much softer 0.5% to EUR 241.5 billion. Also, the EU posted a trade surplus of EUR 9.7 billion in May, after a EUR 2.6 billion deficit in May 2023. Imports declined by 6.2% to EUR 206.5 billion, mainly due to a fall in machinery & vehicles (-9.2%), energy products (-5.7%), chemicals (-3%) and raw materials (-6.4%). Among major trading partners, purchases dropped from China (-8.7%), the UK and Switzerland (-14%), but increased from the US (+4.9%). Meanwhile, exports went down 0.6% to EUR 216.3 billion, as a decline in sales of machinery & vehicles (-7.7%) more than offset higher sales of chemicals (+10.5%), food & drink (+1.2%), energy (+2.3%) and raw materials (+7%). Exports rose to the US (+6.8%) but fell to the UK (-0.5%) and China (-5.3%).

Exhibit #2: EU trade helps growth

Source: EuroStat, BNY Mellon

Disclaimer & Disclosures

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

Bob Savage
HEAD OF MARKETS STRATEGY AND INSIGHTS

CONTACT BOB

Contact Us | iflow@bnymellon.com

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