

July 22, 2024

Tomorrow?

“People create success in their lives by focusing on today. It may sound trite, but today is the only time you have. It is too late for yesterday. And you can’t depend on tomorrow. That’s why today matters.” - John Maxwell

“You cannot escape the responsibility of tomorrow by evading it today.” - Abraham Lincoln

Summary

Risk on as markets timidly unwind some of the “Trump Trade” from last week tempered with uncertainty over how will compete in the election, what 2Q earnings bring and how US economic data at the end of the week from GDP to core PCE tells the FOMC about easing. Bank earnings in Europe and global PMI reports are also important along with BOC rate decision Wednesday. None of that is happening today. The week ahead hangs over the Monday morning surprise of the PBOC rate cut to spur growth as 10bps easing isn’t seen as sufficient to fix all that ails the economy there. The Nvidia announcement of a new flagship AI Chip for China that is compatible with US controls helped markets as well. The lack of bigger news - with one ECB speaker happy to cut another 50bps this year didn’t matter much nor did the monetary policy survey. For the day focus is on 2Q earnings, two Fed speakers into the blackout period and bill auctions. Mexico retail sales and how carry trades play will matter in FX but the bigger picture is how investors set up for the week ahead with risk and uncertainty.

What's different today:

- **Vice President Harris launches bid for President following with Biden's backing** after he pulled out of race - many democrats support her but some key leaders are silent. PredictIt betting site puts Harris on about 40% odds for beating Trump- even though she has not yet got the formal nomination and hasn't campaigned for the role yet.
- **Japan Nikkei 225 fell 1.16% same as the broader TOPIX stock index** both hitting 3-week lows as AI and technology related shares retreat and as BOJ rate policy worries rise.
iFlow still significantly mood positive, carry back to flat, trend significant while USD buying Friday stands out in G10 while CLP, COP sold in EM along with ZAR. The Equity market is still G10 negative and EM positive. Fixed Income seeing Mexico bond selling again while little in G10 of note.
- **iFlow still significantly mood positive**, carry back to flat, trend significant while USD buying Friday stands out in G10 while CLP, COP sold in EM along with ZAR. The Equity market is still G10 negative and EM positive. Fixed Income seeing Mexico bond selling again while little in G10 of note.

What are we watching:

- **Chicago Federal Reserve's June economic activity index** expected -0.09%
- used as LEI alternative.
- **Fed Speakers:** New York Federal Reserve President John Williams and Atlanta Fed President Raphael Bostic speak
- **US 2Q earnings:** Verizon, Truist Financial, WR Berkley, Nucor, NXP Semiconductors, IQVIA, Cadence Design, Alexandria Real Estate

Headlines

- China PBOC cuts 1Y LPR by 10bps to 3.35% and 5Y by 10bps to 3.85% - as expected - to spur growth, while focus on 7-day reverse repo cut to 1.7% is first easing in a year - CSI 300 off 0.68%, CNH off 0.1% to 7.2920
- New Zealand June trade surplus jumps to NZ\$0.669bn - most since May 2020 as imports drop - NZD off 0.2% to .5995
- Taiwan June export orders slow 3.9pp to 3.1% y/y - led by chemicals – TWD off 0.2% to 32.848

- ECB Monetary Policy Survey 3Q sees majority seeing risks for inflation balanced at 56% rising to 73% by 2026 – EuroStoxx 50 up 1.4%, EUR flat at 1.0885
- UK 3Q Begbies Trainer Redflag report on corporate stress rises 8.5% q/q, 37% y/y – FTSE up 0.7%, GBP up 0.15% to 1.2930
- Ukraine reaches \$20b debt restructuring deal - with nominal 37% loss by creditors - further push for GDP warrants – WTI off 0.5%, Wheat up 0.6%.

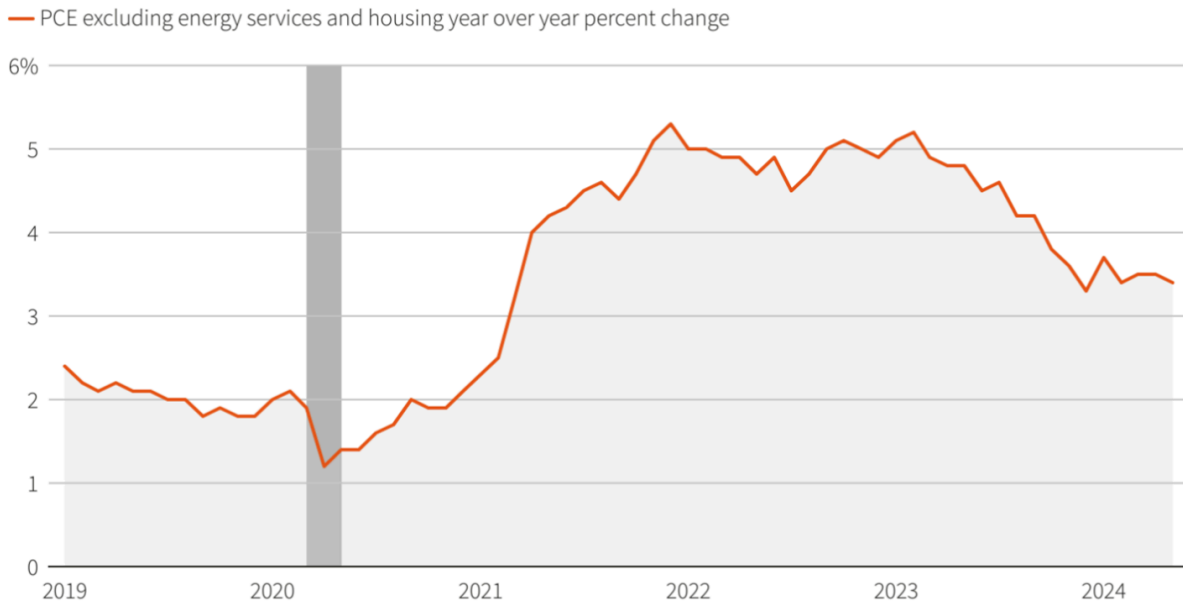
The Takeaways:

When what happens today matters less than tomorrow, you have procrastination. The opportunity delivered is in setting up for the volatility ahead and in the anticipation of tail risks. The high for longer policy of the Fed has been cursed with higher equities, inverted yield curves and strong consumer demand over the last 2 years of tightening and waiting. The effect of such on balance sheets is the key question for some and begs the question about how to measure financial conditions accurately. The FT article on this point is worth considering on a quiet Monday in the middle of summer when events ahead likely drive considerable risks for shifting positions. The central focus for US Fed watching will be on core PCE or more precisely, the Powell super core. How service inflation slows in the US “last mile” for reaching target prices near 2% matters. So too does the shape of the yield curve, speeds in junk bonds and how the USD handles debt doubts, policy uncertainty and trade fears. Markets are set up waiting for confirmation of a Trump trade but could be surprised by the rest of the world this week with bank earnings in Europe, the Tokyo CPI and BOJ meeting next week, and the role of foreign demand in 2Q earnings reports central to how risk markets trade in the days ahead. Bottom line - don't expect much on the day but if there is a shift it's about repositioning for the data and events ahead which could overwhelm the Monday lethargic trading desks.

Exhibit #1: US service inflation stickiness matters

Services excluding energy and housing

Broad service sector prices were feared to make the "last mile" of the Fed's inflation battle difficult. But those price increases have started to wane.



Note: Gray bar denotes recession.

Source: Bureau of Labor Statistics

Reuters Graphics

Source: Reuters, BNY Mellon

Details of Economic Releases:

1. New Zealand June trade surplus widens to NZ\$0.699bn after NZ\$0.054bn - more than the NZ\$0.294bn expected - the highest since May 2020 as imports declined much faster than exports. Imports fell by 13% year-on-year to \$5.5 billion as purchases tumbled for petroleum & products (-55%), vehicles, parts & accessories (-25%), pharmaceutical products (-21%) and iron, steel & articles (-26%). Exports also fell by 0.1% to \$6.2 billion amid lower shipments for milk powder, butter & cheese (-10%), crude oil (-76%), precious metals, jewelry & coins (-35%) and logs, wood & wood articles (-7.7%). New Zealand's top export markets in order of total annual goods were China, Australia, USA, EU and Japan, while the main import sources were China, EU Australia, USA and South Korea.

2. Taiwan June export orders slow to 3.1% y/y after 7% y/y - weaker than 12.5% y/y expected. The sharp slowdown was attributed to an easing of demand for chemicals (9.5% vs 17.1% in May), plastics & rubbers (2.7% vs 8.6%), electronic products (6.3% vs 9.2%), information & communication products (3.6% vs 11.4%), and optical, photographic, cinematographic apparatus (5.8% vs 7%). At the same time, orders declined for textile products (-6.8% vs 6.1%), electrical machinery

products (-3.4% vs 6.7%), and transport equipment (-6.3% vs -12.3%). Among key trade partners, demand went up to the US (3.7%), Hong Kong & China (3.5%), ASEAN countries (0.2%), and Europe (6.3%), while demand decreased to Japan (-9.2%).

Exhibit #2: Taiwan trade and chips key



Source: Taiwan Statistics Office, BNY Mellon

Disclaimer & Disclosures

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



Bob Savage
 HEAD OF MARKETS STRATEGY
 AND INSIGHTS

CONTACT BOB



Can't see the email? [View online](#)

iFlow
 We can gauge how the world's money moves.
 Because a fifth of it moves through us.

[Learn More](#)
[Contact Us](#)

We take our data protection and privacy responsibilities seriously and our privacy notice explains how we collect, use, and share personal information in the course of our business activities. It can be accessed [here](#).

This email was sent to WeeKhoo.Chong@bnymellon.com, and was sent by The Bank of New York Mellon 240 Greenwich Street, New York NY 10286.

Your [privacy](#) is important to us. You can opt out from receiving future Newsletters by [unsubscribing via this link](#) at any time. You can also select the topics that you want to receive by [managing your preferences](#).

This message was sent from an unmonitored email box. Please do not reply to this message.

[Contact Us](#) | iflow@bnymellon.com

© 2024 The Bank of New York Mellon Corporation. All rights reserved.

This message was sent from an unmonitored email box. Please do not reply to this message.