

August 12, 2024

## Quiet Starts

*"All miseries derive from not being able to sit in a quiet room alone." - Blaise Pascal*

*"Wisdom grows in quiet places." - Austin O'Malley*

### Summary

Risk on as markets rethink that last week's noise and have a quiet start to a key week with US CPI, China and US retail sales, rate decisions from the RBNZ, Norges Bank and a host of UK data. Not to mention Japan GDP. The JPY over 147 has helped keep the talk of risk unwinding at bay but the Nikkei remains still below the sell-off start post the BOJ hike. Focus on the day will remain on the price action more than the data with consumer inflation expectation in the US unlikely to shift the expectations for 1% cuts to end of 2024 - with 50% chance of 50bps easing in September. Geopolitical concerns are higher and oil gains for the 6th day while ongoing US political issues make debt focus key.

### What's different today:

- **EU Natural Gas prices jump to 8-month high** up 3% to E41 mwh - with focus on Ukraine incursion and Sudzha gas supply risks.
- **iFlow** – Mood back to neutral zone, trend lower, carry higher but neutral with G10 FX showing JPY and CHF selling Friday against AUD, EUR and NZD buying. EM is about TRY buying and PLN selling. Equities continued to show big selling in US and China with Turkey also seeing notable selling. Bonds

were about China outflows along with Chila while in G10 Sweden and Australia saw selling.

### What are we watching:

- **US July New York Fed consumer inflation** expectations 1Y previously 3.02% - important for anchoring Fed outlook.
- **US July Federal Budget** expected \$242bn deficit after \$66bn – important given size and view on corporate tax take.

### Headlines

- **RBA Hauser:** Warns against overconfidence in forecasting - sees risks to unemployment – Asx up 0.46%, AUD up 0.4% to .6605
- **Former BOJ Sakurai:** Japan won't be able to hike again this year - sees one hike in March – Japan Holiday, JPY Off 0.6% to 147.45
- **China BOP** shows foreigners pull \$15bn in 2Q FDI – CSI 300 off 0.17%, CNH off 0.1% to 7.1810
- **German July WPI** rises 0.2% m/m, -0.1% y/y - highest in 15 months – DAX up 0.15%, Bune 10Y up 2.5bps to 2.17%, EUR up 0.1% to 1.0925
- **Turkey June retail sales** recover up 1.7% m/m, 8.6% y/y - while unemployment jumps to 9.2% - TRY off 0.15% to 33.54
- **Ukrainian troops** 30km into Russia's Kursk region - with trenches being constructed for longer conflict – WTI up 1.1% to \$77.66
- **Fed Bowman:** Sees upside inflation risks, signals caution on cuts citing fiscal policy, geopolitics and housing market – S&P500 futures up 0.25%, US10Y up 1.5bps to 3.955%, USD index flat at 103.18
- **Trump campaign** says it was hacked, Iran emerges as biggest threat to election

### The Takeaways:

The end of the Olympics and the start of the Perseid Meteors with the peak tonight. Falling stars matter to fame and fortune as the markets are restarting after a heavy week of miserable price action filled with not quite enough news to convince anyone it's safe to buy the dip. The selling of CHF and JPY and buying of high yielders in FX from MXN to BRL restarts the hope that this week will be fine but there is another

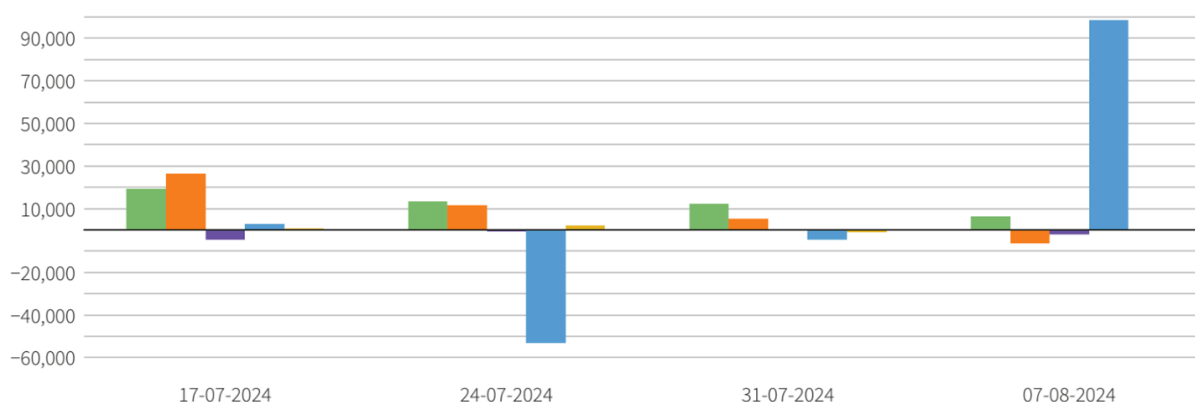
signal – cash as money market funds saw significant inflows last week and that money may be like the traders behind it -on the beach looking at the stars at night and lathering up with sunscreen during the day rather than rushing back into risk. The focus on the day will more about the bounce and how high equities can recover after 4-weeks of selling. Earnings in 2Q have ended better than expected but the 3Q outlook is decidedly mixed and that is the rub as falling stars are the next focus.

### Exhibit #1: Will cash be put to work?

#### Fund flows: Global equities, bonds and money markets

Flows in \$ million

● Bond ● Equity ● Mixed Assets ● Money Market ● Other



Source: LSEG

Source: Reuters, BNY

#### Details of Economic Releases:

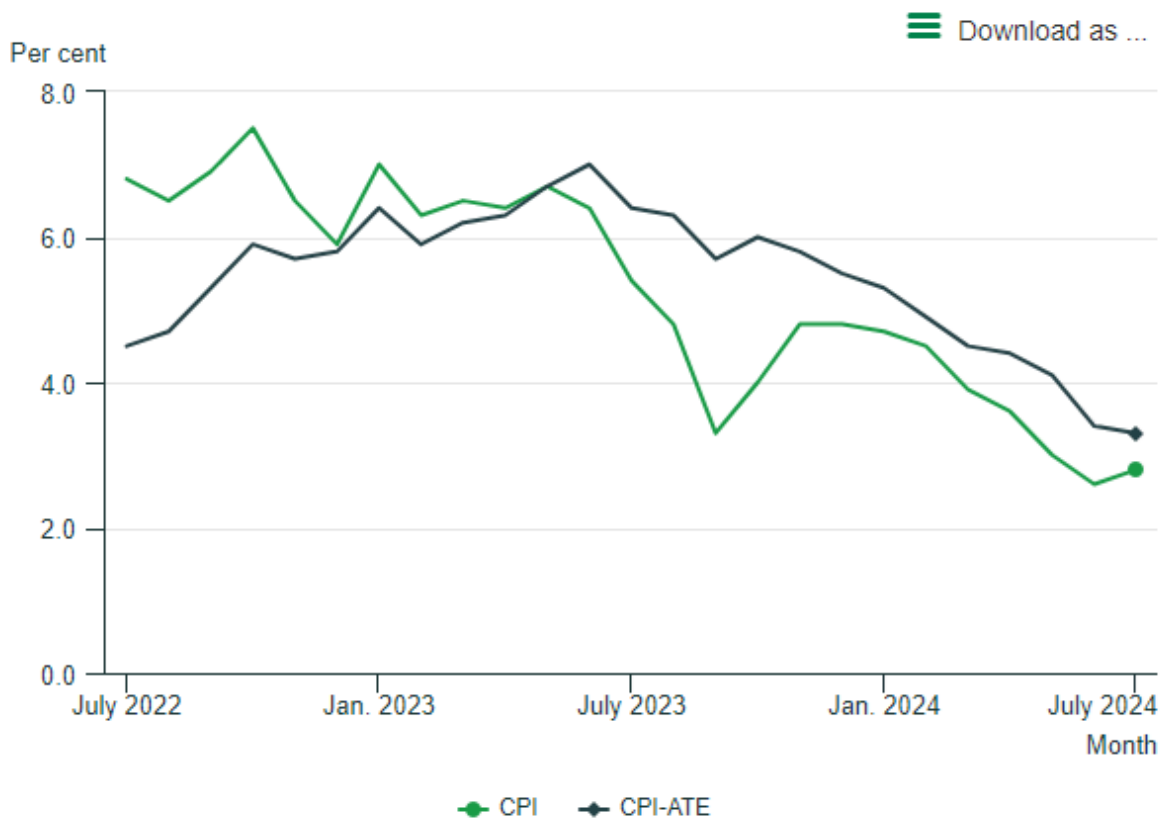
**1. Turkey June retail sales rise 1.7% m/m, 8.6% y/y after -0.2% m/m, 6.2% y/y - as expected.** Non-food products led the growth, with a notable 11.3% increase, driven by strong sales of computers, books, and communication devices (+25.2%) and medical products and cosmetics (+11.4%). Food, drinks, and tobacco also saw a significant rise of 10.5%. At the same time, sales through mail orders and the internet surged by 20.8%, though automotive fuel sales experienced a slight decline of 1%.

**2. Turkey June unemployment rises to 9.2% after 8.5% - worse than the 8.2% expected.** The number of unemployed individuals increased by 234,000 from a month earlier to 3.305 million, while employment dropped by 341,000 to 32.522 million. At the same time, the activity rate went down to 54.4% in June from 54.6% in

the prior month. The youth jobless rate for those aged between 15 and 24 years increased by 1.7 percentage points to 17.6%

**3. German July WPI rises 0.3% m/m, -0.1% y/y after -0.3% m/m, -0.6% y/y - more than the 0.2% m/m expected** - still the 15th consecutive month of decline in producer prices but the softest pace in the sequence, amid lower costs of chemical products (-8.4%), iron, steel & ferrous semi-finished metal products (--7.7%), live animals (-9.5%) and computers and peripheral equipment (-5.5%). By contrast, prices increased for coffee, tea, cocoa & spices (19.5%), non-ferrous ores, non-ferrous metals and non-ferrous semi-finished metal products (15.4%), waste and scrap (15.2%), sugar, confectionery and bakery products (9.5%), and tobacco products (4.7%).

**Exhibit #2: Is inflation returning to Europe?**



Source: DeStatis, BNY

## Disclaimer & Disclosures

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

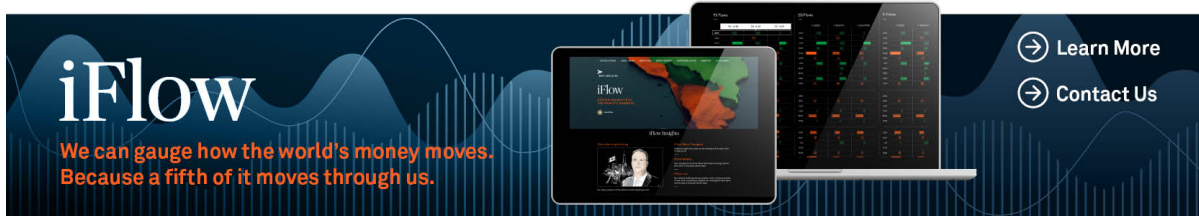


**Bob Savage**  
HEAD OF MARKETS STRATEGY  
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