BNY

iFlow
MARKET MOVERS

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Launched

"Do not follow where the path may lead. Go, instead, where there is no path and leave a trail." – Muriel Strode

"If you believe you can, you probably can. If you believe you won't, you most assuredly won't. Belief is the ignition switch that gets you off the launching pad." – Denis Waitley

Summary

Risk off as the mood of buying the dip falters into the data and news with focus on CPI tomorrow and US Harris-Trump debate tonight. In between, we have less space to ignore the risks to growth and doubts about policy. The iPhone 16 launch highlights the role of AI in grabbing consumer sales. The USD is nearly flat and FX being a barometer suggests statis until the FOMC finally decides on 25bps of easing. China trade was better but at the expense of the rest of world as exports rose while industrial production in Spain, Italy and Turkey fell and UK jobs were in line along with slightly lower wages. All that didn't matter to markets, so we are waiting for something larger to launch more trading. Until then we may be on a spacewalk hoping the tethers hold us and the rockets bring us back to earth. On the day, the focus is on US 3Y $58bn bond sale and whether supply matters.

What's different today:

- **US August NFIB small business optimism fell sharply to 91.2 from 93.7** – lowest in 3 months – with inflation still top concern, while sales volumes also fell sharply.

- **Space X launched 4 astronauts into orbit** with plans for the first commercial space walk

What are we watching:

- **Brazil August CPI** expected up 0.01% m/m, 4.3% y/y after 0.38% m/m, 4.5% y/y – key for BCB rate decisions and BRL
- **US Treasury** 3Y $58bn note sale and $60bn 42-day CMB sale.
- **BOC Macklem speech** – watched to see if post the easing where political risks ahead fall

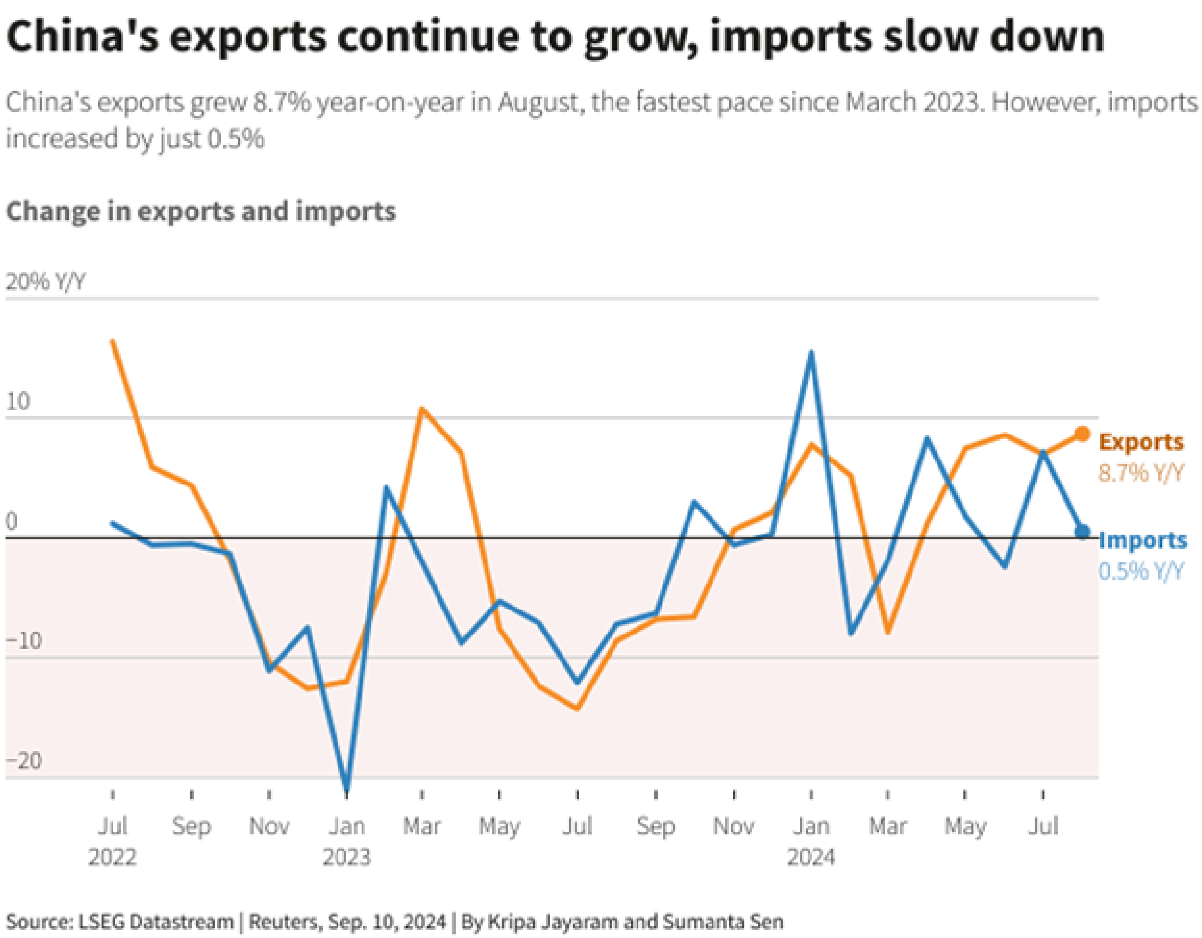
Headlines

- Australian Sep consumer confidence off 0.5% to 84.6 – while business confidence fell -5 to -4 – worst of the year – ASX up 0.3%, AUD up 0.1% to .6665
- China Aug trade surplus jumps $6bn to $91.02bn as exports rise 8.7% y/y – best in 23-months – CSI 300 up 0.09%, CNH off 0.1% to 7.1275
- Sweden July GDP off -0.8% while household consumption rose 0.7% -
- German August final inflation unrevised at 1.9% - DAX off 0.5%, Bund 10Y up 1bps to 2.18%, EUR off 0.1% to 1.1025
- Italian July industrial production fell -0.9% m/m, Spanish fell -0.4% m/m and y/yv – while Turkey fell -3.9% y/y – all weaker than expected
- UK 3M July employment up 265k with unemployment flat at 4.1% and wages off to 4% y/y -FTSE off 0.6%, GBP up 0.1% to 1.3090

The Takeaways:

Lifting off after a crash was the lesson of August and many investors would relish that same spirit in September but the ability to get there requires more than lower rates or calm politics. Markets want to see results and those will be harder to show in this confessional period for companies as they manage their 3Q earnings and look for clever ways to broaden their margins. The iPhone 16 launch was an example of such for many, while the hope for financials is in the Fed plans to cut the capital requirements from Basel 3 back from 19% to 9% - how long will this take to put in place matters. As for the world, inflation is the speed bump ahead and hopes that lower inflation drives all good things ahead which gets us back to earth and China where exporting deflation maybe back in the dialogue and what that means for growth elsewhere.

Exhibit #1: Is China exporting deflation?



Source: Reuters, BNY

Details of Economic Releases:

1. Australian September Westpac Consumer Confidence drops 0.5% to 84.6 from 85.0 – better than 84 expected – dropping from 6-month highs but sixth decline of the year, amid a less confident outlook for the economy after a sluggish GDP growth in Q2 that sparked fears about potential job loss. Consumers' views on economic conditions for the next 12 months slipped 2.6% to 81.2 and their assessment for the next 5 years dipped 1.0% to 90.6. At the same time, unemployment expectations rose 3.7% to 138.4, above its long-run average of 129. Meanwhile, the 'family finances vs a year ago' rose 1.2% to 71.8, and family finances for the next 12 months edged up 0.2% to 97.0. Simultaneously, the 'time to buy a major item' was unchanged at 82.6. "The pessimism that has dominated for over two years is still showing no signs of lifting," said senior economist Matthew Hassan. Still, he added that 'inflation' news had become less threatening for households.

2. Australian August NAB fell to -4 from +1 – weaker than +3 expected - the first negative reading in three months, pointing to the lowest reading year to date amid steep falls in recreation & personal services, transport & utilities, construction, and manufacturing. Meanwhile, business conditions eased sharply (3 vs 6 in July), falling below average, due to a sharp drop in employment (1 vs 7), and small declines in sales (8 vs 10) and profitability (1 vs 2). By industry, conditions fell in wholesale, manufacturing, retail, and business & property. Labor cost growth eased to 1.7% in quarterly equivalent terms from the prior 2.4% while purchase cost growth rose to 1.6%. Simultaneously, product price growth was slightly lower (0.6% vs 0.7%) while retail price growth rose to 1.2% from 1.0%. Meantime, forward orders were unchanged (at -4). Capacity utilization remains elevated (82.9% vs 82.7%) and capex jumped (11 vs 6).

3. **China August trade surplus rose to $91.02bn after $84.65bn – more than the $84bn expected** - as exports rose much faster than imports. Exports grew 8.7% y/y to a 23-month high of $308.65 billion, topping forecasts of 6.5% to mark the fastest pace since March 2023 and accelerating from a 7.0% gain in July. Meanwhile, imports rose 0.5% y/y, slowing sharply from a 7.2% jump in July which was the strongest growth in three months and missing consensus of 2%, due to fragile domestic demand. The trade surplus with the US widened to $ 33.81 billion in August from $30.84 billion in July. For the first eight months of 2024, the trade surplus was at $608.49 billion, with exports rising 4.6% to $ 2.31 trillion while imports increased at a softer 2.5% to $1.71 trillion. During the period, trade surplus with the US stood at $224.57 billion.

4. UK July average weekly earnings rose 4% y/y after 4.6% y/y – weaker than the 4.1% y/y expected – least since November 2020. Pay growth slowed sharply in the public sector (0.8% vs 1.9%) and also eased in the private sector (4.8% vs 5.1%). This is affected by the NHS and civil service one-off payments made in June and July 2023. Adjusted for inflation, total earnings increased 1.1%, below 1.6% in the three months to June.

Exhibit #2: Does the drop in wages suffice for BOE?

Percentage change on same month in previous year, seasonally adjusted, UK, July 2015 to August 2024

Source: Pay As You Earn Real Time Information from HM Revenue and Customs

Source: Reuters, BNY

Disclaimer & Disclosures

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

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