

iFlow

MARKET MOVERS

April 18, 2024

Consultations

"The end of wisdom is consultation and deliberation." - Demosthenes
"There is no greater wealth than wisdom, no greater poverty than ignorance; no greater heritage than culture and no greater support than consultation." - Ali bin Abi Talib

Summary

Risk on as better earnings from TSMC highlight ongoing AI push while US talks with Korea and Japan on FX cap USD rally. Oil lower for 4th day adds to relief given most see Israel response risk lower or delayed. The ongoing IMF meetings and host of speakers continues today but the effect is less worrisome. The 1Q earnings are starting to matter and set the underlying volatility for risk overlaid by the data which will matter today with Philly Fed survey the best of the early looks for ISM forecasting and with jobless claims key for the other mandate worry – as headlines about layoffs remain undetected in the unemployment. Overnight the Australian jobs drop was taken as good news allowing RBA easing hopes with 10Y rates there off 10.4bps – beating the rest of the region. Overall, good news remains good for stocks, mixed for bonds and confusing for dollars making talk anything but cheap when it comes to guiding markets.

What's different today:

- **Copper trade near 2-year highs above \$4.4 lbs** up 2% on day - linked to China smelters slowing - while **Oil falls for 4th session** with Brent below \$87bbl - linked to US EIA crude oil inventory build, SPR warnings if needed, weaker global growth outlook linked to higher rates, US sanctions on Venezuela as Maduro fails on election promises

- **iFlow yesterday continued further negative trend moves** – with FX in EM still mixed as MXN and COP selling was countered buy TRY and ZAR buying. In G10 CHF and NZD selling vs modest USD, JPY and NOK buying. Bond markets liked China, Brazil and Australia but shunned Argentina, Canada, India and New Zealand. Stocks by sector shifted with materials, industrials, consumer discretionary all higher – suggesting nascent global recovery hope.

What are we watching:

- **Philadelphia Fed April business survey** expected 2 from 3.2 – will be watched for further industrial production recovery, jobs and prices.
- **US March existing home sales** expected -4.1% to 4.2mn rates from +9.5% and 4.38mn SAAR.
- **US weekly jobless claims** expected up 4k to 215k with continuing claims up 1k to 1.818mn
- **G20 finance ministers** and central bankers at International Monetary Fund's Spring meeting in Washington
- **Fed Speakers:** Atlanta Fed president Raphael Bostic will deliver remarks at the Prosperity Partnership of Fort Lauderdale. New York Fed president John Williams will participate in a moderated discussion before the Semafor World Economy Summit. Fed governor Michelle Bowman will deliver opening remarks to the New York Fed regional and community banking conference.
- **1Q Earnings:** Netflix, Blackstone, Comerica, PPG, Intuitive Surgical, DR Horton, March & McLennan, Snap-On, KeyCorp, Elevance Health, Genuine Parts

Headlines:

- Israel response to Iran likely after Passover while US White House warns it will release SPR oil to cap gasoline prices – ILS up 0.5% to 3.7805, WTI off 0.85% to \$82 bbl
- Australian Mar jobs drop -6,600 - first fall since Dec 2023 - unemployment up to 3.8% - ASZ up 0.48%, AUD up 0.1% to .6440
- Japan MOF Suzuki, Korea MOF Choi and US Treasury Yellen “closely consult” on FX, G7 reaffirm excessive FX volatility undesirable, BOJ Noguchi: Future rate hikes likely to be slow, - Nikkei up 0.31%, JPY flat at 154.45, KRW up 1% to 1372.90
- Norway 1Q industrial confidence up 4.3 to 0- still business leaders cit weak demand, labor constraints – NOK up in 0.1% to 10.9920

- Eurozone Feb C/A surplus down E10bn to +E29.5bn while construction output -0.4% y/y - second consecutive fall - while EU car sales slip 5.2% y/y in March linked to Easter holidays – EuroStoxx 50 up 0.4%, EUR flat at 1.0670

The Takeaways:

The focus on the risk of intervention in JPY and KRW was key for stabilizing markets across the world. We will find out if the talk of the G20 today and the consultations of Finance Ministers in Japan, Korea and the US are expensive or cheap. The move down in KRW leaves the currency still woefully undervalued on most metrics but the JPY is not yet out of the danger zone for action with the 155 line for USD/JPY seen as a step too far for speculation. The link of USD gains to commodities and what that means for import inflation everywhere isn't lost on the investment world. The risk of higher goods inflation is now fully priced in the US and filters to the rest of the world. This puts the AUD, CAD and NOK in G10 FX space more interesting given their commodity surplus. The ability for the RBA, BOC and Norges bank to ease and note have the same fears as other central banks is one factor to consider. The other less comforting story overnight is about oil and the drop in prices from Brent to WTI. Some of this is about the lowering of immediate fears about the Israeli response to Iran. But supply and the role of Russia and Iran sanctions having some teeth and leaving the world split is another. There is clearly room for oil to spike higher if geopolitical fears become a reality but for now this reflects the threat of US SPR use if things get worse – with 100 days of supply the US reserves look important but markets have ways to see through things. The other commodity to watch in a world starting with the USD is gold – and that rise of near 1% today highlights the conundrum of intervention anywhere. Markets maybe manipulated, but such actions usually prove temporary and merely drive volatility to other places. Bottom line we are in a world that wants to believe in a global recovery and oil along with gold play significant roles in reflecting all the risks.

Will oil derail 2024 growth and spike inflation?

Oil's ups and down since 2020

Brent crude price



Source: LSEG Datastream | Reuters, April 16, 2024 | By Vineet Sachdev

Source: Reuters / BNY Mellon

Details of Economic Releases:

1. Australian March jobs drop -6,600 after +117,600 - worse than the +7,500 expected - pushing unemployment rate up to 3.8% from 3.7% - still better than the 3.9% expected - the first decline in employment change since last December, as part-time employment dropped by 34,500 to 4,406,100. At the same time, full-time employment increased by 27,900 to 9,853,800. Over the year to March, employment added 336,900 or 2.4 percent. The participation rate slipped to 66.6% from 66.7% The underemployment rate came at 6.5%, 2.3 points lower than the level in March 2020. Additionally, monthly hours in all jobs rose by 17 million, or 0.9%, to 1,956 million.

2. Norway 1Q industrial confidence rises to 0 from -4.3 - better than -3 expected. A higher proportion of industry leaders continue to cite factors such as weak demand, strong competition, and a lack of qualified labor as primary constraints on production. The fall in new orders from the domestic market and for some manufacturing groups from the export market contributed to a clear decrease in overall stocks of orders. Additionally, producers of capital goods and consumer goods have reported price growth in both domestic and export markets. On a positive note, overall employment increased, with producers of capital goods responsible for the growth. Looking ahead to Q2 of 2024, the general outlook is optimistic, particularly among producers of capital goods and consumer goods, while producers of intermediate goods have neutral expectations.

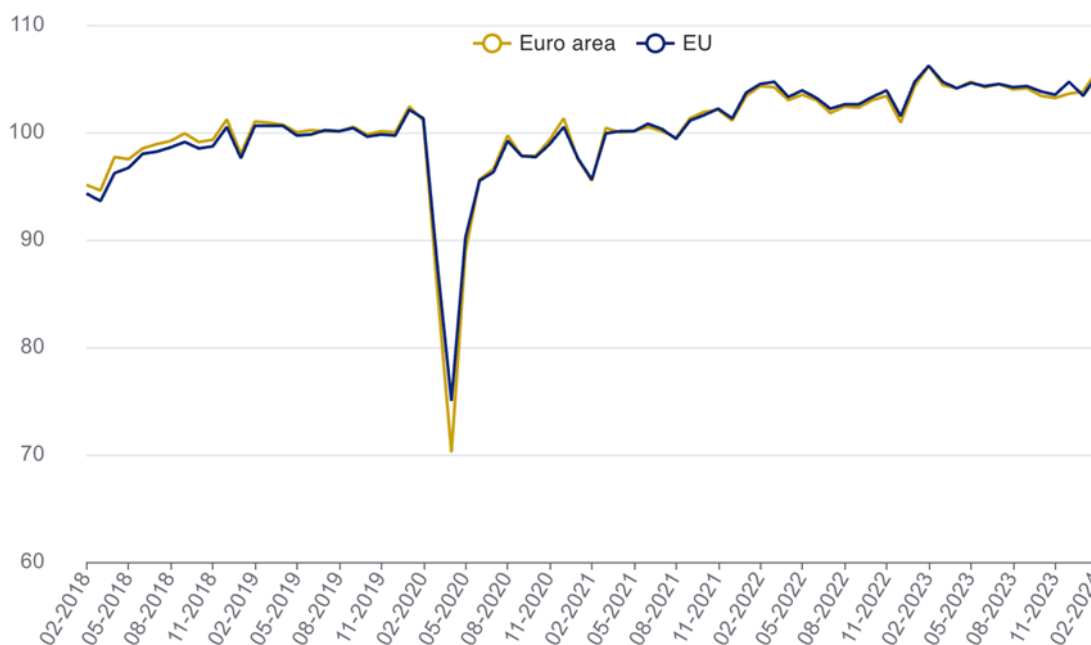
3. Eurozone February current account surplus s.a. slows to E29.5bn from E39.3bn - less than the E45bn expected. On a non-seasonally adjusted basis the surplus widened to E31.6bn from E10.7bn in Feb 2023. The goods surplus almost doubled to €40.5 billion from €21 billion, the primary income surplus increased to €2.7 billion from €0.3 billion and the secondary income gap narrowed to €13.6 billion from €15.3 billion. On the other hand, the services surplus decreased to €2.1 billion from €4.6 billion. O

4. Eurozone February construction output rose 1.8% m/m, but -0.4% y/y from -0.3% y/y - worse than the +1% y/y bounce expected. Output contracted for building activity (-2.5% vs -4.7% in January) and specialized construction activities (-0.1% vs 0.4%). Meanwhile, civil engineering works experienced faster growth (4.9% vs 2.2%). Among the largest economies in the Euro Area, construction activity decreased significantly in the Netherlands (-12.9%) and France (-4.1%), but it rose in Spain (+8.3%) and Germany (+1.9%).

Does construction lead EU recovery?

Production in the construction sector

2021=100, seasonally adjusted series



eurostat

Source: EuroStat/BNY Mellon

Disclaimer and Disclosures

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