

iFlow

MARKET MOVERS

February 23, 2024

Landings

“They say any landing you can walk away from is a good one.” – Alan Shepard

“Great ideas need landing gear as well as wings.” – Charles Douglas Jackson

Summary

Risk on with equities still bid – as EU shares hold 23-year highs, Singapore CPI drops to 2-year lows, while EU inflation expectations rise even as Natural Gas prices drop to May 2021 lows. The US-based Intuitive Machine’s Odysseus spacecraft landed on the moon – first commercial successful lunar landing. There is hope in Paris hostage talks between Israel/Hamas and in the steady confidence in the data from Europe – German IFO ticks up. Markets are trading for growth not inflation – as Fed Waller just wants more data to build confidence before easing albeit just 2-3 cuts in 2024– but the larger concerns for today revolve around balance and how to sustain the valuations and hope for global growth. There are cracks – China home prices with second-hand home prices off 4.9% y/y, USD remains bid particularly against JPY and the ongoing bond volatility – from 20Y and 30Y TIPS sale in US highlight debt concerns. For the day expect 4Q earnings, geopolitics with G20 FinMin meeting and EU meetings ahead of the 2Y Russia war on Ukraine all to drive with a search for balance in risk ahead.

What’s different today:

- **JPY trades to 150.77 – lowest in over three months** – nearing 34-year 151.50 touched in November. Japan was closed for Emperor’s holiday today.
- **MSCI all-country index breaks 2022 highs – sets new record** - while even China CSI 300 closes up for 9 straight sessions.

- **EU natural gas prices drop 8% on the week** – below E23 mwh – near pre-May 2021 Russia supply constraint levels. EU gas storage facilities at 64.7% capacity.

What are we watching:

- **Earnings:** Warner Bros Discovery, Intuit
- **Eurogroup and ECB Lagarde meeting** in Ghent ahead of Russia 2Y war on Ukraine
- **Argentina President Milei meeting** with US secretary of state Blinken with IMF debt deal key

Headlines:

- China Jan new home prices drop -0.3% m/m, -0.7% y/y – 7th consecutive fall and worst since Mar 2023 – CSI 300 up 0.09%, CNH off 0.1% to 7.2075
- New Zealand 4Q retail sales drop -1.9% q/q, -4.1% y/y – 8th consecutive quarterly fall – NZX up 0.25%, NZD off 0.1% to .6190
- Malaysia Jan CPI rises +0.2% m/m, +1.5% y/y, core up 1.8% y/y – lowest since Feb 2022 – MYR flat at 4.7750
- Singapore Jan CPI off -0.7% m/m, 2.9% y/y, core off 0.2pp to 3.3% y/y – lowest in 4-months – SGD off 0.1% to 1.3445
- Turkey Feb business confidence up 0.6 to 101.5 – highest since Oct 2023 – TRY off 0.1% to 31.09
- Swiss 4Q non-farm payrolls rise 1.7% to 5.488mn – new record high – Swiss Mkt up 0.4%, CHF flat at .8805
- German 4Q GDP confirmed -0.3% q/q, -0.2% y/y technical recession, while Feb Ifo business climate up 0.3 to 85.5 near 3 ½ year lows – DAX flat, Bund 10Y up 1bps to 2.445%
- Eurozone Jan inflation expectations 1Y ahead rise 0.1pp to 3.3% - 3Y flat at 2.5% - EuroStoxx 50 up 0.3%, EUR up 0.1% to 1.0830
- Fed Waller: Need a more evidence inflation is cooling – 2 or more data points – US S&P500 futures up 0.1%, 10Y US yields up 1bps to 4.33%, USD flat.

The Takeaways:

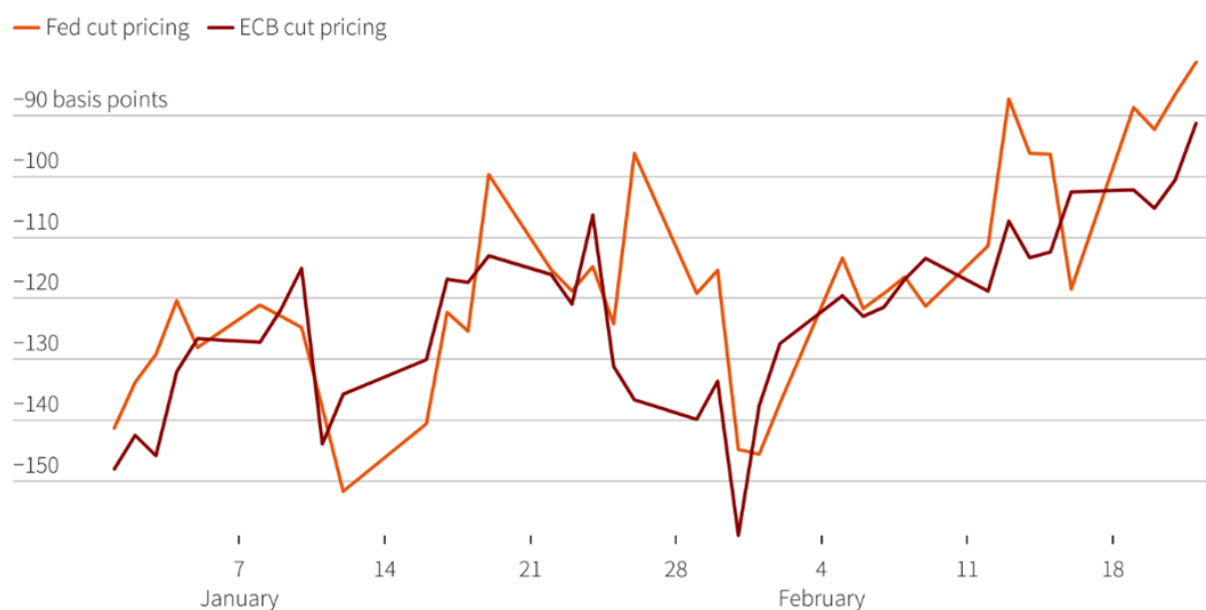
Friday with the risk of the blues even in a sea of green dominating a market that feels too good to be true. The retreat of US rate cuts started the week and the success in earnings now up nearly 10% for 4Q added to a market set to own stocks and shun bonds. The volatility in fixed income stands out against the drop in fear in FX and equities. The risk factors many have are now about financial conditions

allowing animal spirits everywhere to get ahead of the real economy. Paper money in asset inflation only becomes real when its sold. The tapping of HELOC money in US housing or the borrowing against the 401k has to show up to suggest there is new leverage coming to support the excess mood. Until then, the economy is looking for a soft landing not a no landing scenario. There is a feed back loop for markets today in bonds, the USD and stocks where finding the right price to sustain all three will be key. Globally, the move up in US rate views has yet to be fully recognized, but in Europe, the nascent bottoming out of a 4Q recession in Germany requires more help from the ECB not less. Same is true for China and the UK – leaving a stark contrast still between the Fed ability to ease and find a soft landing against those that are looking at a more bruising harder one.

FOMC vs. ECB rate paths should be different?

Investors have reined in their bets on rate cuts this year

Interest rate reductions expected by the end of 2024 by the European Central Bank and U.S. Federal Reserve



Source: LSEG | Reuters, Feb. 23, 2024 | By Harry Robertson

Details of Economic Releases:

1. China January new home price index fell -0.7% y/y after -0.4% y/y – as expected - the seventh straight month of drop and the steepest pace since March 2023, even as Beijing ramped up efforts to mitigate the impact of a prolonged property downturn and fragile economic recovery. Prices declined at faster rates in Shenzhen (-4.1% vs -3.6% in December) and Guangzhou (-3.6% vs -3.0%) while moderating in Beijing (1.3% vs 1.7%), Chongqing (2.0% vs 2.0%), Shanghai (4.2% vs 4.5%), and Tianjin (2.1% vs 2.3%).

2. China January FDI fell 11.7% y/y after -8% y/y – worse than the -6% y/y expected. Compared with the previous month, however, FDI surged by 20.4%. The Ministry of Commerce also said there were 4,588 newly established foreign-invested enterprises across the country, a year-on-year increase of 74.4%

3. New Zealand 4Q retail sales fell 1.9% q/q, -4.1% y/y after -0.8% q/q, -3.4% y/y – worse than the -0.2% q/q, -3.5% y/y expected - the eighth consecutive quarter of decline in retail spending as 14 of the 15 retail industries had lower sales volumes in the December 2023 quarter compared with the September 2023 quarter. The largest contributors to the fall in retail activity were motor vehicle and parts retailing (-2.5% vs -5.1% in Q3), followed by food and beverage services (-2.4% vs -0.6%) and fuel retailing (-3.6% vs -5.1%). The only industry that saw an increase was pharmaceutical and other store-based retailing (+0.3% vs +3.2%). Core sales ex autos and fuel fell 1.7% q/q.

4. Malaysia January CPI rises up 0.2% m/m, 1.5% y/y after 0.2% m/m, 1.5% y/y – better than 1.6% y/y expected, amid declines in the cost of clothing (-0.2% vs flat reading in December) and communication (-2.4% vs -3.7%). At the same time, prices continued to rise for food (2.0% vs 2.3%), housing (2.0% vs 1.6%), transport (0.7% vs 0.3%), alcoholic beverages and tobacco (0.4% vs 0.6%), furnishing, household maintenance (1.0% vs 1.4%), health (2.4% vs 2.5%), restaurants (3.2% vs 3.7%), education (1.7% vs 2.0%), recreation & culture (0.8% vs 1.9%), and miscellaneous goods & services (2.5% vs 2.7%). Core consumer prices, excluding volatile items of fresh food and administered cost, increased 1.8% y/y, the least since February 2022.

5. Singapore January CPI off -0.7% m/m, 2.9% y/y after +0.4% m/m, 3.7% y/y – less than the 3.8% y/y expected - the lowest inflation since September 2021, due mainly to softer rises in prices of housing & utilities (2.4% vs 3.8%) and transport (2.3% vs 3.9% in November), while food inflation eased to a 22-month low (3.3% vs 3.7%). Also, inflation moderated for recreation & culture (4.4% vs 6.3%) and health care (4.6% vs 5.1%). On the other hand, inflation accelerated for both miscellaneous goods & services (2.6% vs 2.3%) and education (3.2% vs 2.6%). Meanwhile, the annual core inflation declined to a four-month low of 3.1% in January from 3.3% in December.

6. Turkey February business confidence rises to 101.5 from 100.9 – better than 101 expected - the highest reading since October 2023, bolstered by the further improvement in current total amount of orders (89.4 vs 85.1 in January). Moreover, expectations for production over the next three months (109.8 vs 108.6) continued to rise, as well as the total employment (108.4 vs 107.2) and exports orders (112.2 vs 106.3). Meanwhile, the current stocks of finished goods (96.8 vs 99.2) weakened.

Lastly, the gauge for fixed investment expenditure (117.1 vs 116.5) and general business situation (89.5 vs 90.4) grew more slowly.

7. Swiss 4Q non-farm payrolls rise 1.7% to 5.488mn after 1.9% q/q – near expectations – and new record high. Employment in the industrial sector went up 0.7 percent to 1.130 million, supported by the continued growth from most sectors, namely mining & quarrying (0.4 percent), manufacturing (1.2 percent), electricity, gas, steam & air conditioning supply (3.6 percent), and water supply & waste management (1.2 percent). Additionally, payrolls in services grew 1.9 percent to 4.358 million, mainly driven by the rise in water & air transport (11.4 percent), accommodation (6.1 percent), social work activities without accommodation (5.9 percent), and residential care activities (3.8 percent).

8. Eurozone January consumer inflation expectations up 3.3% y/y from 3.2% y/y – more than 2.9% y/y - in contrast, inflation expectations for the three years ahead were unchanged at 2.5% and uncertainty about inflation was steady. At the same time, consumers expected the price of their home to increase by 2.2% over the next 12 months, the same as in December and expectations for mortgage interest rates 12 months ahead declined further to 5.1% from 5.3%. Meanwhile, expectations for nominal income growth over the next 12 months remained stable at 1.2% while expectations for nominal spending growth increased marginally to 3.7% from 3.6%. Finally, expectations for economic growth over the next 12 months became less negative (-1.1% vs -1.3%) while the expected unemployment rate in 12 months' time decreased to 10.9% from 11.2%.

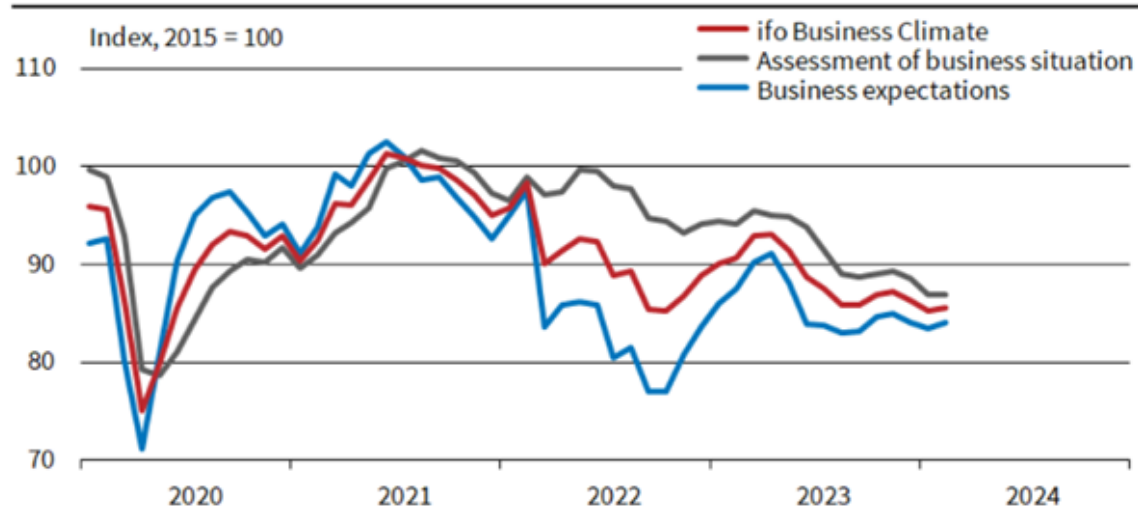
9. German 4Q final GDP unrevised at -0.3% q/q, -0.2% y/y after 0% q/q, -0.3% y/y – as expected and confirms technical recession, with the impact of rising prices, increased borrowing costs and weak external demand, particularly affecting the manufacturing and construction sectors. Notably, gross fixed capital formation plummeted by 1.9% (vs 0.1% in Q3), primarily due to decreases in investments in construction (-1.7% vs -0.8%) and machinery and equipment (-3.5% vs 1.4%). In addition, inventory changes subtracted 0.1 percentage points from growth. Meanwhile, private consumption rose by 0.2% (vs 0.0% in Q3), and public spending increased by 0.3% (vs 1.1% in Q3). The contribution from net trade remained neutral as both exports and imports declined by 1.6% and 1.7%, respectively. On a year-on-year basis, the economy contracted by 0.2% in the fourth quarter, entering a technical recession for the first time since 2020-21.

10. German February Ifo business climate rises to 85.5 from 85.2 – as expected. Companies became less negative about their expectations for the coming months (84.1 vs 83.5 in January), while their current business situation remained at the weakest level since July 2020 (with the index unchanged at 86.9).

Breaking down the data by industry, sentiment improved among service providers (-4.1 vs -4.8 in January) and constructors (-35.4 vs -35.8), but deteriorated among manufacturers (-17.4 vs -15.8) and traders (-30.8 vs -29.7).

ifo Business Climate Germany^a

Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, February 2024.

© ifo Institute

Source: Ifo /BNY Mellon

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



Bob Savage

HEAD OF MARKETS STRATEGY
AND INSIGHTS

CONTACT BOB



bnymellon.com

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may be used as a generic term to reference the corporation as a whole and/or its various subsidiaries generally. This material and any products and services may be issued or provided under various brand names in various countries by duly authorized and regulated subsidiaries, affiliates, and joint ventures of BNY Mellon, which may include any of the following. The Bank of New York Mellon, at 225 Liberty St, NY, NY USA, 10286, a banking corporation organized pursuant to the laws of the State of New York, and operating in England through its branch at One Canada Square, London E14 5AL, UK, registered in England and Wales with numbers FC005522 and BR000818. The Bank of New York Mellon is supervised and regulated by the New York State Department of Financial Services and the US Federal Reserve and authorized by the Prudential Regulation Authority. The Bank of New York Mellon, London Branch is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The Bank of New York Mellon SA/NV, a Belgian public limited liability company, with company number 0806.743.159, whose registered office is at 46 Rue Montoyerstraat, B-1000 Brussels, Belgium, authorized and regulated as a significant credit institution by the European Central Bank (ECB), under the prudential supervision of the National Bank of Belgium (NBB) and under the supervision of the Belgian Financial Services and Markets Authority (FSMA) for conduct of business rules, and a subsidiary of The Bank of New York Mellon. The Bank of New York Mellon SA/NV operates in England through its branch at 160 Queen Victoria Street, London EC4V 4LA, UK, registered in England and Wales with numbers FC029379 and BR014361. The Bank of New York Mellon SA/NV (London Branch) is authorized by the ECB and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. The Bank of New York Mellon SA/NV operating in Ireland through its branch at 4th Floor Hanover Building, Windmill Lane, Dublin 2, Ireland trading as The Bank of New York Mellon SA/NV, Dublin Branch, is authorised by the ECB and is registered with the Companies Registration Office in Ireland No. 907126 & with VAT No. IE 9578054E. The Bank of New York Mellon, Singapore Branch, subject to regulation by the Monetary Authority of Singapore. The Bank of New York Mellon, Hong Kong Branch, subject to regulation by the Hong Kong Monetary Authority and the Securities & Futures Commission of Hong Kong. If this material is distributed in Japan, it is distributed by The Bank of New York Mellon Securities Company Japan Ltd, as intermediary for The Bank of New York Mellon. If this material is distributed in, or from, the Dubai International Financial Centre ("DIFC"), it is communicated by The Bank of New York Mellon, DIFC Branch, regulated by the DFSA and located at DIFC, The Exchange Building 5 North, Level 6, Room 601, P.O. Box 506723, Dubai, UAE, on behalf of The Bank of New York Mellon, which is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. This material is intended for Professional Clients only and no other person should act upon it. Not all products and services are offered in all countries.

The information contained in this material is intended for use by wholesale/professional clients or the equivalent only and is not intended for use by retail clients. If distributed in the UK, this material is a financial promotion.

This material, which may be considered advertising, is for general information purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter. This material does not constitute a recommendation by BNY Mellon of any kind. Use of our products and services is subject to various regulations and regulatory oversight. You should discuss this material with appropriate advisors in the context of your circumstances before acting in any manner on this material or agreeing to use any of the referenced products or services and make your own independent assessment (based on such advice) as to whether the referenced products or services are appropriate or suitable for you. This material may not be comprehensive or up to date and there is no undertaking as to the accuracy, timeliness, completeness or fitness for a particular purpose of information given. BNY Mellon will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. BNY Mellon assumes no direct or consequential liability for any errors in or reliance upon this material.

This material may not be distributed or used for the purpose of providing any referenced products or services or making any offers or solicitations in any jurisdiction or in any circumstances in which such products, services, offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements.

The terms of any products or services provided by BNY Mellon to a client, including without limitation any administrative, valuation, trade execution or other services shall be solely determined by the definitive agreement relating to such products or services. Any products or services provided by BNY Mellon shall not be deemed to have been provided as fiduciary or adviser except as expressly provided in such definitive agreement. BNY Mellon may enter into a foreign exchange transaction, derivative transaction or collateral arrangement as a counterparty to a client, and its rights as counterparty or secured party under the applicable transactional agreement or collateral arrangement shall take precedence over any obligation it may have as fiduciary or adviser or as service provider under any other agreement.

Pursuant to Title VII of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the applicable rules thereunder, The Bank of New York Mellon is provisionally registered as a swap dealer with the Commodity Futures Trading Commission ("CFTC") and is a swap dealer member of the National Futures Association (NFA ID 0420990).

BNY Mellon (including its broker-dealer affiliates) may have long or short positions in any currency, derivative or instrument discussed herein. BNY Mellon has included data in this material from information generally available to the public from sources believed to be reliable. Any price or other data used for illustrative purposes may not reflect actual current conditions. No representations or warranties are made, and BNY Mellon assumes no liability, as to the suitability of any products and services described herein for any particular purpose or the accuracy or completeness of any information or data contained in this material. Price and other data are subject to change at any time without notice.

Rates: neither BNY Mellon nor any other third party provider shall be liable for any errors in or delays in providing or making available the data (including rates, WM/Reuters Intra-Day Spot Rates and WM/Reuters Intra-Day Forward Rates) contained within this service or for any actions taken in reliance on the same, except to the extent that the same is directly caused by its or its employees' negligence. The WM/Reuters Intra-Day Spot Rates and WM/Reuters Intra-Day Forward Rates are provided by The World Markets Company plc ("WM") in conjunction with Reuters. WM shall not be liable for any errors in or delays in providing or making available the data contained within this service or for any actions taken in reliance on the same, except to the extent that the same is directly caused by its or its employees' negligence.

The products and services described herein may contain or include certain "forecast" statements that may reflect possible future events based on current expectations. Forecast statements are neither historical facts nor assurances of future performance. Forecast statements typically include, and are not limited to, words such as "anticipate", "believe", "estimate", "expect", "future", "intend", "likely", "may", "plan", "project", "should", "will", or other similar terminology and should NOT be relied upon as accurate indications of future performance or events. Because forecast statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. iFlow® is a registered trademark of The Bank of New York Mellon Corporation under the laws of the United States of America and other countries.

This document is intended for private circulation. Persons accessing, or reading, this material are required to inform themselves about and to observe any restrictions that apply to the distribution of this information in their jurisdiction.

Currency Administration is provided under and subject to the terms of a definitive agreement between BNY Mellon and the client. BNY Mellon exercises no investment discretion thereunder, but acts solely pursuant to the instructions in such agreement or otherwise provided by the client. Unless provided by definitive agreement, BNY Mellon is not an agent or fiduciary thereunder, and acts solely as principal in connection with related foreign exchange transactions.

All references to dollars are in US dollars unless specified otherwise.

This material may not be reproduced or disseminated in any form without the prior written permission of BNY Mellon. Trademarks, logos and other intellectual property marks belong to their respective owners.

The Bank of New York Mellon, member FDIC.

© 2020 The Bank of New York Mellon Corporation. All rights reserved.