

iFlow

MARKET MOVERS

March 11, 2024

Insufficient

“Life is the art of drawing sufficient conclusions from insufficient premises.” – Samuel Butler

“Society is like the air, necessary to breathe but insufficient to live on.” - George Santayana

Summary

Risk off with Japan GDP revised higher averting a recession but clearing way for BOJ hikes while China rallies with more regulatory support, Europe focused on center-right politics with Portugal vote and Italy PM Meloni recovery from Sardinia loss with Abruzzo win. The weekend focus on Israel and Biden warnings notable but insufficient for Ramadan peace deal. China break of deflation also important but not a worry. Focus on the day is on AI and tech after weak Friday closes and on US note supply with 3Y sale. The CPI tomorrow remains the “event” of the week with many expecting core drop to add to FOMC June rate cut hopes after mixed US jobs report – unemployment higher, jobs higher, wages lower. The test of the day is on correlations as USD weakness led by JPY gains aren't on linked to US rates with 10Y flat around 4.077% or stocks with futures off 0.2%.

What's different today:

- **Bitcoin makes new highs at \$71,800** as UK opens to crypto exchange trade products
- **EU NatGas fell below E26mwh** well off the 1-month highs set last Monday as EU gas storage is 61.6% highest since 2011, with Germany at 68% - linked to warm February

What are we watching:

- **US debt issuance:** Treasury sells \$79bn in 13-week, \$70bn in 26-week and \$56bn in 3Y notes
- **New York Fed 1-year inflation expectations** forecast at 3% unchanged – with keen focus on anchoring inflation for consumers by FOMC

Headlines:

- Japan 4Q GDP revised to up 0.1% q/q, 0.4% y/y – better than -0.1% q/q flash but less than 0.3% expected; Feb machine tools +2.9% m/m, BOJ considering ending YCC to focus on JGB buying size – Nikkei off -2.19%, JGB 10Y yields up 2.5bps to 0.75%, JPY up 0.4% to 146.60
- China Feb vehicle sales drop -19.9% y/y to 1.58mn – blamed on NLY holidays – Regulators push banks to step up support for property developer Vanke - CSI up 1.25%, CNH up 0.1% to 7.19
- Norway Feb CPI-ATE off 0.4pp to 4.9% y/y – lowest since Aug 2022 – MOF sees 2024 mainland GDP at 0.9% - NOK off 0.1% to 10.435
- Swiss Feb consumer confidence drops 1.2 to -42.3 – linked to worries financial situation – Swiss MKT off 0.1%, CHF flat at 0.8770
- Spanish Jan retail sales -0.5% m/m, +0.3% y/y – 14th y/y gain – IBEX off 0.3%, SPGB 10Y yields up 1.7bps to 3.093%
- Italian regional election keeps PM Meloni and allies in control of Abruzzo – MIB off 0.5%, BTP 10Y up 1.8bps to 3.592%
- Portugal election sees center-right coalition, rejecting role of far-right – PBG2 10Y yields up 1.3bps to 2.91%, EUR flat at 1.0940
- Turkey Jan unemployment up 0.2pp to 9.1% - highest since Sep 2023, retail sales slows -0.7pp to 13.3% y/y – TRY off 0.2% to 32
- US President Biden warns Israel that invasion of Rafah would cross red line, while US/UK/French forces shot down 28 UAV and 37 drones in Red Sea – WTI Oil up 0.3% to \$78.3

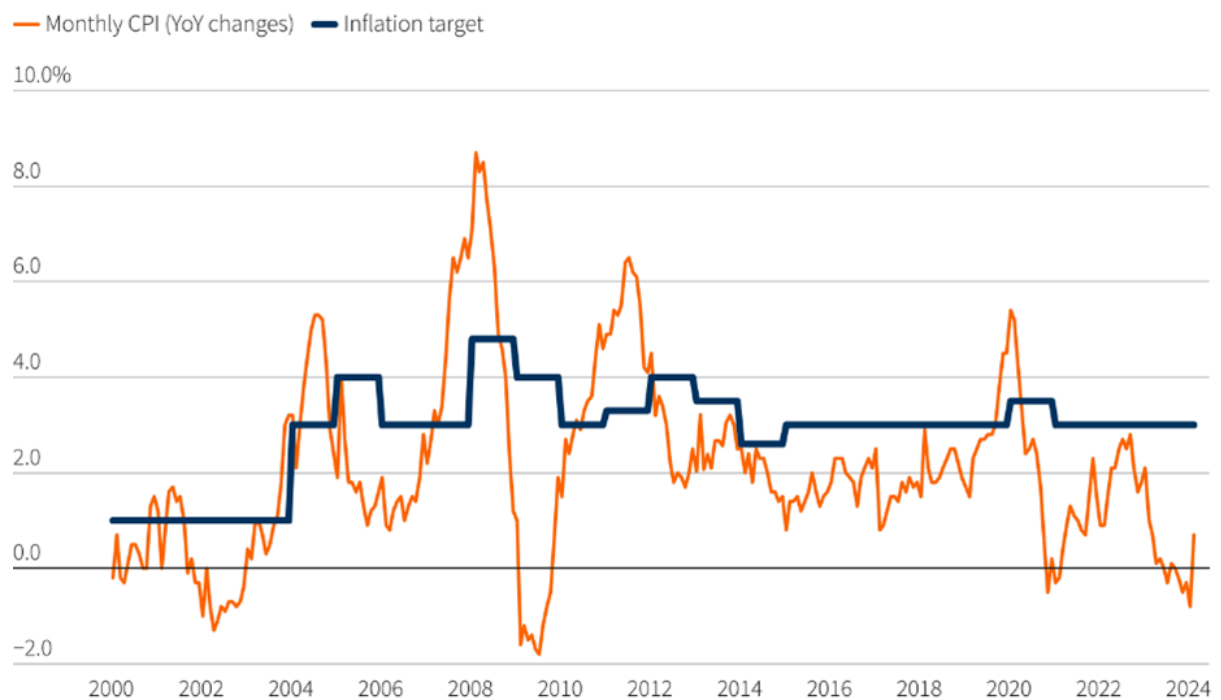
The Takeaways:

Markets trade on imperfect information. Whether the data we get is sufficient to prove the absolute remains the business of economic models but the price reflects that blind faith, the confidence of the moment more art than fact. This is the week of inflation data with the China report over the weekend making clear that deflation isn't forever there as money supply and stimulus work as the PBOC and government what. In the US, the FOMC struggle to get to 2% CPI is hampered by the government as spending from the pandemic and beyond fuels demand even as the Fed lightening fast tightening and QT offsets. The compare and contrast of CPI

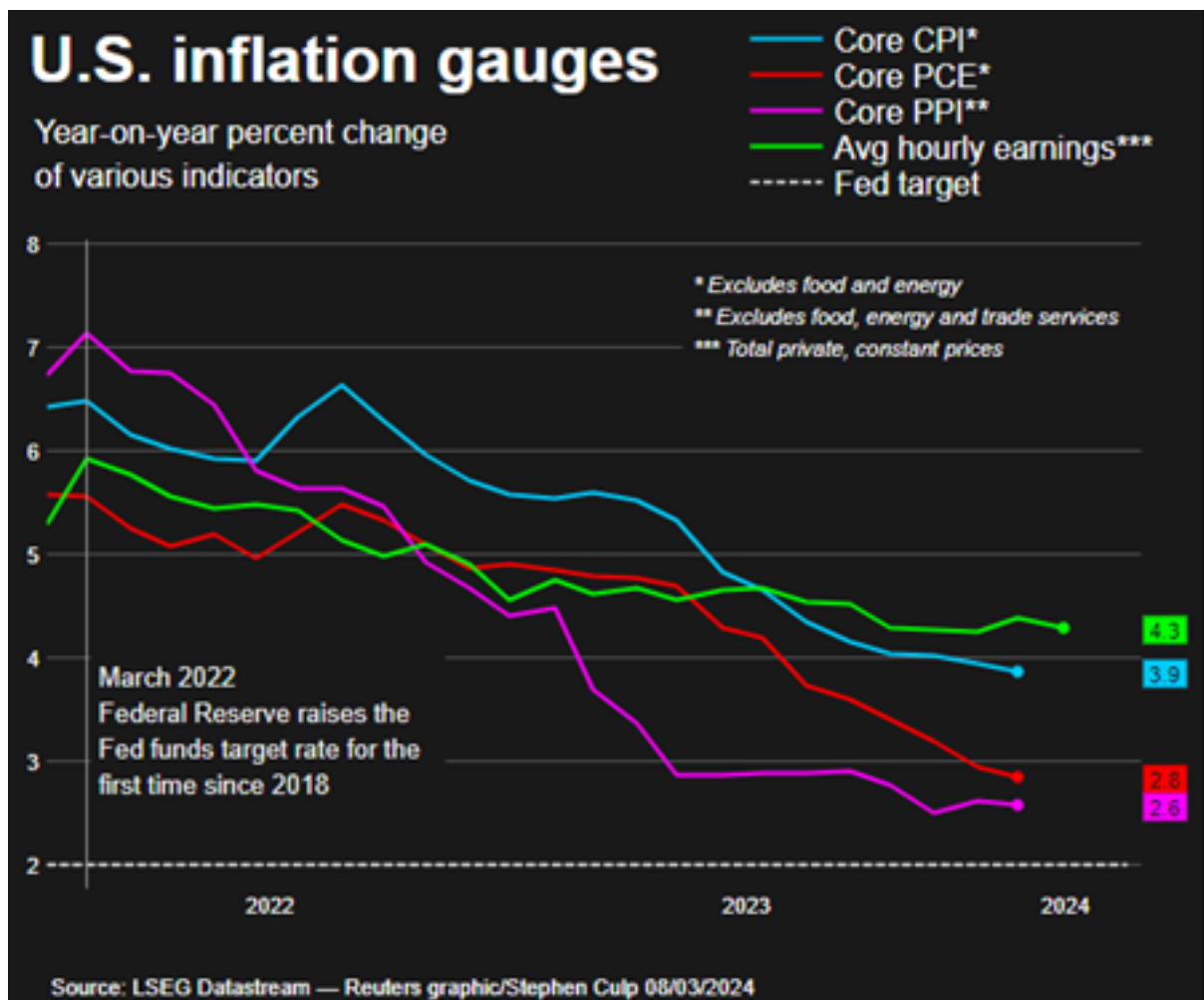
globally is likely in the background of how the investing world sees growth and how markets reward sustainability. The USD overshoot from January is in retreat and connected to the drop back in US yields from last week after the US data turned a bit softer with the US jobs report beating headlines on job growth but weaker underneath with higher unemployment and lower wages suggesting cooling. The week ahead will pivot on whether inflation is as sticky as many claimed in February, but it will also be about consumers and their view of real incomes, politics and how the year looks for their personal finances. The focus of the US and China authorities is the same – on domestic concerns – with the world stuck watching. For today, that will pivot on the US auction of 3-year bonds as the US and China require more capital to generate more growth.

US income is back on trend not exceeding it

China has kept its inflation target despite falling prices



Source: LSEG, State Council | Chan K.S. | Breakingviews | March 8, 2024



Details of Economic Releases:

1. Japan 4Q GDP rose +0.1% q/q, +0.4% y/y after -0.8% q/q, -3.2% y/y – less than the +0.3% q/q, 1.1% y/y forecast but up from -0.1% q/q, -0.4% y/y flash. A strong turnaround of business spending supported the upturn amid a positive contribution from net trade as exports increased more than imports. At the same time, private consumption remained weak due to sticky inflation and languishing wage growth, while government spending fell after gaining in the prior period.

2. Japan February machine tool orders moderate +2.9% m/m, -8% y/y after -14.1% y/y – better than -10% y/y expected. Domestic demand sank 16.5% from a year earlier to JPY 32,490 million while foreign demand fell 4.1% to JPY 81,664 million. The year-to-date January-February fell -11.1% y/y.

3. China February vehicle sales drop -19.9% y/y after +47.9% y/y – weaker than +41% y/y expected – blamed on disruption from the Lunar New Year holiday, according to data from the China Association of Automobile Manufacturers (CAAM). Meanwhile, new energy vehicle sales fell 9.2% in February, reversing strongly from a 78.8% surge in January. Considering the first two months of the year, total car sales grew by 11.1% to nearly 4.03 million units, rebounding from a 15.2% fall in the same period of last year, with new energy vehicle sales soaring 29.4% in January-

February of 2024. Meanwhile, a separate report from the China Passenger Car Association (CPCA) revealed NEV sales accounted for 33.5% of total car sales in January-February compared to 28.3% in the same period a year earlier.

4. Norway February CPI rises 0.2% m/m, 4.5% y/y after 0.1% m/m, 4.7% y/y – less than the 0.5% m/m, 4.9% y/y expected - the lowest reading since October 2023, due to a slowdown in prices for food & non-alcoholic beverages (6.3% vs 8.7% in January), and furnishings, household equipment and routine maintenance (5.1% vs 7%). Additionally, inflation lowered for communications (1.4% vs 2.8%), restaurants & hotels (3.7% vs 6.3%), and miscellaneous goods & services (3.1% vs 3.8%). In contrast, costs accelerated primarily for housing & utilities (3.3% vs 3.1%), and transport (2.5% vs 1.6%). The core CPI (CPI-ATE) rose 0.4% m/m, 4.9% y/y after 0% m/m, 5.3% y/y – also less than the 5.3% y/y expected – lowest since August 2022.

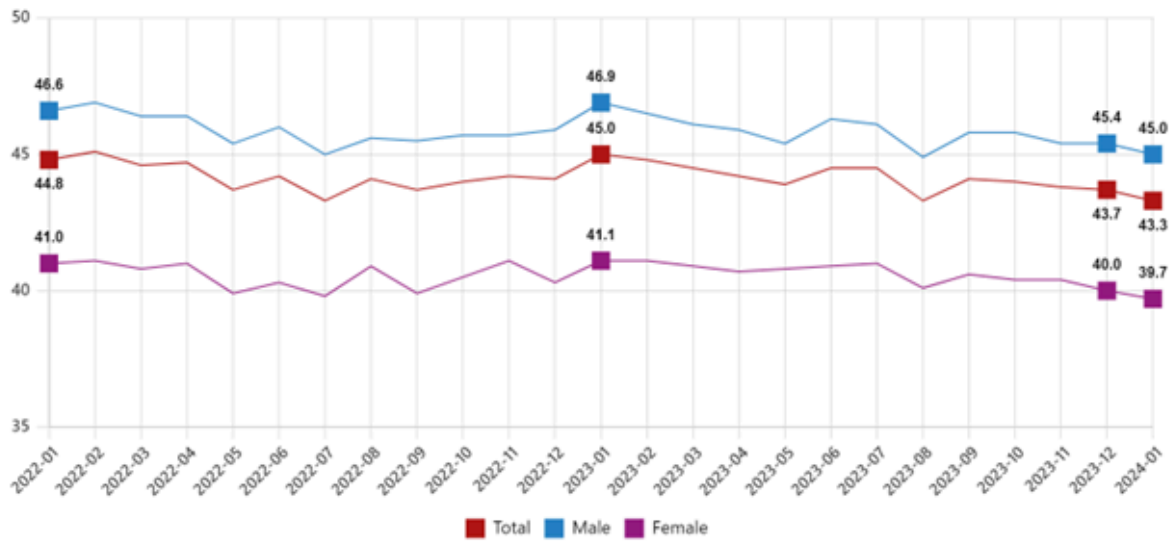
5. Spanish January retail sales fell –0.5% m/m, +0.3% y/y after -1.1% m/m, +2.7% y/y – weaker than 0.5% m/m expected – still the 14th consecutive month of annual growth in Spanish retail activity, albeit the weakest in the sequence. However, new base shift changes comparisons lower (Base now 2021). Sales rose for non-food products (+1.9%), of which personal equipment (+4.9%), home equipment (+2.3%) and health (+2%). Conversely, spending on food decreased by 1.2%.

6. Turkey January unemployment rises to 9.1% from 8.9% - worse than 8.5% expected – highest since September 2023 - as the number of unemployed individuals increased by 85,000 from a month earlier to 3.214 million, while employment levels went up 160,000 to 32.062 million. Meanwhile, the activity rate grew to 53.9% from December's 53.6%, and the employment rate edged up to 49% from 48.8%. The youth jobless rate for those aged between 15 and 24 years increased 1.1 percentage points to 16.6%.

Growth in Turkey is slowing

Seasonally and calendar adjusted average weekly actual working hours, January 2022 - January 2024

(Hour)



Seasonally adjusted composite measure of labour underutilization rate realized as 26.5%

Source: Turkish Statistics /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.