

iFlow

MARKET MOVERS

March 15, 2024

Ides

“A soothsayer bids you beware the ides of March” – William Shakespeare, Julius Caesar

“Take some more tea,” the March Hare said to Alice, very earnestly. “I’ve had nothing yet,” Alice replied in an offended tone, “so I can’t take more.” – Lewis Carroll

Summary

Risk mixed with focus on FOMC and BOJ next week with inflation CPI/PPI in US and wages in Japan driving rate moves. JPY is weaker but USD flat overnight highlighting the break of correlations across markets. China house prices fell further despite efforts, while M2 is near record lows, and the PBOC kept MLF rate unchanged and drained liquidity. There is little joy in APAC region while Europe bounces on ECB easing hopes rising, with hopes for peace talks in Israel and Ukraine into weekend. For the US session, this is not going to be a simple Friday with more data to parse as industrial production matters to growth along with the consumer mood and inflation outlook. The shadow of mid-March casts long over risk takers today with some fearing a bit more asset allocation rethinks into rebalancing in S&P500 and the pre-1Q rush to get ahead of the central bankers - 14 decisions from world - and more bond supply and more debt drama in the Congress next week.

What’s different today:

- **BTC (Bitcoin) fell 5% to \$67.1k** from \$74k peak – blamed on bubble worries and US rate moves.

- **South Korea investment flow to China fell 78% to \$1.87bn** – record lows - reflecting less dependency and economic linkage with US push.
- **Nigeria February inflation jumps to +3.1% m/m, 31.7% y/y – 28-year highs** – from 29.9% y/y, putting further pressure on central bank to hike rates with 30% devaluation of Naira in January and food costs key.

What are we watching:

- **US March New York Fed Empire Manufacturing** expected -7 after -2.4 – further worries about stall in manufacturing.
- **US February industrial production** expected 0% m/m after -0.1% m/m with manufacturing up 0.3% m/m after -0.1% m/m
- **US March preliminary University of Michigan survey of consumer sentiment** expected 77.1 from 76.9 with current conditions 79.7 from 79.4 and outlook 75.1 from 75.2 – watch inflation 1Y expected 3.1% from 3.0% - further spikes matter to FOMC

Headlines:

- China PBOC leaves 1Y MLF rate unchanged at 2.5%, drains CNY94bn; Feb house prices drop -1.4% y/y – worst since Jan 2023 – while Feb M2 fell to 8.7% lowest since Nov 2021 – CSI 300 up 0.22%, CNH flat at 7.2035
- Japan FinMin Suzuki: “No longer in deflation” as wage hike trend strong – Nikkei off 0.26%, JPY off 0.2% to 148.70
- Indonesia Feb trade surplus narrows to \$0.87bn – smallest since May 2023 – as exports -9.45% y/y with China and Japan weakness – IDR off 0.1% to 15,590
- New Zealand Feb Business NZ PMI up 1.8 to 49.3 – best in a year, but still in contraction – NZD up 0.5% to .6095
- Sweden Feb unemployment steady at 8.5% while temporary workers drop further – OMX up 0.6%, SEK flat at 10.34
- Italian Feb final CPI up 0.1% m/m, 0.8% y/y – while retail sales rose 1% m/m – better than expected led by cosmetics – MIB up 0.65%, BTP 10Y yields off 2bps to 3.675%
- French Feb final CPI revised up to 0.8% m/m, 3% y/y – still the lowest since Jan 2022 – CAC 40 up 0.5%, OAT 10Y off 1bps to 2.865%, EUR up 0.1% to 1.0890
- UK 1Q BOE/IPSO 1Y inflation expectations drop to 3% from 3.3% - lowest in 3-years – FTSE up 0.15%, GBP flat at 1.2755
- Hamas present new ceasefire proposal – WTI off 0.6% to \$80.75

The Takeaways:

The caution on the day isn't fully reflected in the tape, with a modest but ongoing rotational trade in play as AI and tech look for new leadership. The rally of EU shares stands out while US and APAC stall. This is likely to be a busy Friday in the US and one that matters as its mid-month and rebalancing day where weights are shifted to reflect new share counts and floats. The noise of that alone merits some caution in other markets but it leaves many wondering if the move up and down in the favorites from BTC to AI is linked to the near end of 1st quarter review and rethinking. Opportunities from easing policy faster are showing up in Europe along with larger hopes for peace deals. How the EUR plays against the US data today maybe central to setting up the week ahead given the BOJ and FOMC decisions. The risk of more hawkish talk from both versus the dovish tilt from the ECB is clearly in play. For the markets, carry and volatility maybe at a break point leaving leadership gaps not just in sectors and industries but also in correlations as models search for something new.

USD and Rate correlation still matters



Details of Economic Releases:

1. New Zealand February Business NZ PMI rises to 49.3 from 47.5 – better than 48.1 expected - the highest level of activity since February 2023, while remaining in contraction for 12 straight months. Production (49.1 vs 42.9 in January) was at its highest level since January 2023, while deliveries (51.4 vs 49.8) was at its highest point since March 2023. However, new orders were steady at 47.8, remaining in contraction for nine consecutive months.

2. China February house prices fell -0.3% m/m, -1.4% y/y after -0.7% y/y – worse than -0.3% y/y expected - the eighth straight month of drop and the steepest pace since January 2023, despite various support measures from Beijing to mitigate

the impact of a prolonged property downturn and fragile economic recovery. Prices declined at faster rates in Shenzhen (-4.8% vs -4.1% in January) and Guangzhou (-4.6% vs -3.6%) while moderating in Beijing (1.0% vs 1.3%), Chongqing (1.2% vs 2.0%), and Tianjin (1.5% vs 2.1%). In Shanghai, prices increased by 4.2%, the same as in January.

3. China February new CNY loans drop to 1.45trn from 4.92trn – less than the 1.5trn expected. Total social financing, which is a broad measure of credit and liquidity, dropped to CNY 1.56 trillion, also down from a record CNY 6.5 trillion and well below forecasts of CNY 2.22 trillion. Broad M2 money supply rose 8.7% from a year earlier, the lowest pace since November 2021 and missing forecasts of 8.8%. Outstanding yuan loans increased by 10.1%, easing from 10.4% in January and below market expectations of 10.2%.

4. Indonesia February trade surplus narrows to \$0.87bn from \$2.00bn – less than \$2.32bn expected – smallest since May 2023, as exports fell while imports surged. Shipments shrank 9.45% from a year earlier to a 10-month low of USD 19.31 billion, the ninth straight month of contraction and the steepest decline since last October, faster than forecasts of a 6.5% fall. The contraction in exports came amid an economic slowdown in trading partners, with exports to China and Japan plunging by 19.26% and 13.47%, respectively. Meanwhile, imports jumped by 15.84% year-on-year, the fastest growth in 16 months, exceeding market forecasts of a 9.3% gain, boosted by domestic demand ahead of the holy month of Ramadan and Eid-el-Fitr. In the first two months of the year, the trade balance posted a surplus of USD 2.87 billion, with exports and imports falling by 8.81% and 0.29%, respectively.

5. Sweden February unemployment holds 8.5% - as expected – temporary workers drop 98,000 in the year, while the total number of unemployed people increased by 21,000 from the previous year to 480,000, while the number of employed persons climbed by 2,000 to 5.174 million. Meantime, the employment rate dropped by 0.1% to 68.1%, while the labor force participation rate rose by 0.2% to 74.5%. Seasonally adjusted, the unemployment rate edged down to 8.1% from 8.2% in the previous month.

6. Italian February final CPI up 0.1% m/m, 0.8% y/y after 0.8% y/y – unrevised as expected. Prices eased for food & non-alcoholic beverages (3.9 percent vs 5.8 percent in January), miscellaneous goods & services (2.9 percent vs 3 percent), restaurant & hotels (4 percent vs 4.1 percent), health (1.5 percent vs 1.6 percent), furniture & household equipment (1.4 percent vs 1.5 percent), and clothing & footwear (2.1 percent vs 2.2 percent). On the other hand, cost accelerated for transport (1.6 percent vs 1.3 percent) and recreation & culture (0.9 percent vs 0.8

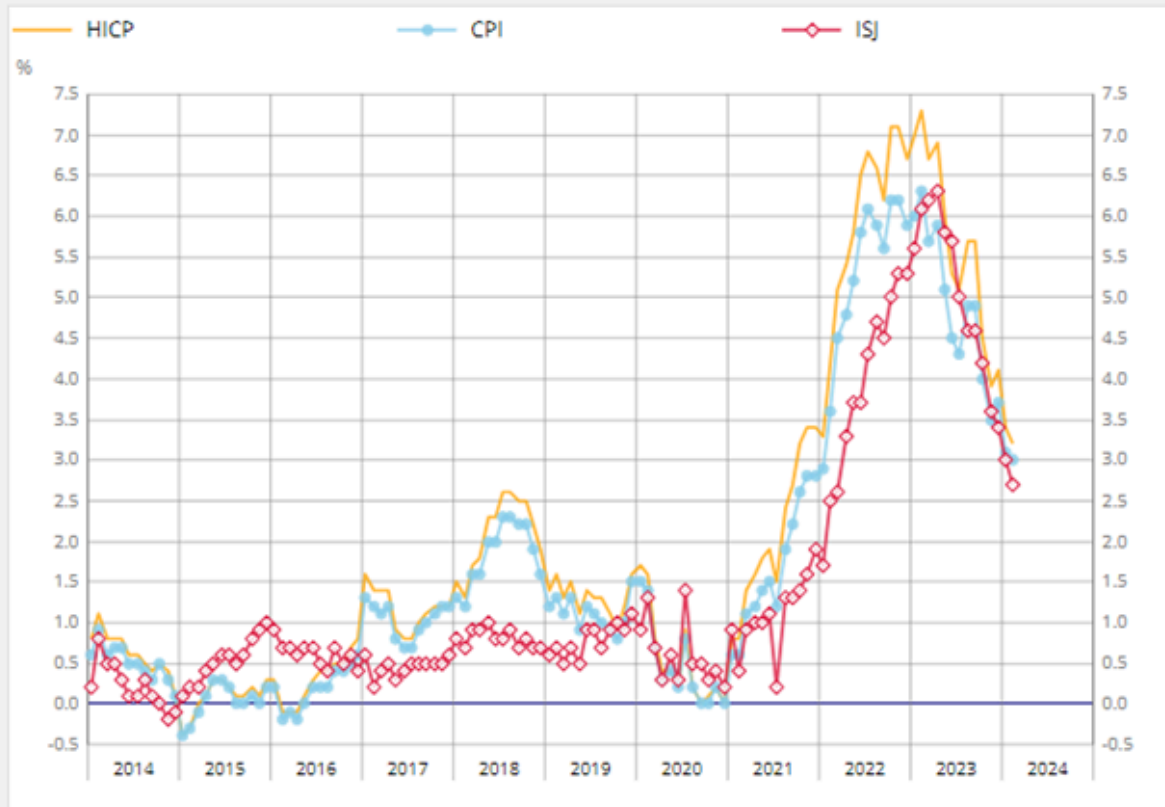
percent). Also, inflation was steady for education (1.9 percent) and alcoholic beverages & tobacco (2.4 percent) and prices fell further for housing & utilities (-11.8 percent vs -13.8 percent) and communication (-6.2 percent vs -3.2 percent).

7. Italian January retail sales rose 1% m/m, -0.1% y/y after -0.1% m/m, +0.3% y/y – better than the 0.2% m/m expected. Online sales grew by 1.0% when compared with January 2023. Looking at the value of sales for non-food products, data outlined a mixed picture across different categories in the year on year series. The strongest growth was reported for Cosmetic and toilet articles (+5.8%), while the largest fall was reported for Electric household appliances, audio-video equipment (-4.9%).

8. French February final CPI up 0.8% m/m, 3% y/y after -0.2% m/m, 3.1% y/y – more than 2.9% y/y flash - the lowest reading since January 2022, as food inflation continued to slow (3.6% vs 5.7% in January), particularly fresh products (0.4% vs 7.9%), while prices also eased further for manufactured products (0.4% vs 0.7%), and services (3.1% vs 3.2%). Conversely, costs rose faster for energy (4.3% vs 1.9%), and tobacco (18.7% vs 16.8%). On a monthly basis, consumer prices advanced 0.8%, the largest growth since August 2023 and reversing a 0.2% fall in January, mainly prompted by a sharp acceleration in energy prices, mostly electricity costs and petroleum products. Considering the EU-harmonized index, the CPI rose 3.2% on the year and 0.9% on the month.

French CPI room for ECB in April?

Consumer Price Index (CPI), core inflation (ISJ) and Harmonised Index of Consumer Prices (HICP) year-on-year changes



Source: INSEE

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