

# iFlow

## MARKET MOVERS

March 27, 2024

## Rolling

*“There was nowhere to go but everywhere, so just keep on rolling under the stars.” – Jack Kerouac*

*“A rolling stone gathers no moss, but it gains a certain polish.” – Oliver Herford*

### Summary

Risk on after risk-off as month-end and quarter end rotational forces clash with the hope for easy money ahead as the ECB sounds dovish, the Riksbank decision makes clear May or June cuts, the PBOC confuses with its fix, the USD rally stalls with the MOF/BOJ talking about action on JPY weakness and the data on inflation is lost to better growth hopes. Perhaps the same will be true for the US but the news flows are light today and the 7Y and Fed Waller are the main risks to the market not rolling with the tide of hope over fear. The focus on FX is different and seems unlikely given the moves in stocks and bonds in 1Q but the shift to watching EM stands out. So too does the worry about bubbles and growth as outlooks temper for 2Q still keeping the rally rolling.

### What's different today:

- **Japan sells 40-year JGB with 2.49 bid/cover** – best since September – yields drop 3bps to 2.05% with 30Y off 2bps to 1.79% and 20Y off 2bps to 1.49%, 10Y off 1.5bps to 0.72%
- **Japan MOF, BOJ and FSA hold meeting on JPY after 151.97 trades** – lowest in 34-years, JPY regains on verbal intervention – up 0.3% to 151. BOJ officials will act on policy if JPY affects economy and price trends.

- **iFlow** factors are showing slight upticks in mood, trend, value and carry. USD not the story in FX with G10 with surprise shift to buying NOK, ongoing CAD and GBP vs. NZD, SEK selling. EM is seeing PEN selling vs COP buying and TRY buying vs. PHP selling. Stocks mostly still negative flows ex-APAC in Korea and Taiwan while bonds are still watching China and Turkey outflows

#### What are we watching:

- **South Africa SARB rate decision** expected on hold at 8.25% - with election and higher CPI factors.
- **US Treasury** sells \$28bn in 2Y FRN, \$60bn in 4M Bills, \$43bn in 7Y Notes.
- **Fed Speaker Governor Waller** with focus on his dot-plot and outlook for cuts

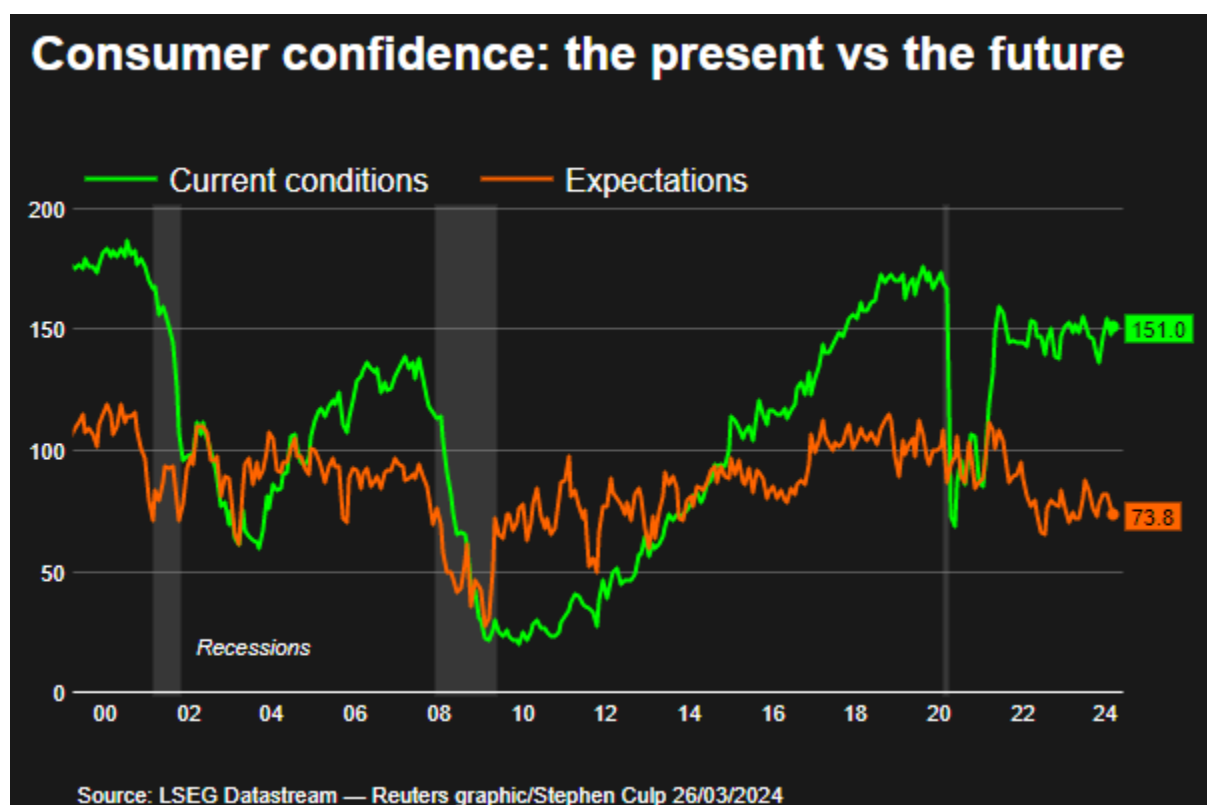
#### Headlines:

- Swedish Riksbank leaves policy unchanged at 4.0% - as expected – sees cut in May or June – OMX off 0.4%, SEK off 0.4% to 10.597
- Japan BOJ Tamura: Calls for slow and steady policy normalization, likely keep accommodative policy, buying JGBs – Nikkei up 0.9%, JPY up 0.3% to 151.15
- China Feb industrial profits rise 10.2% y/y – President Xi meets US CEOs while trade concerns about oversupply and dumping on rise; CNY fixes confuse market – CSI 300 -1.16%, CNH off 0.1% to 7.2525
- Korea Mar business confidence up 1 to 71 – Kospi off -0.07%, KRW off 0.65% to 1348
- Australian Feb CPI flat at 3.4% y/y – core off 2pp to 3.9% y/y while Westpac MI Feb leading stabilizes at up 0.1% best since March 2022 - ASX up 0.5%, AUD off 0.1% to .6525
- Norway Feb household consumption rises 0.9% m/m – first gain in 5-months – NOK off 0.1% to 10.765
- Spanish Mar flash CPI rises 0.4pp to 3.2% y/y – with core down 0.1pp to 3.3% y/y – lowest since Feb 2022 – IBEX up 0.5%, SPGB 10Y yields off 2.5bps to 3.62%
- Eurozone Mar economic sentiment rises 0.8 to 96.3 – as expected – selling price expectation up, consumer inflation outlook down – EuroStoxx 50 up 0.3%, EUR flat at 1.0830
- US weekly MBA mortgage applications off 0.7% w/w – 30Y mortgage rate -0.4bps to 6.93% - S&P500 futures up 0.5%, 10Y yields off 0.5bps to 4.225%, USD index flat at 104.28
- US weekly API oil inventories surprise with +9.34mb build when -1.3mb draw expected, gasoline -4.4mb draw– WTI off 0.9%

#### The Takeaways:

The divergence of consumer confidence by politics and by time stands out as we flip from the first quarter to the next. The weaker expectations from the US conference board consumer survey show up in job outlooks most notably (off 0.9% for jobs easy to get vs. hard to find) and make the jobs report next week that much more important to keeping the “no-landing” US exceptionalism trade intact. The last two weeks have tested this and there is a risk of markets turning from Fed cutting because it can to Fed cutting because it must even as inflation looks sticky and goods inflation risks rise – with wars and supply-chain disruptions. Markets are focused today on JPY and the risk of FX driving up inflation in Japan and the APAC region leaving less room for the US to ease but that seems a bit too far in explaining the bounce back in hopes for the day with futures up and markets happy to chase the tape as FOMO (fear of missing out) dates TINA (there is no alternative to stocks) rather than TARA (there are real alternatives) – bond yields are central on the day and that makes the 7-year and Fed Waller comments today worthy of watching. The best of times and worst of fears set up the bounce back of the moment but rolling that forward into April will require just the right news on the economy ahead.

### Current vs. Future outlooks diverge



### Details of Economic Releases:

**1. China February industrial profits rise 10.2% after -2.3% y/y – better than -1% y/y expected.** Profits in state-owned companies started to recover (0.5% vs -3.4% in 2023) and those in the private sector strongly picked up (12.7% vs 2.0% ). Computer industry, communications, and other electronic equipment logged strong profits (210.9%), along with electricity (69.4%), non-ferrous metal smelting and

rolling (65.5%), textile (51.1%), cars (50.1%), general equipment (20.7%), oil and natural gas (1.8%), and chemical products (0.3%). By contrast, profits fell for the coal mining and washing industry (-36.8%), non-metallic industry (-36.8%), mineral products (-32.1%), special equipment manufacturing (-17.0%), agriculture and food (-7.3%), and electrical machinery (-2.0%).

### **2. Korea March business confidence rises to 71 from 70 – better than 69**

**expected.** Manufacturers reported a rise in both domestic demands (70 vs 68 in February) and export oriented demands (75 vs 73 in February) along with an increase in raw material purchase prices in raw material purchase prices (117 vs 114 in February), sales prices (97 vs 93 in February). Meanwhile, sales prices remained steady at 95 but the report showed that sales (77 vs 80 in February) and profitability (78 vs 79 in February) decreased in March.

**3. Australian February CPI flat at 3.4% y/y - better than 3.5% y/y expected.** Still, the latest reading pointed to the lowest since November 2021, with food prices rising the least in 25 months (3.6% vs 4.4% in January). Also, prices moderated for alcohol and tobacco (6.1% vs 6.7%) and communications (1.7% vs 2.0%) while declining for furnishings, household equipment & services (-0.3% vs 0.3%). Meanwhile, inflation was steady for housing (at 4.6%) and health (at 3.9%). On the other hand, prices accelerated for transport (3.4% vs 3.0%), education (5.1% vs 4.7%), and clothing and footwear (0.8% vs 0.4%), while those of recreation and culture rebounded (0.4% vs -1.7%). The monthly CPI indicator excluding volatile items and travel advanced by 3.9% in February, down from a 4.1% rise in January.

**4. Australian February Westpac MI leading index up 0.1% m/m after -0.1% m/m – better than -0.2% m/m expected** – best since March 2022. The six-month annualized growth rate in the Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity relative to trend three to nine months into the future, rose to +0.03% in February from -0.25% in January. Westpac Senior Economist, Matthew Hassan, commented, “The Leading Index growth rate continues to show signs of improving, hovering around the zero ‘gain line’ over the last four months following fifteen consecutive months of negative, below trend reads.

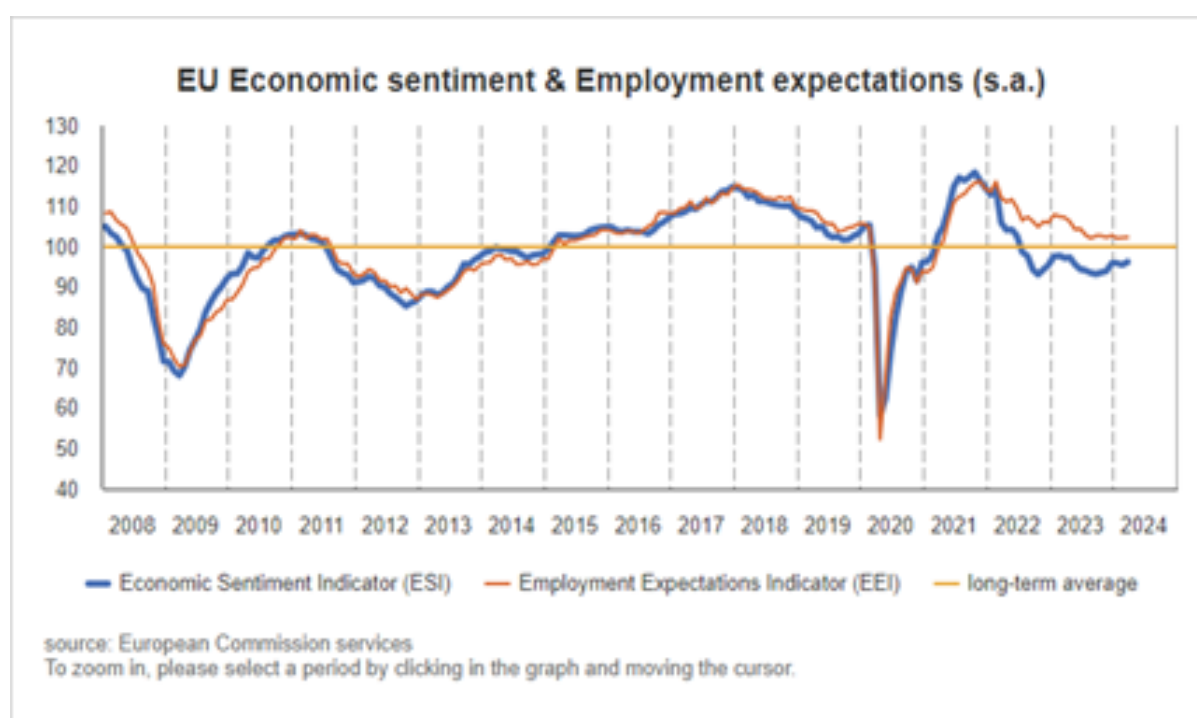
**5. Norway February retail sales rose 0.1% m/m, -0.3% y/y after -0.1% m/m, -1.2% y/y – weaker than 0.2% m/m expected.** The household consumption rose 0.9% m/m after -1.8% m/m – better than 0.7% m/m expected - marking the first rise since last November as spending on food, beverages & tobacco rebounded (1.6% vs -1.6% in January). Also, there was an upturn in purchases of vehicles and petrol (4.4% vs -10.3%), while consumption of other goods continued to increase (0.4% vs 0.4%). On the other hand, spending on electricity and heating fuels dropped (-3.9% vs 1.5%).

**6. Spanish March flash CPI up 0.8% m/m, 3.2% y/y after 0.4% m/m, 2.8% y/y – as expected.** Electricity and fuel prices rose, while the cost for food and non-alcoholic beverages increased at a slower pace. The core rate, excluding volatile items like food and energy, eased to 3.3% from the previous month's 3.5%, marking the lowest level since February 2022. Spain's European Union-harmonized 12-month inflation accelerated to 3.2% from 2.9% but came in slightly below the market consensus of 3.3%.

**7. Spanish February retail sales rose 0.5% m/m, 1.9% y/y after -0.4% m/m, +0.5% y/y – better than -0.1% m/m, 2% y/y expected.** This marks the 15th consecutive month of growth in Spanish retail activity and at a faster pace than in the prior month, amid higher spending on non-food products (4.7% vs 2% in January). Concurrently, sales rebounded for food, beverages & tobacco (1.3% vs -1%).

**8. Eurozone March economic sentiment rises to 96.3 from 95.5 – as expected.** Consumer confidence -14.9 from -15.5 while across the European Union as a whole, consumer sentiment went up by 0.6 points to -15.2 thanks to consumers' gradually brightening views regarding their household's past and expected financial situation and to their slightly less pessimistic expectations about the general economic situation in their country. Consumers' intentions to make major purchases remained stable. The industrial sentiment -8.8 from -9.4, services 6.3 from 6.0 while inflation expectations for consumers fell to 12.3 from 15.4 while and selling price expectations rose to 5.6 from 3.9.

### EU recovery in mood may help economy?



Source: EU Commission /BNY Mellon

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