BNY

iFlow WEEK AHEAD

September 15, 2024

Coin Toss

“Flip a coin. When it is in the air, you will know for which side you are hoping.” – Arnold Rothstein

“When a coin is tossed, it does not necessarily fall heads or tails; it can roll away or stand on this edge.” – William Feller

Summary:

The coin toss moment for markets arrives in the week ahead as most see the FOMC decision to cut 25bps or 50bps as critical to how stocks and bonds end the year, how the US election plays out and how the rest of the world follows suit. There are risks in shifting policy and that moment passed months ago as markets price in much more easing of rates ahead. The coin toss is about the speed of change rather than the certainty of gravity – what goes up most come down. The fear of a recession has been balanced against the soft-landing hopes by equities, while the worst case is priced in bonds. The US dollar is the shock absorber and its lack of movement in the last week the key place to watch the multiple decisions from central bankers in the week ahead. Outside the US as important as inside Washington and the Fed, with the forward guidance from BOE, BOJ, Norges bank all looking critical to how the rest of the year money flows. The biggest focus falls to China with the weekend economic data all weaker after Friday’s weaker credit reports – all that puts the PBOC and the government on notice to do more to get to their GDP target for 2024.

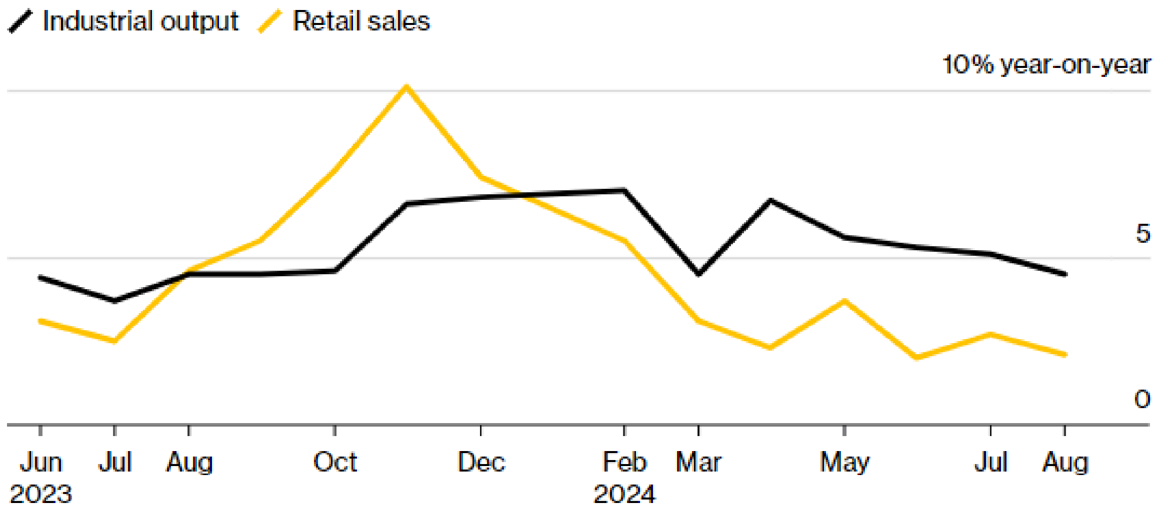
Themes:

- **Big or small starts?** The FOMC easing plan dominates most markets, with debate for 50bps vs. 25bps raging and with market pricing in 40% chance for larger cuts. The hope for soft-landing vs. a recession is part of decision as is the financial conditions of bonds and stocks with both seen at extreme ends of the debate. The USD weakness was negligible this week (-0.15% on the index) suggesting that the correlation flip from negative to positive for stocks and bonds will not last and that this Fed decision will matter to how all asset markets perform.
- **Harris Trade is the opposite of Trump?** – the market decided that the Presidential debate went to Kamala and that this means less pressure on MXN and CNY in the last week – with Mexico's currency up 3.6% and China up 0.2% even with weaker imports and credit bounces less than inspiring. What is less clear about any "Harris Trade" is what to do with stocks and bonds. The fear of either candidate has slowed given polls point to a Republican Senate and a Democratic House – leaving the US in gridlock which traditionally helps stocks and not bonds, leaving bull steepening the rage.
- **China and more stimulus key for APAC money flows?** Our iFlow data showed Malaysia as the top equity destination last week. The friend shoring for China matters as much as in the US. Thailand, Indonesia also gaining last week matching the equity tape. FX markets follow with high real rates attractive. But the weekend data from China shows 31.5% y/y plunge in FDI there, retail sales up just 2.1% y/y down 0.6pp from July and industrial production at 5-month lows at 4.5% y/y off 0.6pp as well – throw in new home prices off 5.3% y/y worst in 9 years and you have the makings for PBOC and Beijing action. This will be key to how markets trade APAC risks ahead.

Exhibit #1: China data reflects need for more stimulus

China's Economy Loses Momentum in August

Increases in industrial production, consumption both slowed more than expected



Source: National Bureau of Statistics
Note: Source combines January and February data.

Source: Bloomberg, BNY

What are we watching:

- **Economic Releases: Monday –** Holiday's in most of Asia mid-autumn festival, EU trade and labor costs; **Tuesday** – more holidays in Asia – China and South Korea, German ZEW, Canada CPI, US retail sales and industrial production; **Wednesday** – South Korea and Hong Kong holidays, Japan trade, UK CPI, EU final CPI, US housing starts; **Thursday** – Australian jobs Philly Fed manufacturing, existing home sales; **Friday** – German PPI, UK retail sales, Canada retail sales.
- **Central Banks**: **Monday** – ECB Panetta, Lane and Guindos; **Tuesday** – ECB Elderson, BOC Rogers; **Wednesday** – RBA Jones, Indonesia BI rate decision, ECB Holzmann, Vujcic, FOMC rate decision, Brazil Copom rate decision; **Thursday** – ECB Knot and Schnabel, Taiwan CBC rate decision, Norway Norges rate decision, UK BOE rate decision, Turkey TCMB rate decision, South Africa SARB rate decision**; Friday** – China LPR 1 and 5Y rates, Japan BoJ rate decision, ECB Lagarde
- **Issuance: US issues just $13bn in 20Y and $17bn in TIPS** this week along with the usual bill sales, cash flow is positive at $50.4bn but tax payments and new IG post FOMC may matter. **UK sells just GBP5bn in supply** with 30Y Gilt and 10Y Green with cash flow positive by GBPP35.5bn. EU sell E21bn from Finland, Germany, France, Spain, and Greece along with some linkers from

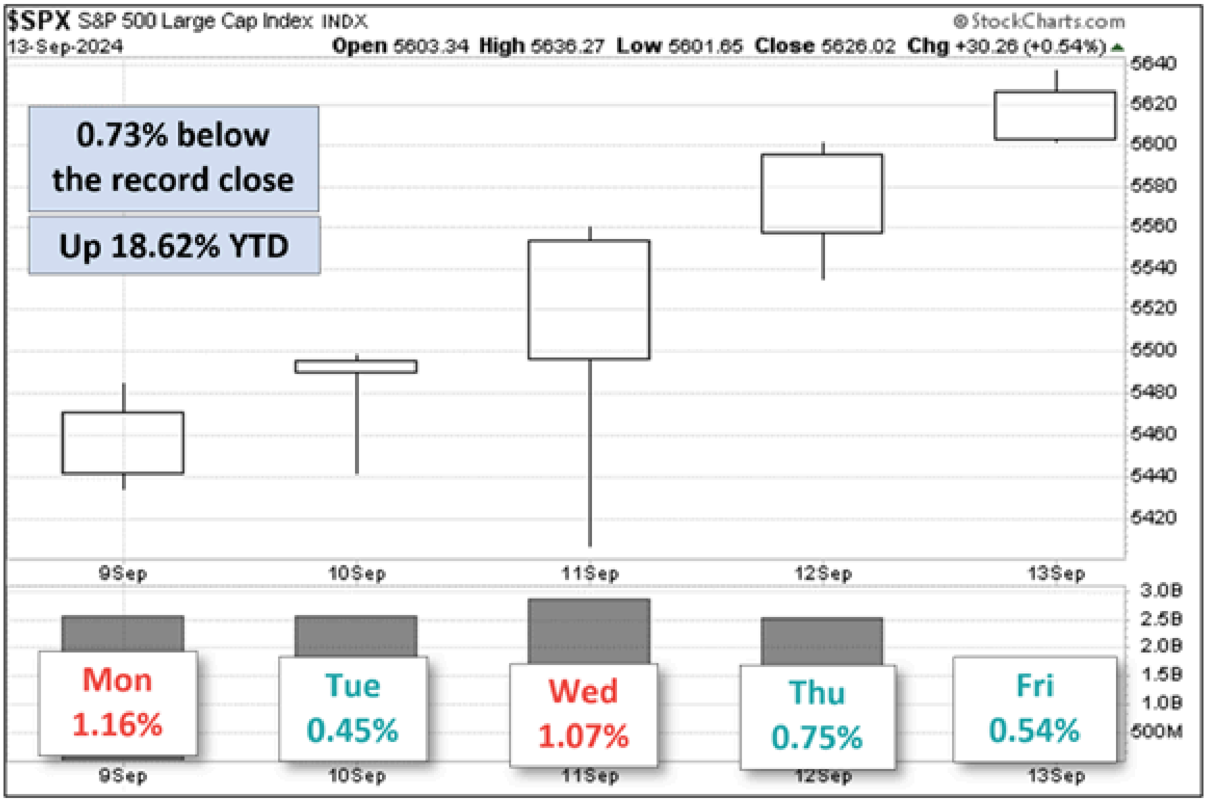
France and potentially E7bn in syndicate from Spain. Cash flow see positive E8.5bn with focus on rest of year funding – Spain and Germany near 80%, France 95%. - **Tuesday** – Finland sells E1.5bn in 5Y and 10Y RFGB, UK sell GBP2.2bn in 30Y Gilts, US $13bn 20Y Bond; **Wednesday** – Germany sells E2bn in 29Y and 30Y Bunds, UK sells $2.8bn in 9Y Green; **Thursday** – Spain sells E5bn of 4Y, 7Y and 20Y SPGB, France sells E12bn of 3, 5Y, 8Y OAT and E2bn of 7-30Y linkers, US $17bn in 10Y TIPS

What changed this week:

The last week focus was less on binary outcomes and more on the nuisance of whether the FOMC cuts 25 of 50bps next week. The US CPI and PPI were mostly in line, but core was higher than expected for both and left some doubt about big Fed cuts. The Harris-Trump debate went to Harris; however, the election remains too close to call and most see Congress gridlocked leaving US fiscal worries higher on the market worry list – with a need for a budget deal next week to avert a shut down. The UK data was weaker with GDP flat, wages lower but BOE is not seen cutting next week, while BOJ speakers were hawkish, data better, but a hike is not expected until October 31 there. EM markets got some relief from the changing dynamics of a Trump trade with MXN notably reversing from 20. Central bank decisions will dominate the week ahead while the CPI data this week for most was tame enough to ease further.

- **US equities had their best week of the year** unwinding much of the worry from the previous week. The August playbook for buying the dip held and had help from the FOMC debate over size of easing, also there was again less volume on the way up. From iFlow its notable that the mood index is stabilizing here – 26 days in neutral and up from last week marginally. However, global sector flows were all negative except for Utilities which were up for week, month, and quarter, with worst outflows in communication services and industrials. The flip flow was in health care now down on week and month. The market rally for the US sectors remains less correlated so this rally back was broader than just a few names- as shown by the Russell 2000 performance last week, while EMEA is the opposite and risks reversals are high there. EU risks of selling FOMO rising with 9 of 11 sectors showing selling bias.

Exhibit #2: US shares best week of 2024



Source: Advisor Perspectives, Bloomberg, BNY

- **US bonds continued to rally** despite CPI/PPI with 50bps debate for the week ahead. US markets continued to rally with rate curve firmly steeper 2/10Y at 7.5bps. Views on FOMC continue to price in over 1% easing this year. The US 2/5Y trade is driving on this recession risk with notable buying 5Y and selling 2Y. Bills are bought in US but sold in Europe and APAC. Duration demand peaked and international investors are back to selling US bonds. IG issuance last week leaves corporate bond outflows larger this week in US and G10. Rate cut hopes make spreads less attractive and IG loses to HY flows.

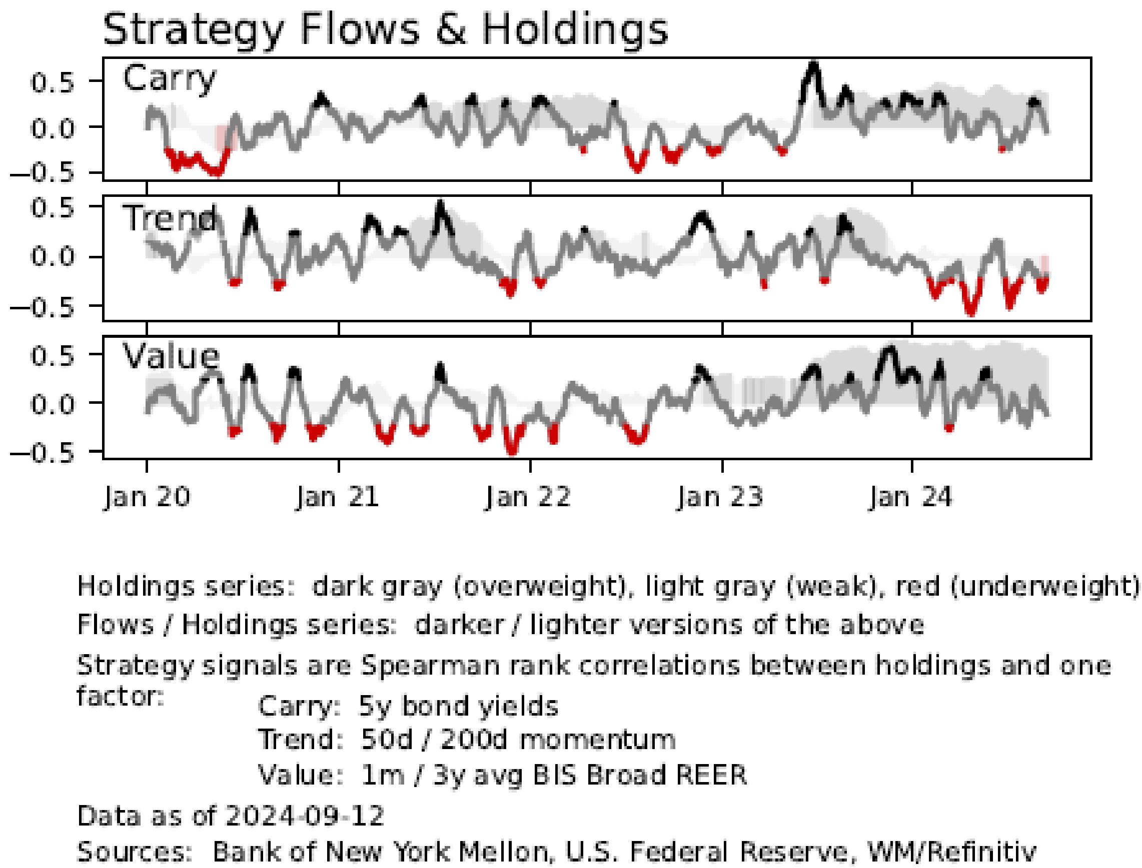
Exhibit #3: US bonds see curve steepening again

US Bond	High	Low	Current	% from Low	1W Change
30Y	5.35	0.99	3.98	2.99	-0.04
20Y	5.44	0.87	4.05	3.18	-0.04
10Y	5.26	0.52	3.65	3.13	-0.06
5Y	5.18	0.19	3.43	3.24	-0.06
2Y	5.22	0.09	3.58	3.49	-0.07
3M	5.63	0	4.88	4.88	-0.05
FFR	5.43	0.04	5.32	5.28	0.00
The Yields and Fed Funds Rate data from January 2007					

Source: Bloomberg, BNY

- **The US dollar lost just 0.1% on the week** with the biggest mover MXN up 4% post judicial reform and views that Trump was less likely to win US Presidency post-debate. The JPY rose 1.05% and CLP and ZAR both gained. The weakest performers were CHF off 0.7%, CZK off 0.5% and HUF off 0.3% - while G7 was in tighter ranges with GBP, EUR, and CAD all little changed. From iFlow, our scored inflows for the week were led by JPY, AUD and THB and the biggest outflows led by USD, HUF, CNY. The FX carry trade was lower with JPY clearly move part of the story. The notable indicator for FX is that trend is back to neutral zone after being significantly negative most of the week – now -0.19 and at 18% percentile – the downtrend in USD vs. unwind of carry matters, both suggest CTA and speculative trading remains difficult.

Exhibit #4: FX Carry negative, Trend recovering?



Source: iFlow, BNY

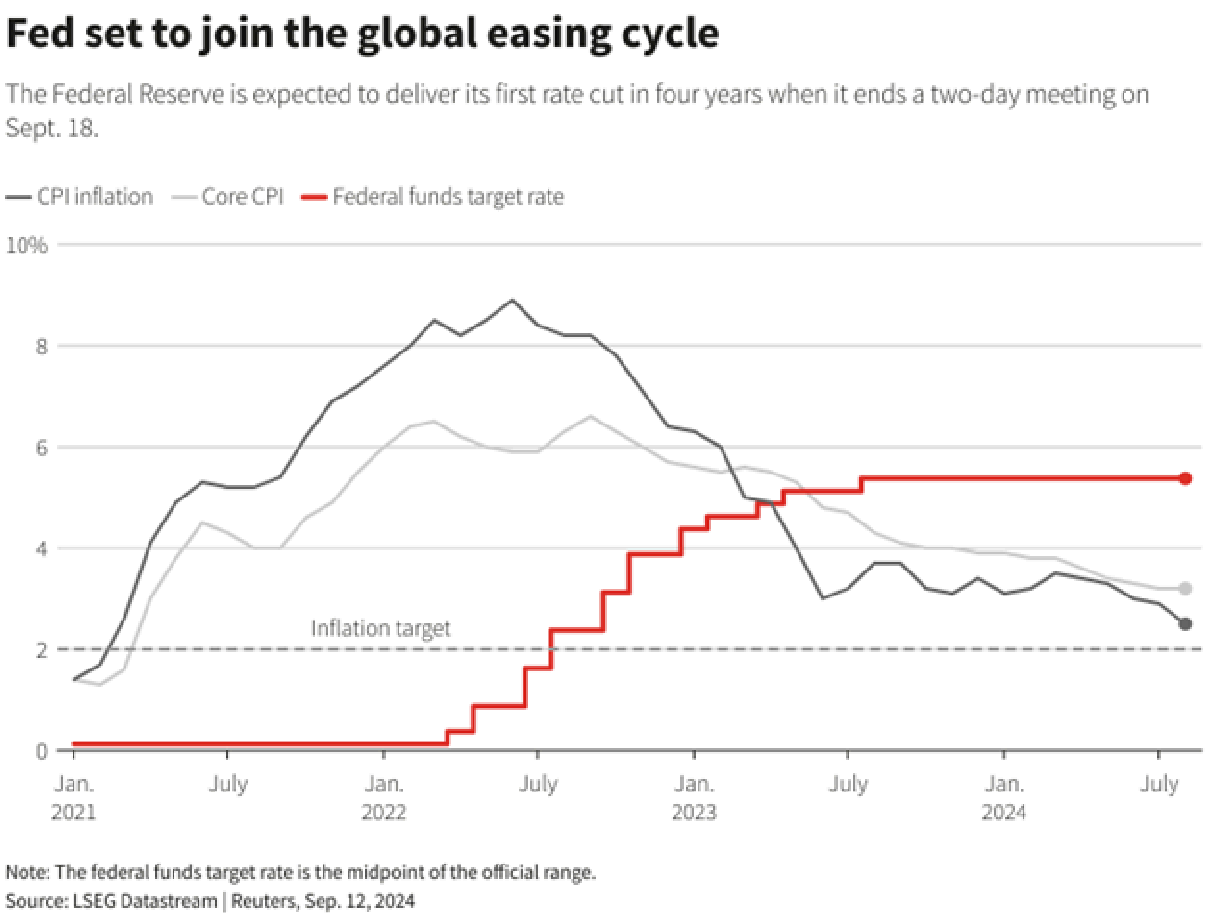
News Agenda and Weekly Themes – Fed, BOE, Norges Bank, BOJ, US retail sales, Canada CPI.

In the United States, the focus will be on the Federal Reserve's interest rate decision, which will also include the FOMC economic projections. Other key releases include retail sales, industrial production, building permits, housing starts, and existing home sales. In the United Kingdom, it will be a packed week with updates on the inflation rate, Bank of England interest rate decision, retail sales, and consumer confidence. The Bank of Japan will decide on monetary policy following the release of the country's inflation rate. Interest rate decisions are also expected from central banks in Brazil, Norway, Turkey, China, and South Africa. Canada will release its CPI and retail sales figures, while Germany will update the ZEW Economic Sentiment Index. New Zealand will report Q2 GDP growth, and Australia will release labor market data. Lastly, foreign trade data is expected from the Euro Area, Italy, India, Japan, and Switzerland.

1. FOMC decision and the dot plots – While the focus on Wednesday, September 18th will be on whether the Fed cuts 25 or 50bps, the other key part of the decision is in how the FOMC Chair Powell describes the path for future easing and whether the

SEP (dot-plot) supports his view of the economy ahead. The June SEP had unemployment at the end of the year at 4.0% - that is too good to be accurate given the current 4.2% rate, as for GDP the 2.1% for 2024 maybe fine given 3Q is 2.00-2.50% estimates now and 1H was 2.2% as well – 4Q and the post US election holiday consumer looks critical to any forecast ahead. Similarly, many will be looking at the terminal rate for Fed Funds which rose 0.2pp to 2.8% in the last report. How Powell describes the push of policy to move from restrictive to neutral and the timing of such matters significantly to all matters. Globally, Fed easing gives room to other central banks to join in particularly if the USD retreats further.

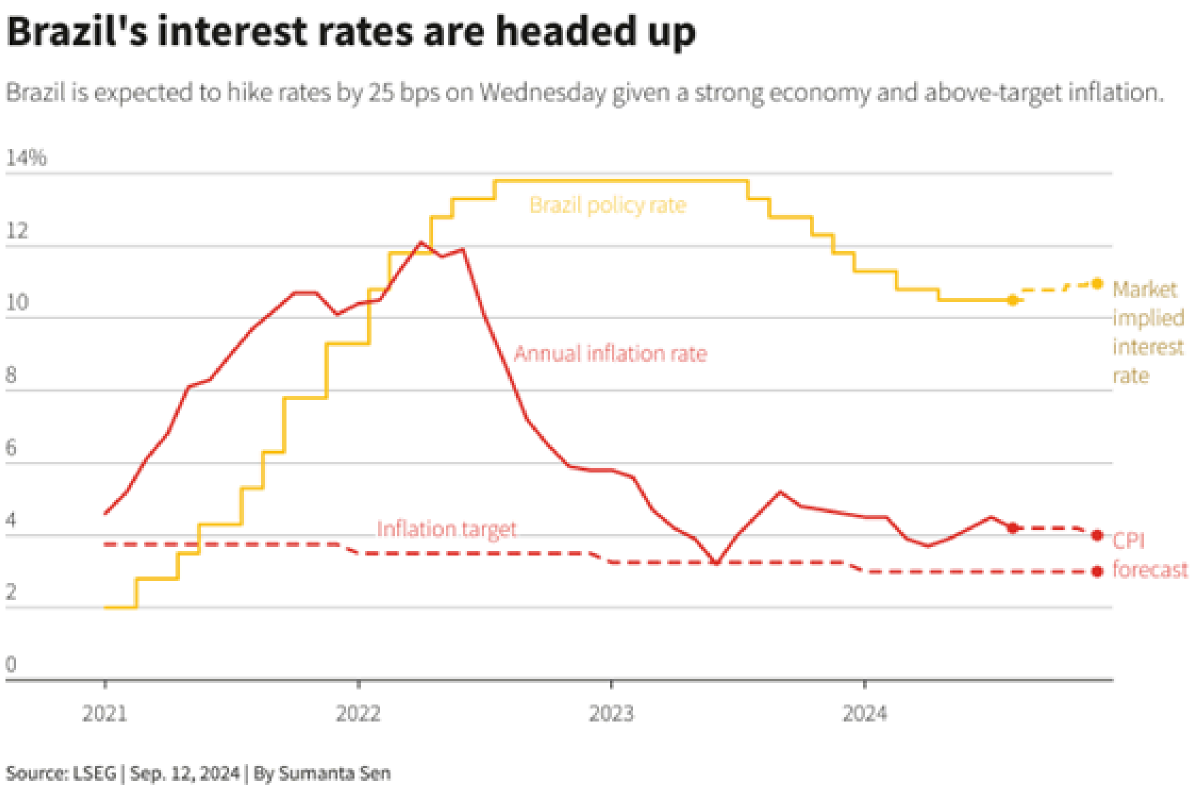
Exhibit #5: Fed fast or slow start matters less than terminus?



Source: Reuters, BNY

2. Brazil and the rate hike risk. The Wednesday post Fed decision that matters significantly to all emerging markets comes from Brazil Copom which is widely expected to diverge back to hikes given higher CPI and weaker BRL. Since keeping rates at 10.50% in July, the bank has hinted it could raise borrowing costs to meet its 3% inflation target. The hawkish stance, reinforced by incoming governor Gabriel Gallipoli, has fueled bets on a forthcoming 25 bps hike that could bolster the BRL. But Brazil is an outlier among emerging economies and that will show up clearly in the week ahead. In South Africa, where inflation is nearing its target, policymakers are expected to trim rates for the first time in four years on Thursday. Turkey is expected to hold rates at 50% the same day, but potentially hint at a cut in November.

Exhibit #6: Brazil and the politics of central banking on rise?



Source: Reuters, BNY

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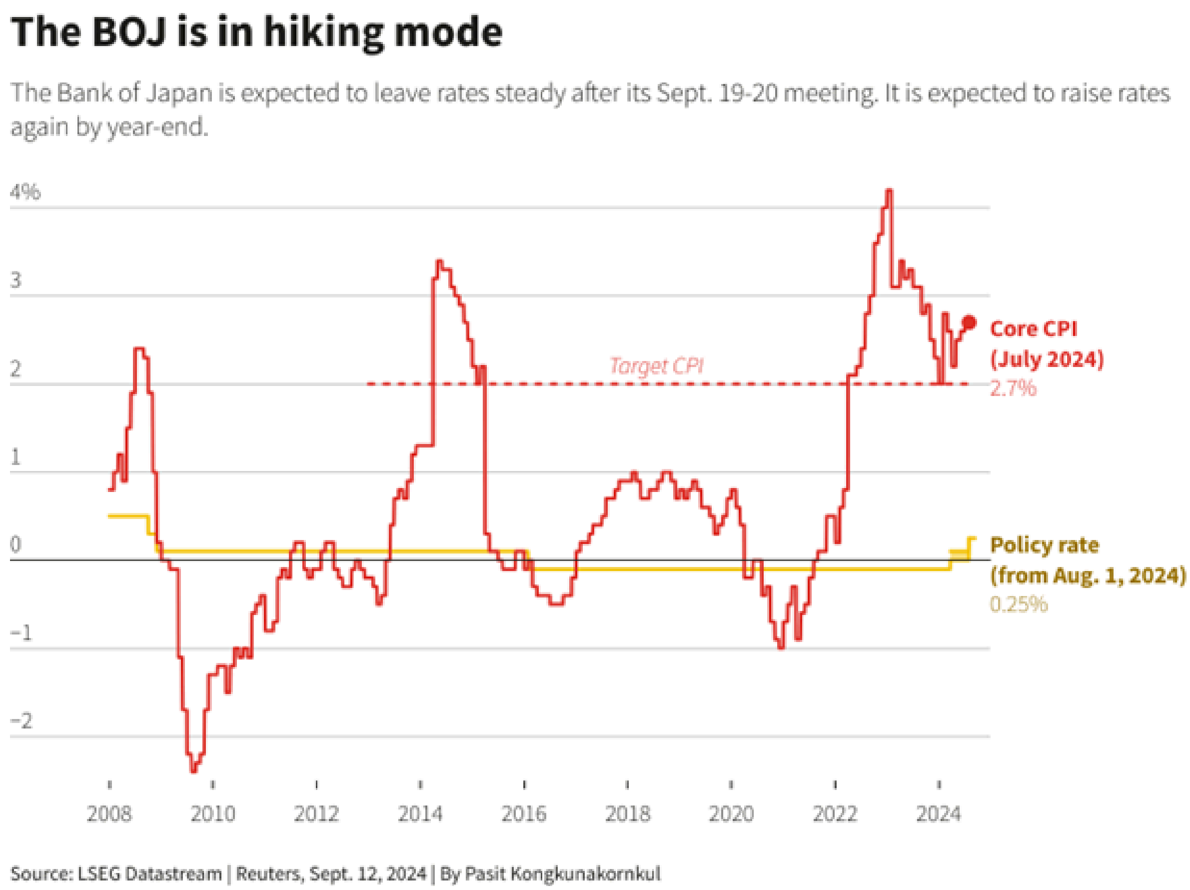
3. **BOJ on hold but expected to point to October hike plan.** The only way for Japanese rates is up. At least, that is what Bank of Japan policymakers suggest, though doing so this month would come as a huge surprise. The BOJ is not expected to change rates at its policy meeting, which ends on Friday, with focus on the tightening path ahead following two hikes already this year. Going against the tide of global easing, BOJ policymakers have expressed their resolve to raise rates further, so long as markets behave, and economic conditions remain favorable. That has helped the yen, which is up more than 10% from July's 38-year low, though investors remain nervous about any further unwinding of yen-funded carry trades that could spark renewed volatility.

Exhibit #7: BOJ has only one way to go?



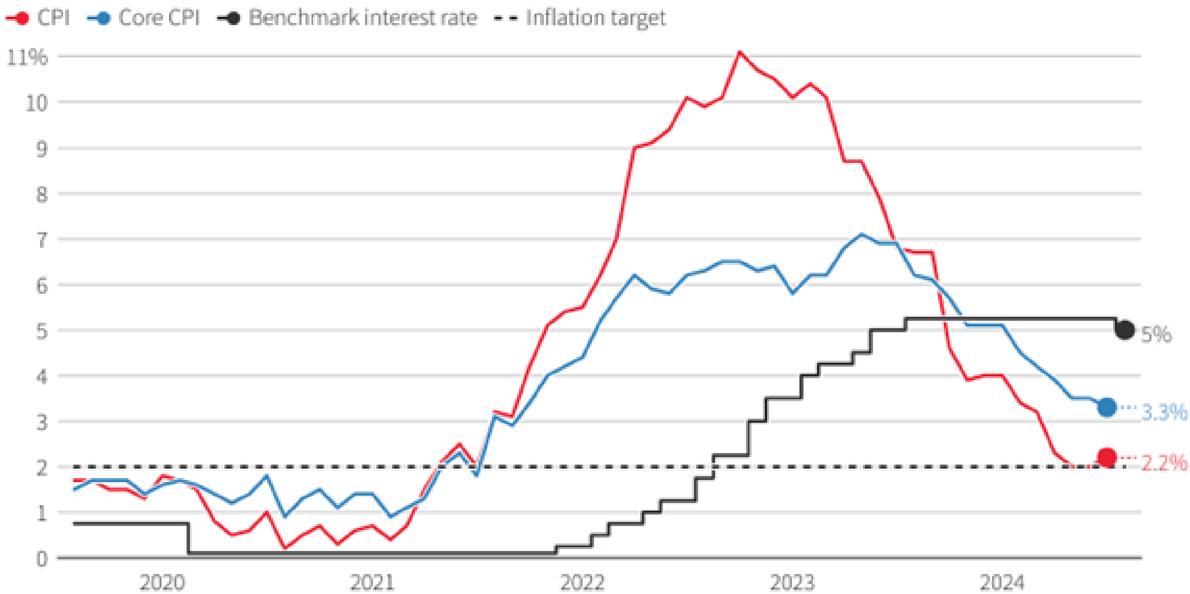
Source: Reuters, BNY

4. Bank of England and the risk of waiting. On Thursday, September 19th, The Bank of England, and Norges Bank are expected to keep rates unchanged when they meet on Thursday. The BoE is tipped to ease twice more by year-end and Norway could start easing by December. How the central bankers describe their decisions and guide their future ones will matter to FX and assets in both countries. It is hard for anyone, including the world's top central bankers themselves, to have much confidence in such forecasts. Any surprises from the Fed could potentially upend the global monetary policy outlook. An unexpectedly dovish Fed could weaken the dollar, alter inflation projections for nations, such as Britain that import dollar-priced commodities and prompt Norges Bank to support the oil-linked crown. Fed commentary that casts doubt over steady easing from here could boost the dollar and tighten financial conditions worldwide. Investors rely on market forecasts for central bank policy. It might be best to ignore them for now.

Exhibit #8: What is the risk to BOE for waiting?

Britain's inflation and interest rates

Benchmark interest rate and year-on-year change in CPI inflation



Published September 12, 2024 at 11:20 AM GMT
Sources: Office for National Statistics, LSEG
Source: Reuters, BNY

Calendar September 16-20:

Central Bank Meetings:

- **Indonesia BI (Wednesday, Sep 18) –** There is a compelling argument for Bank Indonesia to cut rates and normalise the FX-motivated rate hikes in October 2023 and April 24, but BI might just opt to hold rate unchanged for another month ahead of US FOMC meeting. We expect BI to maintain a dovish stance to prepare for cut at October meeting. Since the previous decision, sentiment has deteriorated as PMIs moved further into contraction.
- **US FOMC (Wednesday, Sep 18) –** We think the FOMC will deliver a 25bp cut on Wednesday, rather than a jumbo move of 50bp, although it could be a close call. Of almost equal interest of us will be the new quarterly Summary of Economic Projections, where the Committee will almost surely revise growth lower and unemployment higher. This could be the dovish portion of the meeting. We also don’t expect much clarity on the 2025 rates outlook given the murkiness surrounding the election and economic developments going into next year.
- **Brazil COPOM (Wednesday, Sep 18) –** Against global trends and most likely to the chagrin of the government, the Selic rate is likely to rise again by 25bp to

10.75%. Even if the Fed cuts more aggressively in their decision several hours beforehand, the strength of the domestic economy and need for restrictive conditions is clear and COPOM is fully aware that the inflation pressure from the currency has increased markedly in recent months, requiring a strong response.

- **Taiwan CBC (Thursday, Sep 19) –** The Taiwanese economy's growth profile remains strong and there is no reason for CBC to shift its stance. Our view is for CBC to maintain status quo at 2%. That said, we see chance for CBC to further step up in macro prudential measures to curb accelerating house prices. Note that CBC has conducted six times tightening measures, but so far fell short against tech-related boom. The CBC remains one of the few central banks to have maintained a hawkish profile this year, surprising the market with a 12.5bp hike in March and a RRR hike in June.
- **Norway Norges (Thursday, Sep 19) –** Norges Bank is expected to maintain rates at 4.50% and hope that the widening rate gap will limit NOK downside from here as oil prices start to come off. However, the ECB's firm stance in favour of restrictive conditions will probably limit any gains and there is doubt in markets as to whether Norges can hold off rate cuts this year given the worsening outlook for the domestic economy as business investment likely declines and the Eurozone economy also faces headwinds.
- **UK BoE (Thursday, Sep 19) –** The September decision will be relatively close and there is a tail risk of a cut to 4.75% as there has been some data softness on the margins but in what limited commentary we have had from the BoE since the last meeting, there remains a lack of clarity over the labour market outlook and the most recent wage data remains relatively robust as core earnings have held above 5%. We believe the BoE will cut at most 50bp for the rest of the year. This will also be Prof. Alan Taylor's first vote since joining the MPC in September.
- **Turkey TCMB (Thursday, Sep 19) –** Turkish rates are expected to remain unchanged as the TCMB will have a long way to go in reaching inflation targets but there is some progress as real rates are approaching neutral. The Fed decision the day before may also provide some relief and we continue to view Turkish assets positively, though positioning remains relatively heavy compared to other Emerging Markets with a similar risk profile.
- **South Africa SARB (Thursday, Sep 19) –** Recent SARB comments pointing to a push lower in the inflation target has raised hopes that real rates will remain high, though SARB is now expected to cut rates at the upcoming

meeting, though at 8% there is a sufficient buffer in place and ZAR valuations are relatively manageable relative to high-yielding peers. Hopes of a year-end push for growth from China may also have supported price action of late and hopes are domestic reforms can continue to keep flows favourable.

- **Japan BoJ (Friday, Sep 20) –** We believe the BoJ will only hike in October but the central bank's policy bias is clear and remains independent of the Fed. USDJPY has become one of the key FX anchors to price in FOMC easing, and we have highlighted that the need for faster monetary policy actions in Japan and slower actions in the US compared to market pricing drives a significant portion of the current volatility in FX markets. Markets will be looking for additional color from Governor Ueda on adjustment timings.

Key data/releases

Date	Time	EDT	Country	Event	Period	Cons.	Prior
09/14/24	03:00	22:00	CH	Industrial Production YoY	Aug	4.70%	5.10%
09/14/24	03:00	22:00	CH	Retail Sales YoY	Aug	2.50%	2.70%
09/17/24	05:30	00:30	JN	Tertiary Industry Index MoM	Jul	0.90%	-1.30%
09/17/24	10:00	05:00	GE	ZEW Survey Expectations	Sep	17.5	19.2
09/17/24	10:00	05:00	GE	ZEW Survey Current Situation	Sep	--	-77.3
09/17/24	13:30	08:30	US	Retail Sales Advance MoM	Aug	-0.20%	1.00%
09/17/24	13:30	08:30	CA	CPI NSA MoM	Aug	0.10%	0.40%
09/17/24	13:30	08:30	CA	CPI YoY	Aug	2.10%	2.50%
09/17/24	14:15	09:15	US	Industrial Production MoM	Aug	0.10%	-0.60%
09/18/24	00:50	19:50	JN	Core Machine Orders MoM	Jul	0.70%	2.10%
09/18/24	07:00	02:00	UK	CPI MoM	Aug	0.20%	-0.20%
09/18/24	07:00	02:00	UK	CPI YoY	Aug	2.20%	2.20%
09/18/24	07:00	02:00	UK	CPI Core YoY	Aug	--	3.30%
09/18/24	***08:20***	***03:20***	***ID***	***BI-Rate***	***Sep-18***	***6.25%***	***6.25%***
09/18/24	09:00	04:00	SA	CPI YoY	Aug	4.60%	4.60%
09/18/24	10:00	05:00	EC	CPI YoY	Aug F	2.20%	2.20%
09/18/24	10:00	05:00	EC	CPI MoM	Aug F	0.20%	0.20%
09/18/24	12:00	07:00	SA	Retail Sales Constant YoY	Jul	--	4.10%
09/18/24	12:00	07:00	US	MBA Mortgage Applications	Sep-13	--	1.40%
09/18/24	13:30	08:30	US	Housing Starts	Aug	1310k	1238k
09/18/24	***19:00***	***14:00***	***US***	***FOMC Rate Decision (Upper Bound)***	***Sep-18***	***5.25%***	***5.50%***
09/18/24	***22:30***	***17:30***	***BZ***	***Selic Rate***	***Sep-18***	***10.75%***	***10.50%***
09/18/24	23:45	18:45	NZ	GDP SA QoQ	2Q	-0.30%	0.20%
09/19/24	02:30	21:30*	AU	Employment Change	Aug	25.0k	58.2k
09/19/24	02:30	21:30*	AU	Unemployment Rate	Aug	4.20%	4.20%
09/19/24			***TA***	***CBC Benchmark Interest Rate***	***Sep-19***	***2.00%***	***2.00%***
09/19/24	***09:00***	***04:00***	***NO***	***Deposit Rates***	***Sep-19***	***--***	***4.50%***
09/19/24	09:00	04:00	PD	Sold Industrial Output YoY	Aug	0.00%	4.90%
09/19/24	09:00	04:00	PD	PPI YoY	Aug	-4.80%	-4.80%
09/19/24	***12:00***	***07:00***	***UK***	***Bank of England Bank Rate***	***Sep-19***	***5.00%***	***5.00%***
09/19/24	***12:00***	***07:00***	***TU***	***One-Week Repo Rate***	***Sep-19***	***50.00%***	***50.00%***
09/19/24			***SA***	***SARB Announce Interest Rate***	***Sep-19***	***8.00%***	***8.25%***
09/19/24	13:30	08:30	US	Initial Jobless Claims	Sep-14	--	230k
09/19/24	15:00	10:00	US	Existing Home Sales	Aug	3.90m	3.95m
09/20/24			***JN***	***BOJ Target Rate***	***Sep-20***	***0.25%***	***0.25%***
09/20/24	00:30	19:30*	JN	Natl CPI YoY	Aug	3.00%	2.80%

Key speeches/events

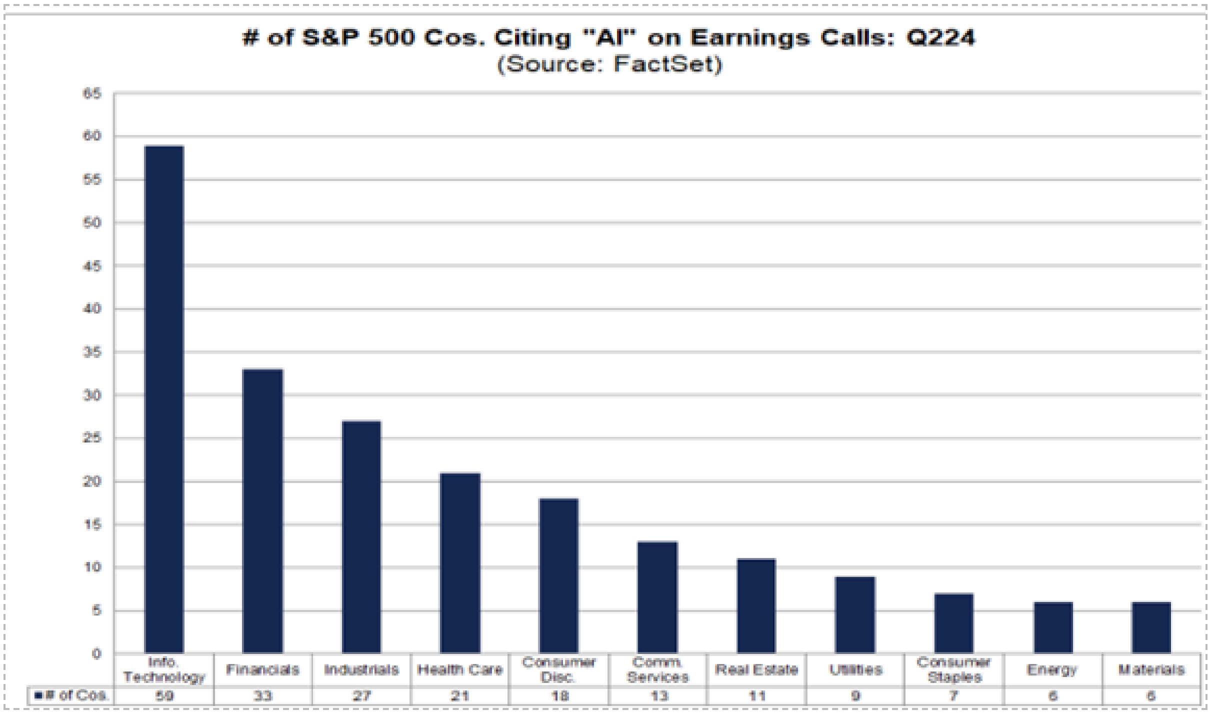
Date	Time	EDT	Country	Event
09/14/24	13:00	08:00	EC	Bundesbank President Nagel Speaks at Open Day
09/15/24	12:00	07:00	EC	Bundesbank President Nagel Speaks at Open Day
09/16/24	00:00	19:00	EC	ECB's Panetta speaks in Rome
09/18/24	00:20	19:20	AU	RBA's Jones-Speech
09/18/24	08:00	03:00	EC	ECB's Holzmann Speaks at Vienna Conference
09/18/24	08:15	03:15	EC	ECB's Vujcic Speaks at Vienna Conference
09/18/24	12:00	07:00	EC	ECB's Nagel Speaks in Frankfurt
09/18/24	18:30	13:30	CA	Bank of Canada Releases Summary of Deliberations
09/18/24	*19:30*	*14:30*	*US*	*Fed Chair Jerome Powell press conference*
09/19/24	08:15	03:15	EC	ECB's Knot Speaks
09/19/24	12:30	07:30	EC	ECB's Nagel Speaks in Elmau
09/19/24	15:40	10:40	EC	ECB's Schnabel Chairs Panel
09/20/24			*JN*	*BoJ Governor Kazuo Ueda press conference*
09/20/24	16:00	11:00	EC	ECB's Lagarde Delivers Michel Camdessus Central Bank Lecture

Conclusions: Heads or Tails?

The two sides of the coin for US investors have AI hopes on one side and unemployment fears on the other. The US equity markets returned to a sector rotation play thinking with rate cuts helping drive the Russell 2000. Interesting points to consider as we face another week of unsettled trading waiting for central bank events and some key data.

AI Boom over Recession in US shares. The number of calls in the S&P500 that cited AI on earnings was 40% according to FactSet, this is 210 companies, just under the record from 1Q of 211 and up from the 88 5-Year average and 55 10-year average. It is interesting to note that S&P 500 companies that have cited “AI” on Q2 earnings calls have seen a lower average stock price performance since the start of the third quarter compared to S&P 500 companies that did not cite “AI” on Q2 earnings calls.

Exhibit #9: Earnings do AI investments help or hurt?



Source: FactSet, BNY

Laboring over labor markets. The Boeing strike could matter significantly to 4Q US growth. The last strike for the big aircraft maker lasted 2 months and it hit industrial production. The same could be true this time. The slower growth will matter to Fed watchers, but the strike noise on the labor market data is even more important. Considering what data matters most to the Fed and to the risk of a recession is critical not only for this week but more for November and December when the FOMC next decides on rates.

The US civilian labor force has more than doubled from 76.5 million in January 1967 to over 168 million today. The role of employment demographics from the baby boom generation, those born between 1946 and 1964 is part of the post-Covid data problem in US reports. In 1967 they were starting to turn 21. The oldest are currently eligible for full retirement benefits. Another factor in is the rising participation of women in the labor force which took off in the 1980s and was also part of the Covid noise. When you combine JOLTS to jobless claims rather than non-farm payrolls you get some interesting observations. The latest ratio of 0.14% means that **out of 10,000 workers, 14 made an initial application for unemployment insurance payments** in the latest data. The latest ratio of 0.140% to three decimal points is well below its all-time high of 2.997% (April 2020) and just above its all-time low 0.122% (October 2022).

What does the ratio of unemployment claims tell us about where we are in the business cycle and our current recession risk? Excluding the 1981 recession, the initial claims trough lead time for a recession has ranged from 5 to 22 months with an average of 12 months. If we include the 1981 recession, the average drops to 11 months. Admittedly, the 2009 great recession is an extreme example, but the initial claims trough preceded its December 2007 onset by a whopping 22 months. **We are currently 22 months from the initial claims low and 26 months from the continued claims low.**

Bottom Line: The US labor markets remain critical to how risk is seen across all assets. This means the weekly jobless claims reports are still the biggest volatility risk for surprises. Further, the AI hopes mean any stories in technology use and demand drive a disproportionate move above just equities. The USD downtrend rests on the outcome of the FOMC decision next week and resets correlations of FX to rates globally. Before that, the retail sales will be important given the focus on consumer weakness linked to a slowing labor market. The US election risks have been on the rise, and in the last week we saw unwinding of some of the Trump trades particularly in MXN and CNY. The debate over the US budget and risk of political chaos extending next week is also a consideration for the FX and rates markets. The focus on rates and spreads makes the week ahead likely one of relief rallies post event risks - the host of key central bank decisions beyond the FOMC, Norges Bank and BOE and BOJ – including Turkey TCMB, South Africa SARB, Indonesia BI, Brazil Copom and Taiwanese CBC. Throw in expectations for more from China PBOC and you have the makings of significant risk.

Exhibit #10: Is labor still the key for recession risk?

Months that Troughs Precede Recessions		
First Month of Recession	Initial Claims	Continued Claims
Dec 1969	7	6
Nov 1973	8	7
Jan 1980	14	14
Jul 1981	3	3
Jul 1990	20	20
Mar 2001	11	10
Dec 2007	22	19
Feb 2020	5	5
?	?	?
Average	**11**	**11**

0 means trough coincided with the recession end

Months that Peaks Follow Recessions		
Last Month of Recession	Initial Claims	Continued Claims
Oct 1970	0	1
Feb 1975	0	3
Jun 1980	0	1
Oct 1982	0	1
Feb 1991	1	3
Oct 2001	0	7
May 2009	-2	1
Mar 2020	1	2
?	?	?
Average	**0**	**2**

0 means peak coincided with the recession end

Source: Advisor Perspectives, BNY

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

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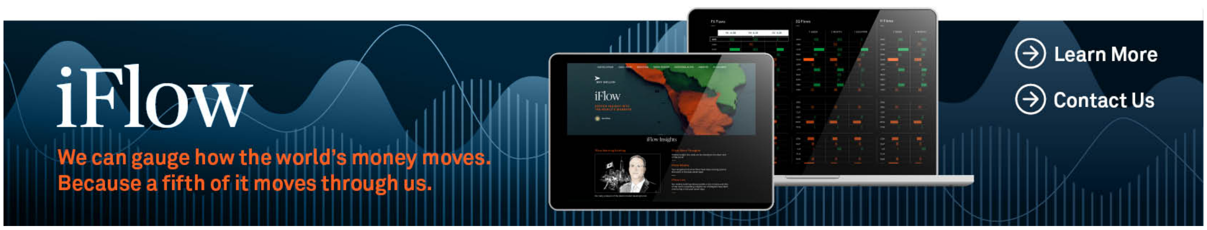

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