BNY MELLON

iFlow
WEEK AHEAD

February 4, 2024

Dragons

"It simply isn't an adventure worth telling if there aren't any dragons." – J.R.R. Tolkein
"Happiness is like those palaces in fairy tales whose gates are guarded by dragons: we must fight in order to conquer it." – Alexandre Dumas

Summary:
The central question for the week ahead is whether investors are too happy for the moment, as US exceptionalism continues as the central theme for money flows and US value stretches without the aid of lower interest rates. The year of the wood Dragon beckons on Saturday, February 10th, with markets ready for a break after a fast and tumultuous start to the calendar new year, with China lagging woefully. The Dragon represents authority, prosperity, and good fortune in the Chinese zodiac, which when combined with the wood element brings evolution, improvement, and abundance. The year ahead for China is expected to be "lucky" and how that plays out in the week into the event will set the tone – as snow storms rage and hang travel, as conflicts around the world worry from the Red Sea shipping snafu to the North Korea missile madness to the Philippines and its South China Sea skirmishes. The weekend delivered a keen focus on the Middle East as the US retaliation on its 3-dead soldiers led to multiple strikes in Syria and Iraq along with the UK joining in Yemen. Yet peace deals and hopes to less sure and the markets less worried with oil down, stocks up and bonds mostly in the middle of the range. The hope for a US soft-landing seems more a reality for the FOMC even as they push easing timing towards May. The fear of trouble in growth in 1Q eased a bit in Europe with inflation allowing ECB some room, and growth moods better. For investors, the hope of EM was tempered by the reality of US growth slowing any fast track to easing globally and making real rates and stable FX matter again. The good news being bad theme

returns as a factor along with bond supply, China deflation fears, German recession realities and ongoing doubts about other central banks as they thread the needle for stable markets, lower inflation, and higher growth.

Key Themes:

- **US Jobs and growth – is good news bad for markets?** The surprise of better-than-expected 353,000 NFP job growth and unemployment steady at 3.7% along with other US data this week put nowcasts for 1Q GDP above 4% well over the 1.5% expected. Investors removed the March rate cut expectation post the FOMC Powell pushback to May and the NFP surprise with focus turning to his 60 Minutes interview tonight – Sunday Feb 4 at 7 PM ET. The risk is a repricing from 5 rate cuts in 2024 to 3 cuts and how that shift asset allocation between stocks, bonds and the USD.
- **US financials and rates – is a Fed on hold trouble ahead for CRE, regional banks?** The US Treasury increased the size of its quarterly issuance for the 3rd time, but less than feared, while the FOMC did not discuss QT tapering and the KBW regional bank index fell 7.7% on the week – the worst since last March - linked to NY Community Bancorp increasing loan loss provisions and cutting its dividend. The S&P500 financial sector is doing fine with 90% of the shares over the 100-day moving average. Focus is on the 3-10-30Y bond sales this week for whether higher bond yields still hurt loan book hedges like they did in 2023.
- **Corporate Issuance and the wall – are these an underpriced risk for credit?** The January borrowing for Investment Grade was a record $190bn while February is estimated at $160bn with the year seen at $1.2trn. The pressure on US bonds is notable and expected to be a factor into this week ahead. Focus is on the senior loan officer survey and whether market borrowing is making up for lines of credit. How credit plays out in EU issuance also remains a key factor.
- **Central Bank optionality – is this a golden opportunity**? Push back on faster rate cuts from the FOMC and the ECB open room for the Bank of Japan to act in March rather than waiting for April certainty over wages. If they wait too long, slowing economy risks and the cost of a too weak JPY on consumers could hurt and lose the window. The room for G10 central bankers to get back into synch on rate policies is important for the financial stability it implies but it also helps their credibility as they move from pure data dependency and shift focus to growth. For FX markets a stronger JPY has broader implications for APAC, and for fixed income, it could spell further long-end pressures – while safe-havens rethink their role in markets after the US jobs report, the role of financial conditions everywhere may be increasingly important.

What are we watching:

1. **Economic data** remains critical with focus on US ISM Services, the senior loan officer survey, and the CPI benchmark revisions. Canada jobs, China CPI, Japan wages and German industrial data will also matter.

2. **Central Banks** - Focus on Fed speakers and other central bankers along with the RBA, and key EM decisions from Thailand, India, Mexico and others.

3. **4Q Earnings** continue to be key for risk with over 20% of the S&P500 reporting,

4. **Bond Supply** - US bond issuance will be important with 3-10-30Y sale along with more IG issuance. Also, EU bond issuance is expected up this week from E16.2bn net to E32.5bn, after a record E200bn has been sold since the start of the year.

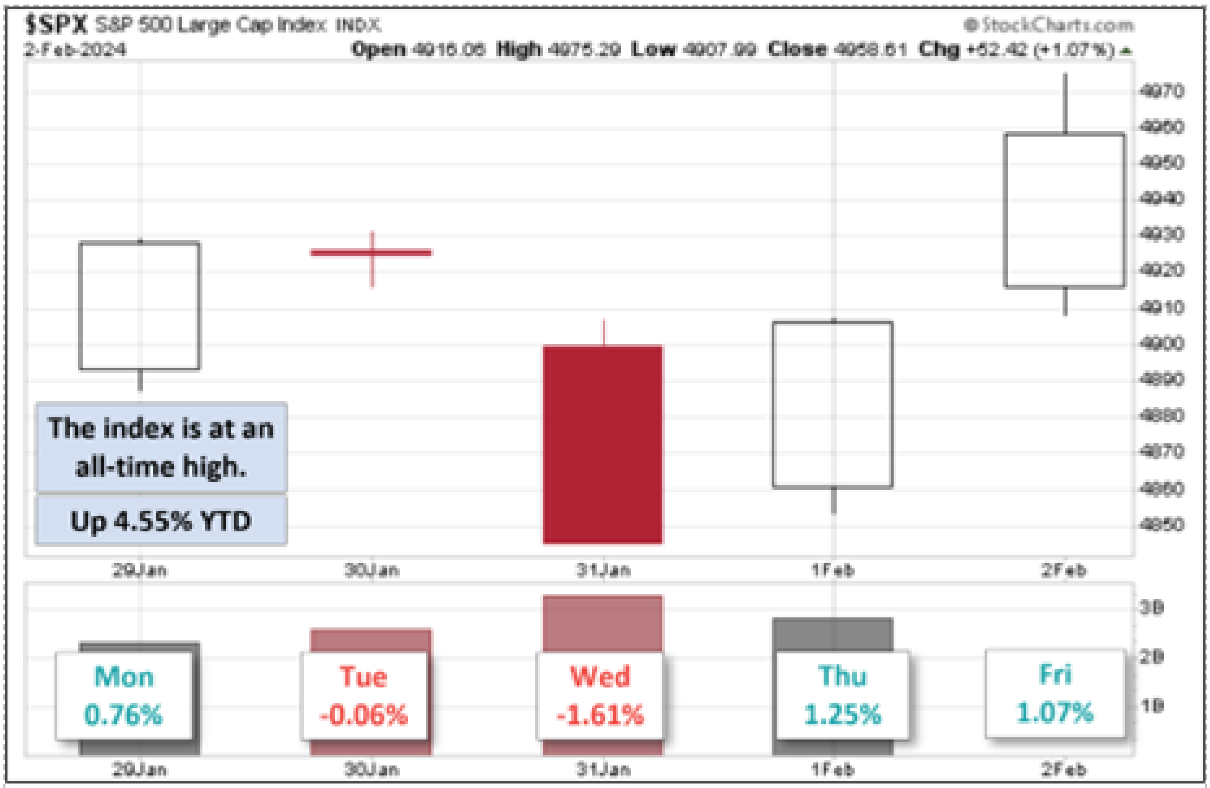
- **Monday, February 5** -
  - Economic Data: US ISM Services, Fed senior loan officers survey,
  - 4Q Earnings: McDonalds, Caterpillar, Vertex, Sumitomo, Itau, Air Products, NXP semiconductors
  - Central Banks: Fed Speaker Bostic, BOC Macklem
  - US issuance: $79bn in 3M bill, $70bn in 6M
  - EU issuance: EU bond sale for E3bn in 3Y and E2bn in 20Y, EFSF potential E7bn syndication of 5Y and 15Y; Slovakia E1.5bn of 2/4Y bonds .
- **Tuesday, February 6** –
  - Economic Data: Japan wages, German factory orders, Eurozone retail sales
  - 4Q Earnings: Eli Lilly, Toyota, Linde, Amgen, UBS, KKR
  - Central Banks: RBA rate decision, Fed Speakers Mester, Kashkari, Collins
  - US issuance: 3Y $54bn Note Auction and $80bn in 42-day CMB
  - EU issuance: Netherlands to sell E6bn of 10Y, Austria to sell E2bn of 5 and 10Y bonds.
- **Wednesday, February 7 –**
  - Economic Data: German industrial production, US trade deficit, consumer credit
  - 4Q Earnings: Alibaba, Walt Disney, UBER, CVS, Arm holding Pay Pal
  - Central Banks: Bank of Thailand rate decision, Fed Speakers Harker, Kugler, Collins, Barkin, Bowman
  - US issuance: 10Y $42bn Note

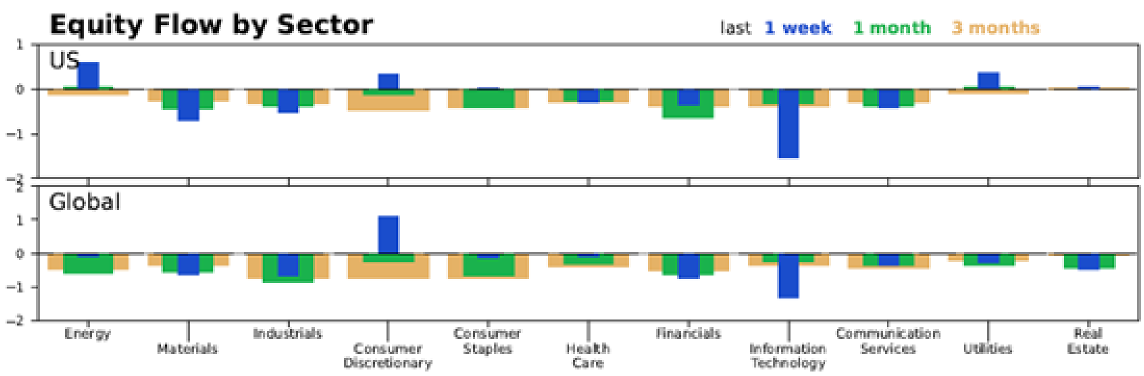
    - EU issuance: Germany to sell E3bn of 7Y Bunds
- **Thursday, February 8** –
    - Economic Data: China Jan CPI and PPI
    - 4Q Earnings: S&P Global, Philip Morris, Conoco, Astrazeneca, Unilever, Duke Energy, ICE
    - Central Banks: CNB rate decision, RBI rate decision, Banxico rate decision, BOE speaker Mann, ECB speakers Lane, Wunsch, Fed Speaker Barkin
    - US issuance: 30Y $25bn Bond auction
    - EU issuance: Finland expected to sell 0.5bn of 1-2Y ORI, while Spain and Belgium may syndicate new 30Y bonds sometime this week or next.
- **Friday, February 9** –
    - Economic Data: US CPI annual revisions, Canada unemployment
    - 4Q Earnings: Pepsi, Enbridge, Honda, Blue Owl, Fortis, Magna
    - Central Banks: ECB speakers Nagel, Cipollone

What changed last week:

- **In Equities,** Friday set another record high for the S&P500 up 4.55% year-to-date with 7 records broken after 0 in 2023 and 1 in 2022. In US by sector, Energy, consumer discretionary, Utilities and Real Estate all gained on the week while materials industrial and communications fell faster. Globally, only consumer discretionary gained. The best performing big bourses were Australia's ASX, the US DJIA and the Spanish IBEX 35, while the worst were the Hong Kong Hang Seng, China's CSI 300 and the Brazil Bovespa.

US equity markets set new record high again

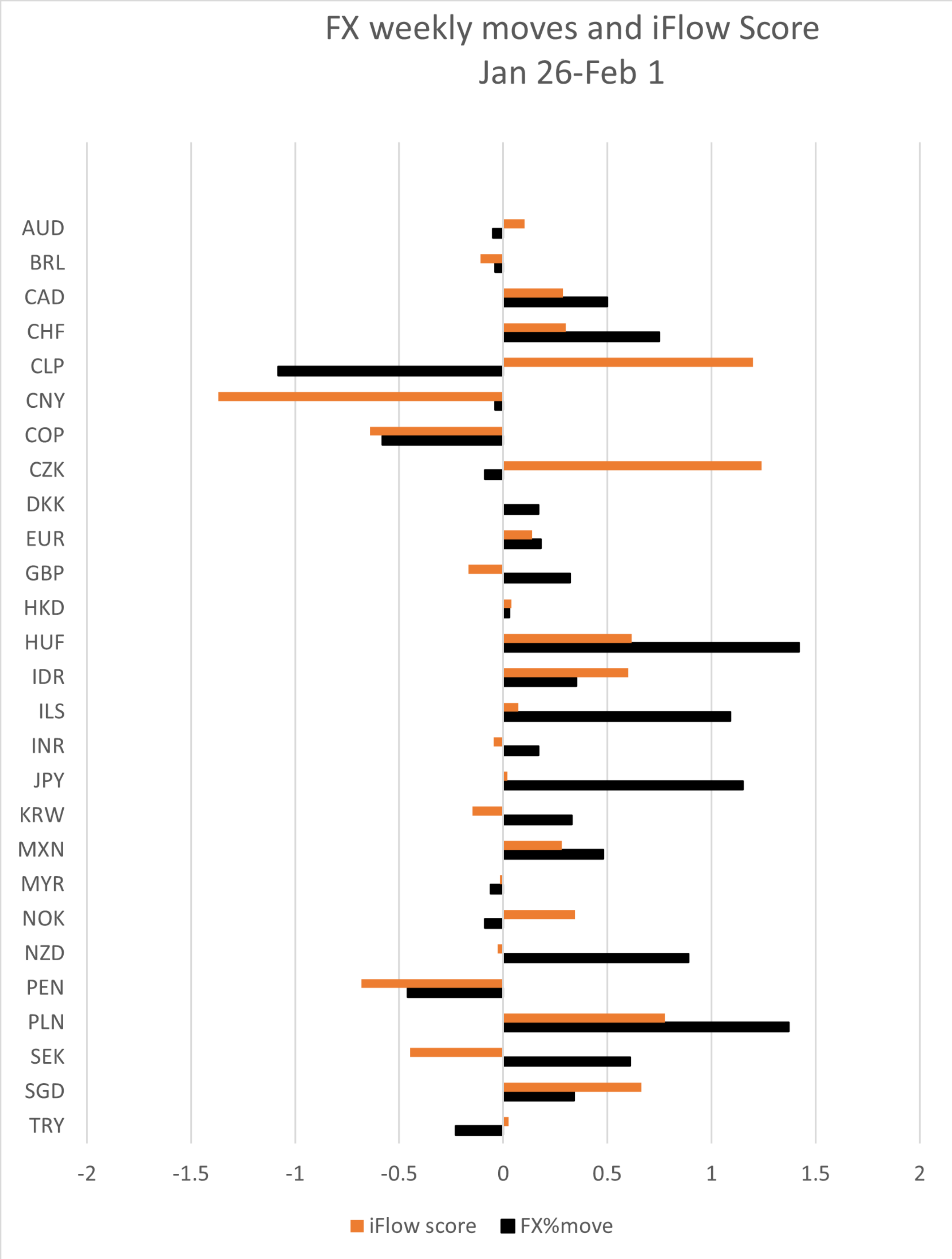




Source: Bloomberg, BNY Mellon

- **In FX, the USD rose 0.5% to 7-week highs**, with ranges holding across G10, biggest winners for the week were JPY, NZD and CAD while CLP, NOK, TRY lost. The iFlow trend index is now firmly negative and value begun to matter. Weakness in Oil and doubts about China hurt AUD, NOK and BRL.

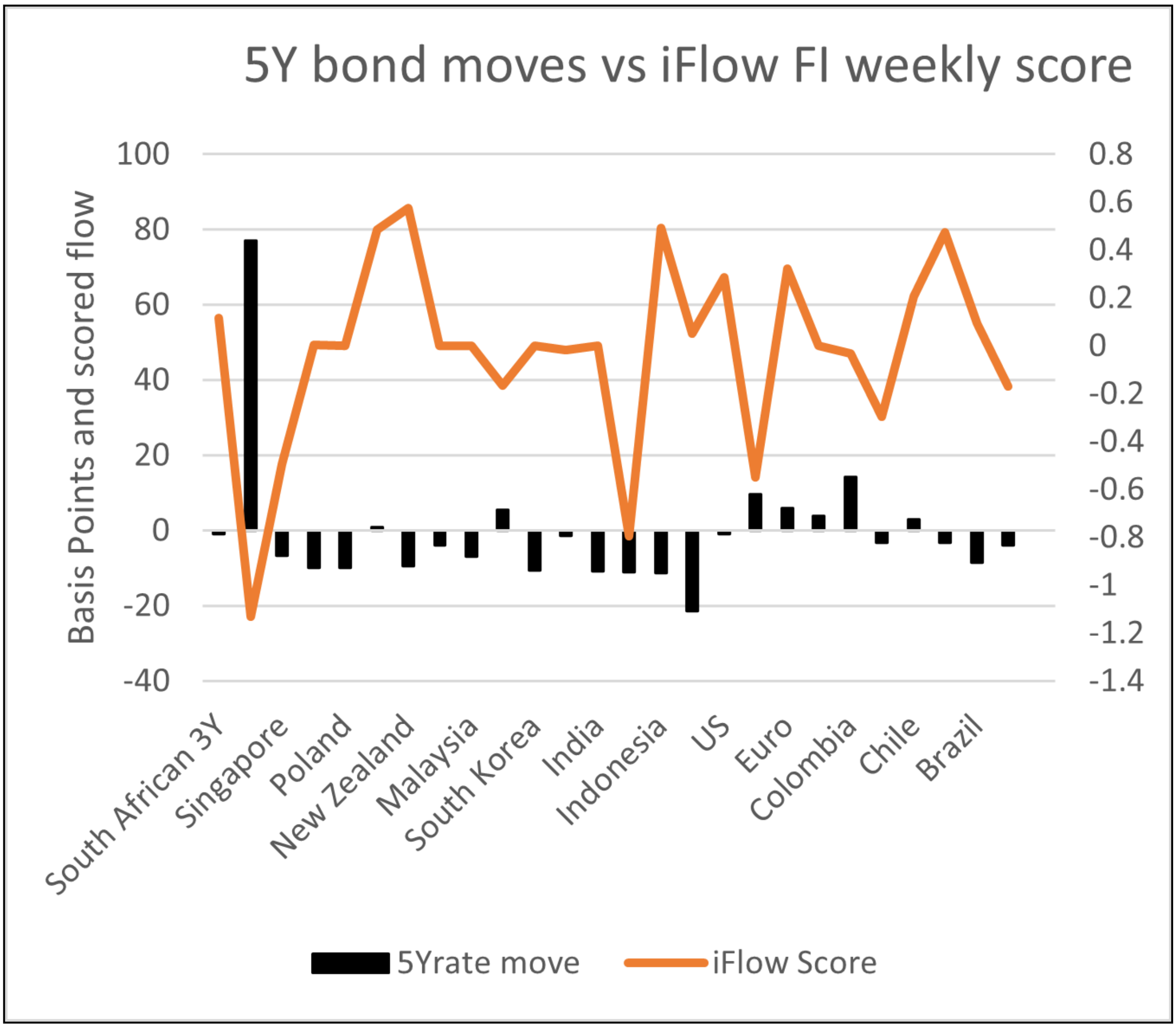
FX markets and iFlow converge



Source: Bloomberg, iFlow, BNY Mellon

- **In Fixed Income, mixed -** US rates fell for the week but moved sharply higher post the US jobs report. The FOMC meeting and Powell press conference led to a drop for March rate cut expectations with most now expecting May cut, with 5 priced for 2024. The Bank of England also on hold and sounding unlikely to move fast on cuts driving up rates, while PMI data supported modest hopes for global recovery in growth. EU also suffered while EM was mixed.

US Bond	High	Low	Current	% from Low	1w Change
30Y	5.35	0.99	4.22	3.23	-0.11
20Y	5.44	0.87	4.33	3.46	-0.12
10Y	5.26	0.52	4.02	3.5	-0.10
5Y	5.18	0.19	3.98	3.79	-0.07
2Y	5.22	0.09	4.36	4.27	-0.03
3M	5.63	0	5.33	5.33	0.11
FFR	5.41	0.04	5.32	5.28	0.00



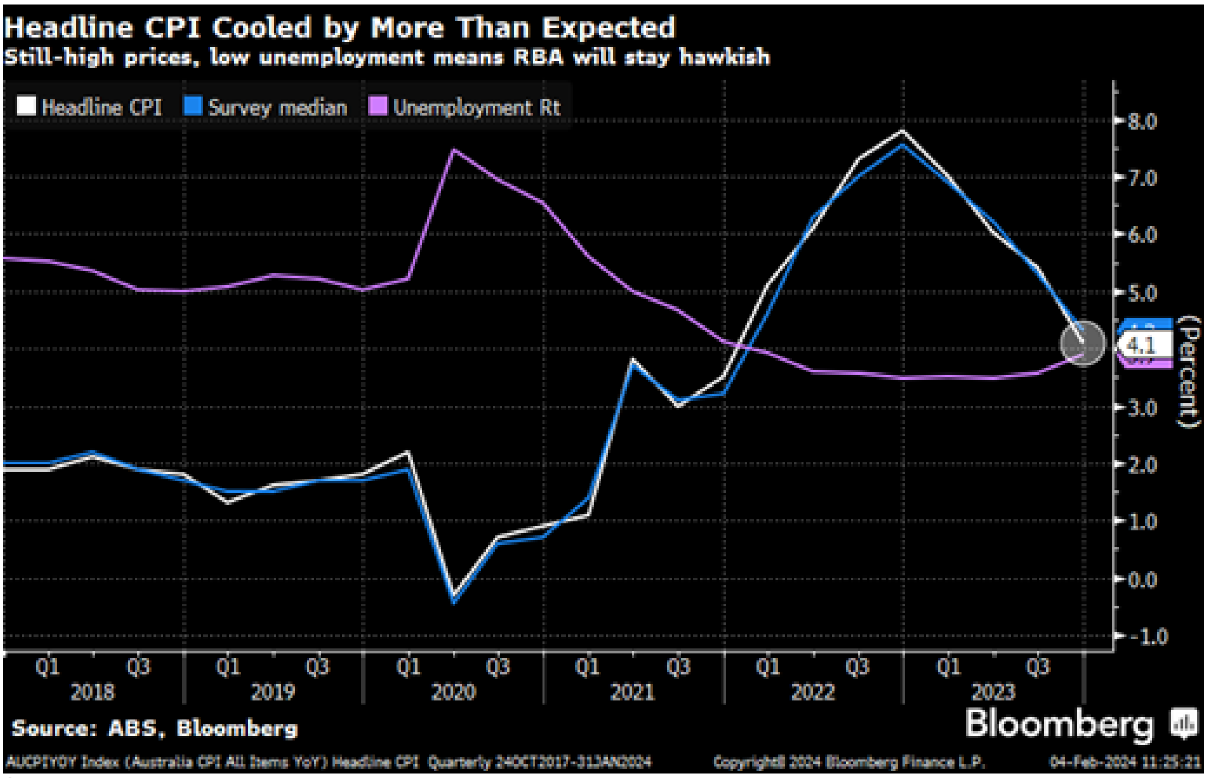
Source: Bloomberg, iFlow, BNY Mellon

News Agenda and Weekly Themes – 4Q earnings, Fed Speakers, RBA, China CPI, EM rate decisions

In the upcoming week, all eyes in the United States will be on major corporate earnings reports, including those from McDonald's, Caterpillar, Eli Lilly, Amgen, Walt Disney, Uber, S&P Global, Philip Morris, and Conoco Phillips. Investors will also closely watch for insights from Federal Reserve officials, along with key economic indicators such as ISM Services PMI and trade balance data. Internationally, the focus will be on interest rate decisions in Australia, Mexico, India, Thailand, and Poland, as well as inflation rates for Turkey, the Philippines, Brazil, and Mexico. Additionally, external trade data for Australia, Germany, France, Canada, and Brazil, along with Services PMI figures for Spain, Italy, and Brazil, will be closely monitored. In China, investors will scrutinize Caixin Services PMI and consumer and producer prices. Finally, Germany will release factory orders and industrial production, Canada labor market data and Euro Area retail sales.

1. RBA shift and AUD – The Reserve Bank of Australia is holding a 2-day meeting on Tuesday with inflation lower and growth still holding, the pricing for the central bank to ease is almost zero for this meeting but plentiful further out the year. This meeting matters for its "forward guidance" and the chance to move from data dependency to easing. The forecasts for CPI from the SOMP look important with 3% for end of 2025 and are likely to change, opening up room for faster cuts ahead – many see that as August 2024 - and putting some pressure on the AUD.

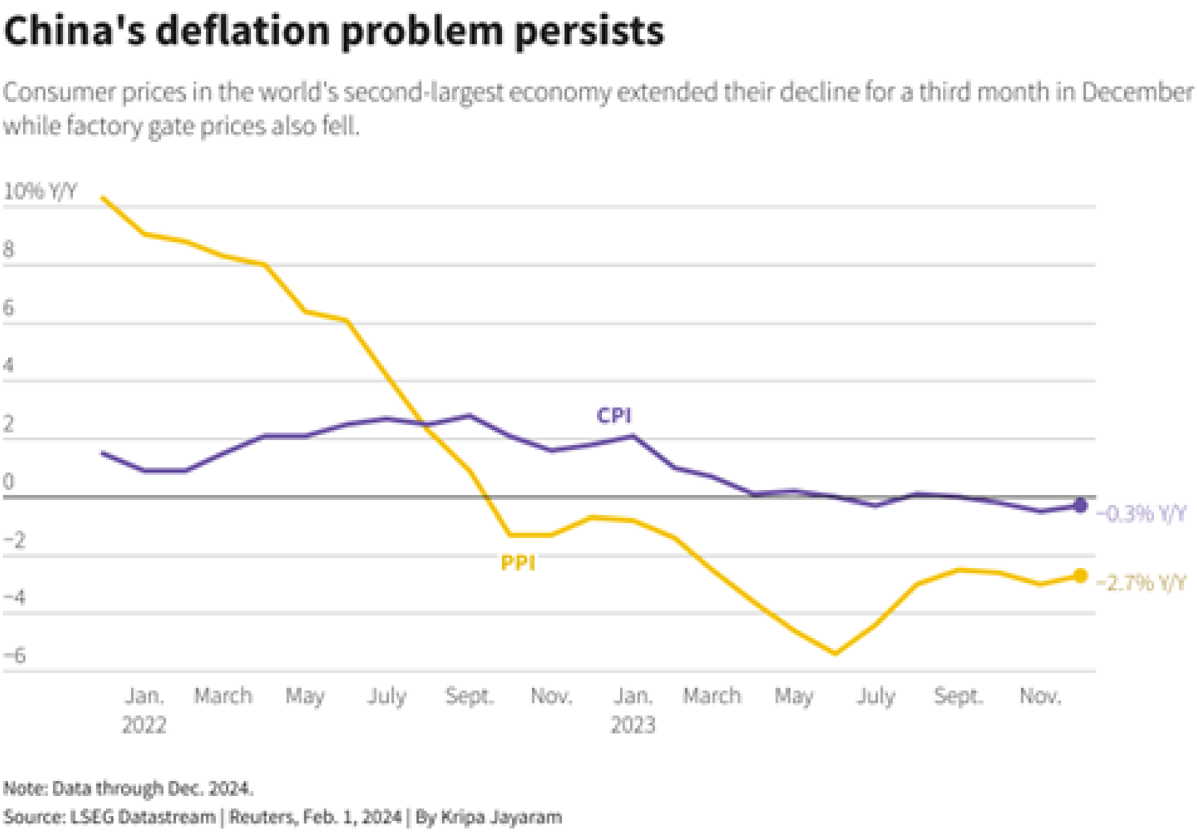
RBA forward guidance vs. data dependency



Source: Bloomberg, BNY Mellon

2. China Deflation and the Year of the Dragon – Chinese inflation data on Thursday will be the next test of the health of its economy, which is plagued by persistently weak demand, a beleaguered property sector and fragile investor sentiment. Beijing's recent support measures seemed to have reassured investors for now and the expectation for further stimulus has driven the benchmark 10-year Chinese government bond yield to a two-decade low. As the Year of the Dragon looms, some are hoping the buzz of the annual travel rush might be a shot in the arm for animal spirits to come roaring - or creeping - back.

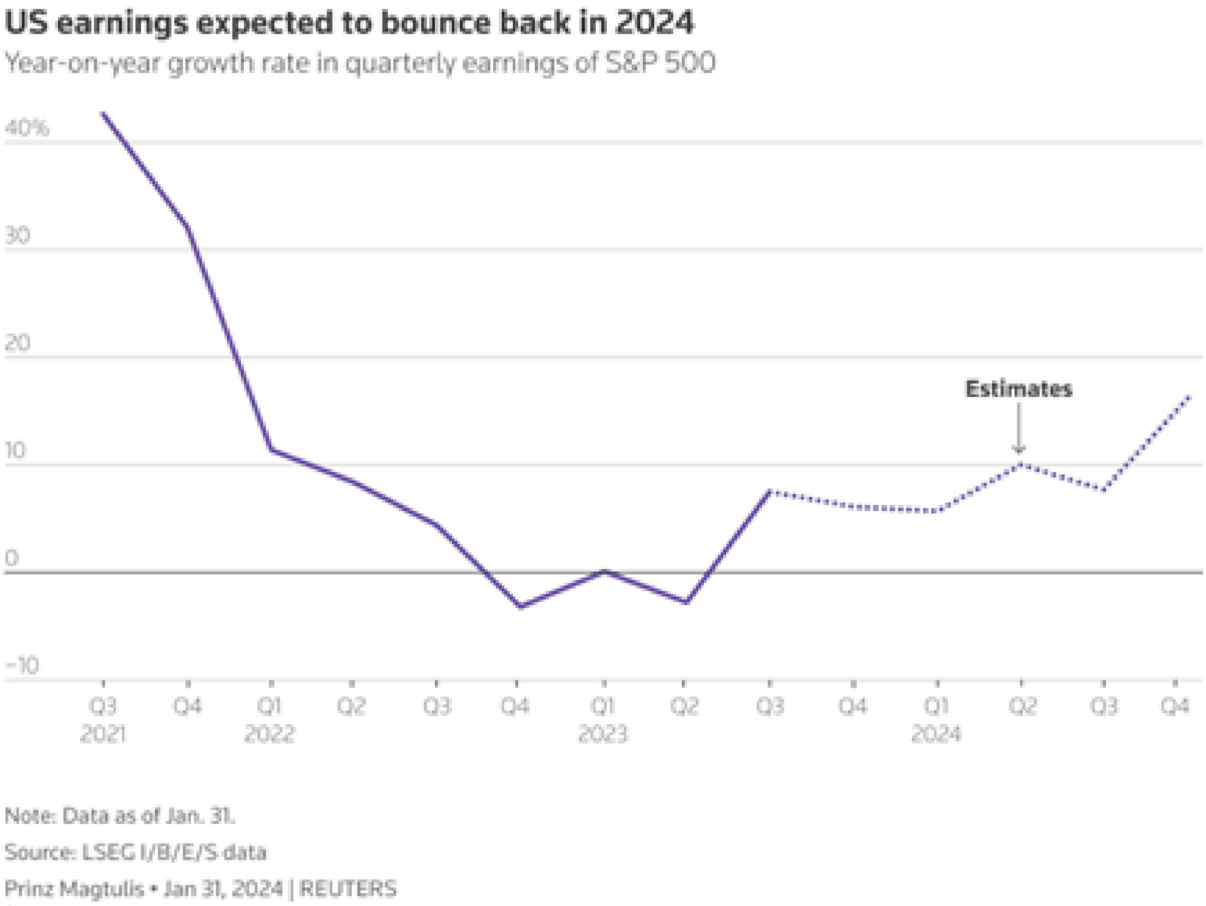
More deflation = more stimulus?



Source: Reuters, BNY Mellon

3. US 4Q Earnings and the rally up in risk - Another big week of U.S. corporate results will help determine if the rally that has taken stocks to record highs can keep going. As FactSet notes – with 46% of the S&P500 reporting, earnings are sub-par with the magnitude of earnings surprises below average. However, the last week did see improvement with 72% above EPS estimates – still below 5Y 77% and 10Y 74%. Key for the rally is that earnings growth is now up 1.6% y/ from -1.4% last week – and the 4Q estimate of 1.5%. This would be the second quarterly consecutive earnings gain. Revenues are also up 3.5% y/y from 3.2% y/y last week and 3.1% forecasts. This would be the 13th quarterly gain in revenues. Value risks remain in this rally – with the forward 12-month P/E ratio is 20.0, which is above the 5-year average (18.9) and above the 10-year average (17.6). It is also above the forward P/E ratio of 19.5 recorded at 3Q. While most of the big tech head-liners have already reported for this period, the coming days still bring over 20% of S&P 500 companies giving 4Q reports – 104 of the index are scheduled - including Eli Lilly, Walt Disney, ConocoPhillips and PepsiCo.

4Q earnings key for keeping 2024 outlook intact



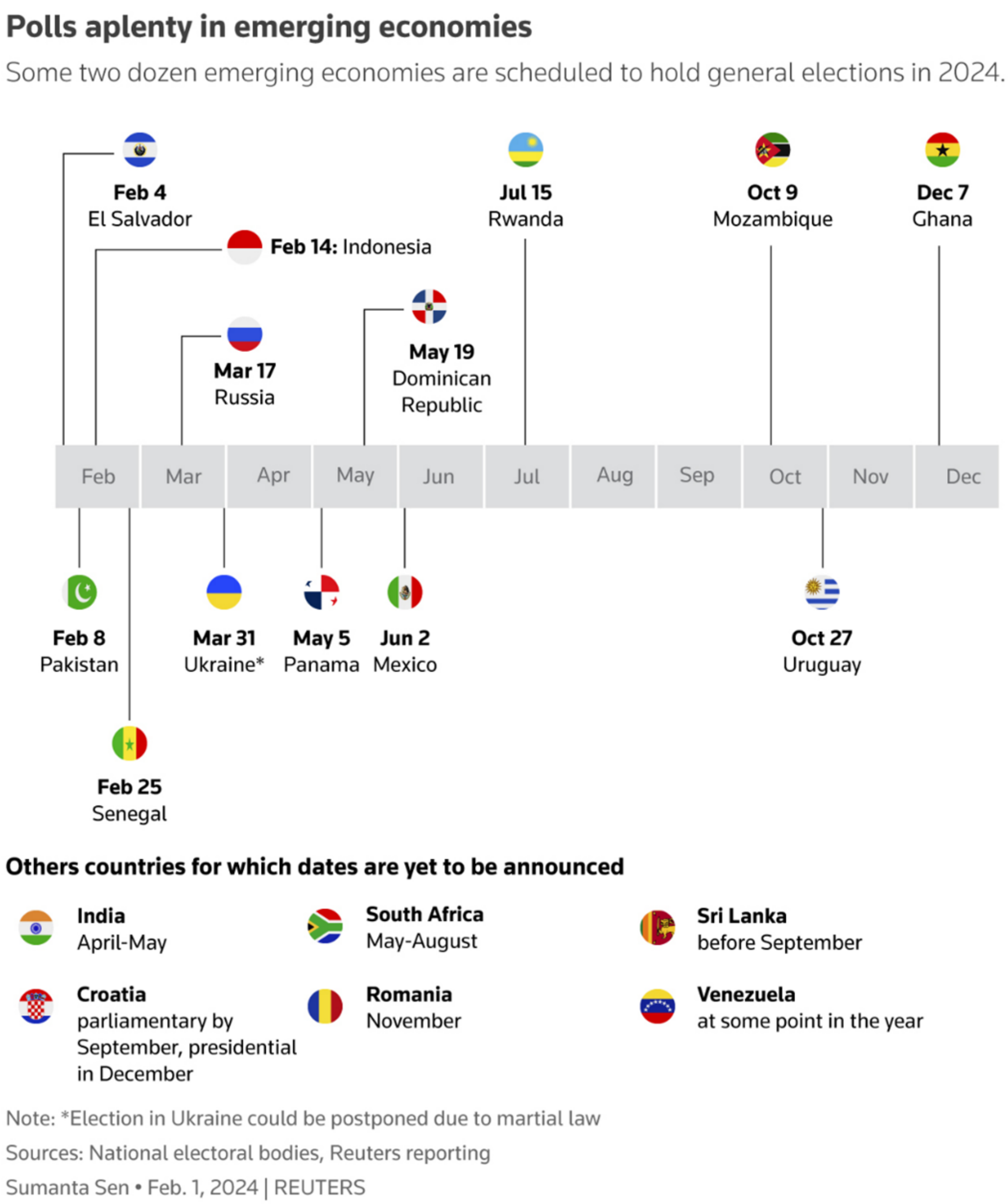
Source: Reuters, BNY Mellon

4. EM Elections and central bank risks – The surprise Turkey central bank head resignation highlights the risk of the Turkey elections this Spring. The TRY weakness followed as many doubt the central bank credibility and the interference of the government. Elections in Emerging Markets are a clear risk to the steady easing bias shown by central bankers as capital flows and worries about geopolitical shifts drive. This week has plenty of both concerns: 1) Pakistan's general election is scheduled for Thursday amid a flare-up in violence. The country battles an economic crisis with inflation running at almost 30%, a weak currency and a government that will have to navigate a recovery under a $3 billion International Monetary Fund bailout that runs out in April. Ex-prime minister Nawaz Sharif is considered the front-runner with his main rival, former premier Imran Khan, jailed and barred from running. 2) Voters in Indonesia, the world's third-largest democracy heads to an election on Feb. 14, with front-runner Prabowo Subianto expected to clinch victory. 3) Meanwhile, El Salvador's President Nayib Bukele, who calls himself the "World's Coolest Dictator", appears set for a landslide win on Sunday, despite a constitutional bar on immediate re-election, voter worries about the economy, and criticism of his draconian crackdown on civil and human rights.

This week we also get **the Bank of Thailand** meeting Wednesday, Feb 7 where they are expected to hold rate steady at 2.5% despite pressure to ease from the government as 4Q growth was weaker. The **National Bank of Poland** also meets

Wednesday, where they are also expected to remain on hold at 5.75% with the election pause now key focus with minimum wage rising. The **Reserve Bank of India** meeting on Thursday, Feb 8 is expected to maintain rates at 6.5% but shift to a neutral bias as inflation drops to their target range. The **Czech National Bank** n Thursday is expected to ease 25bps to 6.50% with some risk of more given dovish comments from Deputy Governor Frait. In LatAm the **Banxico** meeting Thursday is widely expected to keep rates on hold at 11.25% but with CPI at 2-year lows give room to sound dovish. The **Peru central bank** is expected to easy 25bps again to 6.25% on Thursday with core CPI at 2.85% back to 2021 Oct low.

Calendar of EM elections important for central bankers and FX



Economic Data and Events Calendar:

Central Bank Decisions

- **Australia RBA (Tuesday, Feb 6) –** The RBA is expected to keep rates on hold at 4.35% but the market will be looking for some indication that the next step will be easing in light of recent disappointments in data prints. Inflation and employment figures have started to ease from very high levels but we would expect the RBA to await confirmation of trend disinflation before shifting expectations. Otherwise, the market risks pricing in excessive easing in advance and start reflating the economy, especially through the housing channel.
- **Thailand BoT (Wednesday, Feb 7) –** We see BoT to maintain status quo at 2.5%. An early dovish shift would not bode well for the THB. Despite the open and frequent calls from the government to cut rates to support the economy, we do not see BoT succumbing to such pressure. Indeed, BoT has in a policy forum in January reiterated their policy stance. That said, they did leave some room for flexibility with assistant governor Piti noting that policymakers "are not wedded to a fixed stance" and will "consider all economic indicators in deciding the rate trajectory".
- **Poland NBP (Wednesday, Feb 8) –** The NBP is expected to keep rates unchanged as inflation numbers remain relatively robust on a sequential basis, but there is a real rate buffer of around 200bp at present to contain expectations. The NBP itself is well aware that additional scrutiny is in place considering the exogenous issues which have affected decision-making, and the market will hope for some normalisation in the process in the short-term. Until the ECB and Fed more decisively CEE central banks will likely retain caution.
- **India RBI (Thursday, Feb 8) –** We expect the RBI to keep the repurchase rate unchanged at 6.5% with little supportive arguments to ease nor pressure to hike. The better-than-expected fiscal deficit projection at 5.1% for FY2024-2025 within the interim budget should provide near-term support for IGBs through less borrowing. Since the previous RBI meeting in December 2023, macro conditions had been positive with stronger than expected 2024 GDP forecast at 7.3%. The rebound in inflation from the 4.87% low in October '23 to 5.69% in December '23 should see RBI to maintain a neutral to hawkish stance.
- **Czech CNB (Thursday, Feb 8) –** The market is looking for a small move of 25bp at this meeting and an on-hold decision should to be fully ruled either. The sharp drop in inflation in December has given CNB some policy space but activity indicators remain mixed and the Czech Republic is likely emulating the Eurozone in not seeing manufacturing declines help offset inflation pressures in other sectors of the economy. There remains much flow demand to capture

real yields in CEE and we expect central banks in the region to continue taking advantage of such flows to generate additional downside pass-through.

- **Mexico Banxico (Thursday, Feb 8) –** The last major holdout in Latin America is expected to stand its ground and keep rates at 11.25%. Considering recent developments in US data and monetary policy, keeping aligned is understandable for Banxico. Sequential inflation numbers are still running at relatively high levels and it will take time for CPI to stabilise fully at below 5%, which is likely the bare minimum before a stronger change in stance is possible from the central bank.
- **Peru BCRP (Thu) –** Markets are looking for 25bp easing increments to continue with a cut to 6.5%, which would leave a real rate cushion of around 300%. Sequential inflation has flatlined without any sign of major declines in economic activity so there will be no rush to push for more aggressive cuts.

Key data/releases

Date	GMT	EST	Country	Event	Period	Cons.	Prior
02/05/24	07:00	02:00	TU	CPI YoY	Jan	64.56%	64.77%
02/06/24	01:00	20:00	PH	CPI YoY 2018=100	Jan	3.10%	3.90%
02/06/24	***03:30***	***22:30****	***AU***	***RBA Cash Rate Target***	***Feb-06***	***4.35%***	***4.35%***
02/06/24	21:45	16:45	NZ	Unemployment Rate	4Q	4.30%	3.90%
02/07/24	07:00	02:00	GE	Industrial Production SA MoM	Dec	-0.40%	-0.70%
02/07/24	***07:05***	***02:05***	***TH***	***BoT Benchmark Interest Rate***	***Feb-07***	***2.50%***	***2.50%***
02/07/24	08:00	03:00	SZ	Foreign Currency Reserves	Jan	--	653.7b
02/07/24	12:00	07:00	US	MBA Mortgage Applications	Feb-02	--	-7.20%
02/07/24	12:00	07:00	BZ	Retail Sales YoY	Dec	--	2.20%
02/07/24			***PD***	***Poland Base Rate Announcement***	***Feb-07***	***5.75%***	***5.75%***
02/07/24	23:50	18:50	JN	BoP Current Account Balance	Dec	¥1100.0b	¥1925.6b
02/08/24	01:30	20:30	CH	PPI YoY	Jan	-2.60%	-2.70%
02/08/24	01:30	20:30	CH	CPI YoY	Jan	-0.50%	-0.30%
02/08/24	***04:30***	***23:30****	***IN***	***RBI Repurchase Rate***	***Feb-08***	***6.50%***	***6.50%***
02/08/24	11:00	06:00	SA	Manufacturing Prod NSA YoY	Dec	2.70%	1.90%
02/08/24	12:00	07:00	BZ	IBGE Inflation IPCA MoM	Jan	--	0.56%
02/08/24	12:00	07:00	BZ	IBGE Inflation IPCA YoY	Jan	--	4.62%
02/08/24	***13:30***	***08:30***	***CZ***	***Repurchase Rate***	***Feb-08***	***6.50%***	***6.75%***
02/08/24	13:30	08:30	US	Initial Jobless Claims	Feb-03	215k	224k
02/08/24	***19:00***	***14:00***	***MX***	***Overnight Rate***	***Feb-08***	***11.25%***	***11.25%***
02/08/24	***23:00***	***18:00***	***PE***	***Reference Rate***	***Feb-08***	***6.25%***	***6.50%***
02/09/24	07:00	02:00	NO	CPI MoM	Jan	--	0.10%
02/09/24	07:00	02:00	NO	CPI YoY	Jan	4.80%	4.80%
02/09/24	07:00	02:00	GE	CPI YoY	Jan F	2.90%	2.90%
02/09/24	07:00	02:00	GE	CPI MoM	Jan F	0.20%	0.20%
02/09/24	07:30	02:30	HU	CPI YoY	Jan	4.30%	5.50%
02/09/24	13:30	08:30	CA	Unemployment Rate	Jan	5.90%	5.80%

Key speeches/events

Date	GMT	EST	Country	Event
02/03/24	08:40	03:40	EC	ECB's Centeno Speaks at Conference in Warwick
02/04/24	13:50	08:50	EC	ECB's Vujcic on Panel at Conference in Warwick
02/05/24	19:00	14:00	US	Fed's Bostic Gives Welcoming Remarks
02/05/24	19:00	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices
02/05/24	22:00	17:00	CO	Colombia Monetary Policy Minutes
02/06/24	03:30	22:30*	AU	RBA-Statement on Monetary Policy
02/06/24	***04:30***	***23:30****	***AU***	***RBA Governor Bullock-Press Conference***
02/06/24	08:00	03:00	SW	Riksbank's Thedeen in parliament hearing
02/06/24	12:00	07:00	UK	BOE quarterly report on APF
02/06/24	17:00	12:00	US	Fed's Mester Speaks on Economic Outlook
02/06/24	18:00	13:00	US	Fed's Kashkari Participates in Moderated Discussion
02/06/24	19:00	14:00	US	Fed's Collins Delivers Opening Remarks at Labor Market Confere
02/07/24	00:00	19:00*	US	Fed's Harker Speaks on Fed's Role in Economy
02/07/24	08:30	03:30	SW	Riksbank minutes from Jan. 31 meeting published
02/07/24	08:40	03:40	UK	BOE's Breeden speaks
02/07/24	09:30	04:30	SW	Riksbank's Thedeen speech at Eesti Pank in Tallinn
02/07/24	16:00	11:00	US	Fed's Kugler Speaks at Brookings Event
02/07/24	16:30	11:30	US	Fed's Collins Speaks at Boston Economic Club
02/07/24	17:30	12:30	US	Fed's Barkin Speaks on Outlook, Regional Economy
02/07/24	19:00	14:00	US	Fed's Bowman Speaks on Supporting Small Businesses
02/08/24	08:00	03:00	SW	Riksbank's Jansson speech in London
02/08/24	09:00	04:00	EC	ECB Publishes Economic Bulletin
02/08/24	11:30	06:30	EC	ECB's Wunsch Speaks
02/08/24	13:30	08:30	US	Fed's Barkin Speaks on Bloomberg TV
02/08/24	15:00	10:00	UK	BOE's Catherine Mann speaks
02/08/24	15:30	10:30	EC	ECB's Lane Speaks
02/08/24	17:05	12:05	US	Fed's Barkin Speaks at Economic Club of New York
02/08/24	22:30	17:30	AU	RBA Governor Bullock - Testimony
02/09/24	09:30	04:30	SW	Riksbank FX Sales
02/09/24	10:30	05:30	EC	ECB's Nagel Speaks
02/09/24	13:00	08:00	PD	National Bank of Poland Publishes Minutes of Rate Meeting
02/09/24	14:15	09:15	EC	ECB's Cipollone Speaks

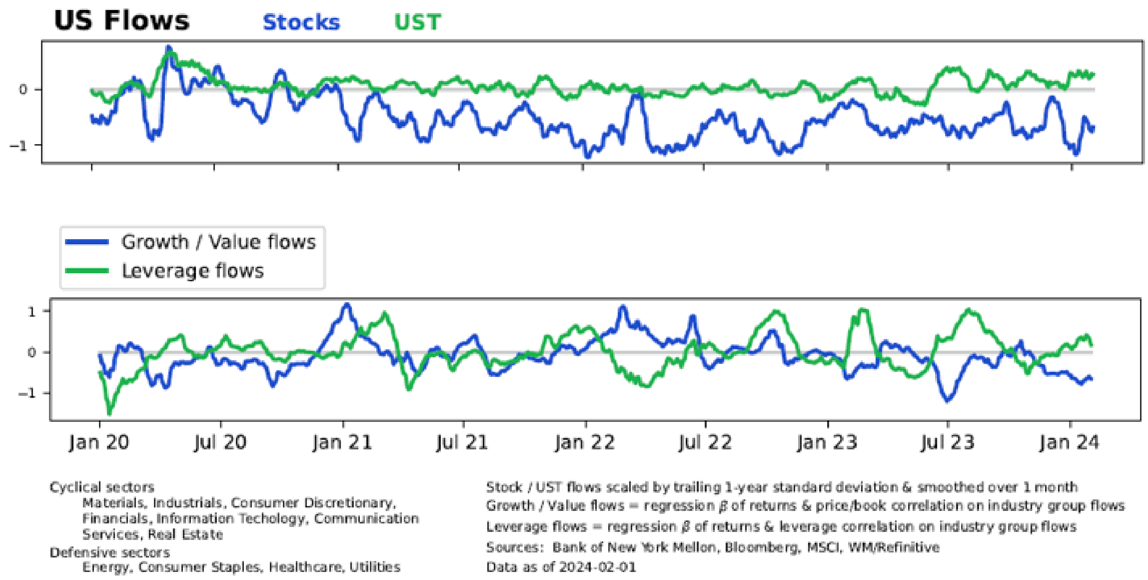
Conclusions: Mixed Signals?

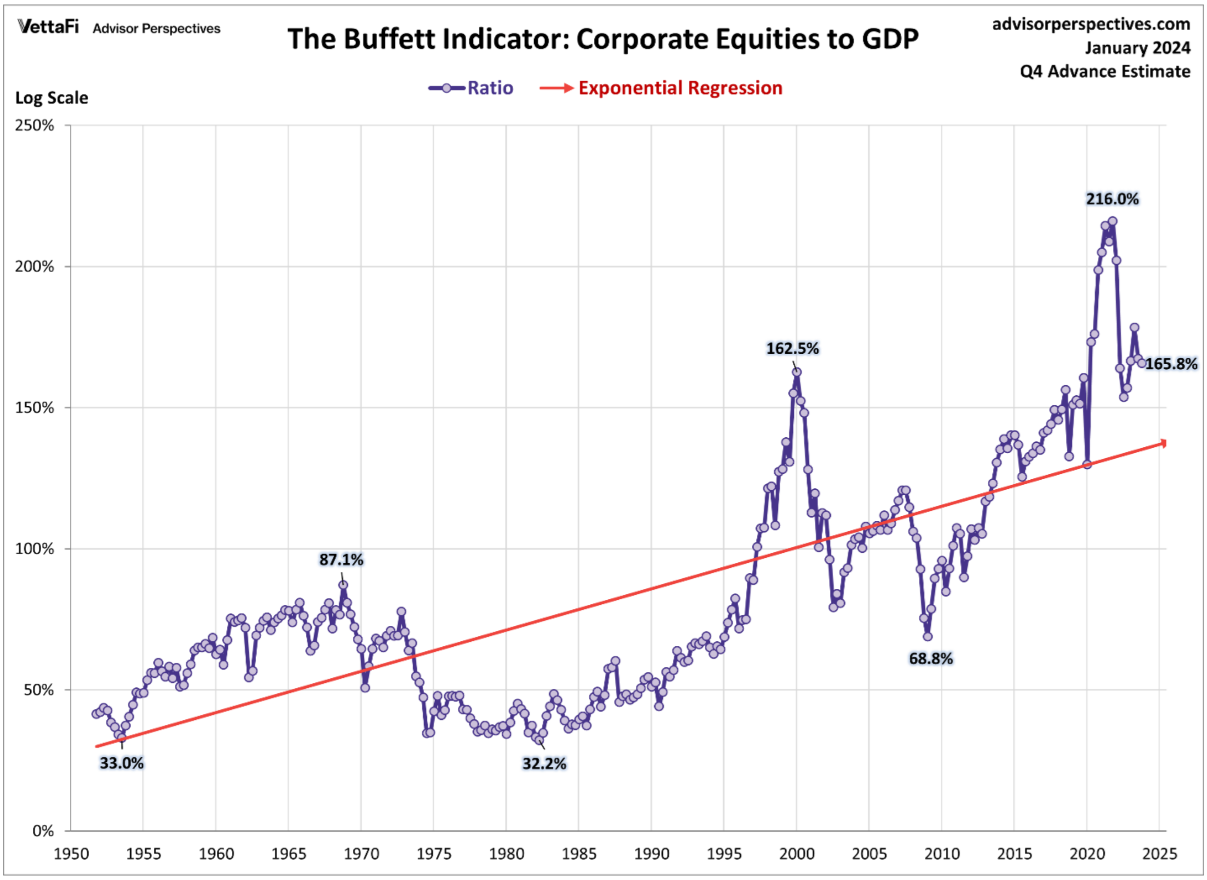
The USD rally to 7-week highs and the US S&P500 making new all-time highs is abnormal. So too is the US bond market where Friday 2Y rates rose 16bps and 30Y rose 10bps while shares gained. Asset allocation is back as a key focus for investors in the week ahead. The technical pictures point to higher USD, mixed equities with earnings all important, mixed rates and bearish oil markets as peace hopes for Gaza continue. However, the headlines over the weekend make clear that the US and UK are still mired in conflict with the Iranian supported militia with attacks ongoing. US retaliation in Syria and Iraq was a Friday story that remains in play while the Israel battles in Gaza are also raging. The entire region remains on alert and key to commodity and inflation fears. Also in play is the US political pressure returning to matter in markets as the US House considers an Israel aid bill without Ukraine deal while the deadline for a budget deal or government shutdown is less than a month away. All of which leaves the iFlow data showing investors more inclined to own US bonds than US stocks. Duration trades remain in vogue and the set up for sectors is mixed – with the turn of the last week casting some doubt in leverage and lower rates working, and with value beating growth.

Investors have been climbing the wall of worry with ease thanks to better US growth and lower inflation. The role of the FOMC matters a bit less now but for the value considerations at play. The cracks in the mood could be in that the good times are rolling too fast and Mardi Gras (Feb 13) is the end of the party, not the beginning. The US consumer stables sector is almost back to flat after running to 1.5 times standard deviation flows in October and then correcting back to negative in November only to bounce again in late December and early January. The price action of the market suggests value remains a central concern for equities along with the business cycle. The fixed income flows suggest much the same as owning HY or IG both are out of favor, while duration continues to be in favor and foreign buying of US debt returned.

Bottom Line: For investors, the week ahead is likely to be one where the US exceptionalism trade gets tests by the Fed Speakers talking about FCI and their views on US growth hopes linked to their easing expectations; by the data from the rest of the world suggesting growth hopes abroad may hold with better value metrics, by the fixed income markets reflecting less need for safety and more for proper premiums ahead. In equities, the 4Q GDP surprise and the better inflation leave companies room for profits into 1Q – expect those outlooks from the over 100 companies reporting this week to be the key balance between bulls and bears. The macro picture is almost as good as it get with the noise of the pandemic slowly disappearing and with bonds back as a reasonable counterpoint to excess reliance on equities. The risk of a correction in equities remains but with less urgency. This means the FX market maybe the key indicator for measuring global moods and the role of the US debt in absorbing excess savings at the expense of growth elsewhere. The USD down, stocks up correlation maybe central to keeping value worries at bay in the week ahead, particularly in Emerging Markets.

Bonds less in favor than stocks





Source: Advisor Perspectives, BNY Mellon

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

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