BNY MELLON

iFlow

MARKET MOVERS

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Rebounds

"“The most important lesson to remember is that failure is inevitable, but so is success, so rebound.” - Naveen Tewari
“Getting the rebound and going, that’s probably the most fluid part of the my game.” - Ben Simmons

Summary

Risk on as the lack of escalation in the Iran/Israel conflict has left oil and gold lower and spurred buying back of equities into a heavy week for 1Q earnings. The lack of bad news is good enough for the rest of the world, but the US markets face a more complicated path with bond supply and US politics rising in importance. In order to get a rebound someone has to miss the basket - at least this is true in Basketball, but in markets you just have to hit something, a bottom predicated on position washouts or the backstop of value. Earnings will determine that today, along with the cost of money with more bills and IG issuance. Watching 2Y 5% pivot, $85 WTI, 155 JPY and other signals for missing the rebound today.

What’s different today:

- **Gold is off 1% to $2360 oz** - off record highs - linked to reduced tensions in the Middle East and ongoing high for longer FOMC expectations.
- **Oil is off 1.75% with Brent below $86 bbl** - linked to Iran downplaying Israel’s Friday attack - also US Congress passing Ukraine and Israel aid with Iran sanctions on oil - with focus on week on US inventories.
- **iFlow data from Friday** points to nothing new – mood, carry and value neutral while trend negative, but still notable bond flows with Australia buying, New Zealand selling in G10, while Argentina bond selling vs. Brazil buying similarly

stands out and China bonds inflow vs. India outflow significant. In Equities mixed with 5 sectors up globally – with info tech the main loser vs. industrials up.

What are we watching:

US March Chicago Fed National Activity Index expected up 0.09 from 0.05 – key leading index helps with 2Q momentum view on economy.

1Q Earnings: Verizon, Ameriprise Financial, Truist Financial, Globe Life, Nucor, Cadence Design, Alexandria Real Estate, Brown & Brown, Packaging Corp of America

US Treasury sells $70bn of 3M and $70bn in 6M bills

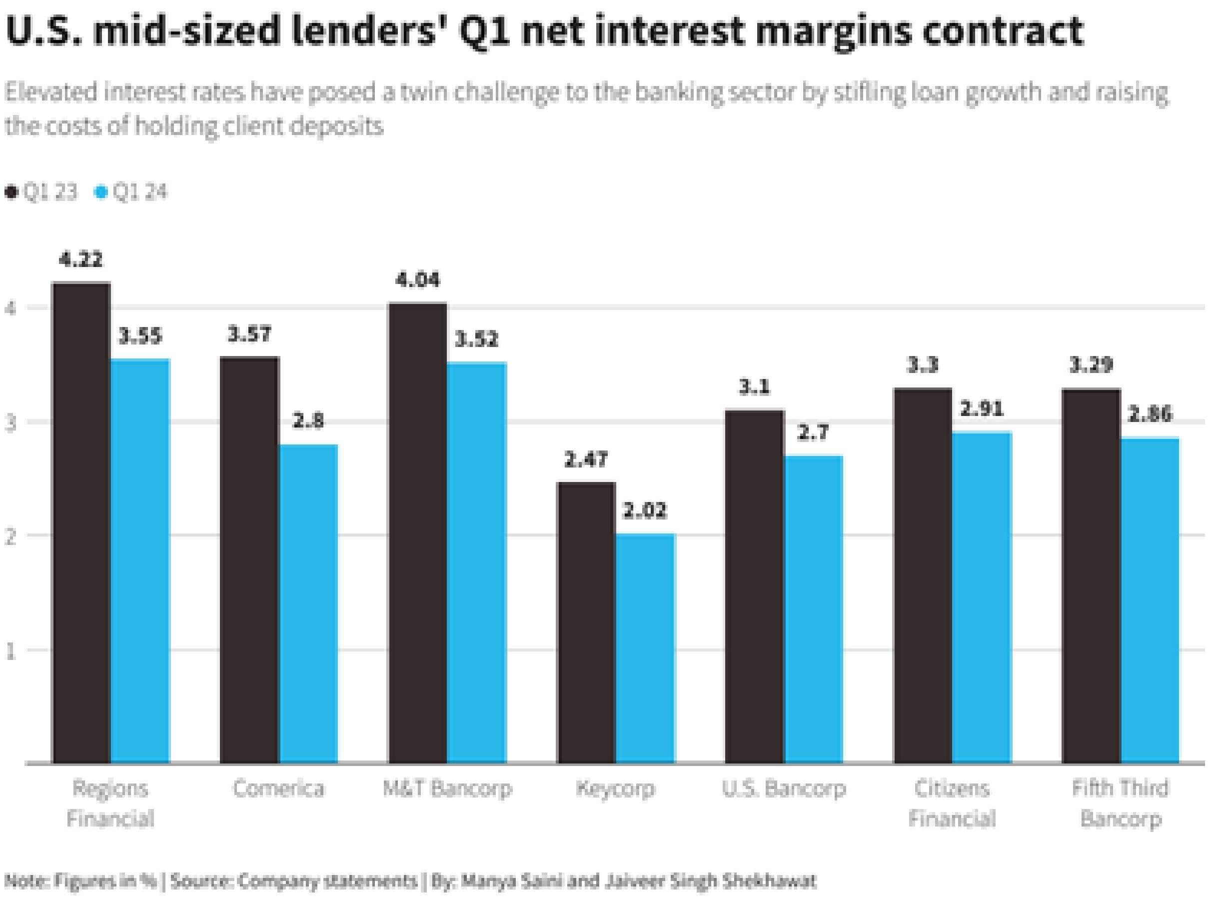
Headlines:

- China PBOC keeps LPR 1Y unchanged at 3.45% and 5Y at 3.9i5% - as expected – CSI off 0.3%,CNY up 0.15% to 7.2500
- BOJ meeting will examine weak JPY and effects on economy- Nikkei up 1%, JPY off 0.1% to 154.75
- Taiwan March export orders up 1.2% y/y- led by electronics – TWD off 0.1% to 32.645
- Indonesia Mar trade surplus up to $4.47bn- largest since Feb 2023 – IDR up 0.15% to 16,230
- Turkey April consumer confidence rises 1.1 to 80.5- best since June 2023.- TRY up 0.1% to 32.483
- Poland Mar industrial production -6% y/y - lowest in 11-months – PLN off 0.2% to 4.0590
- BOE Ramadan sees room to cut – FTSE up 1.5%, Gilt 10Y +2bps to 4.25%, GBP off 0.5% to 1.2315
- Eurozone 2023 government budget to GDP down -0.1%pp to -3.6% but debt/GDP down 2.2pp to 88.6% - lowest in 4-years – EuroStoxx50 up 0.25%, Bund 10Y up 4.5bps to 2.545%, EUR off 0.1% to 1.0640
- Israeli military intelligence head resigns over Oct 7 attack failures – WTI off 0.25%, ILS up 0.25% to 3.7555

The Takeaways:

The focus of markets in the week ahead maybe less about inflation or monetary policy and more about stocks as the 1Q earnings reports flood the tape with the focus on big tech names driving the AI boom. The Friday 10% drop in NVIDIA will be closely watched for rebounds even as it's up 50% year-to-date. This week Tesla, Microsoft, Meta and Alphabet report. The obsession with productivity and what it means for growth and inflation in the months ahead feeds back to the Fed and economics. The other issue for risk today is about rates - as the 2Y US Treasury yields probed above 5% again today, with an auction of two-year paper due Tuesday. The larger and more worrisome driver for fear in earnings remains in financials with focus on the mid-sized and smaller banks. The interest rate story matters and what higher rates mean for deposits. The lack of certainty about liquidity anywhere hangs a nail on the wall of worry that reflects the failures of stability in the best of times.

Will smaller banks matter to 1Q earnings?



Source: Reuters / BNY Mellon

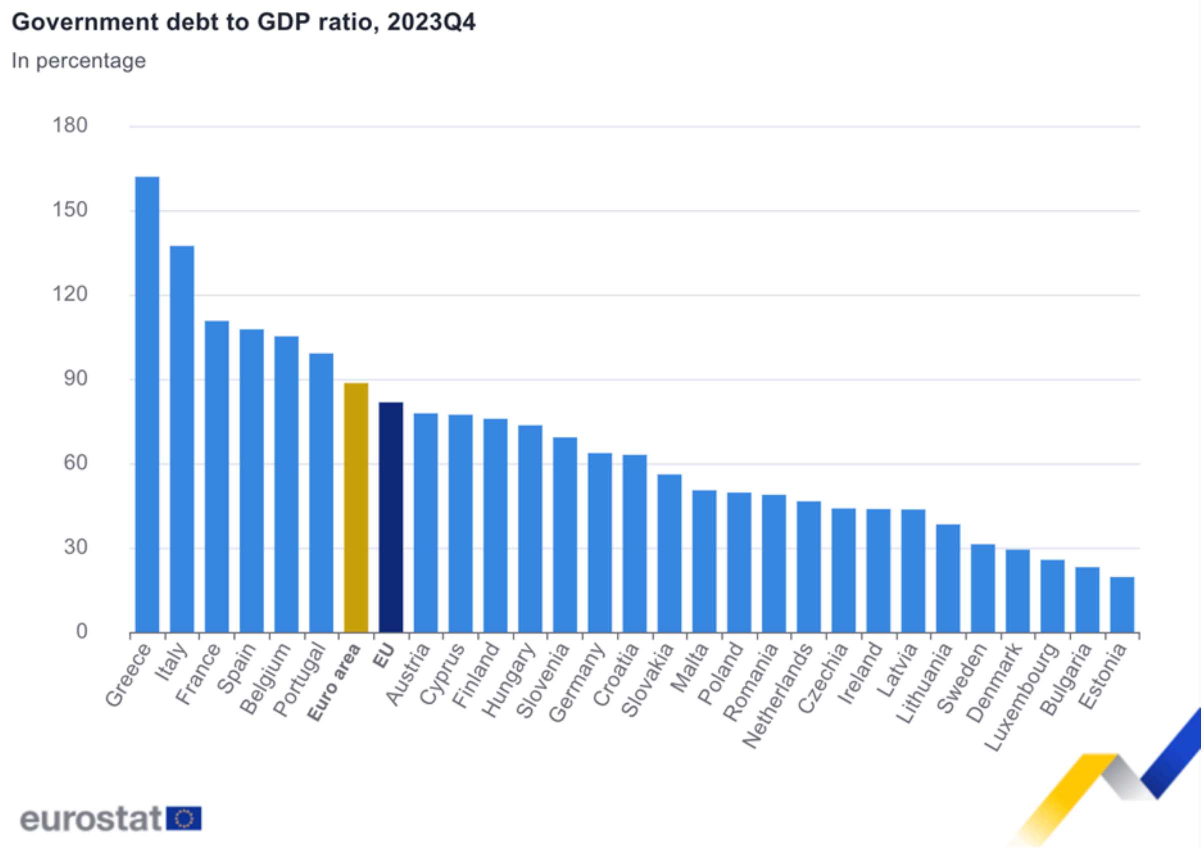
Details of Economic Releases:

1. Indonesia March trade surplus rises to $4.47bn after $0.83bn - more than the $1.5bn expected - the largest trade surplus since February 2023, as exports dropped less than imports. Shipments declined 4.19% from a year earlier to USD 22.43 billion, the 10th straight month of contraction but the softest in the sequence. Meanwhile, imports plunged by 12.76% to USD 17.96 billion, the first decline so far this year and the steepest drop in seven months. In the first quarter of the year, the trade balance registered a surplus of USD 7.31 billion, as exports and imports shrank by 7.25% and 0.10%, respectively.

2. Turkey April consumer confidence rises to 80.5 from 79.4 - better than 79.3 expected - highest since June 2023 as the 12-month outlook improved for the financial situation of households (82.9 vs 78.9 in March), and the general economic situation (78.1 vs 74.9). At the same time, concerns were lessened for unemployment over the next 12 months (74.9 vs 77.2). Meanwhile, sentiments weakened for the current financial situation of households (65 vs 66.6), and the consideration to spend on durable goods in the next 12 months (95.8 vs 97). Also, views on future inflation increased (56.2 vs 53.5).

3. Eurozone 2023 debt to GDP ratio drops to 88.6% from 90.8% - as expected - lowest level in four years. Twelve economies within the bloc had government debt ratios exceeding 60% of GDP, with the highest figures observed in Greece (161.9%), Italy (137.3%), France (110.6%), Spain (107.7%), and Belgium (105.2%). Among other economies, Germany recorded a ratio of 63.6% of GDP, while the Netherlands reported 46.5%.

Is the EU fiscal enough to keep EUR bid?



Source: EuroStat/BNY Mellon

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