

# iFlow

## MARKET MOVERS

April 25, 2024

### Doubt

***"Doubt kills more dreams than failure ever will." – Suzy Kassem***  
***"Doubt is a pain too lonely to know that faith is his twin brother." – Khalid Gibran***

### Summary

Risk off as doubts about chips notable with emerging market tech names leading stocks lower. Hong Kong and China rose but most of APAC lower and worse currency weakness holds most notably in Indonesia where despite BI hike IDR is off 0.2%. The better news on Korea growth was also discounted as a block for Bank of Korea faster easing. Markets also are focused on JPY and the 155 USD breach holding overnight with BOJ starting its meeting today and MOF only talking about acting on extreme FX moves. The EU news isn't much better with big drops in confidence in France at odds with the German consumer mood surge. The UK CBI retail sales were shockingly bad but blamed on Easter being early. What matters next is the US GDP 1Q flash and more earnings. The risk of higher for longer policy links to growth being higher than expected. Worse for markets is if this doesn't translate into earnings being better with the heavy list of 1Q reports dominating today.

### What's different today:

- **Dutch CPB world trade volume for February up 1% m/m** after -0.7% in January – the rebound was led by imports increasing in Japan 3.6%, EU 2.4% and LaTAM 4.3%. Exports rose for US 2.3% and other advanced economies 1.8%.

**iFlow – Another day and more USD selling** with most all G10 seeing inflows except GBP. Equities still mixed but only APAC developed seeing any inflows, while bonds are mostly seeing inflow in G10 except New Zealand and Australia.

## What are we watching:

- **US 1Q GDP preliminary** expected up 2.5% after 3.4% with consumption 3% from 3.3% and price index 3% from 1.6% with core 3.4% from 2.0%
- **US weekly jobless claims** expected up 3k to 215k with continuing claims up 2k to 1.814mn
- **US March pending home sales** expected up 0.4% m/m, -3% y/y after -2.2% y/y
- **US Treasury sells** \$70bn in 4-week bills, \$75bn in 8-week and \$44bn in 7-year notes
- **1Q Earnings:** Microsoft, Alphabet, Intel, Eastman Chemical, Honeywell, Dow, Caterpillar, Union Pacific, Bristol-Myers Squibb, Altria, Northrop Grumman, Capital One, Nasdaq, S&P Global, VeriSign, American Airlines, Mohawk, Southwest Airlines, PG&E, Keurig Dr Pepper, Weyerhaeuser, International Paper, Wills Towers Watson, AO Smith, Western Digital, L3Harris, Principal Financial, Cincinnati Financial, Hartford Financial, Newmont, Dover, WW Grainger, Textron, Valero Energy, CMS Energy, Xcel Energy, First Energy, Allegion, Royal Caribbean.

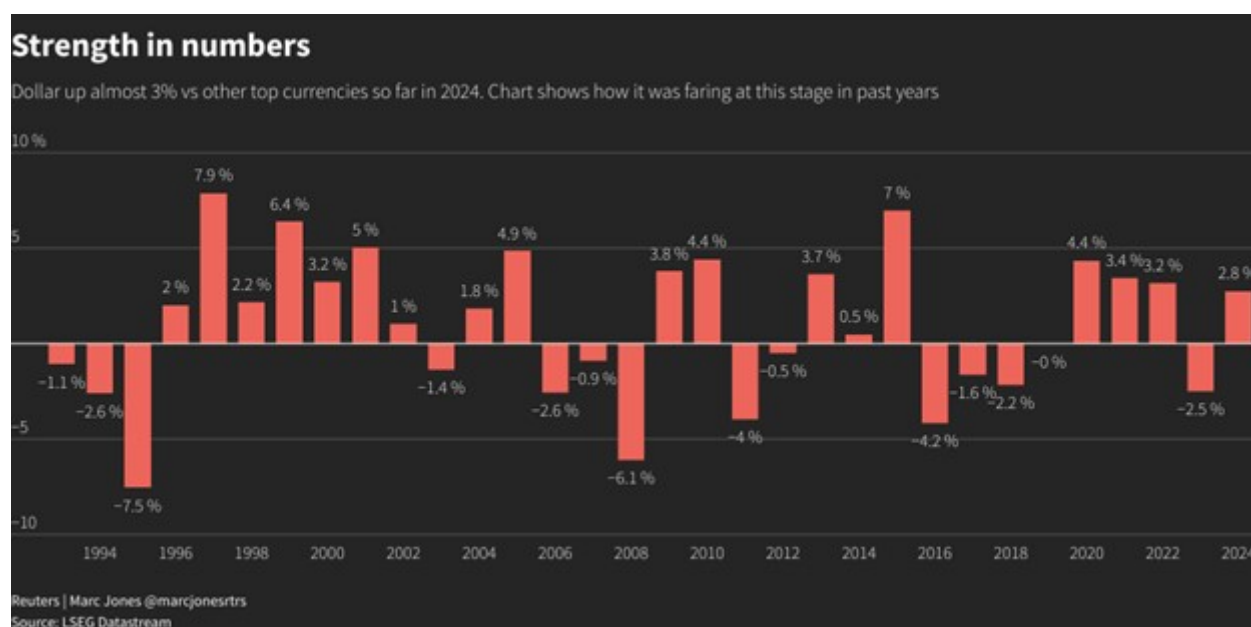
## Headlines:

- Korea 1Q GDP flash up 1.3% q/q, 3.4% y/y – best since 4Q 2021 – while April business confidence rose 2 to 73 – best since June 2023 – Kospi off 1.76%, KRW off 0.4% to 1374.50
- Japan MOF Suzuki: No change in FX stance will take appropriate action over JPY moves; Japan Feb final LEI up 2.3 to 111.8 but coincident off 0.7 to 111.6 – Nikkei off 2.16%, JPY off 0.2% to 155.60
- ECB Economic Bulletin: Risks to economic growth tilted to downside – EuroStoxx 50 -0.8%, EUR up 0.2% to 1.0725
- German May GfK consumer confidence up 3.1 to -24.2 – best in 2 years – led by income outlooks – DAX off 0.6%, Bund 10Y yields off 1.7bps to 2.57%
- French April business confidence off 3 to 100 – at long-term average while job outlook improves and with March claims back to Sep 2023 level – CAC 40 off 0.8%, OAT 10Y off 2.5bps to 3.065%
- UK April CBI retail sales orders -46 to -44 – worst April drop since 2020 – linked to Easter timing – FTSE up 0.6%, GBP up 0.4% to 1.2505
- Turkey central bank TCMB leaves rates unchanged at 50% - as expected – will keep policy tight until significant deflation seen – TRY up 0.1% to 32.496

## The Takeaways:

The focus on risk in equities remains key to trading today but the link of a weaker USD to a stronger stock market is something to consider as well. The markets have been locked in on JPY and the 155 line break with BOJ meeting and MOF intervention threats from Japan the focus. The surprise is that even with higher US rates the USD wobbles elsewhere in the G10 this week and that today we have a risk off. The break of correlation is worth thinking through. The ability for yields in the US to attract sufficient capital to cover the debt is one factor to consider. The effect of higher for longer rates on growth is the other and today's 1Q GDP will highlight this as well. Tying the growth and stronger USD this year to higher stocks makes the doubt of the day a bit more understandable. The simple way out for investors is to believe in the power of AI investment to boost productivity higher and so justify the high real rates and higher confidence in tech – all of which will come to play in 1Q earnings reports today.

### Is the USD gains in 2024 a seasonal story?



Source: Reuters / BNY Mellon

### Details of Economic Releases:

**1. Korea 1Q GDP preliminary rose 1.3% q/q, 3.4% y/y after 0.6% q/q, 2.2% y/y – better than the 0.6% qq/q, 2.4% y/y expected** – best since 4Q 2021. On the expenditure side, private consumption rose by 0.8% (vs +0.2% in Q4), driven by increased expenditures on goods and services. Government consumption also grew, increasing by 0.7% (vs +0.5% in Q4), mainly due to higher spending on goods. Construction investment expanded significantly, growing by 2.7% (vs -4.5% in Q4), with both building construction and civil engineering seeing increases. However, facilities investment declined by 0.8% (vs +3.3% in Q4), primarily due to lower investment in transportation equipment. Exports rose by 0.9% (vs +3.5% in Q4), driven

by higher exports of IT items, such as cellular phones. Imports contracted by 0.7% (vs +1.4% in Q4), mainly due to decreased imports of electronic equipment.

**2. Korea April business confidence rises to 73 from 71 – better than 71 expected** - the highest reading since June as export oriented demands (80 vs 75 in March) and sales (79 vs 77 in March) rose. Meanwhile, profitability remained steady at 78 and domestic demands (69 vs 70 in March) decreased. Additionally, manufacturers reported an increase in both sales prices (100 vs 95 in March) and raw material purchase prices (121 vs 117 in March).

**3. Japan February final leading economic index confirmed up 111.8 from 109.5 – as expected** – while the coincident index fell to 111.6 from 112.3 – better than 110.9 flash but still the second monthly drop and the lowest since May 2022, as the country struggled to maintain sustained economic recovery due to elevated inflation, weak consumption, and a persistent decline in manufacturing activity. At the same time, the development of overseas economies remained uncertain amid the impacts of global monetary tightening and concerns about a slow turnaround in China.

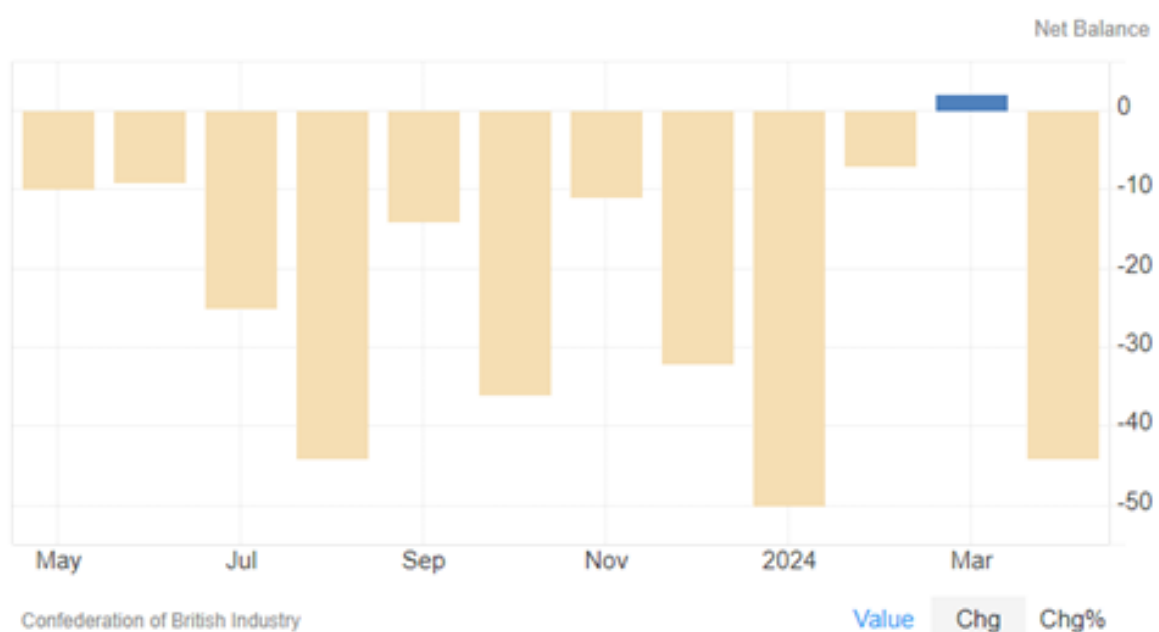
**4. German May GfK consumer confidence rises to -24.2 from -27.3 – better than -25.9 expected** - the highest reading in two years, with income expectations surging to their top since January 2022 (10.7 vs -1.5 in April). Also, there were rises in both economic prospects (0.7 vs -3.1) and the propensity to buy (-12.6 vs -15.3). Simultaneously, the tendency to save increased to hit an extreme high (14.9 vs 12.4), as uncertainty about development in Europe's biggest economy persisted. Overall, while sentiment has recovered, it stayed at a subdued level. "In times of multiple crises and a lack of confidence in future development, there is still a lot of uncertainty among consumers," said Rolf Bürkl, consumer expert at NIM. He added that there was still no strong stimulus for domestic demand.

**5. French April business confidence drops to 100 from 103 – weaker than 102 expected** – while business climate index fell 1 to 99. Sentiments weakened among manufacturers (100 vs 103 in March), constructors (101 vs 103), and service providers (100 vs 103). Meanwhile, morale strengthened for retailers (103 vs 100). Manufacturers' evaluations declined for past production (0 vs 1 in March), the expected change in workforce (4 vs 5), and personal production (9 vs 10). At the same time, views were more pessimistic for overall order books (-19 vs -13), and foreign orders (-11 vs -5), while assessments were unchanged for general production (-7), and the gauge for perceiving economic uncertainty (28). On the other hand, expectations improved for finished goods inventory (11 vs 7), and the trend in selling prices turned positive (3 vs -1).

**6. French March unemployment claims drop -8,400 after -6,100 – less than the -10,000 drop expected.** Total claims are 2.812mn – the lowest since September 2023. Among age groups, unemployment for individuals aged less than 25 years fell by 0.9 thousand to 0.392 million, while joblessness for individuals aged 50 years or older decreased by 8.7 thousand to 0.775 million. Conversely, unemployment for individuals aged between 25 and 49 years old rose by 1.2 thousand to 1.645 million. Regarding gender, female unemployment decreased by 12.1 thousand, reaching 1.371 million, while male unemployment increased by 3.7 thousand, to 1.442 million.

**7. UK April CBI distributive trade order -44 from +2 – much worse than -2 expected** - the worst fall in retail sales for an April month since 2020, likely related to the earlier timing of Easter this year. "That being said, conditions do remain challenging on the ground", Alpesh Paleja, CBI lead economist said. Sales are expected to continue falling next month, but at a slower pace, the CBI added.

### Is the UK consumer in trouble?



Source: UK CBI/BNY Mellon

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Please direct questions or comments to: [iFlow@BNYMellon.com](mailto:iFlow@BNYMellon.com)