BNY MELLON

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MARKET MOVERS

April 29, 2024

No Comment

"The questions don't do the damage, only the answers do." – Sam Donaldson
"There is no comment on pictures but pictures, on music but music, on poems but poetry. If you do, you do. If you don't, you don't. And that's all there is to that." – William Carlos Williams

Summary

Risk on as markets await the Fed, the US jobs report and the US Treasury refunding plan. The news overnight was mixed with USD lower after JPY seemingly hits intervention zone but Tokyo is on holiday and we won't know until we know. The China deal with Elon Musk helped tech shares everywhere and the weaker EU sentiment – with manufacturing at 4-year lows – makes clear that auto production everywhere matters. The EU rally up in shares is linked back to ECB cutting hopes and shows up in bonds rallying there. The Sweden GDP drop continues while Ireland sees first up quarter in a year. Many want to believe that Monday is a non-event day of waiting in a golden week where the yellow metal drops back as fiat money finds homes in higher yielding, better growth stories. The no comment on anything crowd from politicians to central bankers to those in charge of intervention will be a false relief, leaving more questions than answers.

What's different today:

- **Possible JPY intervention** as FX market sees JPY move from 160.2 to gain 2% on day to 155 – no comment from Japan MoF Kanda.
- **Spanish PM Sanchez vows to stay on as leader** after considering exit over wife's corruption investigation.

What are we watching:

- **German April flash CPI** expected up 0.6% m/m, 2.3% y/y from 2.2% y/y – matters to ECB views and EUR.
- **US Treasury refunding estimates** expected unchanged from previous quarter, also $70bn in 3M and 6M bills to be sold.
- **1Q Earnings:** Paramount Global, Domino's Pizza, Franklin Resources, Everest, Welltower, SBA Communications, F5, ON Semiconductor, Revvity, NXP Semiconductors, Arch Capital

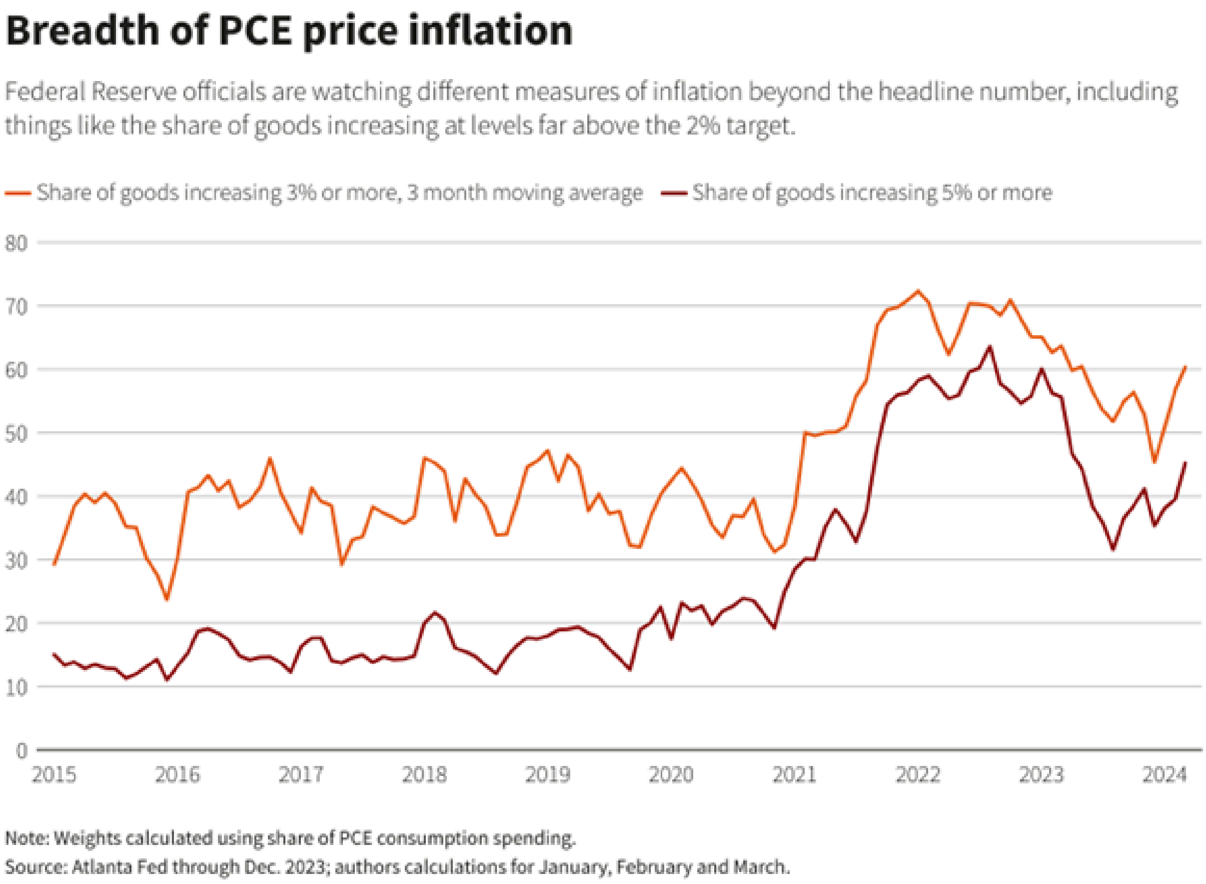
Headlines:

- China Mar industrial profits drop to +4.3% ytd y/y – led by SOE – Tesla gets Baidu help for driver assistance tech – CSI 300 up 1.11%, CNH up 0.25% to 7.2505
- Japan MOF Kanda: “No comment now” if intervention – Ruling LDP loses all 3 special election seats to opposition - JPY touches 160.16, now 155.80 – Japan markets closed for holiday – JPY up 1.7% to 155.80
- Singapore Mar PPI -0.1% m/m, -1.6% y/y – 3rd month of deflation – while import prices -0.2% m/m, exports up 0.6% m/m - SGD up 0.25% to 1.3595
- Turkey Apr economic confidence -1 to 99 – led by services – TRY up 0.4 to 32.371
- Sweden 1Q GDP off 0.1% q/q, -1.1% y/y – as expected – 4th quarterly contraction – OMX up 0.35%, SEK up 0.1% to 10.92
- Spanish Apr flash CPI up 0.1pp to 3.3% y/y, core off 0.1pp to 2.9% - linked to energy – SPGB off 6.5bps to 3.293%
- German Apr flash State CPI reports suggest 0.6% m/m, 2.4% y/y – more than 2.3% y/y expected – DAX flat, Bund 10Y off 5.5bps to 2.52%
- Eurozone Apr economic sentiment drops 0.6 to 95.6 – led by manufacturing at June 2020 lows – EuroStoxx 50 off 0.15%, EUR up 0.2% to 1.0715
- Israel/Hamas discuss Eqypt ceasefire deal, US President Biden ironclad commitment to Israeli security – Oil off 0.25%, Gold up 0.15%, Dollar Index off 0.3%

The Takeaways:

With less than 2 rate cuts priced into the FOMC for 2024, the expectations for the Fed meeting this week are low and it could be the most over discussed non-event of the week. The signals of the Fed speakers into this meeting were uniform – high for longer until they have confidence from inflation data dropping. The back side of their lack of conviction on easing will be in the labor markets this week with ADP, JOLTS, weekly claims and the non-farm payrolls all important in how markets see the US economy after last weeks weaker 1.6% 1Q GDP. The high growth and high-rate economy leaves the USD plenty of room to hold bid with a risk premium but for the cost of money and debt which makes today more about the US treasury refunding than about much else. The drags on US growth in 2024 so far have been **trade** – blame the dollar; **inventories** – blame margin and inflation pressures; and **government spending** – blame the cost of debt and the politics of an election year. What seems clear is that voters are unlikely to celebrate the summer ahead with higher price pressures driving up more spending without higher wages or more enticements from the government. The risk for the US markets is in the comparison to other nations providing a more optimistic path for growth and inflation ahead.

Is the US inflation stuck?



Source: Reuters / BNY Mellon

Details of Economic Releases:

1. China March industrial profits fell back to +4.3% ytd y/y after 10.2% ytd y/y – less than the 12% ytd y/y expected. Profits in state-owned firms fell (-2.6% vs 0.5% in January-February) while those in the private sector sharply slowed (5.8% vs

12.7%). Profits increased for computer industry, communications (82.5%), non-ferrous metal smelting and rolling (57.2%), heat production (47.5%), cars (47.5%), machinery & equipment (35.2%), general equipment (7.9%), and oil and natural gas (3.8%). By contrast, profits fell for non-metallics (-54.2%), coal mining and washing (-33.5%), special equipment manufacturing (-7.2%), and chemical products (-3.5%). Meantime, petroleum, and coal turned from profit to loss. In March alone, industrial profits fell 3.5%.

2. Singapore March PPI off -0.1% m/m, 1.6% y/y after -0.3% m/m, -3.0% y/y – less than +4% y/y expected - the third consecutive period of producer deflation but the softest in the sequence, as prices decreased at a slower pace for crude materials (-7.2% vs -8.2% in February), manufactured goods (-3.3% vs -3.5%), and machinery & transport equipment (-2% vs -2.7%). At the same time, costs rebounded for mineral fuels (1.3% vs -5.6%). On the other hand, prices slowed for food & live animals (1.2% vs 1.9%), while costs tumbled for beverages & tobacco (-0.4% vs 0.8%), and continued to decline for animal & vegetable oils, fats & waxes (-16.5% vs -4.5%), chemical products (-3.2% vs -1.3%), and miscellaneous manufactured articles (-2.6% vs -0.9%).

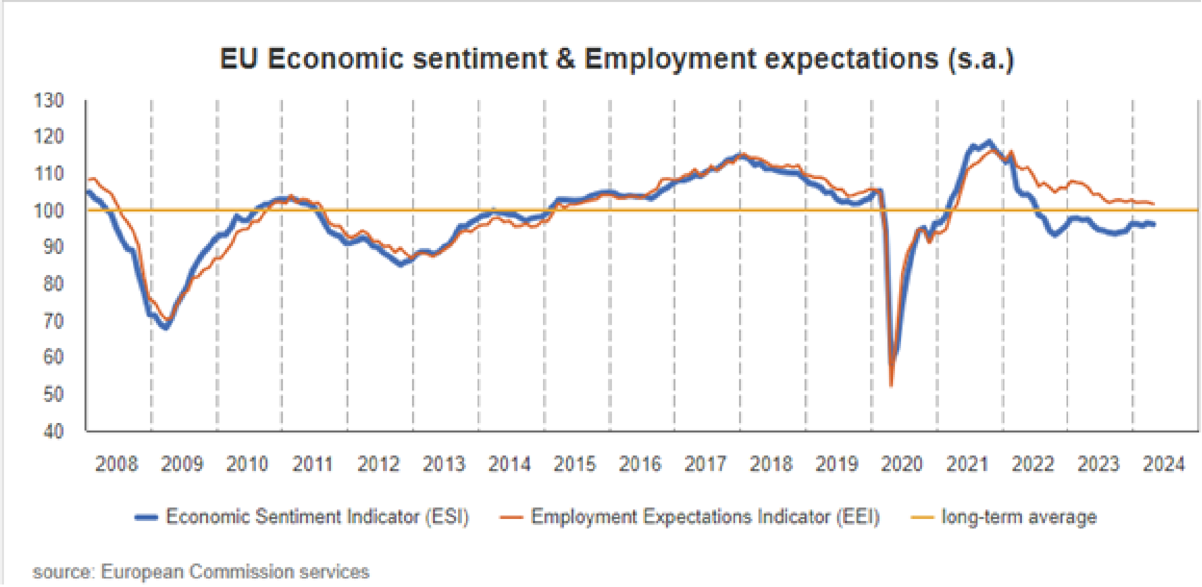
3. Turkey April economic confidence index slips to 99 from 100 – weaker than 100.2 expected – as morale deteriorated among service providers (117.1 vs 120.4 in March). On the other hand, sentiments improved for consumers (80.5 vs 79.4), and retailers (115.5 vs 113.3), while confidence was unchanged among manufacturers (103.5), and constructors (88.6).

4. Spanish April flash CPI up 0.7% m/m, 3.3% y/y after 0.8% m/m, 3.2% y/y – less than the 3.4% y/y expected - mainly due to the rise in gas prices, contrasting with the decline experienced in April 2023, and the increase in food prices surpassing last year's levels. Meanwhile, electricity prices saw a decrease, albeit not as substantial as in the corresponding month of the preceding year. The core rate, excluding volatile items like food and energy, was 2.9% in April 2024, the lowest since January 2022, down from 3.3% in March. Spain's European Union-harmonized 12-month inflation rose to 3.4% in April from 3.3% in March.

5. German April State CPI reports suggest 0.6% m/m, 2.4% y/y worse than 2.3% y/y expected - Saxony up 0.6% m/m, 2.7% y/y from 2.5% y/y; NRW up 0.4% m/m, 2.3% y/y flat; Hesse up 0.6% m/m, 1.9% y/y from 1.6% y/y; Brandenburg up 0.6% m/m, 3% y/y from 2.8% y/y; Bavaria up 0.6% m/m, 2.5% y/y from 2.3% y/y; BW up 0.3% m/m, 2.1% y/y from 2.3% y/y

6. Eurozone April economic sentiment drops to 95.6 from 96.2 – weaker than 96.9 expected - driven by a sharp drop in confidence among manufacturers, which reached its lowest level since July 2020 (-10.5 vs -8.9 in March). Morale has also worsened among service providers (6.0 vs 6.4), retailers (-6.8 vs -6.0), and constructors (-6.0 vs -5.6). On the other hand, sentiment among consumers improved slightly (-14.7 vs -14.9). On the pricing front, the consumer inflation expectations index decreased by 0.7 points to 11.6, while the gauge for selling price expectations among manufacturers edged down by 0.1 point to 5.4. Among the largest economies in the bloc, the ESI deteriorated significantly in France (-4.8) and more moderately in Italy (-1.3), while it improved markedly in Spain (+2.3) and Germany (+1.5), and to a lesser extent, in the Netherlands (+0.3).

Is the EU recovery in trouble?



Source: EU commission/BNY Mellon

Disclaimer and Disclosures

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

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