BNY MELLON

iFlow

MARKET MOVERS

April 30, 2024

Vintage

"It is easily overlooked that what is now called vintage was once brand new." – Tony Visconti
"The thing about being vintage is that it never goes out of fashion." – Anthony T. Hincks

Summary

Risk mixed with focus on US earnings, US economic data and rates into the FOMC meeting start today and finish tomorrow. The overnight news added to view that the rest of the world is doing better – 1Q EU flash GDP up and CPI in line – but that subtracted from ECB rate cut expectations and left shares in Europe wobbly and bonds unwinding some of yesterday's gains. The risk mix is about monetary policy helping stocks more than slowing them. FX sees the USD up and no new on Japan MOF intervention though 158 seems to be the new 160 line in the sand. Holidays tomorrow make today's liquidity suspect and its month end leaving much of the flows forced rather than motivated on hopes for growth or yields. The end of April is one of dread as the vintage of this month was poor to the historic seasonals and sets up May for selling and going away.

What's different today:

- **Taiwan 1Q GDP up 6.51% y/y – most in 3 years** – up from 4.93% y/y. The growth was led by exports for AI chips.
- **India Sensex off on day -0.3% but up 1.1% on the month** even as INR hovers at 83.4 near 83.7 record lows from April 16th.
- **iFlow Mood** – now in negative -0.11 second time this year. S&P500 focus is on 50-day moving average at 5125 for global stocks. US bond buying

continued yesterday. While global sectors in stocks had only energy up and no region seeing flows in. FX was USD selling in G10 vs. buying except in GBP.

What are we watching:

- **US 1Q Employment Cost Index** expected up 1% after 0.9% - key for wage view for Fed meeting.
- **US February FHA price index** expected up 0.2% m/m after -0.1% while Case-Shiller 20-City expected up 0.1% m/m after 0.14% - both matter to rates to housing sector.
- **US April conference board consumer confidence** expected down to 104 from 104.7 – with focus on jobs and inflation views.
- **1Q Earnings:** Amazon, Eli Lilly, Super Micro Computers, Advanced Micro Devices, Prudential Financial, PayPal, 3M, Marathon, Mondelez, Coca Cola, Starbucks, Molson Coors, McDonalds, Clorox, Corning, Edison, Eaton, Amcor, Archer Daniels Midland, Stryker, Sysco, Hubbell, Pacar, Skyworks Solutions, Incyte, CentrePoint Energy, Diamondback Energy, Caesars Entertainment, American Tower, Illinois Tool Works, Republic Services, Essex Property Trust, Ecolab, Gartner

Headlines:

- Korea Mar industrial production -3.2% m/m, +0.7% y/y- worst drop since Oct 2023, lowest in 4-years - while retail sales rose 1.6% m/m – Kospi up 0.17%, KRW off 0.3% to 1381.90
- Japan Mar unemployment stuck at 2.6% - highest in 5-months - while industrial production rose 3.8% m/m, -6.7% y/y - best bounce since June 2022, while retail sales fell -1.2% m/m, +1.2% y/y – Nikkei up 1.24%, JPY off 0.35% to 156.90
- China April NBS manufacturing PMI off 0.4 to 50.4 while services off 1.8 to 51.2 - Caixin manufacturing rose 0.3 to 51.4 - 6tth month of expansion – CSI 300 off 0.54%, CNH off 0.1%T to 7.2495
- Australian Mar retail sales -0.4% m/m, -0.8% ltd - first drop since Dec 2023, slowest quarter since Aug 2021 - while private credit rose 0.3% m/m, 5.1% y/y -slowest since July 2023 – ASX up 0.35%, AUD off 0.55% to .6530
- Swiss Arpl Kof rises 1.4 to 101.8 - again over long-term average – Swiss MKT off 0.15%, CHF off 0.15% to .9120
- German March unemployment steady at 5.9% - highest since May 2021 - 16th month of rising jobless while retail sales rose 1.8% - DAX off 0.4%, Bund 10Y yields up 2.7bps 2.558%

- Eurozone 1Q GDP flash up 0.3% q/q, while flash April CPI steady at 2.4% y/y with core off 0.2pp to 2.7% y/y – EuroStoxx 50 off 0.35%, EUR flat at 1.0725
- UK Mar consumer credit up to GBP1.577bn – while mortgage approvals gain 1k to 61.33k most in 18-months – FTSE up 0.6%, GBP off 0.1% to 1.2545

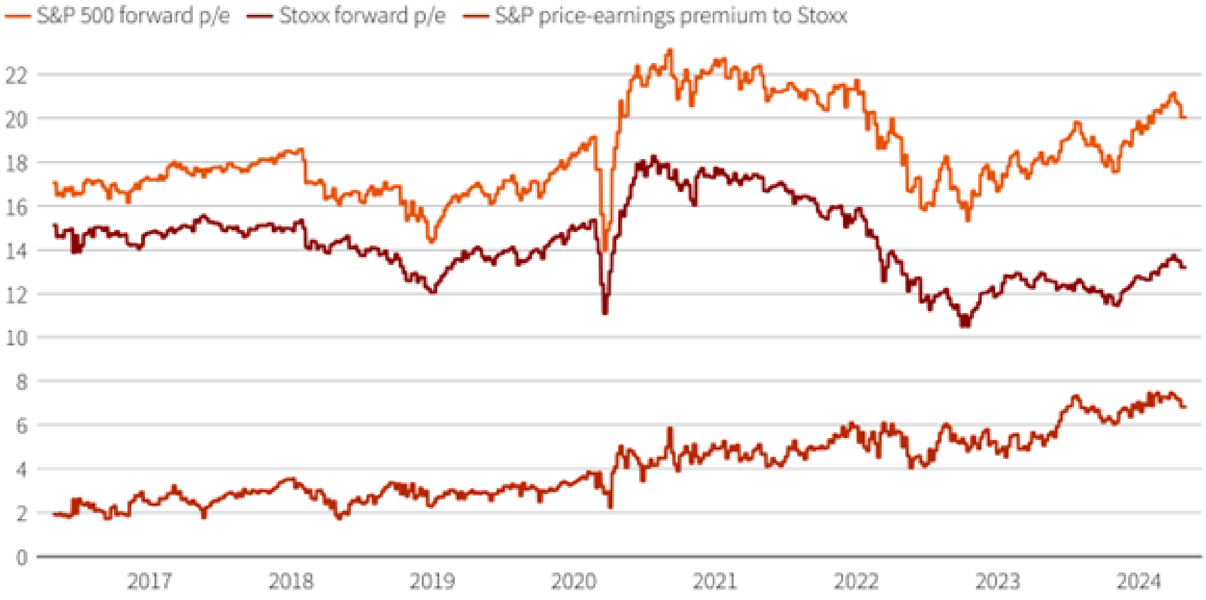
The Takeaways:

Time doesn't always work in favor of smoothing out the rough edges of expectations with the vintage of April trading clearly disappointing in 2024. For traders, when markets go wrong the urge to throw out all positions and restart from the ground up drives the "washout" of risk. For investors, such events lead to reweighting and rebalancing which is the order of the day. Many see the FOMC or the economic data ahead as crucial to adding to the hopes for higher equities and higher growth in 2024. However, as even the EU has shown the growth shoots from 1Q can show up even with high rates. Monetary policy seems to have less power now than in the expectations of them. The vintage expectations for policy and soft-landing being rare make many now see the world in a less hopeful way – 35% risk of recession, 50% chance of soft-landing and 15% chance of higher growth and higher rates. The way investors play out the US risk will rest on 1Q earnings today and rest of week despite the Fed and labor data. The comparison of US returns to EU ones is in play as it is for APAC. Risk-off wells up overnight on breaking down the rest of world hopes for beating US exceptionalism, making any US data that misses a danger. Bull markets don't die of old age, the central bankers usually kill them.

Is the US vs. EU value comparison about growth or inflation?

Can this hold? US stock market valuation premium to Europe

U.S price-to-earnings multiple compared to Europe has rocketed since 2020



Note:
Source: LSEG

Source: Reuters / BNY Mellon

Details of Economic Releases:

1. Korea March industrial production -3.2% m/m, +0.7% y/y after +2.9% m/m, +4.6% y/y - worse than the +0.6% m/m, 5.6% y/y expected - worst drop since October 2023. The all industry output fell 2.1% m/m, +0.2% y/y with manufacturing -3.5% y/y, up 0.4% y/y. Service index fell -0.8% m/m but up 1% y/y. Retail sales rose 1.6% m/m, down -2.7% y/y.

2. Japan March unemployment steady at 2.6% - worse than the 2.5% expected - stuck at the highest level since last September. The number of unemployed was stable at 1.82 million while employment fell 230 thousand to 67.60 million. The labor force dropped by 250 thousand to 69.41 million, and those detached from the labor force added by 310 thousand to 40.59 million. The non-seasonally adjusted labor force participation rate increased to 62.8% in March from 62.6% in the same month a year earlier. Meanwhile, the jobs-to-applications ticked up to 1.28 in March, the highest level since October 2023, from the prior 1.26.

3. Japan March industrial production rose 3.8% m/m, -6.7% y/y after -0.6% m/m, -3.9% y/y - better than 3.4% m/m expected - growth in industrial output since June 2022, largely contributed by motor vehicles (9.6% vs -8.1% in February), production machinery (11.6% vs -3.2%), and electronic parts and devices (9.2% vs 0.2%).

4. **Japan March retail sales fell -1.2% m/m, +1.2% y/y after +1.5% m/m, +4.7% y/;y - worse than +0.6% m/m, +2.5% y/y expected** - still, the 25th consecutive month of expansion in retail sales as consumption in Japan continued a healthy streak. Looking at the retail sector by industry, sales for machinery & equipment (8.1%0 and fuel (8.1%) advanced the most, followed by department stores (6.1%), food & beverage (4.6%), pharmaceuticals & cosmetics (3.9%), other retail products (3.6%) and non-store retailers (0.7%). Meanwhile, sales of automobiles (-15.9%) and textile, clothing & personal goods (-3.8%) declined in March.

5. **China April NBS manufacturing PMI slows to 50.4 from 50.8 - better than 50.3 expected -** second month of expansion. New orders grew less (51.1 vs 53.0 in March), with foreign sales rising softer (50.6 vs 51.3), while output continued to expand (52.9 vs 52.2). Buying levels gained for the second straight month (50.5 vs 52,7). Employment fell at a slightly faster rate (48.0 vs 48.1). Further, delivery time was shortened despite being at a softer pace (50.4 vs 50.6). On prices, input cost inflation accelerated to a seven-month peak (54.0 vs 50.5) while a decline in output prices softened (49.1 vs 47.4). Finally, sentiment weakened slightly after hitting its three-month high in the prior month (55.2 vs 55.6).

6. **China April NBS service PMI slows to 51.2 from 53 - weaker than the 52.2 expected** - 16th month of expansion but the softest pace since January, as new orders shrank at a steeper rate (46.3 vs 47.4 in March). Meanwhile, declines slowed for both foreign sales (48.4 vs 47.3) and employment (47.2 vs 46.6). Simultaneously, delivery time was almost unchanged (51.0 vs 51.1). On prices, input cost increased after declining in the prior month, with the rate of rise being the strongest since last September (51.1 vs 49.5). In the meantime, selling prices decreased the least in seven months (47.2 vs 48.6). Lastly, sentiment remained upbeat but softened slightly (57.2 vs 58.4).

7. **China April Caixin Manufacturing PMI rises to 51.4' from 51.1 - better than 51 expected** - the sixth straight month of growth in factory activity and the fastest pace since February 2023, as output grew the most since May 2023, supported by improvement in demand conditions, with new orders rising the most in over a year and foreign sales expanding at the fastest pace for nearly three-and-a-half years. Also, purchasing activity climbed as manufacturers raised their holdings of raw materials and semi-finished items. Meanwhile, employment fell for an eighth straight month amidst resignations and redundancies. On the price front, input prices rose at the fastest since October 2023 due to higher metals, oil, and other input material costs. Meantime, selling prices declined amid tight competition and promotional efforts to boost sales. Lastly, sentiment weakened to a four-month low amid concerns over rising costs and increased competition.

8. **Australian March retail sales fell -0.4% m/m after +0.2% m/m - worse than +0.2% m/m expected** - the first decline in retail trade since last December as turnover fell in all industries: clothing, footwear (-4.3% vs 4.9% in February), department stores (-1.6% vs 2.3%), household goods (-1.4% vs -1.0%), other retailing (-0.3% vs -0.6%), and cafes, restaurants and takeaway food (-0.2% vs 0.4%). By contrast, food retailing rose by 0.9%, a reversal from a 0.2% fall previously. Among states and territories, sales were lower in New South Wales (-1.1% vs 0.5%), Victoria (-0.8% vs 0.6%), South Australia (-0.4% vs 0.1%), and Tasmania (-0.2% vs -0.5%). Conversely, sales increased in Queensland (0.4% vs -0.6%), Western Australia (0.6% vs 0.3%), Northern Territory (0.9% vs 0.8%), and Australian Capital Territory (0.3% vs 0.2%). Through the year to March, retail sales grew by 0.8%, the least since August 2021.

9. **Swiss April KoF leading indicator rises to 101.8 from 100.4 - less than the 102.1 expected** - still, the figure signaled stabilization above the long-term average, thus indicating the Swiss economy development was robust, but with no strong boost in sight. The indicator bundles for financial & insurance services, manufacturing and private consumption increased. However, the outlook for the construction and hospitality industries has slightly worsened. Within the manufacturing industry, the indicators for the chemical & pharmaceutical industry as well as machinery manufacturing were responsible for the upward development, while food and beverage manufacturers as well as the textile & clothing industry contributed negatively.

10. **German March retail sales rose 1.8% m/m, 0.3% y/y after -1.5% m/m, -2.7% y/y - better than +1.3% m/m expected -** first growth in 5-months, supported by 0.3% gain in food sales while non-food fell -0.2% m/m.

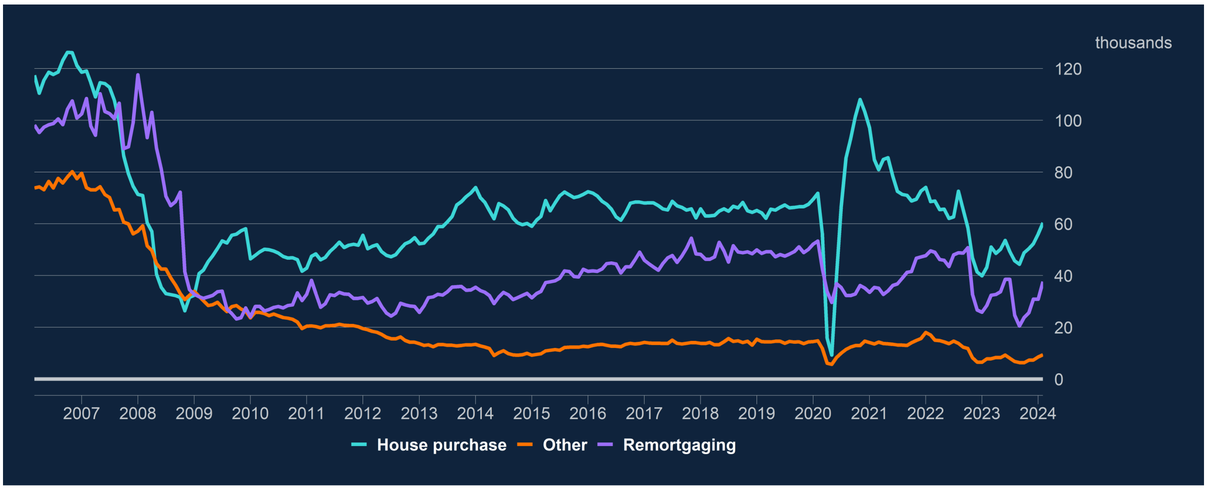
11. **German March unemployment rose 10,000 after 4,000 - more than 7,000 expected** - leaving unemployment rate steady at 5.9% the highest since May 2021 with unemployed total rising to 2.732mn from 2.719mn - the 16th consecutive period of rising unemployment, indicative of the weak economic development in Germany. Regional differences become even more evident at the district and municipal levels. The highest rates were registered in Bremerhaven and Gelsenkirchen, both at 14.8%, while the lowest unemployment rate was in Bad Tölz-Wolfratshausen, at 2.2%

12. **Eurozone 1Q GDP flash up 0.3% q/q, 0.4% y/y after 0% q/q, 0.1% y/y - better than 0.1% m/m, 0.2% y/y expected**. Among the currency bloc’s largest economies, both the German and the French GDPs expanded by 0.2%, while that from Italy grew by 0.3% and that from Spain expanded by 0.7%, all above market estimates.

13. Eurozone April flssh CPI rises 0.6% m/m, 2.4% y/y after 0.8% m/m, 2.4% y/y - as expected. Inflation slowed for non-energy industrial goods (0.9 percent vs 1.1 percent in March) and services (3.7 percent vs 4 percent). On the other hand, prices rose faster for food, alcohol, and tobacco inflation (2.8 percent vs 2.6 percent). Meanwhile, energy prices decreased at a slower pace (-0.6 percent vs -1.8 percent)

14. UK March consumer credit rises to GBP1.577bn after GBP1.429bn – less than GBP1.6bn expected - driven by net borrowing through credit cards, which rose from £0.5 billion to £0.7 billion in March, while net borrowing through other forms of consumer credit, such as car dealership finance and personal loans, remained unchanged at £0.9 billion over the same period. The annual growth rate for all consumer credit remained unchanged when compared to February, at 8.8%. The annual growth rates for credit cards and for other forms of consumer credit were both little changed at 12.0% and 7.4%, respectively.

Is the UK housing market at odds with BOE easing?



Source: EU commission/BNY Mellon

Disclaimer and Disclosures

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

Bob Savage
HEAD OF MARKETS STRATEGY AND INSIGHTS

CONTACT BOB