BNY MELLON

iFlow
MARKET MOVERS

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Double Negation

"In life two negatives don't make a positive. Double negatives turn positive only in math and formal logic…." - Robert McKee
"Most of us remember adolescence as a kind of double negative: no longer allowed to be children, not yet capable of being adults." – Julian Barnes

Summary
Risk mixed as markets embrace the double negative of the FOMC not hiking meaning they still plan to ease, but just when remains the question. The tapering of QT from their balance sheet offset any fiscal fears from the US Treasury refunding for now but fiscal spending and inflation remain medium term worries everywhere. The most exciting markets story was the Japan MoF intervention post the Fed pushing JPY to 153 but that doesn't last as the growth in APAC slows and the markets are wary of betting against the USD as yields and above trend growth all point to US exceptionalism continuing. The role of politics and of earnings matter again to markets post the Fed but so too does the data with the US productivity perhaps the least watched but most important longer-term factor for holding the narrative for market risk together. However, like the Fed, markets are locked into the Friday US labor report with weekly claims today and more on US trade and the USD pain important hurdles for any logic from double negation.

What's different today:

- **Oil near 7-week lows with Brent up 0.7% on the day** – holding $84 with US plans to buy back SPR at $79bbl stabilizing market offsetting hopes for a Hamas/Israel ceasefire.

- **US April Challenger layoffs rose 64,789 which is a 28% m/m drop** from 14-month highs in March.
- **Iron Ore rises to 2-month highs** at $117 per tone in May with focus on China recovery and uncertain supply with Australia focus.
- **iFlow show ongoing negative Mood, negative Trend** but USD in G10 still sold with EUR and AUD and CAD leading. In EM, MXN and THB standout buying. The negative equity story continues with only Japan seeing gains with no global sectors showing inflows.

What are we watching:

- **US Q1 productivity** expected up 0.5% after 3.3% with unit labor costs up 4% after 0.4% - key for how labor tightness plays out.
- **US weekly jobless claims** expected up 4k to 211K with continuing claims up 9k To 1.79mn
- **US March international trade balance** expected up $1bn to $69.8bn – with exports focus on USD drag.
- **US March factory goods orders** expected up 1.6% m/m after 1.4% with ex transport 0.2% after 1.1%
- **1Q earnings:** Apple, Amgen, Conoco Phillips, Expedia, Moderna, Consolidated Edison, Moody's, Ingersoll Rand, Motorola Solutions, Southern, Intercontinental Exchange, Linde, Regeneron Pharmaceuticals, Cigna, Zimmer Biomet, Dominion Energy, Alliant Energy, Coterra Energy, Stanley Black & Decker, Xylem, Howmet Aerospace, Vulcan Materials, Pioneer Natural Resources, WestRock, Borgwarner, Camden Property, Federal Realty, Digital Realty, Kimco Realty, IQVIA, Teleflex, EOG, Fortinet, Ameren, DaVita, Parker-Hannifin, Pinnacle West, Cummins, Regency Centers, Live Nation, AES, Hologic, Illumina, AMETEK

Headlines:

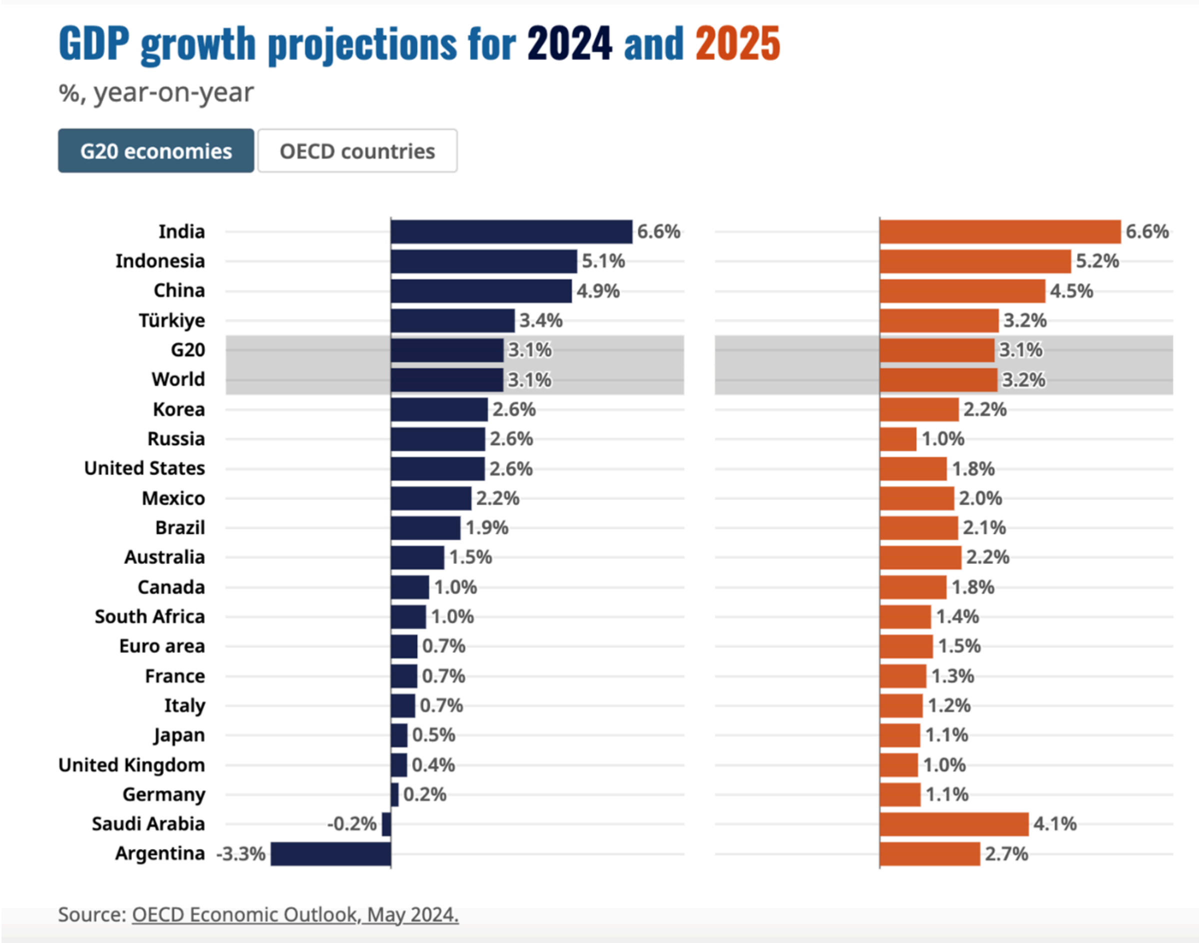
- Japan MOF suspected intervention of Y3.5trn moves JPY from 157.60 to 153, BOJ Mar meeting minutes no urgency to hike further - April consumer confidence dips 1.2 to 38.3 lowest in 3M – Nikkei off 0.1%, 10Y JGB rose 1bps to 0.89%, JPY off 0.3% to 154.85
- Korea Apr CPI drops 0.2pp to 2.9% y/y- lowest since Jan 2024 - while Apr manufacturing PMI drops to 0.4 to 49.4 with lower jobs - Kospi off 0.31%, KRW up 0.8% to 1375.8
- Australian Mar trade surplus off A$1.5bn to A$5.024bn- smallest since Nov 2020 with exports up just 0.1% m/m – ASX up 0.22%, AUD up 0.1% to .6525

- Indonesia Apr CPI off 0.05pp to 3% y/y but core up 0.05pp to 1.82% y/y - 5-month highs - while manufacturing PMI slips 1.3 to 52.9 – IRD up 0.2% to 16,180
- India Apr manufacturing PMI off 0.3 to 58.8- with inventories near 19-year highs, demand at 10-month highs – INR off 0.1% to 83.46
- Swiss Apr CPI rises 0.4pp to 1.4% y/y - while retail sales in Mar fell 0.4% m/m, -0.1% y/y – Swiss MKT off 0.1%, CHF up 0.3% to .9120
- Sweden Apr manufacturing PMI rises 1 to 51.4 - 2-year highs - prices higher – OMX off 1%, SEK up 0.2% to 10.91
- Eurozone Apr final manufacturing PMI off 0.4 to 45.7 - 4-month lows – EuroStoxx 50 off 0.3%, EUR off 0.1% to 1.0705

The Takeaways:

The double negative of not planning to hike rates worked. Taking the risk of hikes off the table and tapering the QT mixed well with a lower USD pushed by Japan to leave risk better bid overnight. However, Golden week holidays continue with China closed and many seem to be less excited about May 2 than yesterday. The risk of USD exceptionalism facing apart has receded again - as the FOMC tapers its quantitative tightening plans with June target of rolling off just $25bn in US bonds down from the average $51bn over the last year. The FOMC Chair Powell made clear that the need for cutting rates in the US is different than other G10 nations. The ability for the US to handle high for longer policy holds as long as jobs do. The OECD today updated their global forecasts and said lingering sluggishness in Europe and Japan was being offset by the United States, whose growth forecast was hiked to 2.6% this year from a previous estimate of 2.1%. The key point for all this is how the BOJ and MOF handle the JPY and their weak growth while the ECB and EU leaders play with the rates and fiscal. Markets have a lot of doubt and logical inconsistencies are making headaches for many with voters asking for Aspirin more than not talking about not hiking.

OECD sets tone for global recovery?



Source: OECD / BNY Mellon

Details of Economic Releases:

1. **Japan April consumer confidence slips to 38.3 from 39.5 - weaker than 39.7 expected** - the lowest figures in three months, as households' sentiments weakened towards all components, namely income growth (41.1 vs 41.5 in March), employment (44.2 vs 45.0), willingness to buy durable goods (31.8 vs 34.0), and overall livelihood (36.1 vs 37.6)

2. **Korea April inflation slows to 0% m/m, 2.9% y/y after 0.1% m/m, 3.1% y/y - less than the 3% y/y expected** - and the lowest reading since January as cost rose at a softer pace for food and non-alcoholic beverages (5.9% vs 6.7% in March) and restaurant and hotels (3% vs 3.4%). Meantime, cost of housing, electricity, gas and water rose at the same pace (1.8%), while prices went up at a faster pace for (2.9% vs 2.8%). The ex-food and energy rose 0.2% m/m, 2.3% y/y.

3. **Korea April manufacturing PMI slips to 49.4 from 49.8 - worse than 50 expected** - lowest in n eight months. Still, the latest report pointed to renewed, albeit fractional, increases in both output and new orders in the South Korean manufacturing sector amid some signs of growing client confidence. However, there was a reduction in employment for the first time in a year as firms remained cautious given a still muted demand environment. Meanwhile, suppliers' delivery times

shortened to the greatest extent since May 2013. On the price front, there were signs of rising inflationary pressures. Higher prices for raw materials, oil and logistics led firms to raise their selling prices to the largest degree since November last year. Looking ahead, the 12-month outlook was positive as firms expect a sustained recovery in domestic and international orders.

4. Australian March trade surplus narrows to A$5.024bn after A$6.591bn - less than the A$7.5bn expected - the smallest trade surplus since November 2020, as exports grew much softer than imports. Exports up 0.1% from a month earlier to A$ 44.91 billion, mainly boosted by other mineral fuels. On the original basis, outbound shipments to the country's largest trading partner, China, surged by 11%, rebounding sharply from a 10.4 plunge in February. Meanwhile, imports increased by 4.2% to a record high of A$39.89 billion due to rises in consumption, capital, and intermediate goods.

5. Indonesia April CPI slows to 0.25% m/m, 3% y/y after 0.52% m/m, 3.05% y/y - better than the 3.05% y/y expected - while core rises1.82% y/y after 1.77% y/y - 5-month highs. Prices moderated for food (7.04% vs 7.43% in March), housing (0.50% vs 0.55%), health (2.08% vs 2.17%), accommodation/restaurants (2.47% vs 2.51%), clothing (0.67% vs 0.89%), furnishings (0.99% vs 1.03%), and recreation & culture (1.58% vs 1.62%). In addition, the cost of communication & financials fell further (-0.13% vs -0.13%). On the other hand, prices accelerated for transport (1.33% vs 0.99%) and education (1.72% vs 1.70%).

6. India April final HSBC manufacturing PMI slips to 58.8 from 59.1 - weaker than 59.5 flash - still second best in 3-years supported by rising demand. Firms experienced a sharp upturn in new business intakes, with the pace of expansion being the second strongest since 2021. Accordingly, companies scaled up their production, while input stocks were lifted to one of the steepest in over 19 years. To meet rising demand, manufacturers hired more staff at the beginning of the first fiscal quarter. Job creation, though moderate, was the fastest since September 2023. Meanwhile, cost pressures ticked higher, though remained below its long-run average, it pushed output charge inflation to a 3-month high. Lastly, Indian manufacturers anticipate increased output in the coming year,

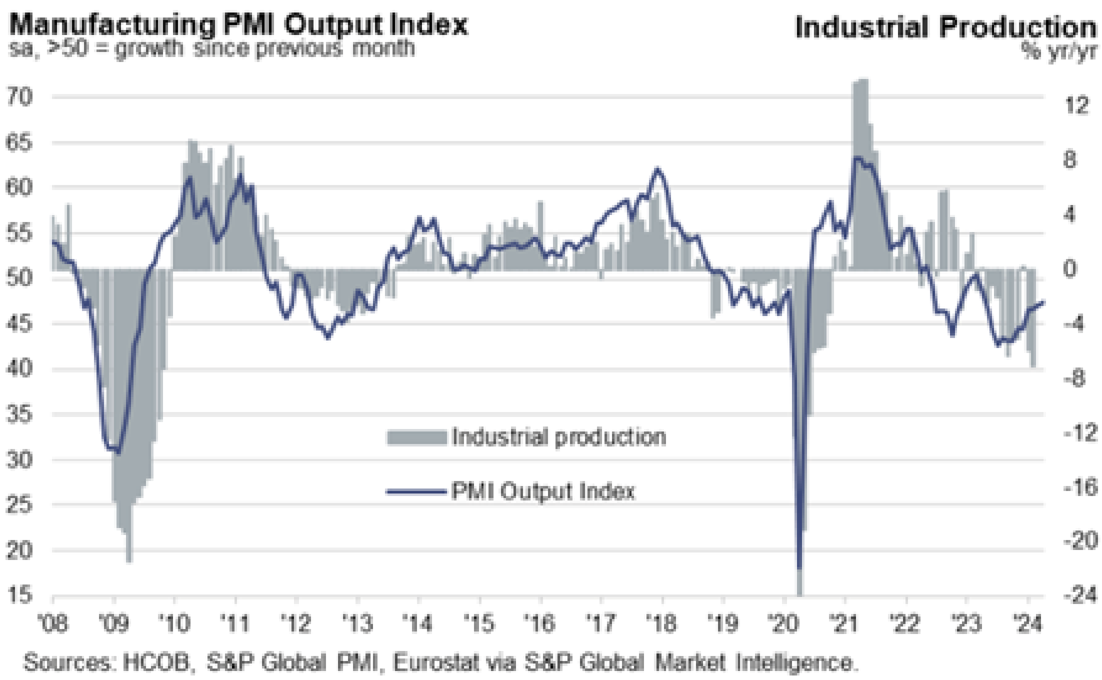
7. Swiss April CPI up 0.3% m/m, 1.4% y/y after 0% m/m, 1% y/y - more than the 1.1% y/y expected - most since December 2023, mainly driven by a strong rebound in prices for food and non-alcoholic beverages (1% vs -0.4% in March). Additionally, inflation increased further for recreation and culture (2.3% vs 1.8%), and housing and utilities (3.3% vs 3.2%). At the same time, prices were stable for transport (vs -0.5%), and declined less for household goods and services (-0.5% vs

-1.9%).Meanwhile, the core rate, which excludes volatile items such as unprocessed food and energy, increased 1.2% year-on-year in April, up from a previous 1% rise.

8. Sweden April Swedbank manufactring PMI rises to 51.4 from 50.4 - better than 50.8 expected - second month of growth as order intake continues to improve (54.6 vs 51.5 in March), marking its highest level in over two years. Additionally, increases were also observed in employment (49.1 vs 46.8), delivery times (43.7 vs 42.1), and inventories (44.2 vs 44.9). Meanwhile, production plans fell back at 58.7 (vs 59.2) but higher than the average for the past twelve months (54.0). Also, the index for suppliers' raw and input prices rose to 53.4 (vs 46.8).

9. Eurozone April final HCOB manufacturing PMI slips to 45.7 from 46.1 - better than 45.6 flash - but still weaker to 4-month lows, as the inflow of new orders declined at a steeper pace, the sharpest in the year-to-date. Meanwhile, output contraction eased for a second consecutive month to the slowest pace in a year, and employment levels continued to fall, although the rate of decline was modest overall and the softest in seven months. Suppliers' delivery times once again shortened, to the greatest extent in eight months. On the price front, both input costs and output charges extended their decrease. Finally, business sentiment strengthened for a second successive month and reached its highest level since February 2022. The big four nations were mixed with Spain at 52.2 - 22-month highs, Italy at 47.3 - 4-month lows, Germany at 42.5 - 2-month highs and France at 45.3- 3-month lows.

Where is the EU recovery?



Source: S&P Global/BNY Mellon

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

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