BNY MELLON

iFlow
MARKET MOVERS

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No Need

"Man needs his difficulties because they are necessary to enjoy success." - Abdul Kalam
"There are only two tragedies in life. One is not getting what one wants, the other is getting it." - Oscar Wilde

Summary

Risk on as markets but with less urgency as investors get what they need rather than what they want from central banks. The RBA on hold with no need to hike rates is one thing, the better Japan service PMI is another - neither move the accelerator for pushing money around – with MOF coy about intervention risks still. China focus is on the Xi charm offensive in Europe while the EU itself gets better retail sales, but weaker German factory orders. The UK construction PMI adds to recovery hopes there. The upside for markets is in the FOMC easing story, but the downside remains in the bottoms up of earnings, other geopolitical headlines. Rates to dollar correlation to stocks frays. There is no need to worry but there is a want of logic to a market chasing the tape.

What's different today:

- **China FX reserves in April fell $44.83bn –** to $3.201trn – that is $30bn less than expected with USD gains part of the story. CNY fell 0.28% in April while USD was up 1.8% vs. basket.
- **INR near new record low at 83.50** with 83.7 the April 16th level to watch – RBI was not seen intervening today with JPY and CNH moves adding to USD up in APAC

- **iFlow** Mood still negative, trend still negative but well off the lows, while carry bounces back. The USD selling in G10 continues with AUD joining while MXN, CLLP, THB, TRY and ZAR all win in EM. The bond flows are mixed with US outflow different while Indonesia the standout winner in EM. The equity market shows inflows across 4 sectors globally while Japan continues to lead in G10.

What are we watching:

- **US Treasury s**ells $58bn in 3Y notes
- **US March consumer credit** expected up $15bn after $14.1bn – with closer attention post the Senior Loan Officers survey
- **Fed Speaker:** Minneapolis Federal Reserve President Neel Kashkari speaks
- **US 1Q corporate earnings**: Walt Disney, Duke Energy, Mckesson, Occidental Petroleum, Sempra, Assurant, Wynn Resorts, Rockwell Automation, Reddit, Arista Networks, Lyft, Match, Henry Schein, Electronic Arts, Jack Henry, Bio Rad, TransDigm, NRG, Kenvue

Headlines:

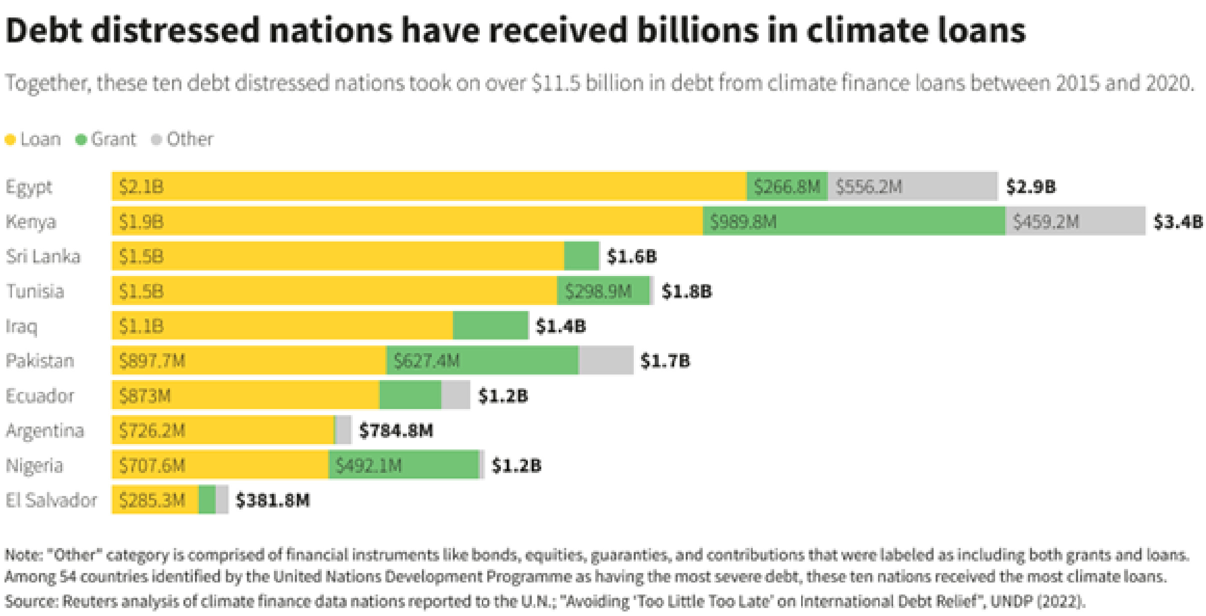
- Australia RBA keeps rates on hold at 4.35% - as expected - cuts GDP, raise CPI forecasts - Mar retail sales -0.4% m/m - 5 quarterly decline of 6 – ASX up 1.44%, AUD off 0.35% to .6605
- Japan April final services PMI up 0.2 to 54.3- 8-month highs but lower than flash – Nikkei up 1.57%, JPY off 0.3% to 154.45
- China President Xi visit to Europe presses on trade talks, pushes bank on claims aiding Russia in Ukraine – CSI 300 up 0.03%, CNH off 0.15% to 7.2235
- Taiwan April CPI off 0.2pp to 1.95% y/y- led by food/transport – TWD off 0.1% to 32.37
- Swiss Apr unemployment off 0.1pp to 2.3% - Swiss MKT up 1.2%, CHF off 0.1% to .9070
- German Mar factory orders -0.4% m/m- led by large manufacturing - while trade surplus steady at E22.3bn with exports up 0.9% m/m – DAX up 0.6%, Bund 10Y yields off 3.5bps to 2.43%
- Eurozone Mar retail sales rose 0.8% m/m - best since Sep 2022 - while Apr construction PMI fell 0.5 to 41.9 - led by housing; EuroStoxx 50 up 0.5%, EUR flat at 1.0765
- UK Apr construction PMI jump 2.8 to 53.0- second month of growth and best since Feb 2023 – FTSE up 1%, GBP off 0.15% to 1.2545
- Israel sends troops into Rafah - cabinet votes to continue operations despite Hamas accepting hostage proposals – ILS flat at 3.7180, WTI off 0.35% to

$78.20

The Takeaways:

The focus for risk today remains on the FOMC and its path to easing. The slowing jobs data and the mixed moods for growth help the narrative that the US is slowing just as the rest of the world is in recovery or bottoming with their central banks ready to ease. The interesting point for today is in the AUD and RBA as the markets didn't reward the FX markets with high for longer policy skipping over to watching growth and commodities. The China recovery story is in play and the EV trade worries are the center stage of the EU/China talks. The market is watching commodities and growth in China along with the Xi charm offensive to see what shakes out in global growth. The risk of most investors is in the story being stuck. There is a want for more diversity, a need for a new narrative, and the delivery of the same old FOMC easing hopes to keep markets holding over 5125 and the 50-day moving average in the S&P500. The rest of the world like the US has too much debt and the focus for today and risk maybe in the cost of money and of borrowing. The 3Y sale isn't likely to fail but focus will be on the US debt costs and how that compares to others. The role of US and China in floating the frontier markets and the tie back to green is not something to ignore either. Markets have a lot at risk as nations compete to raise the capital needed to keep defense spending high, transition to green and pay off their interest bills.

Green finance?



Source:Reuters/ BNY Mellon

Details of Economic Releases:

1. Japan April final Jibun Bank services PMI rises to 54.3 from 54.1 - lower than 54.6 flash - still 8-month highs and the 20th successive month of growth in the service sector, with new orders growing the most in 10 months while overseas orders accelerated to the fastest in nine months, boosted by sales from inbound tourism. Also, employment increased for the seventh straight month, although the rate of job creation was unchanged since March, with backlogs of work easing to the softest in 2024 so far. On inflation, input price inflation accelerated to an eight-month high due to higher wage costs and transportation bills. As a result, output cost inflation rose the fastest since the sales tax hike in April 2014, as firms needed to pass on higher business expenses. Finally, sentiment weakened but was still much stronger than the long-run survey average.

2. Australia March final retail sales -0.4% m/m, +0.8% y/y after +0.2% m/m - weaker than -0.2% m/m expected - the first decline in retail trade since last December, coming worse than market forecasts of a 0.2% fall, as turnover fell in most 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 0.9%, a reversal from the prior 0.2% fall. By region, sales shrank in New South Wales (-1.1%), Victoria (-0.8%), South Australia (-0.4%), and Tasmania (-0.2%); but increased in Queensland (0.4%), Western Australia (0.6%), Northern Territory (0.9%), and Australian Capital Territory (0.3%). Through the year to March, retail sales grew 0.8%, the least since August 2021.

3. Swiss April unemployment drops to 2.3% from 2.4% - better than 2.4% expected. The number of unemployed persons declined by 1,636 from a month earlier to 106,957. Meanwhile, the youth unemployment rate, measuring job-seekers between 15 to 24 years old, ticked down to 2.0% from 2.1% in the prior period, with the number of young unemployed decreasing by 301 to 9,086. Adjusted for seasonal factors, the jobless rate was also at 2.3% in April.

4. German March factory orders -0.4% m/m after -0.8% m/m - worse than the +0.5% m/m expected. When large-scale orders are excluded, new orders in March were 0.1% higher. Within manufacturing, orders of aircraft, ships, trains shrank 2.3% and those for manufacture of fabricated metal products were also lower (-4.5%). In contrast, increases in new orders were seen for the automotive industry (1.1%) and the manufacture of electrical equipment (5.9%). Also, new orders for capital and intermediate goods were down 0.4% but those for consumer goods sector rose 0.7%. Domestic orders declined 3.6% while foreign ones jumped 2%, with those from the euro area increasing by 10.6% while orders from outside the euro area dropped 2.9%. The less volatile three-month on three-month comparison showed that new orders were 4.3% lower in the period from January to March 2024 than in the previous three months.

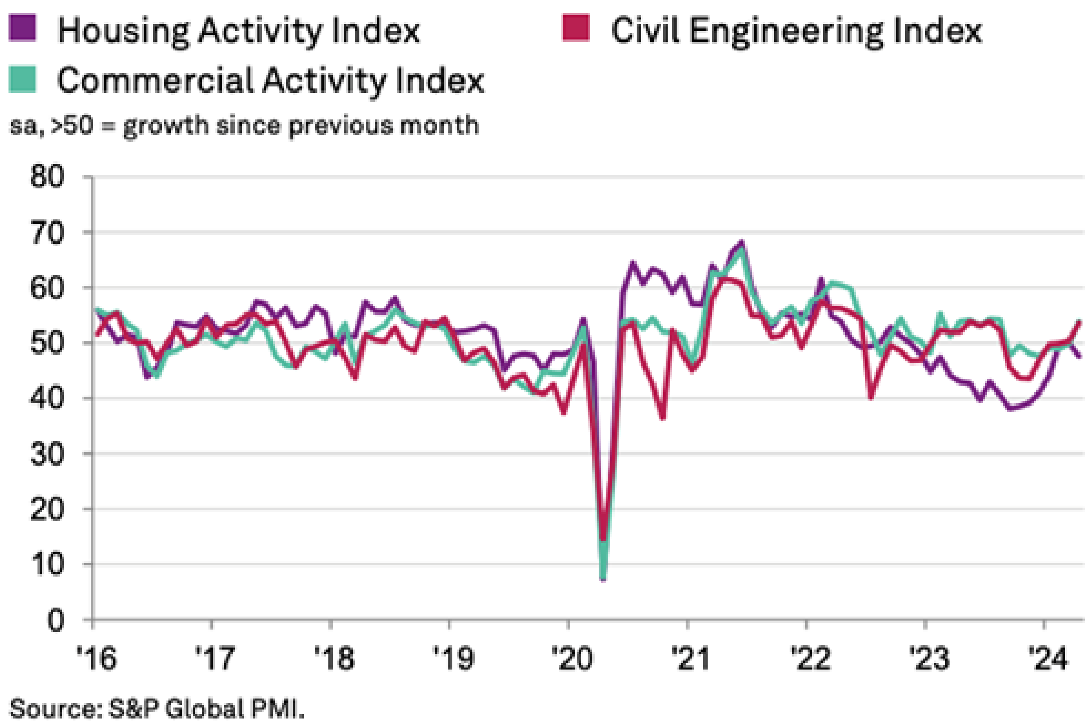
5. German March trade surplus rises to E22.3bnafter E21.4bn - less than the E22.5bn expected. Exports grew 0.9% month-on-month to EUR 134.1 billion, rebounding from a downwardly revised 1.6% fall in February and higher than expectations of a 0.4% rise. Shipments to the EU increased by 0.5%, while those to third countries climbed by 1.3%, with exports to the US advancing by 3.6% and China by 3.7%. Conversely, exports declined to Russia (-14.8%) and the UK (-3.8%). Meanwhile, imports unexpectedly rose 0.3% to a seven-month high of EUR 111.9 billion, the third straight month of increase, beating market forecasts of a 1% drop. Imports from the EU climbed by 1.5%, while purchases from non-EU dropped by 1.1%, particularly from the UK (-10.0%) and Russia (-16.3%). By contrast, imports grew from China (14.3%) and the US (2.7%). For Q1 of 2024, the country posted a surplus of EUR 70.5 billion

6. Eurozone March retail sales rose 0.8% m/m, 0.7% y/y after -0.3% m/m, -0.5% y/y - the sharpest increase in retail activity since September of 2022, pointing to some strength from the European consumer and aligning with other economic data releases that reflect some traction in the bloc’s economy. Sales volumes rose considerably for automotive fuel in specialized stores (2% vs -0.9% in February) and food, drinks, and tobacco (1.2% vs -0.5%), offsetting the stall for non-food products (vs 0.3% in February).

7. Eurozone April HCOB construction PMI slips to 41.9 from 42.4 - weaker than 43.8 expected. Across monitored categories, housing saw the steepest decline, with commercial activity and civil engineering also falling notably. New orders continued to contract for the twenty-fifth consecutive month, with the rate of decline moderated compared to the previous period but remained marked. Consequently, firms sought to reduce their workforce, purchasing, and usage of sub-contractors. At the beginning of the second quarter, there was only a mild increase in input prices, with input cost inflation easing to a seven-month low. Looking ahead, construction firms maintained a pessimistic outlook for activity in the year ahead, with only German companies holding a negative view. French constructors were optimistic for the first time since mid-2022, while growth forecasts in the Italian construction sector reached a 23-month high.

8. UK April construction PMI rises to 53.0 from 50.2 - better than 50.4 expected - the second consecutive month of positive growth and the strongest expansion since February 2023, driven largely by solid growth in the commercial and civil engineering sectors. The outlook for the near future remains optimistic, with new work seeing a third consecutive month of increase, supported by a boost in sales due to an improving domestic economy. Additionally, supplier lead times have shortened to the greatest extent in 2024, attributed to improved materials availability and softer demand for construction inputs.

UK vs EU growth in construction?



Source: S&P Global/BNY Mellon

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