BNY MELLON

iFlow
WEEK AHEAD

May 5, 2024

Dreaming

"To accomplish great things we must first dream, then visualize, then plan… believe… act!" - Alfred Montapert
"The future belongs to those who believe in the beauty of their dreams." – Eleanor Roosevelt

Summary:
The markets are back to dreaming about a soft-landing, with FOMC easing, US growth slowing just "right" with equities up, bond yields down and the USD falling. In order to get the dream to reality, investors have to believe and act on such a narrative which requires central banks in Europe to help. The focus on the Swedish Rikbank this week and how the Bank of England guide such hopes will matter significantly to the tender rally back in risk displayed from last week following the weaker than expected US jobs growth. Wages also fell and perhaps the split between 1Q employment costs and April average hourly earnings suffices to drive another week of globally equities higher but much of that burden will be about the rest of the world – namely, China and Germany as they are the standout heretics of the 2024 soft-landing recovery dream. The key themes for the week ahead came out of last week's worst fears – stagflation, lack of diversity in portfolios with all things correlated to US rates, throw is the fears of US refunding highlighting the lack of demand from foreign buyers who see a global fiscal crisis and throw in doubts that the USD can turn despite intervention from Japan and others. The search for alternatives to US exceptionalism remains in play as the week ahead with the usual fear that geopolitics and politics will wake up a market in the midst of a nightmare rather than ready for action. Over the weekend focus was on the Berkshire Hathaway annual meeting where CEO Buffet warned on US tax increases to fight the deficit, where the firm cut its holdings in Apple and Paramount and where

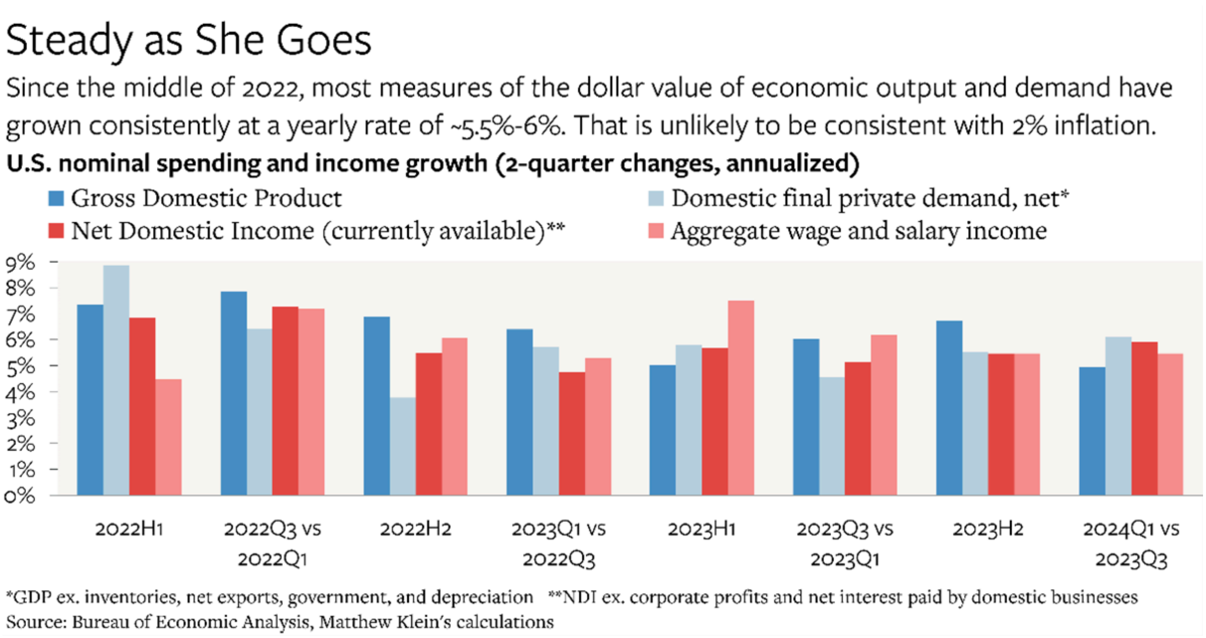
shareholders rejected climate, diversity and China proposals. The flooding in Brazil and the election in Panama today and Chad tomorrow also matter for the way investors view emerging markets and the risks ahead.

Key Themes :

- **EM and G10 monetary policy split to the Fed** – The difference between EM central bank decisions this week and the G10 ones from Australia, UK and Sweden maybe more about credibility. The Mexico and Brazil central bank decisions are likely to see further policy easing but significant volatility in MXN or BRL seems unlikely – as both banks have been clear about FX factors in their policy path. The contrast to AUD, SEK and GBP in volatility around their decisions this week will be one to watch and consider as “credibility” becomes linked to market respect for forward guidance again. The 20-year improvement in emerging market monetary policy seems likely to continue. The risks of not doing better in EM monetary policy clarity and consistency will show up in FX faster.
- **Is the JPY intervention enough to turn the USD?** The market thinks that the Japan MOF spent $60bn in intervention to hold up the JPY after it touched 160.20 last week. US Treasury Yellen didn’t confirm the intervention – saying it was a rumor – nor did the Japan MOF team which admitted they would make clear any actions at the end of May. Both the US and Japan see intervention as a tool to “quelch FX volatility” rather than manipulate the market. By such definition, the achievement of last week was in dropping JPY from 11% 1M implied volatility to 9.5% but this remains over the 9.1% average and well above the 7% March lows. The other point about the JPY intervention and its risks/rewards links back to APAC where China, South Korea, Indonesia and others see the JPY undervaluation hurting their own monetary policy mix as weak FX drives unintended inflation and drags down consumer demand. Whether the balancing act of central banks can hold the USD volatility down enough to make those concerns ease remains to be seen, let alone arguments that push the USD back to any metric of fair value. The turn in the USD will require more coordination and likely more than the US economic slowing into a soft-landing scenario.
- **Does the US refunding restart term premiums and fiscal fears?** The larger concern for investors is the return of a US term premium and the stickiness of real rates at a level which hits the real economy. The US Treasury quarterly refunding announcement was less of an event than many feared but the increase in May supply was offset by the announced Fed tapering of its quantitative tightening roll-off from $60bn to $25bn for US treasuries. The other

surprise from the US Treasury was in restarting the debt buyback program – the first since 2002 – which many see as the governments twisting operation. The Treasury also restarted 6-week T-bills as the debt continues to grow.

- **Stagflation – there is no stag or 'flation?** The market like the Fed wants to see more data before declaring victory. At the May 1 Press Conference FOMC Chair Powell pushed back on the "stagflation" talk noting back in the last 1970s and early 1980s, the economy was different. "It was 10% unemployment. It was high single-digits inflation," he said. And today? "Right now we have 3% growth, and we have inflation at 3%," Powell said. "I don't really understand where [talk of stagflation] is coming from," he said. Powell doesn't see "the 'stag' or the 'flation.' " However, the May 3 ISM Service PMI reported prices at 59.2 up 5.8% while the headline index fell back to 49.4 – first contraction in growth in 5 months. How that feeds into 2Q growth will matter. The Atlanta Fed GDPnowcast of 2Q growth fell back on the week from 3.9% to 3.3%, while the NY Fed version is 2.2% down from 2.74% and the St. Louis Fed is back to 3.31%. The misery index was a key part of stagflation back then with unemployment and CPI added together and used as a political barometer. The difference from then to now is about the role of growth. The present low unemployment and sticky inflation isn't linked to structural employment problems. The pandemic shift did something to deflation dynamics from the great financial recession. The present 6% nominal growth was the push for policy pre-pandemic and part of the present problem as the Fed shifted to a symmetric CPI target it assigned markets to a higher than 2% average result for years to come. The present test will be what happens when GDP collapses, or when nominal GDP is below 5%.



What are we watching: RBA, Riksbank and BOE decisions, US

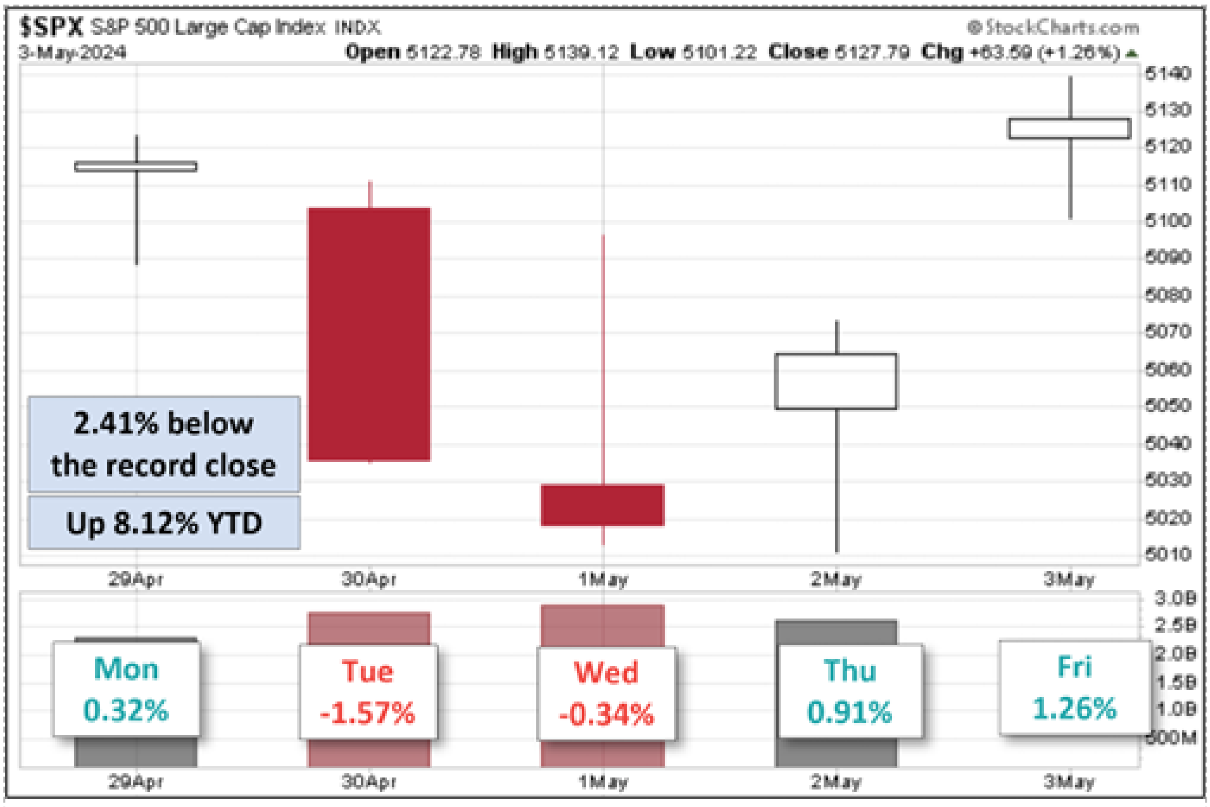
consumer sentiment, 1Q earnings again, US refunding and senior loan officers survey.

- **Economic Releases: Monday**: Japan and UK holiday, Global Services PMI, EU PPI; **Tuesday:** UK construction PMI, EU retail sales, US consumer credit; **Wednesday**: German ind. Production; Brazil retail sales, **Thursday:** China trade; Japan LEI: **Friday:** UK 1Q GDP, Norway CPI, Canada Jobs, US Univ Michigan consumer sentiment.
- **Central Banks: Monday:** RBI Das at BIS, SNB Jordan, ECBVilleroy, Fed Barkin, Fed Williams, Fed Senior Loan Officers survey; **Tuesday**: RBA expected on hold but dovish, Fed Kashkari; **Wednesday:** Riksbank expected to ease 25bps; Brazil COPOM expected to cut 25bps; **Thursday**: Bank Negara BNM expected on hold, Bank of England expected on hold but dovish, Poland NBP expected on hold, Bank of Mexico expected to cut 25 bps; along with Fed Jefferson, Cook and Collins speeches**; Friday**: ECB minutes, Fed Goolsbee and Barr
- **US Issuance**: Estimated coupons of $125bn raising $17.2bn in new cash while the 4-week cash flow -$27.09bn. **Monday:** Bills 3M $70bn and 6M $70bn; **Tuesday:** $58bn in 3Y notes and $75bn in 42-day CMB; **Wednesday:** $42bn in 10Y notes and TBA 17-day bills; **Thursday:** $25bn in 30-year bonds, TBA 4-week and 8-week bills
- **EU Issuance:** Estimated to be $E16.25bn with Austria, Spain, Ireland and Italy – negative cash flow of E14.9bn. **Monday:** Italy BTP 6Y; **Tuesday:** Austria RAGB 10Y, 20Y, 50Y; **Wednesday**: Portugal OT 10Y and 15Y; **Thursday:** Spain SPGB 5Y and 10Y, Ireland**; Friday:** Italy BTPs

What changed last week:

- **US S&P500 had a late week rally** leaving the index up 0.55% on the week. The index is currently up 8.12% year to date and now sits 2.41% below its record close from March 28, 2024. With 80% of the index reporting 1Q blended earnings are now 5% up from 3.5% last week and over the 3.4% estimates at the end of March. 61% of the companies beat revenue expectations which is below both the 5 and 10-year averages, while P/E ratio forward 12-month is 19.9 which is over both 5 and 10-year averages but below 21 from end of March. The rest of the world was mixed with holidays in Asia and Europe. EuroStoxx 50 fell 1.7% last week, Japan Nikkei fell 0.58% while China Shanghai Composite rose 0.52% and CSI 300 up 0.56% in a 3-day week.

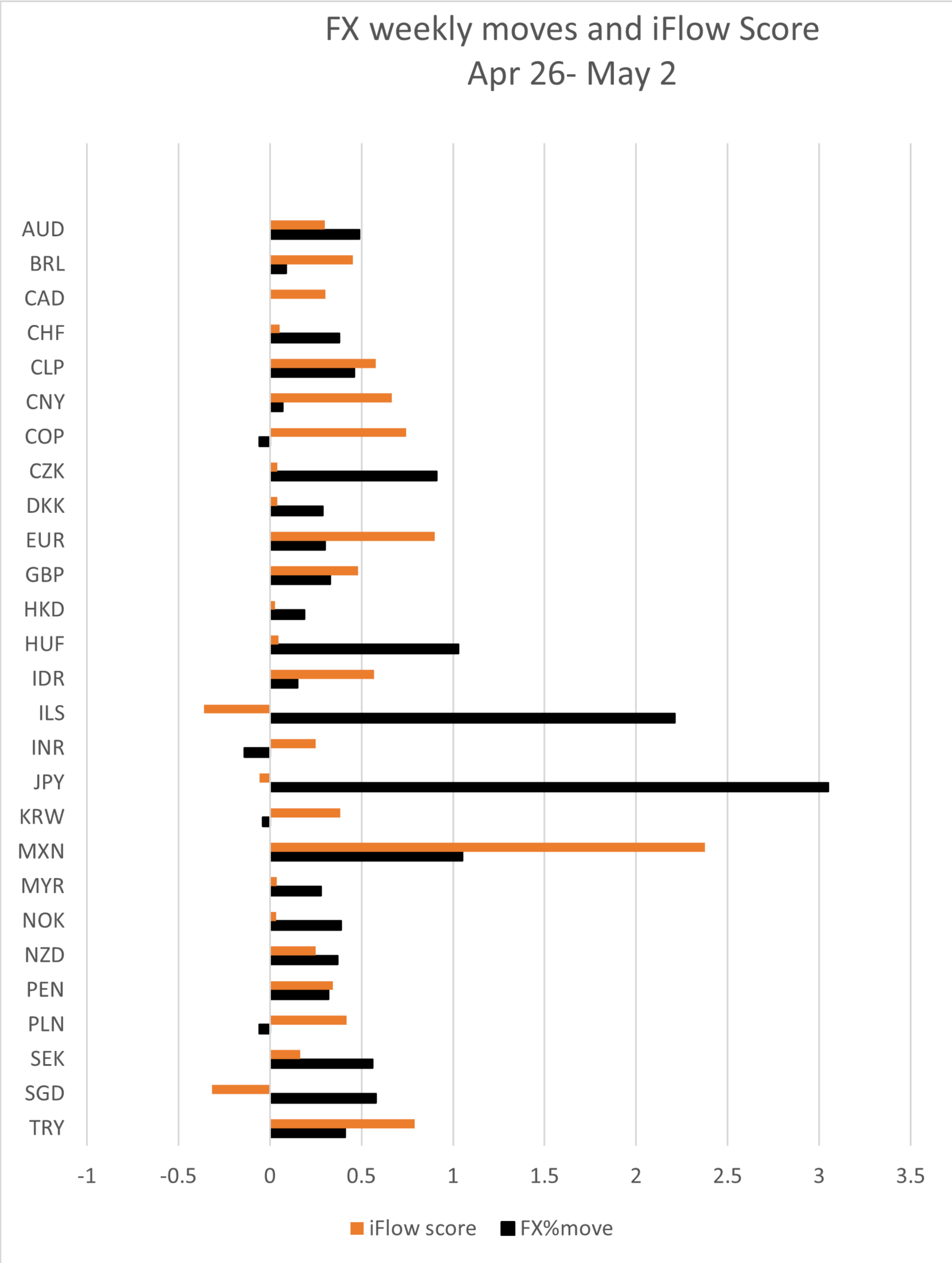
US markets up again on rate cut hope



Source: Bloomberg, BNY Mellon

- **In FX, the USD fell 0.95% on the week** reacting to lower US rates and JPY talk of intervention. The move in JPY was most notable up 3.35% to 153 from 160 Monday. The moves on Friday were significant, so the full iFlow story for the week will hit Monday. The moves to Thursday were still notable and the largest discrepancy between iFlow and the market price show up in ILS and SGD while Mexico was clearly the largest mover in iFlow and a notable winner for EM.

FX focus is on JPY and APAC intervention risks



Source: Bloomberg, iFlow, BNY Mellon

- **In Fixed Income, US bonds rallied after weaker US jobs report.** The expectations for 2024 rate cuts rose to 2 to from 1, along with moving the start from December back to September with total easing expected to be 49bps in 2024. The US rate curve bull flattened with 2/10Y back to -30bps inversion. The 175k NFP and the Fed QT tapering offset higher ECI and more refunding pressures from the US Treasury. Markets elsewhere saw relief rallies with UK Gilt 10Y off 7bps to 4.22%, Australia ACGB off 7bps to 4.41% while German

Bunds off 4bps to 2.495%. In EM, USD debt in Brazil 10Y fell 21bps to 6.43% while in South Korea 10Y fell -10bps to 3.59%.

US Bond	High	Low	Current	% from Low	1W change
30Y	5.35	0.99	4.66	3.72	-0.12
20Y	5.44	0.87	4.76	3.97	-0.13
10Y	5.26	0.52	4.51	4.1	-0.15
5Y	5.18	0.19	4.5	4.48	-0.19
2Y	5.22	0.09	4.82	4.9	-0.17
3M	5.63	0	5.38	5.37	0.01
FFR	5.41	0.04	5.32	5.28	-0.02
The Yields and Fed Funds Rate data from January 2007					

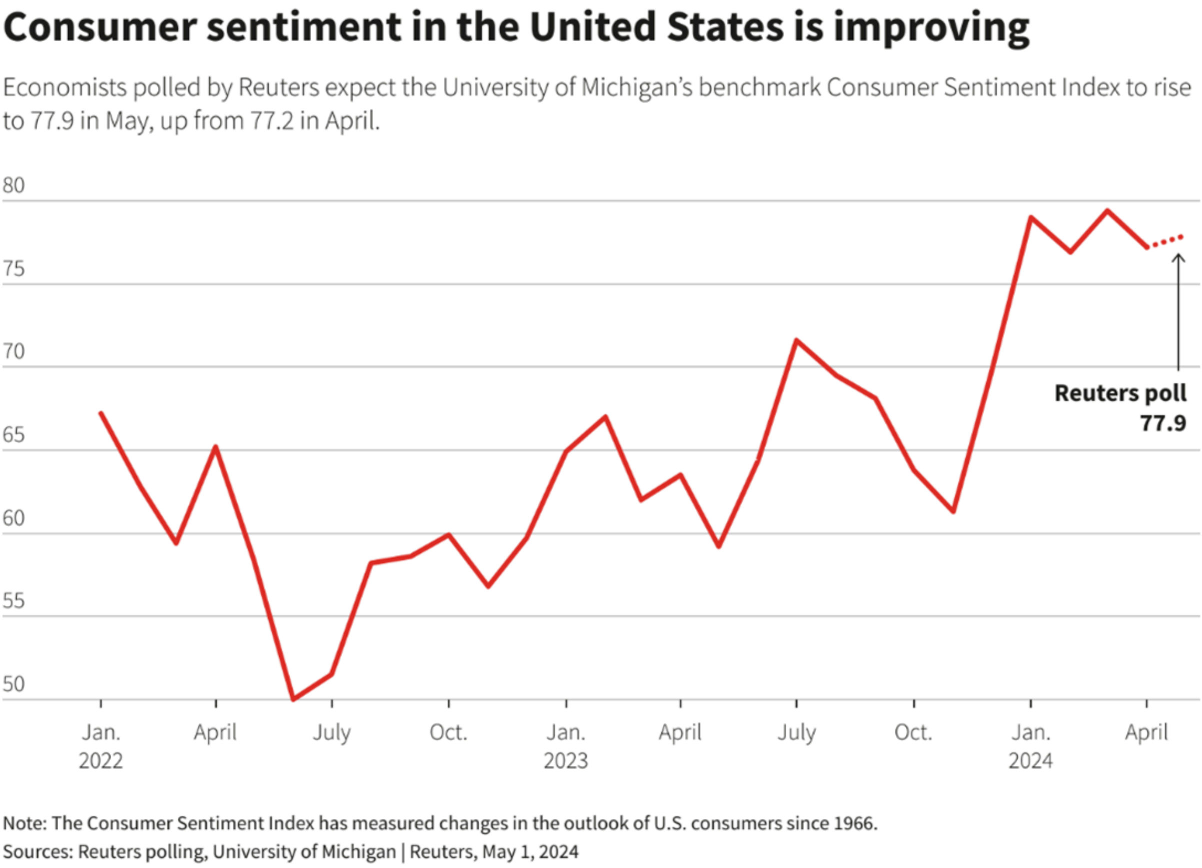
Source: Bloomberg, iFlow, BNY Mellon

News Agenda and Weekly Themes – RBA, Riksbank and BOE decisions, US consumer sentiment, 1Q earnings again, US refunding

US markets face a relatively quiet economic news week with only the Michigan consumer confidence index and speeches by Fed officials on the docket. The big-cap earnings season is poised to conclude with releases from Vertex Pharmaceuticals, Walt Disney, BP, Toyota, Uber, Airbnb, and Shopify. On the global front, **central banks from the UK, Australia, Brazil, Sweden, Malaysia, Mexico and Poland** are set to announce their interest rate decisions. Additionally, China will be in focus with Caixin Services and Composite PMIs, alongside foreign trade, inflation rates, and new loans data. In Europe, attention will turn to Germany for updates on factory orders, industrial production, and trade balance figures. Inflation data will be closely watched in Mexico, Brazil, the Philippines, and China, while GDP growth rates will be watched in the UK, the Philippines, and Indonesia. Finally, services PMIs will be released in Eurozone, Spain, Italy, and Brazil.

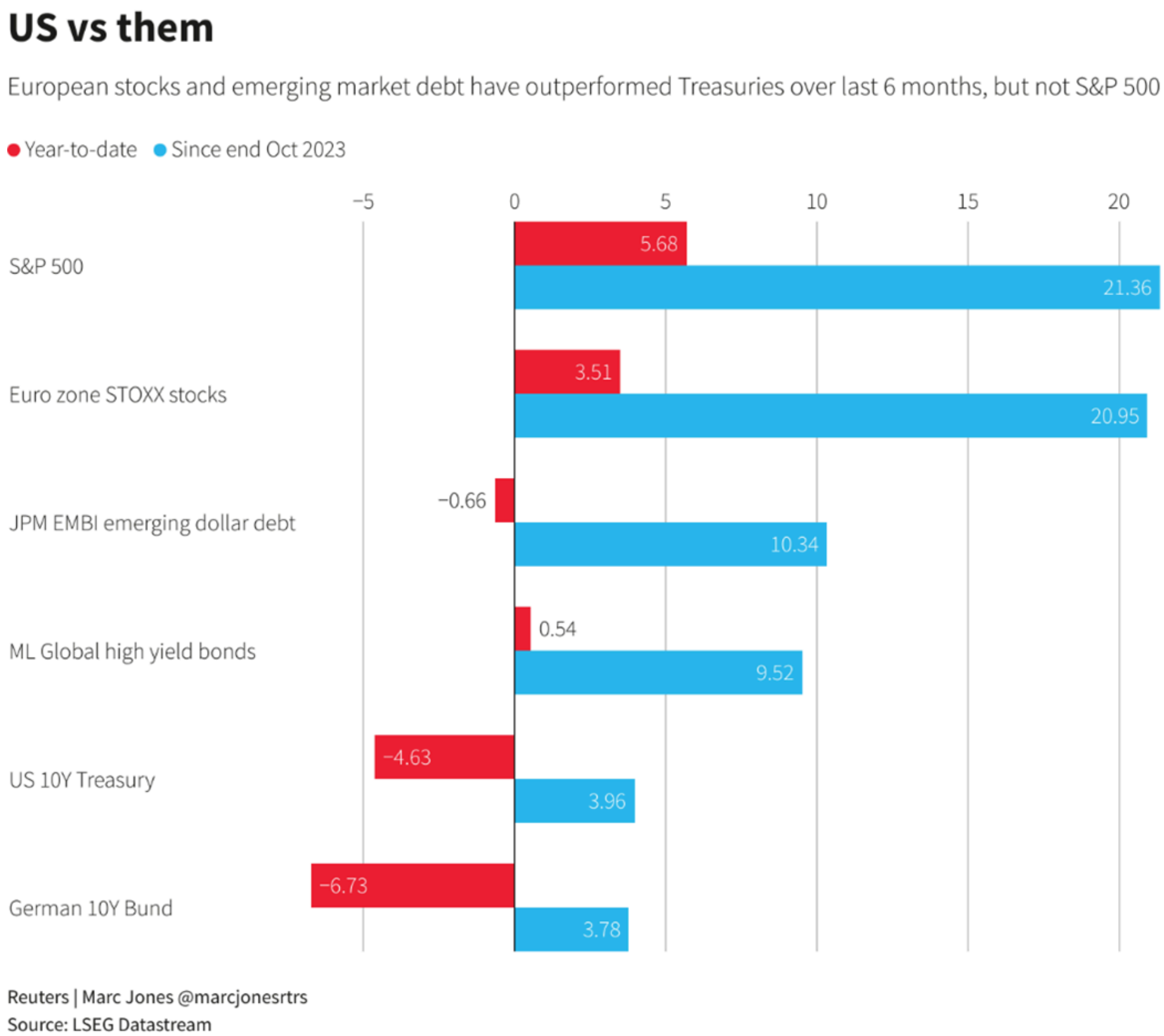
1. US consumer mood and growth ahead. US consumers are in focus as the University of Michigan's preliminary reading on consumer sentiment in May gives a snapshot of their inflation expectations and economic outlook. The link of inflation expectations to mood and politics is going to be in play this next week as investors look for signs of consumer moods breaking on higher gasoline or other cost of living pressures. Economists polled by Reuters expect the consumer sentiment index to rise to 77.9 from 77.2 in April. The 2Q GDP nowcasts were all over the place in the first week of May – which highlights the volatility in markets driven by data dependency.

Will the consumer mood get worse?



Source: Reuters, BNY Mellon

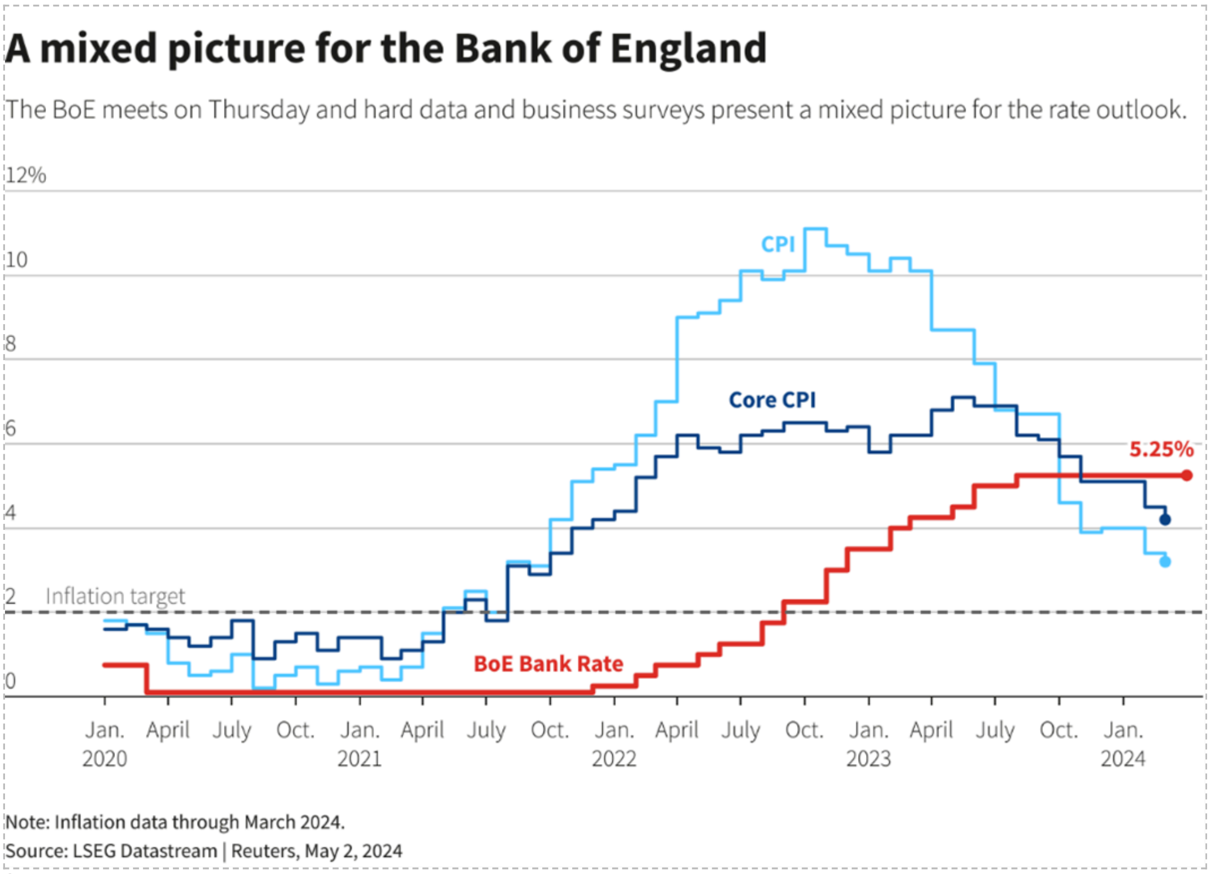
2. Diversification pressure on US Stocks – Markets in the rest of the world are seeing some clear flows linked to 1Q diversification pressures. London's FTSE 100, considered a hedge against tech-dominated S&P weakness because of its large crop of companies in so-called value sectors like oil and mining, is near record highs. Stocks in high-growth India have logged three months of gains. The link of global markets in equities to each other is one thing, the link of them to US bonds is another and that is the key issue for the week ahead as US refunding pressures show up – a 1% move in US yields knocks onto a 0.5% global rate move – which then hurts global equities. The positive correlation of lower US bonds on Friday to higher US shares will be key next week, along with EU earnings and their own bond market reactions to data and central bank guidance.



Source:Reuters, BNY Mellon

3. Bank of England and the risk of a hawkish surprise? With little new economic data scheduled between now and Thursday, investors are increasingly betting the BoE could even wait until September before cutting rates. The by-elections last Friday left PM Sunak in control of a weaker Tory party which only pushes out the risk of elections – this may make fiscal shifts even more unlikely – given he can wait until January 2025. The effect on the BOE maybe to remain on target for a September easing if the data allows such – matching the renewed FOMC expectations for an Autumn cut. The other factor to consider for the BOE is how other central bank's guide markets with the Riksbank expected to ease May 8 making doing nothing more important and seemingly more hawkish.

Does the BOE guide for rate cuts?



Source: Reuters, BNY Mellon

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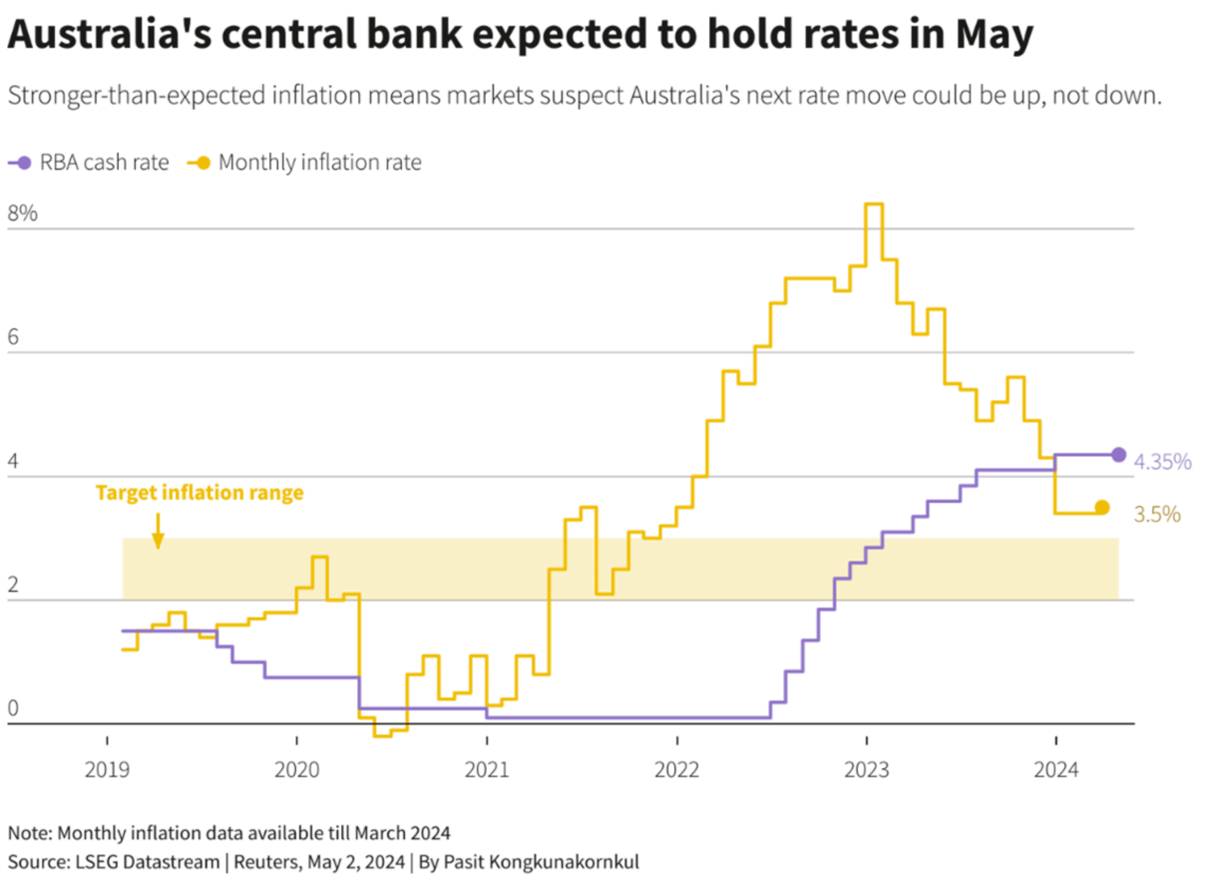
4. RBA and the risk of high for longer. The Reserve Bank of Australia meets on May 7 and is expected to hold policy with some confusion over their future guidance given the higher-than-expected 1Q CPI report 2 weeks ago. Having been spooked by the inflation figures, markets narrowed the odds on the RBA having to raise rates once more. Note, some of those bets were pared after Australian retail sales fell unexpectedly in March. What matters now is how the RBA balances the two along with their own views about China, domestic demand in housing and immigration pressures. The risk reward for the market maybe less in bonds and more in the AUD as the iFlow positioning remains short AUD and prone to an unwind should the RBA sound hawkish and upbeat on the economy.

Does the RBA stay hawkish?



Source: Reuters, BNY Mellon

Economic Data and Events Calendar May 6-10:

Central Bank Decisions

- **Australia RBA (Tuesday, May 7) –** The upside surprise in Q1 CPI has shifted RBA expectations yet again and the market's base case is no longer for a full cut this year, though there is no guarantee that there will be enough policy momentum in the opposite direction either. There has been a material change in expectations for APAC and commodity currencies and this may continue to carry forward AUD momentum, even though there has been significant re-rating of late.
- **Sweden Riksbank (Wednesday, May 8) –** On balance we expect the conditions are now appropriate for the Riksbank to commence its easing cycle and take down the repo rate by 25bp to 3.75%, though the market is not yet unanimous on such a step. The recent unemployment numbers point to clear risk of deterioration in the economy and underlying inflation is falling sharply. There is a point in perhaps waiting until headline figures drop further and the Riksbank remains concerned about the risk of SEK weakness keeping inflation elevated, but we believe domestic demand is already weak enough to maintain the current path for underlying inflation.

- **Brazil COPOM (Wednesday, May 8) –** The market expects COPOM to continue its easing cycle but caution is necessary given ongoing uncertainty with respect to the Fed's path. There is an even split in market view over 25bps or 50bps. The May FOMC decision and weaker April payrolls report will probably provide some relief for the region insofar as risks for the Fed to move back towards a tightening stance have diminished, but policy space in EM is limited for now. Even so, COPOM's current stance ensures that real rates remain in the high single digits – more than enough to anchor currency stability for now.
- **Malaysia BNM (Thursday, May 9) –** While there might be serious argument for a dovish tilt or even policy easing given the lower headline CPI prints, but we expect BNM to approach this cautiously. Near-term priority and focus is to safeguard FX stability. Inflation rebounded from 1.5%y/y to 1.8%y/y as of March 2024 but core CPI has eased further to 1.7%y/y from 1.8%y/y - the lowest since January 2022. We expect BNM to maintain status quo to keep rates at 3.0%, a fine balancing act between stimulating growth and maintaining financial market stability.
- **UK BoE (Thursday, May 9) –** There is a clear difference of opinion within the Monetary Policy Committee with respect of the timing of the first rate cut but on balance we believe August remains the most appropriate starting point. Additional guidance will be provided with the quarterly monetary policy report. Despite robust wage figures, there is an increasing risk that this being driven by low productivity and participation levels and may not be wholly reflective of broader economic conditions. The BoE will likely wait for further clarity on the labour market before acting but if domestic demand weakens earlier than expected, we would not rule out cuts being moved forward.
- **Poland NBP (Thursday, May 9) –** No change is expected from the NBP as the central bank is still seeking to strike a balance between challenging external conditions and the need to anchor domestic inflation, which continues to find strong support from robust wage growth. Sequential inflation on a headline and core basis have rebounded strongly – with the former having gained 1.2% in the past two months alone. Domestic demand remains robust and the central bank will likely continue to call upon fiscal authorities to provide additional restraint to anchor inflation expectations.
- **Mexico Banxico (Thursday, May 9) –** Similar to peers, Banxico's bias remains to cut rates but there is every reason to hold for this cycle due to the change in the Fed's outlook. If real rates north of the border can stabilise at manageable levels ahead of the meeting, there will be capacity for Banxico to but rates but it will unlikely be a unanimous decision and only at 25bp. Headline inflation is current running at closer to 5%y/y but sequential inflation is manageable and

we expect the central bank to consolidate current expectations as domestic demand is holding well.

Key data/releases

Date	BST	EDT	Country	Event	Period	Cons.	Prior
05/07/24	02:00	21:00	PH	CPI YoY 2018=100	Apr	4.00%	3.70%
05/07/24	***05:30***	***00:30***	***AU***	***RBA Cash Rate Target***	***May-07***	***4.35%***	***4.35%***
05/07/24	08:00	03:00	SZ	Foreign Currency Reserves	Apr	--	715.1b
05/08/24	07:00	02:00	GE	Industrial Production SA MoM	Mar	-1.00%	2.10%
05/08/24	***08:30***	***03:30***	***SW***	***Riksbank Policy Rate***	***May-08***	***3.75%***	***4.00%***
05/08/24	12:00	07:00	US	MBA Mortgage Applications	May-03	--	-2.30%
05/08/24	13:00	08:00	BZ	Retail Sales YoY	Mar	--	8.20%
05/08/24	***22:30***	***17:30***	***BZ***	***Selic Rate***	***May-08***	***10.50%***	***10.75%***
05/09/24	03:00	22:00*	PH	GDP YoY	1Q	5.90%	5.60%
05/09/24	***08:00***	***03:00***	***MA***	***BNM Overnight Policy Rate***	***May-09***	***3.00%***	***3.00%***
05/09/24	***12:00***	***07:00***	***UK***	***Bank of England Bank Rate***	***May-09***	***5.25%***	***5.25%***
05/09/24	12:00	07:00	SA	Manufacturing Prod NSA YoY	Mar	--	4.10%
05/09/24			***PD***	***Poland Base Rate Announcement***	***May-09***	***5.75%***	***5.75%***
05/09/24	13:30	08:30	US	Initial Jobless Claims	May-04	--	208k
05/09/24	***20:00***	***15:00***	***MX***	***Overnight Rate***	***May-09***	***--***	***11.00%***
05/09/24	23:30	18:30	NZ	BusinessNZ Manufacturing PMI	Apr	--	47.1
05/10/24	00:50	19:50*	JN	BoP Current Account Balance	Mar	¥3440.7b	¥2644.2b
05/10/24	07:00	02:00	UK	GDP QoQ	1Q P	0.40%	-0.30%
05/10/24	07:00	02:00	UK	GDP YoY	1Q P	0.00%	-0.20%
05/10/24	07:00	02:00	NO	CPI MoM	Apr	--	0.20%
05/10/24	07:00	02:00	NO	CPI YoY	Apr	--	3.90%
05/10/24	07:00	02:00	UK	Industrial Production MoM	Mar	--	1.10%
05/10/24	07:00	02:00	UK	Manufacturing Production MoM	Mar	--	1.20%
05/10/24	07:30	02:30	HU	CPI YoY	Apr	3.70%	3.60%
05/10/24	13:00	08:00	BZ	IBGE Inflation IPCA YoY	Apr	--	3.93%
05/10/24	13:00	08:00	BZ	IBGE Inflation IPCA MoM	Apr	--	0.16%
05/10/24	13:30	08:30	CA	Unemployment Rate	Apr	6.20%	6.10%
05/10/24	15:00	10:00	US	U. of Mich. Sentiment	May P	77	77.2

Key speeches/events

Date	BST	EDT	Country	Event
05/04/24	00:45	19:45*	US	Fed's Goolsbee, Williams Participate in Panel
05/04/24	14:20	09:20	US	Fed's Cook Gives Commencement Speech
05/04/24	19:20	14:20	US	Fed's Cook Gives Commencement Speech
05/06/24	12:15	07:15	EC	ECB's Villeroy Speaks at BIS Innovation Summit
05/06/24	12:30	07:30	EC	ECB's Nagel, Panetta, RBI's Das Speak at BIS Innovation Summit
05/06/24	13:25	08:25	SZ	SNB's Jordan Speaks at BIS in Basel on Digital Currency Pilot
05/06/24	17:50	12:50	US	Fed's Barkin Speaks on Economic Outlook
05/06/24	18:00	13:00	US	Fed's Williams Participates in Fireside Chat
05/06/24	19:00	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices
05/06/24	23:00	18:00	CO	Colombia Monetary Policy Minutes
05/07/24	05:30	00:30	AU	RBA-Statement on Monetary Policy
05/07/24	14:00	09:00	EC	ECB's De Cos, MAS's Chia, HKMA's Yue Speak at BIS Summit
05/07/24	16:30	11:30	US	Fed's Kashkari Participates in Fireside Chat
05/08/24	13:00	08:00	EC	ECB's Wunsch Speaks in Frankfurt
05/08/24	16:00	11:00	US	Fed's Jefferson Speaks About Careers in Economics
05/08/24	16:45	11:45	US	Fed's Collins Speaks to MIT Students
05/08/24	18:30	13:30	US	Fed's Cook Speaks on Financial Stability
05/09/24	00:50	19:50*	JN	BOJ Summary of Opinions (April MPM)
05/09/24	***12:30***	***07:30***	***UK***	***BOE Governor Press Conference***
05/09/24	13:15	08:15	EC	ECB's Cipollone Speaks
05/09/24	13:15	08:15	EC	ECB's Guindos Speaks
05/09/24	14:00	09:00	UK	BOE decision maker panel survey
05/09/24	15:00	10:00	CA	Bank of Canada releases Financial System Review
05/09/24	17:15	12:15	UK	BOE Chief Economist Huw Pill Q&A
05/10/24	08:00	03:00	CZ	CNb Minutes
05/10/24	08:00	03:00	EC	ECB's Cipollone Speaks
05/10/24	12:15	07:15	UK	BOE's Huw Pill speaks
05/10/24	12:30	07:30	EC	ECB Publishes Account of April Policy Meeting
05/10/24	14:00	09:00	PD	Polish Central Bank Governor Glapinski Holds News Conference
05/10/24	14:00	09:00	US	Fed's Bowman Speaks on Financial Stability Risks

Conclusions: Are we at peak USD?

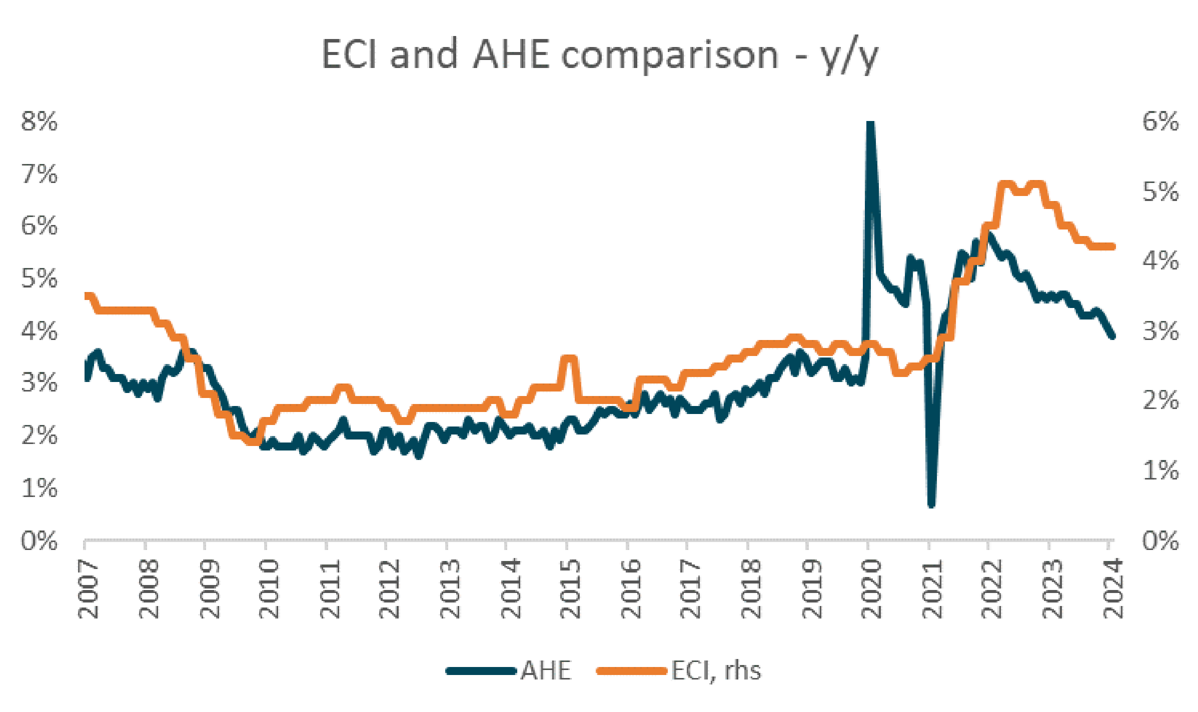
The markets are happy in their dream of a weaker USD following the return of hopes for 2+ rate cuts from the FOMC for 2024. The role of data in driving such thinking leaves FX markets wanting for more US data but they won't get it this week until Friday and the US consumer sentiment. The risk of USD lower for the week rests in how central banks both in the G10 and EM worlds paint their bias to ease and their reasoning for such. If the market return to thinking that the Fed rate cuts are nice but not necessary compared to the needed ones to prevent a recession elsewhere, then the "growth" focus will remain central to how markets see the dollar. The view of US growth in 2Q is 2.5% plus for now and that leaves Europe wanting. Focus on the USD turn in the last week was all about Japan and the intervention. The key for the MOF intervention to hold JPY below 155 will rest on how the correlation of JPY gains vs. Nikkei play out in the next week. For many the weakness in the JPY has been divorced from helping Japan exporters and companies and linked more to worsening politics and unhappy consumers. The wrong kind of inflation risks from weaker FX shows up most everywhere in the world and the next week will test this point with the host of central bank meetings ahead. The cacophony of voices about growth and inflation will matter to how markets see risk for more than just this week.

As for the US turn in rates, the FOMC is clearly focused on the "confidence" needed to see inflation lower with jobs part of the story but wages maybe even more so with the focus on the split between the employment cost index rise to 4.3% is in contrast to the Friday average hourly earnings for the private sector slowing to 3.9% y/y. The slowing of wages and the moderation in job openings suggests a slowing in the US economy that the Fed will have to consider along with the stickiness of other prices. Markets are going to think this has a "stagflation" link and they will also focus on the role of government in keeping markets on edge given the summer focus will surely be about the US Presidential race ahead. Many see the USD risk in that alone as meriting some pressure given the fear of a significant shift in US foreign and trade policy should former President Trump find victory. The role of the US deficit in holding back the USD is also in play but that will be seen in the correlation of US rates to the USD carry support that it should provide. Higher real rates in the US maybe required regardless of the US inflation expectations given the size of the US debt and the need for foreigners to help provide some of the liquidity to keep it afloat.

Bottom Line: The week ahead will be focused again on US rates but less on the economic data that drove it last. Rather the simple balance of supply to demand will be in play testing the USD and the carry trade it provides for the rest of the world.

The USD turn may be a hot topic lifting FX markets back to center stage but that will be tempered by the monetary policy decisions and the forward guidance of many central bank decisions. The risk of geopolitical noise mattering continues with higher hopes for peace talks in Ukraine and Israel making the risk-reward skew dangerous still. The focus on global voters and the bias to xenophobic nationalism continues to play an important role as well. Anything that supports the middle, and a more moderate outcome may help. The dream of a soft-landing in the US extends everywhere and rests on how the week ahead plays out for rate policy and economics. The USD may turn should the need for diversification find real actions to support it elsewhere.

Which is right ECI or Earnings?



Source: Bloomberg, BNY Mellon

Disclaimers and Disclosures

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

Bob Savage

HEAD OF MARKETS STRATEGY AND INSIGHTS

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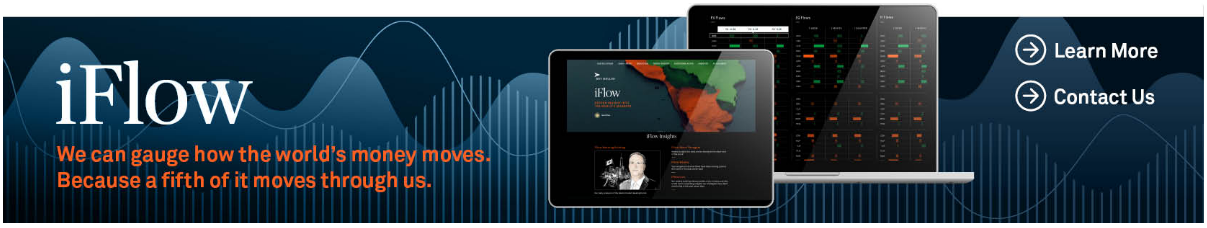

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