

August 9, 2024

Mixes

"Mixed feelings, like mixed drinks, are a confusion to the soul." – George Carman

"Mix a little foolishness with your serious plans. It is lovely to be silly at the right moment." - Horace

Summary

Risk on as investors search for value and see momentum for a bounce back continuing despite China doubts on growth, slowing EU economy and ongoing political and geopolitical concerns. The best day in 18 months yesterday is expected to have legs today with little news overnight or on the agenda today. The risks of a pullback revolve around US rates and rethinking FOMC easing path along with surprises from nature or wars as both matter for the week ahead.

What's different today:

- **Brent crude oil is set for first weekly rise in 5-weeks** – Now up 0.3% d/d, 3.5% w/w to \$79.40- linked to US jobless claims yesterday, EIA crude inventories at 6-month lows and anticipation of escalation in Middle East. Also, notable supply concerns from Libya Sharara oil field.

What are we watching:

- **Brazil July CPI** expected up 0.35% m/m, 4.5% y/y after 4.23% y/y – adding to COPOM holding bias, may help BRL further.
- **Canadian July unemployment** expected up 0.1pp to 6.5% with jobs +22.5k – key for BOC and CAD outlook.
- **US 2Q earnings:** AMC Networks, Evergy, EchoStar, Trade Desk, Nikola

Headlines

- **China July CPI** rises to 0.5% m/m, 0.5% y/y – most since Feb linked to weather – as core slows to +0.4% y/y lowest in 6-months – while PPI -0.8% y/y in line and Vehicle sales -5.2% y/y – CSI 300 off 0.34%, CNH up 0.2% to 7.1705
- **Japan issues megaquake warning, PM cancels travel** – Nikkei up 0.56%, JPY up 0.15% to 147
- **German July final CPI** confirmed up 0.3% m/m, 2.3% y/y – as expected – DAX up 0.3%, Bund 10Y off 4bps to 2.225%
- **French 2Q unemployment** fell -0.2pp to 7.3% - still 0.1pp over 2023 – CAC40 up 0.45%, EUR flat at 1.0915
- **Sweden June household consumption** -0.6% /m, -1.4% y/y – 6th monthly drop - while industrial production -0.5% m/m, +0.9% y/y -OMX up 0.6%, SEK off 0.15% to 10.533
- **Norway July CPI** up 0.5% m/m, 2.8% y/y – with core 3.3% y/y – lowest since April 2022 – NOK up 0.1% to 10.835
- **Turkey June industrial production** -4.7% y/y – worst drop since Feb 2023 – led by manufacturing
- **Trump says President have right to influence Fed policy** – “I feel very strongly about this.” And Harris agrees to Sept 10 debate on ABC – US S&P500 futures up 0.15%, US 10Y off 4.5bps to 3.945%, USD index off 0.1% to 103.20

The Takeaways:

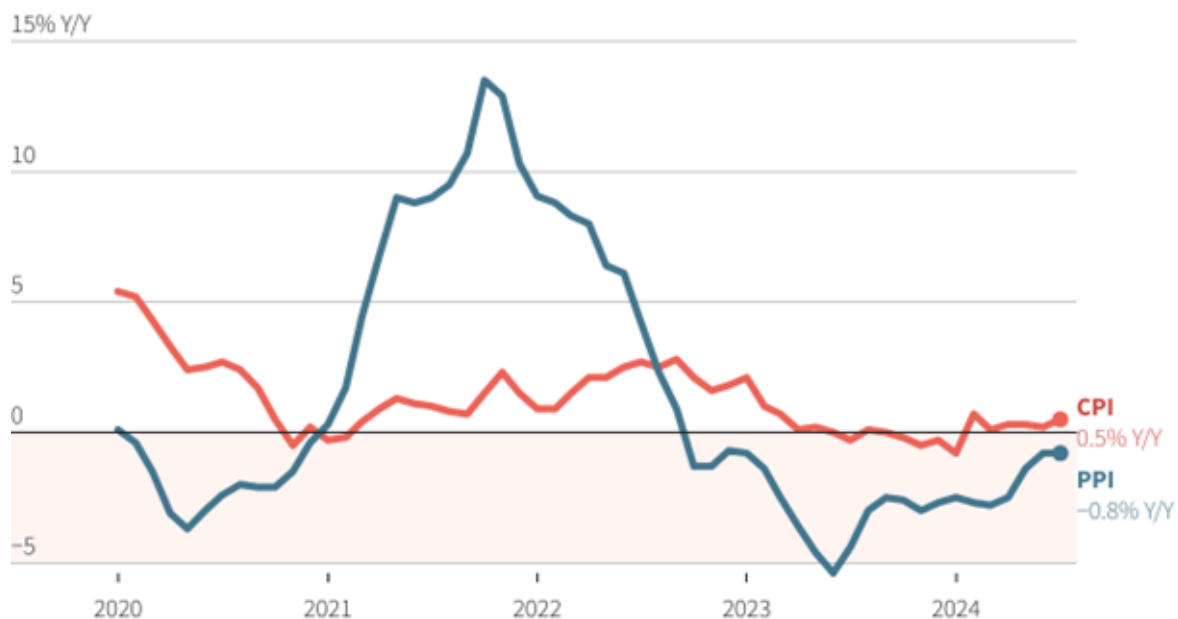
The mix of emotions provided by the price action across global markets this week proved to be an unsavory cocktail for investors as we remain down on the week and worried about global recession risks rising not to mention the geopolitical and political on-going concerns. The history of August volatility continues to play out as rates drive equities again. The surprise reaction to a slightly lower than expected weekly US jobless claims will require far more data to convince the world about the

US soft-landing. 38bps of easing for September FOMC meeting remains in the price and the risk of just 25bps and then only 25bps in December looks high. The role of the rest of the world on the Fed has never been clear and the job of figuring out the risks from a too strong or weak USD is never simple when it comes to price stability, but global growth and its effect on US shares is cleaner in the correlation. The China disinflation matters and the role of US politics on the China supply chain to US consumers is clearly still part of the story. Markets may revert to watching the rest of the world and its economic risks ahead for how to trade bonds and stocks in the US. CPI in the US will be key in the next week but not sufficient to justify the prices already in the tape.

Exhibit #1: Can China export deflation?

China consumer prices jump, producer deflation persists

China's consumer prices rose in July, while producer deflation persisted, as Beijing ramps up support for its frail consumer sector in the face of a sputtering economic recovery.



Source: LSEG Workspace | Reuters, August 9, 2024 | By Kripa Jayaram

Source: Reuters, BNY

Details of Economic Releases:

1. China July CPI rose 0.5% m/m, +0.5% y/y – after -0.2% m/m, +0.2% y/y- more than the 0.3% m/m, 0.3% y/y expected- the highest figure since February. It was also the sixth straight month of consumer inflation, as Beijing ramped up stimulus to bolster consumption. Food prices tried to reverse declines in the prior twelve months (flat reading vs -2.1% in June) amid adverse weather. Meanwhile, non-food prices continued to increase (0.7% vs 0.8%), marked by sustained rises in cost of clothing (1.5% vs 1.5%), housing (0.1% vs 0.2%), health (1.4% vs 1.5%), and education (1.7% vs 1.7%). However, transport costs fell further (-0.6% vs -0.3%), as the impact of utility price hikes and higher railway tickets in some Chinese cities earlier in the year swiftly faded. The core consumer prices, deducting food and energy costs, increased 0.4% y/y, the least in 6 months.

2. China July PPI -0.8% y/y after -0.8% y/y – better than -0.9% y/y expected -the 22nd consecutive month of producer deflation, the latest result remained the lowest figure in nearly 1-1/2 years, helped by multiple support measures from the government to alter stubbornly weak consumption. Costs of means of production continued to shrink (-0.7% vs -0.8% in June), mainly weighed by processing (-2.1% vs -2.0%) as prices rose further for both mining (3.5% vs 2.7%) and raw materials (1.8% vs 1.6%). Simultaneously, prices of consumer goods stayed weak (-1.0% vs -0.8%), dragged by food (-0.7% vs -0.2%), daily use goods (-0.3% vs -0.1%), durable goods (-2.0% vs -2.1%), and clothing prices (-0.5% vs flat reading). Monthly, producer prices were down 0.2%, the same pace as in June. Considering the first seven months of 2024, factory-gate prices shrank 2.0%.

3. French 2Q unemployment dips to 7.3% from 7.5% - better than 7.5% expected. The number of unemployed persons decreased by 40,000 to 2.3 million, with the unemployment rate for those aged 15 to 24 falling by 0.4 percentage points to 17.7%. Meanwhile, the unemployment rate for people aged 25 to 49 remained nearly unchanged at 6.7%, as did the rate for those aged 50 and over at 5.1%. Among genders, the jobless rate for men dropped slightly by 0.3 percentage points to 7.3%, while it ticked up by 0.1 percentage points to 7.4% for women. The activity rate stood at 74.5% in the second quarter of 2024, unchanged from the previous three-month period.

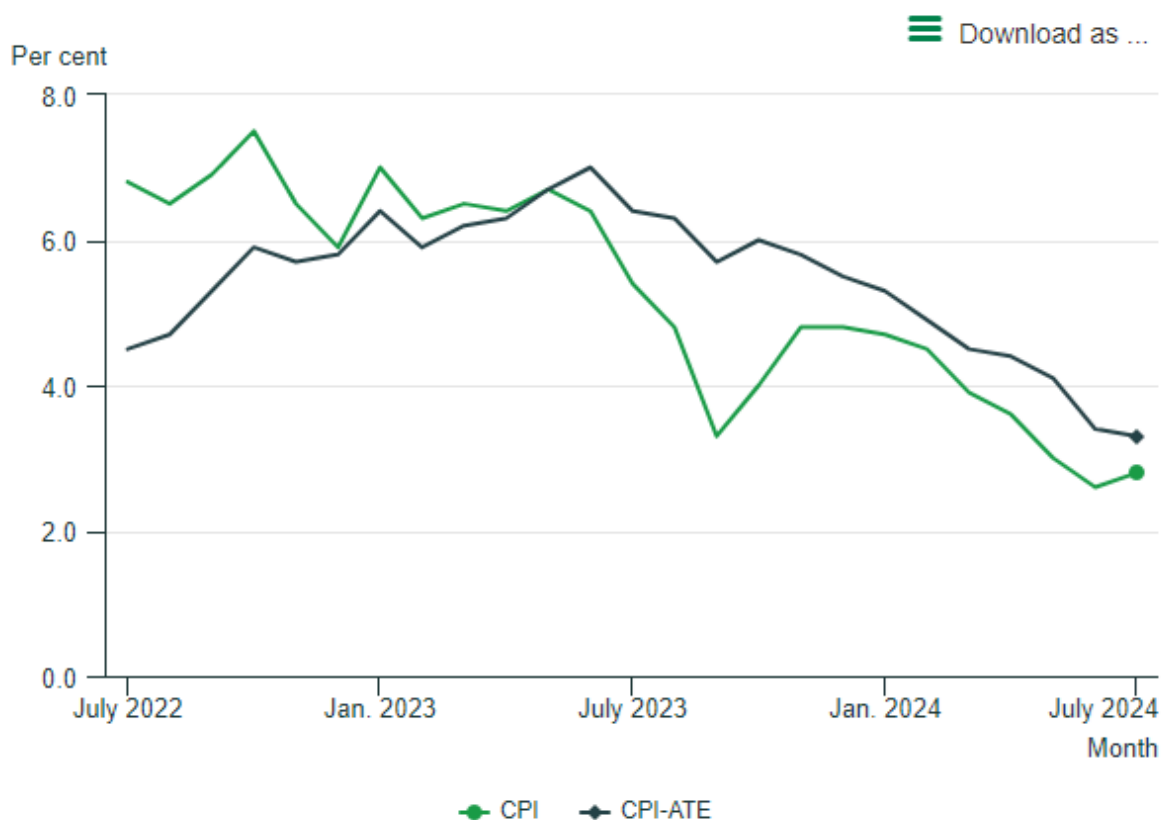
4. Sweden June household consumption fell -0.6% m/m, -1.4% y/y after 0% m/m, -0.4% y/y – weaker than -0.2% m/m, -0.6% y/y expected = the sixth straight month of no growth in consumption. The largest downward contribution came from spending on transport, retail sales and service of motor vehicles (-0.7%) while the largest upward contribution came from housing, electricity, gas and heating (+0.5%).

Year-on-year, household spending went down 1.4% and considering the three months to June, it declined 1% compared to a year earlier.

5. Sweden June industrial production drops -0.5% m/m, +0.9% y/y after +1.1% y/y -3.1% y/y – better than 0.5% y/y expected. Manufacturing output returned to growth (0.9% vs -3.8% in May). On the other hand, growth slowed sharply for mining & quarrying (0.4% vs 11.8%).

6. Norway July CPI rose 0.5% m/m, 2.8% y/y after 0.2% m/m, 2.6% y/y – as expected. The core CPI rose 0.8% m/m, 3.3% y/y after 3.4% y/y – also in line – and the lowest since April 2022. Price growth accelerated for housing & utilities (1.6% vs. 0.2% in June) and clothing & footwear (2.9% vs. 2.6%). In contrast, costs slowed for furnishings, household equipment, and routine maintenance (0.6% vs. 2.7%), health (4.2% vs. 4.6%), and recreation & culture (3.5% vs. 4%), while inflation remained unchanged for food & non-alcoholic beverages (4.9%).

Exhibit #2: Does Norway CPI mean cuts ahead?



Source: Norway Stats, BNY

Disclaimer & Disclosures

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

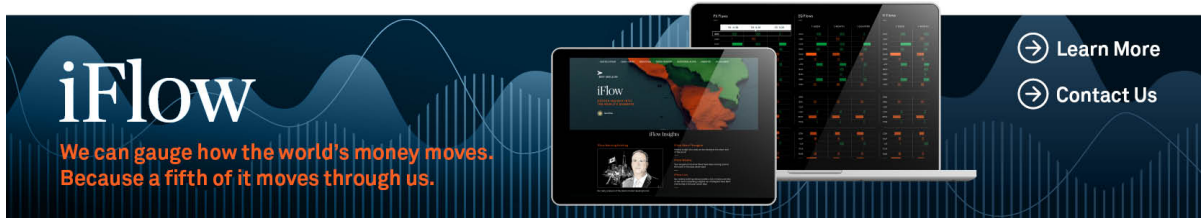


Bob Savage
HEAD OF MARKETS STRATEGY
AND INSIGHTS

CONTACT BOB



Can't see the email? [View online](#)



We take our data protection and privacy responsibilities seriously and our privacy notice explains how we collect, use, and share personal information in the course of our business activities. It can be accessed [here](#).

This email was sent to Weekhoon.Chong@bnymellon.com, and was sent by The Bank of New York Mellon 240 Greenwich Street, New York NY 10286.

Your privacy is important to us. You can opt out from receiving future Newsletters by unsubscribing via [this link](#) at any time. You can also select the topics that you want to receive by [managing your preferences](#).

This message was sent from an unmonitored email box. Please do not reply to this message.

[Contact Us | iflow@bnymellon.com](mailto:iflow@bnymellon.com)

© 2024 The Bank of New York Mellon Corporation. All rights reserved.

This message was sent from an unmonitored email box. Please do not reply to this message.