

Trump Or Harris For The BIG Job?

Macro Overview

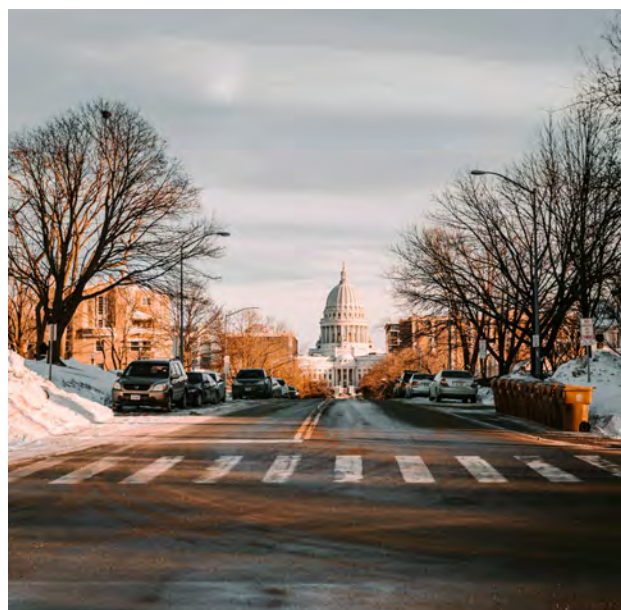
US

'tis the week of the US election. Markets closed down about 1.5% for the week and closing down about half a percent for the month. Earnings from tech giants Meta and Microsoft reported earnings that failed to impress. High expectations and lofty valuations for the "Magnificent Seven" tech megacaps — which account for a big part of the S&P 500 earnings growth — meant that sentiment can easily be dented, as seen on late Thursday. **Questions over corporate profits keep mounting, with the US presidential election also clouding the outlook on taxes and tariffs.** The Federal Reserve's preferred measure of underlying US inflation posted its biggest monthly gain since April, prompting investors to dial back bets for how aggressively officials will cut interest rates. Core personal consumption expenditures price index, which strips out volatile food and energy items, increased 0.3% in September, and 2.7% from a year earlier, according to Bureau of Economic Analysis data. US jobless claims decreased by 12,000 to 216,000 in the week ended Oct. 26 to their lowest since May, as the impact of recent hurricanes started to fade. **The impending US election and rising bond yields are also keeping investors on their toes, yet beyond a potential brief burst of volatility, there's growing conviction that the rally has room to run.** UST10Y and 2Y yields closer higher at 4.38% and 4.205% respectively, steepening for the week. Friday's non-farm payrolls came in at a much weaker than expected 12k jobs vs expectations of 100k with the unemployment rate unchanged at 4.1%. Average hourly earnings rose 0.4% from September – higher than expected. Markets staged a late rally parsing a wave of earnings readouts from Amazon, Intel and Apple and cementing bets that the Fed will continue to be on track with its rate cuts. Data from earlier in the week saw the US economy expanding at a relatively robust pace in Q3, with inflation-adjusted gross domestic product increasing at a 2.8% annualized pace after rising 3% in the previous quarter. A soft landing is still the Fed's position.

Cryptos fell for the week after a steady rise earlier in the week trading as high as \$73,560. It traded lower on reports that Trump's lead over Kamala's was shrinking (cc. PredictIt, Polymarket, Kaishi 1Nov24). BTC trades \$68k and ETH \$2,450. Clearly, the main event will be the elections on Tuesday the 5th of November, followed by the FOMC meeting Thursday morning where the Fed is widely expected to reduce the Fed Funds rate by 25 bps to 4.5%-4.75%. Factory orders together with ISM Services will also be in the mix.

An area where sell-side analysts see as having the most upside over the next 12-months, is in energy. The sector is challenged by

sinking oil prices, slowing global growth and negative earnings momentum. We favour oil companies that continue with their share buyback programs namely, BP, Total and Exxon.



EUROPE

Markets in Europe ended the week lower by approximately 1.5% and in terms of economic data, the Euro area GDP growth increased more than expected in 3Q24, at 1.5% q/q. Around 0.2%-pts of the surprise were due to a surge in Ireland. The Euro area composite PMI has slowed recently, signalling growth at a 0.7%ar in October.

October headline HICP rebounded to 2.0% y/y, driven by energy and FAT (Food, Alcohol and Tobacco). Core remained at 2.7% y/y, with y/y services unchanged and core goods edging up. The ECB's seasonally adjusted data show **core prices rising 0.20% m/m, in October. This is a 2.4% annualized pace and hence still above the ECB target**, but it is a significant improvement from the 3.3% annualised pace seen in 1H24. In terms of the split, core goods inflation increased 0.07%-pt to 0.51%y/y and services inflation was unchanged at 3.92%y/y.

The Euro area unemployment rate was stable in September at a downwardly revised 6.3%, which is a new record low. The number of unemployed edged up 13,000 in September but had declined 200,000 over the prior two months. Those declines have mainly come from Italy and Spain. Encouragingly, October consumer confidence was confirmed at -12.5 (+0.4) with a sizable improvement in Germany (+2.0).

In the UK, Labour has made a highly significant departure from its prior plans with much larger increases to both taxes and public spending. The big rise in tax came from £25bn of measures related to higher employer national insurance, but a range of other wealth taxes and duty changes take this higher still. While the average pace of annual fiscal tightening is similar to before, the overall level of demand is higher due to the large £40bn

upgrade to borrowing for 2024/25. This reflects much higher spending. Going into this Budget, we had seen some building pressure for the BoE to deviate from gradual rate cuts on the grounds of weaker expected pay growth. The BoE has stuck to a message of gradualism so far and we expect the BoE to cut 25bps to 4.75% in its upcoming November meeting. Beyond November, the MPC's interpretation of the Budget is key. Since August, data have evolved to present a picture of softer economic growth, more rapid disinflation and easing future wage pressures, relative to the MPC's August forecast.

This week, we will see retail sales in the Euro Area, PMI survey in both the Euro Area and in the UK. We will also have the BoE policy decision on Thursday.



ASIA

MSCI Asia ex Japan closed the week lower by 1.23%. The Hang Seng fell 0.41%; mainland China markets also down 1.68% last week. Sharp losses of more than 2% was seen in Taiwan, Indonesia and Philippines. Japan benchmarks finished higher to buck the regional trend.

Chinese factory activity strengthened for the first time in six months in October. China's Caixin S&P Global manufacturing PMI **rose to 50.3 in October** from 49.3 the previous month. The **non-manufacturing PMI was 50.2 in October**, slightly below analysts' forecasts of 50.3. Industrial profits in China fell 27.1%oya in September. Prices of new homes in China rose at a faster pace in October. The average price across 100 cities edged up 0.29%, compared with the previous month's 0.14%, according to data released by property researcher China Index Academy.

President Xi reiterated a call to achieve the country's annual economic target, signalling a growing sense of urgency ahead of the Standing Committee of the National People's Congress this week, which is expected to approve new fiscal support of over RMB10 trillion (US\$1.4 trillion) to revive its economy.

Economists from Goldman Sachs, Macquarie, and Nomura expect China to approve at least 1 trillion yuan in special sovereign bonds this week to support bank capital, along with 6-10 trillion yuan in local government bonds to manage hidden debt over several years. Nomura estimates the total stimulus could be

2%-3% of GDP annually, potentially leaning higher if Trump wins the U.S. election, as China would likely ramp up fiscal measures in response to increased geopolitical tensions.

The Bank of Japan maintained ultra-low interest rates on Thursday at 0.25% as widely expected. The Cabinet Office cut its inflation-adjusted gross domestic product growth forecast for the current fiscal year ending in March 2025 to 0.7% from 0.9% projected in July. "Looking at domestic data, wages and prices are moving in line with our forecasts. As for downside risks to the U.S. and overseas economies, we're seeing clouds clear a bit," Governor Kazuo Ueda told a news conference. The BOJ next meets for a policy meeting on Dec. 18-19, followed by another meeting on Jan. 23-24.

Other data from Asia: Thailand finance minister said its economy is expected to grow 3% in 2025 and maintains this year's growth forecast at 2.7%. Singapore October Purchasing Managers' Index fell 0.2 to 50.8, according to figures compiled by the Singapore Institute of Purchasing & Materials Management. Electronics sector fell 0.1 to 51.4. Vietnam posted stronger-than-expected GDP growth of 7.4% for Q3, prompting the Prime Minister to revise the Q4 growth target to 7.6-8.0%, driven by robust export and manufacturing alongside recovering domestic consumption. These trends suggest that Vietnam may exceed 7% growth in 2024.

GeoPolitics

Ukraine – Russia – North Korea: A small number of North Korean troops are now reportedly in Ukraine, with their numbers expected to rise as they complete training in eastern Russia and head to the front lines. NATO allies hope this intelligence will prompt South Korea to reconsider its stance against providing military aid to active war zones. South Korean President Yoon Suk Yeol has signalled openness to this, stating they may review their position depending on North Korean military involvement. South Korean intelligence estimates about 13,000 North Korean troops are currently in Russia, a higher number than estimated by U.S. and U.K. officials. South Korea, which remains technically at war with the nuclear-armed North decades after the 1950-1953 Korean War, also condemned the deployments, with officials in Seoul worried about what Russia may be providing to Pyongyang in return.

US- Ukraine- China: *US's largest drone maker and a supplier to Ukraine's military, faces a supply chain crisis after Beijing imposed sanctions on the company.* Skydio is rushing to find alternative suppliers after *Beijing's move*, which *also blocks battery supplies from its sole provider*. China's sanctions, imposed on October 11, hit several US groups, including privately held Skydio, in retaliation for Washington's approval of the sale of attack drones to Taiwan. Skydio had recently won a contract with Taiwan's fire agency.

EU – China: China has told its automakers, including BYD, SAIC and Geely, to halt big investment in EU countries that support additional tariffs on Chinese EVs at a meeting held by commerce ministry on 10 Oct. Countries including France, Poland and Italy voted to support the tariffs this month, while five members including Germany opposed them and 12 abstained. Article noted move suggested Beijing is seeking leverage in talks with Brussels over an alternative to tariffs. Automakers were also urged not to take separate investment discussions with European governments and instead work together to hold collective discussions.

US- UN- Israel- Palestine: The United States rejects "any Israeli efforts to starve Palestinians in Jabalia, or anywhere else" in the Gaza Strip, US Ambassador to the United Nations Linda Thomas-Greenfield said on Tuesday. UN Secretary-General Antonio

Guterres sent a letter on Tuesday (Oct 30) to Israeli Prime Minister Benjamin Netanyahu protesting a new law that could effectively cripple the UN agency responsible for aiding Palestinian refugees (UNRWA).

The regulations approved by the Israeli parliament ban the UN agency from operating in Israel and occupied east Jerusalem and prevent it from communicating and coordinating with Israeli authorities, which could essentially end its work in Gaza and the occupied West Bank.

Iran – Israel: Iran is planning a counterattack on Israel involving more powerful warheads and other weapons, the Wall Street Journal reported. "Details cannot be discussed, but it will certainly be carried out," Ali Fadavi, the IRGC's deputy commander in chief, was cited as saying by the semi-official Iranian Students' News Agency.

Sudan: The Rapid Support Forces (RSF), a Sudanese militia, have been accused of serious human rights abuses, including killings, sexual violence, looting, and arson, in recent attacks on villages south of Sudan's capital, Khartoum. These intensified assaults in el-Gezira state follow the defection of a major commander to government forces on October 20. The UN reports nearly 47,000 people have been displaced in the past week, with at least 30 villages attacked. The RSF has experienced significant battlefield setbacks around Khartoum against the Sudanese army. The conflict, ongoing since April 2023, has created a severe humanitarian crisis.

Credit/Treasuries

UST yields rose across the curve (2years: +10 bps), (5 years: +16 bps), (10 years: +14 bps) and (30 years: +8 bps), driven by resilient US 3Q24 GDP data and a stronger-than-expected US core 3Q24 CPI. After lackluster 2y and 5y UST auctions on Monday, the 7y UST auction was surprisingly strong, with a stop-out yield of 4.215%, 2.0bp through the when-issued yield, and with the highest bid-to-cover ratio since March 2020. US credit spreads widen slightly, with US IG (+14.6 bps) and US HY (+35 bps). Eurozone yields bear-flatten with (2years: +13 bps), (10 years: +11 bps) and (30 years: +3 bps), following the strong data and hawkish-leaning ECB officials speak. 2yr bund yields (+11.5bps) posted their largest increase in over three weeks, with OATs (+11.0bps) and BTPs (+12.5bps) seeing similar moves. At the long-end, 10yr bund yields (+5.1bps) rose to their highest in three months at 2.39%, while 10yr BTPs (+7.5bps) underperformed after the weak GDP data there. Gilts bear-flatten (2years: +26 bp), (10 years: +21 bps) and (30 years: +16 bps), following the UK Budget release given higher gilt issuance expectations and the OBR's forecasts driving a hawkish repricing of BoE cuts.



FX

DXY USD Index closed the week at 104.28 (+0.02%), supported by higher UST yields.

US data was mixed last week. Storm and strike effects drag down October nonfarm payrolls, rising 12k (C: 100k), the slowest hiring pace since 2020; 112k of downward revisions and an unrounded increase in the unemployment rate rounds out the weak report. JOLTS job openings (A: 7,443k; C: 8,000k) lowest in 42 months in September. ISM Manufacturing contracted further (A: 46.5 C: 50.0; P: 58.3) with production the big drag. US Q3 expanded 2.8% saar (C: 2.9%). US conference board consumer confidence up 9.5pts to 108.7 in October, highest since January. Dampened disinflation traction with core PCE posting biggest monthly increase since April. Market pricing for 45.5 bps cut for 2024 after weak nonfarm payroll. Resistance level at 104.7/105.0.

EUR outperformed last week, with EURUSD (+0.35%) to 1.0834, EURGBP (+0.69%) to 0.8386 and EURCHF (+0.71%) to 0.9424. EUR strengthened amid stronger than expected GDP growth in 3Q24, coupled with upside surprises in several national CPI data releases in the Eurozone. The stronger data saw hawkish-leaning ECB officials speak in favour of only gradual easing. As a result, Market pricing of a 50bps rate cut by the ECB in December fell to 17% compared to 40% in previous week.

USDCHF rise 0.37% to 0.87 as Swiss inflation misses expectations (A: 0.6%; C: 0.8%; P: 0.8%), coming in below the SNB's 4Q24 conditional inflation forecast average of +1.0% yoy. In addition, comments from SNB Chairman Schlegel were dovish, who said further easing of policy could be needed.

GBPUSD fell 0.29% to 1.2924 despite the historic shift in UK fiscal policy, with large rises in spending and revenue, as market participants digested the news of the more front-loaded fiscal plans and additional gilts supply. GBP underperforms following the UK Budget release given higher gilt issuance expectations and the OBR's forecasts driving a hawkish repricing of BoE cuts. Market currently priced 28.1 bps of cuts in 2024, down from 40 bps cuts in previous week, while 115 bps cuts was reduced to 88 bps cuts by end 2025 after the budget release.

USDJPY rose 0.46% to 153.01 driven by the political uncertainty (Japan's ruling LDP party obtained fewer seats than expected and lost its majority in the Lower House) and rise in UST yields. BoJ kept its policy rate unchanged as expected, but the outlook report maintained its assessment of upside risk to inflation for FY25. BoJ Governor Ueda's press conference leaned hawkish as he removed the language of having "time to wait" as uncertainty in the US economy is receding.

AUDUSD fell 0.74% to 0.6559. Australia inflation rose 0.2% qoq (C: 0.3%, P: 1.0%) and 2.8% yoy (C: 2.9%, P: 3.8%). Trimmed mean CPI came in at 3.2% yoy (P: 3.4%). Retail sale came in at 0.1% (C: 0.3%, P: 0.7%). RBA is expected to hold rate at this coming Tuesday.

Oil & Commodity

Oil futures fell significantly last week as tensions in the Middle East ease. WTI and Brent closed the week at 69.49 (-3.19%) and 73.1 (-3.88%) respectively, at one time falling more than 6%. The rebound of oil prices towards the end of the week was supported by headlines that suggested OPEC+ may delay its planned increase in oil output. Additionally, the EIA report for the week ending October 25 showed a 0.5mn barrel decline in crude oil inventories.

Economic News This Week

- **Monday** – AU Melbourne Inflation, EU Mfg PMI Oct Final, US Factory Orders/Durable Goods Orders
- **Tuesday** – AU/UK Svc/Comps PMI Oct Final, AU RBA Rate Decision, US Trade Balance/ISM Svc Index
- **Wednesday** – NZ Unemploy. Rate, JP/EU/US Svc/Comps PMI Pct Final
- **Thursday** – AU/CH Trade Balance, SW CPI, Norway Rate Decision, SW Riksbank Rate Decision, EU Retail Sales, UK BOE Rate Decision, US Initial Jobless Claims/Wholesale Inv./FOMC Rate Decision
- **Friday** – CA Unemploy. Rate, US Mich. Sentiment

Key Market Moves

4 November, 2024

Name	WTD	MTD	YTD	Last px
MSCI ACWI Index	-1.22%	0.34%	14.88%	835.15
S&P 500 Index	-1.37%	0.41%	20.10%	5,728.80
Dow Jones Industrial Average	-0.15%	0.69%	11.58%	42,052.19
NASDAQ Composite Index	-1.50%	0.80%	21.51%	18,239.92
EURO STOXX 50 Price EUR	-1.32%	1.04%	7.88%	4,877.75
STOXX Europe 600 Price Index EUR	-1.52%	1.09%	6.66%	510.90
Nikkei 225	0.37%	-2.63%	13.71%	38,053.67
Tokyo Stock Exchange Tokyo Price Index TOPIX	0.99%	-1.90%	11.74%	2,644.26
MSCI AC Asia Pacific Index	-0.78%	-0.54%	9.27%	185.09
MSCI AC Asia Pacific Excluding Japan Index	-1.23%	0.31%	11.98%	592.23
MSCI Emerging Markets Index	-1.11%	0.25%	9.63%	1,122.28
Shanghai Shenzhen CSI 300 Index	-1.68%	0.11%	13.53%	3,895.50
Hang Seng Index	-0.41%	1.36%	20.80%	20,593.63
India NSE Nifty 50 Index	0.51%	0.41%	11.84%	24,304.35
Taiwan Stock Exchange Index	-2.43%	0.48%	27.88%	22,930.39
Korea KOSPI Index	-1.58%	0.59%	-3.16%	2,571.35
Singapore Straits Times Index STI	-1.06%	0.34%	10.21%	3,571.13
Thailand SET Index	0.05%	-0.13%	3.41%	1,464.17
Jakarta Stock Exchange Composite Index	-2.46%	-0.91%	3.20%	7,505.26
Philippines Stock Exchange PSEI Index	-2.34%	-0.31%	10.40%	7,120.70
Vietnam Ho Chi Minh Stock Index / VN-Index	0.17%	-0.76%	11.06%	1,254.89

Source: Bloomberg

Name	WTD	MTD	YTD	Last px
US Generic Govt 10 Year Yield	0.03	0.02	0.13	4.38
Euro Generic Govt Bond 10 Year	0.05	0.01	0.19	2.41
Japan Generic Govt 10Y Yield	(0.01)	(0.00)	0.55	0.95
MARKIT CDX.NA.HY.32 06/24	0.11%	-1.02%	-6.72%	332.39
MARKIT CDX.NA.IG.32 06/24	0.28%	-1.55%	-6.49%	53.02
MARKIT CDX.EM.31 06/24	1.59%	0.97%	1.32%	169.68
EUR-USD X-RATE	0.35%	0.01%	-1.40%	1.09
GBP-USD X-RATE	-0.29%	0.57%	1.90%	1.30
CHF-USD X-RATE	-0.36%	-0.20%	-2.82%	1.16
USD-JPY X-RATE	0.46%	-0.13%	7.65%	151.83
USD-CNY X-RATE	0.11%	-0.06%	0.19%	7.11
USD-HKD X-RATE	0.09%	0.04%	-0.45%	7.78
USD-INR X-RATE	0.00%	0.00%	1.05%	84.08
NYMEX Light Sweet Crude Oil	-3.19%	1.83%	-1.56%	70.53
ICE Brent Crude Oil Future	-3.88%	1.30%	-3.80%	74.11
VIX Index	7.62%	-5.53%	75.74%	21.88
Gold Spot	-0.40%	-0.20%	32.74%	2,738.36
Silver Spot	-3.65%	-0.37%	36.76%	32.54
Palladium Spot	-7.68%	-0.79%	0.98%	1,111.01
Bitcoin/USD	2.11%	-1.51%	62.04%	68,878.48
Etherum/USD	-0.82%	-2.20%	7.89%	2,462.33

Sources – Various news outlets including Bloomberg, Reuters, Financial Times, FactSet, Associated Press

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