



# PKB's Market Espresso

Short. Rich. Strong.

# It's Always About the Payrolls

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**Non-farm payrolls** for October will be released on Friday with market expecting an increase of **110k units** – such an increase would be the **smallest since the end of 2020**

- Final number will be **negatively impacted** by flooding/power **disruptions** caused by **Hurricanes Helene and Milton** and by ongoing **strikes at Boeing**
- This Friday's employment report will be the last the Fed sees before next policy meeting – with the **market pricing a 25bp** cut next week. It will take a surprising number to knock them off course
- With the US presidential election next week, a **weak number** could give an **additional push** to Donald **Trump** and the **Republicans**

# Japan's Politics Trouble the Yen

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The JPY is the **worst performing** of G10 currencies this year, and it dropped as much as 1% after the country's ruling coalition **failed to win a majority** in parliament - adding to the intense selling pressure due to the wide **interest-rate differential** with other major economies.

Still, the yen has key **strengths**: a record (\$20 billion) current-account **surplus**, deep **liquidity** and relatively **low inflation**, as well as an interesting **store of value** ahead of elections and geopolitical tensions.

In addition, the BOJ is the only developed-market central bank that is currently even close to **raising interest rates** as its next policy move.

Finally, market positioning suggests investors are at least **less bearish** on the currency compared with earlier in the year.

# US Q3 Earnings Season Update

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Overall, 37% of companies in the S&P 500 have reported results for Q3 2024. Of these companies, **75% have reported EPS above estimates**, below the 5-year average of 77% but equal to the 10-year average of 75%.

In aggregate, companies are reporting earnings that are **5.7% above estimates**, below the 5-year (8.5%) and 10-year (6.8%) averages.

The blended earnings growth rate for the third quarter is 3.6% today, compared to an earnings growth rate of 4.3% at the end of the third quarter.

Eight of the eleven sectors are reporting year-over-year **growth**, led by the **IT and communication services**. On the other hand, three sectors are reporting a year-over-year **decline** in earnings, led by **energy and industrials**.

# Climbing Rates, Cooling Cuts

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30-year fixed rate mortgages hit 6.61% last week, the **highest since July**, following a rise in Treasury yields and resilient economic data.

- **Rate Increases:** Both 30-year and 15-year rates are up over 70 basis points from September lows, underlining persistent inflationary pressures.
- **Market Impact:** The steady rise impacts affordability, dampening expectations for rapid Fed cuts as economic demand remains strong.
- **Fed Outlook:** With inflation still a concern, the Fed is expected to take a cautious approach on rate adjustments in the near term.

Monitoring factors like mortgage rates, especially with **interest-sensitive assets**, can help with **allocation** and **timing**, especially amid inflation concerns.



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