



News: Bloomberg

Traders Gear Up to Capture Swings During a Volatile Election Night, Ready to Jump In or Quickly Exit

“For the big money on Wall Street, preparations are underway for a coin-toss election that could dramatically shift policy. Trading desks will be staffed overnight, with teams in Hong Kong and Singapore enlisted to help.”

For the big money on Wall Street, there's the prep that's bound to come with a coin-toss election that could dramatically swing policy. Trading desks staffed through the night, with teams in Hong Kong and Singapore enlisted to help. Tracking popular “Trump trades”, long the dollar, short bonds ready to pile in or quickly unwind.

Steps are being taken for an unprecedented election season. A London-based hedge fund primed its “shock” computer model especially for this moment. Banks are preparing for the remote risk of civic violence, which could disrupt the US and global financial markets.

“November 5 is going to be a blindfolded mud-wrestle in a minefield,” says Calvin Yeoh, a portfolio manager at Blue Edge Advisors in Singapore. “The election is so tight and path-dependent that it makes it very difficult to trade.”

JPMorgan Chase & Co. plans to increase staffing in Europe and Asia to handle overnight volume and volatility; Goldman Sachs Group Inc. expects to have hundreds from its sales and trading teams on-site in New York well into the night, with more ready to log on from home. Across the industry, US employees are gearing up for all-nighters.

As Kamala Harris and Donald Trump make their final case to voters, the finance industry is assessing the implications of this historically close race. Right now, the markets say Trump will win. Stocks are up, as is the dollar and crypto. Bond yields have climbed. If Harris wins, popular Trump trades could be rapidly reversed, creating big market gyrations overnight.

Source: <https://www.bloomberg.com/news/features/2024-11-03/how-traders-are-preparing-to-watch-2024-election-night-results>

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RBA Set to Hold Key Rate to Counter Sticky Prices, Global Risks

“RBA is poised to keep interest rates at a 13-year high, continuing a year of stable policy as it faces slow disinflation and mounting global risks capped by a tight US election.”

Australia's central bank is poised to keep interest rates at a 13-year high, marking a year of unchanged policy as it grapples with a slow pace of disinflation and mounting global risks capped by a tight US election.

Economists see the Reserve Bank holding the cash rate at 4.35% on Tuesday and leaving it there until at least February with the board's statement expected to remain cautiously hawkish. It's likely to highlight the need for restrictive policy given an accompanying update of economic forecasts is set to show core consumer prices staying stubbornly elevated.

The inter-meeting period has seen a consolidation of trends: a strong labor market, still-elevated inflation and a deteriorating global backdrop. Geopolitical strains have been at the forefront with North Korean troops joining Russia's war on Ukraine and Israel and Iran conducting missile strikes on each other. Markets are already pricing a return of Donald Trump as president, an outcome that will likely lead to an intensification of trade turmoil.

“Globally, there's more uncertainty than usual and coupled with the domestic data, argues for caution and patience from the RBA,” said Su-Lin Ong, chief economist at Royal Bank of Canada. “Top of the list of uncertainties will be the US election, both the presidency and composition of the Congress.”

Financial markets are bracing for volatility from the US presidential election, as traders weigh the impact of a disputed result or a renewed trade war with China. Beijing last month unveiled aggressive measures to underwrite growth that has been lackluster in recent times.

Economists say they will be interested in any discussions around the Chinese economy in the RBA's commentary. China buys almost a third of Australian exports and has an outsized influence on the nation's economic performance.

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Treasurer Jim Chalmers last month hailed China's new stimulus effort as a "really welcome development" for both his nation and the world at large. Chalmers pointed to weak demand in China as among factors that have been weighing on his nation's economy.

Despite Australia's anemic growth, the RBA isn't prepared to cut rates yet with Governor Michele Bullock reiterating that inflation needs to move "sustainably" inside its 2-3% target. As a result, traders have pushed back their pricing for an easing to May 2025, from February previously.

Source: <https://www.bloomberg.com/news/articles/2024-11-03/rba-set-to-hold-key-rate-to-counter-sticky-prices-global-risks>

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News: Bloomberg

BOJ Still on Track for More Rate Hikes in The Coming Months After Standing Pat

“The Bank of Japan kept its benchmark interest rate unchanged while sticking to its view that it’s on track to achieve its inflation target, an outlook that points to the possibility of another rate hike in the coming months.”

The Bank of Japan kept its benchmark interest rate unchanged while sticking to its view that it’s on track to achieve its inflation target, an outlook that points to the possibility of another rate hike in the coming months.

That view was reinforced by Governor Kazuo Ueda at a press briefing following the decision when he said the current political situation in Japan wouldn’t stop him from lifting rates if prices and the economy stay in line with the central bank’s forecasts.

“Our basic stance is that if our economic and price outlooks are realized, we’ll respond by raising rates,” Ueda said. It was also no longer necessary to say the bank had “time to mull” before making any decision to adjust policy as risks from the US economy had largely receded, he added.

The yen climbed as some investors interpreted his comments as pointing toward a rate hike in the pipeline. “The BOJ is saying that overall it is on track to continue with normalization,” said Toru Suehiro, chief economist at Daiwa Securities. While political uncertainty also rises at home, “I personally don’t think that instability will keep the BOJ from raising the rate.”

Earlier in the day Ueda and his fellow board members maintained the unsecured overnight call rate at around 0.25% as widely expected by economists. A range of uncertainties still in play for the economy including the outcome of the US presidential election and the recent memory of August’s market meltdown gave the board plenty of reasons to hold for now.

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Even though covering politics may have made a BOJ move difficult this time around, “I see a rate hike coming in December since wage hikes are progressing well, and companies, especially small- and medium-sized enterprises, are steadily shifting higher costs to their prices,” said Keiichi Iguchi, a senior strategist at Resona Holdings.

In its quarterly report the central bank said it needed to pay attention to the course of overseas economies and the US economy in particular. The US presidential vote looms large next week, leaving investors on guard for potential volatility in markets.

“We’ve been looking at the downside risks to the US and overseas economies, but that fog is clearing somewhat,” Ueda said. “Needless to say, new risks could emerge depending on the policies coming from the new US president.”

Still, the central bank maintained the logic that it remains on track for further rate hikes, despite adjusting some of its forecasts and lowering its assessment for upward risks for the current fiscal year. That leaves investors, businesses and economists wondering if the next move will come in December or January.

Economists surveyed by Bloomberg before the meeting favor December over January, while overnight swaps show market players still seeing January as more likely. The market is now giving a 69% chance of a move by January, compared with 63% on Wednesday.

Source: <https://www.bloomberg.com/news/articles/2024-10-31/boj-holds-rates-as-japan-s-unstable-politics-raises-uncertainty>