Daily US Opening News

This report is tailored to our US audience to provide a concise review of all the market moving news from the Asian and the European trading sessions

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- **European equities are downbeat this morning as risk-off trade dominates on US-China news**
- **China are reportedly doubtful on the possibility of a long-term trade deal with President Trump, unwilling to budge on large structural changes**
- **North Korea have reportedly fired two projectiles, Japanese Coast Guard noted that landed outside of the EEZ; flew 370km maximum altitude 90km**
- **Debt is supported by the trade & geopolitical updates, FX is broadly firmer vs. USD**
- **Looking ahead highlights include US Personal Income, Core PCE, Employment Costs & Chicago PMI, Canadian GDP, SNB's Jordan**
- **Earnings: Bristol-Myers, Kraft Heinz, Altria**

ASIA-PAC

Asian equity markets traded mostly positive after the mild post-FOMC tailwinds, with participants also reflecting on a slew of blue-chip earnings and disappointing Chinese PMI data. **ASX 200 (-0.4%)** was among the few laggards, pressured by underperformance in its largest weighted financials sector after Big 4 lender ANZ Bank reported flat profits amid challenging conditions, while **Nikkei 225 (+0.4%)** just about kept afloat amid a mixed currency and with a deluge of earnings including Sony which raised its FY net forecasts. Elsewhere, **KOSPI (+0.2%)** was boosted by index heavyweight Samsung Electronics which surpassed its profit guidance and Apple suppliers in Taiwan saw mixed fortunes despite a strong Q4 result from the US tech giant which beat on top and bottom lines, as well as iPhone revenue but missed on iPad and Mac sales. **Hang Seng (+0.9%)** outperformed overnight after the HKMA lowered rates in lockstep with the Fed and **Shanghai Comp. (-0.4%)** was less decisive after another PBoC liquidity drain, weaker than expected Chinese Manufacturing and Non-Manufacturing PMI data, as well as some uncertainty after Chile cancelled the APEC summit next month. Finally, 10yr JGBs rallied from the open ahead of the BoJ announcement after source reports suggested that the BoJ is considering modifying its forward guidance to more clearly signal the chance of a future rate cut, although JGB prices pulled back aggressively following the BoJ announcement which was met with disappointment given that the bank's new guidance for "short and long-term rates to stay at current or lower levels as long as needed" didn't provide anything ground-breaking, as the bank have previously reiterated the possibility for further negative rates.

PBoC skipped open market operations for a net daily drain of CNY 60bln. (Newswires)
PBoC set CNY mid-point at 7.0533 vs. Exp. 7.0521 (Prev. 7.0582)

Chinese Manufacturing PMI (Oct) 49.3 vs. Exp. 49.8 (Prev. 49.8). (Newswires)
Chinese Non-Manufacturing PMI (Oct) 52.8 vs. Exp. 53.7 (Prev. 53.7)
Chinese Composite PMI (Oct) 52.0 (Prev. 53.1)

Hong Kong Monetary Authority lowered its base rate by 25bps to 2.00% in lock step with the Fed as expected. (Newswires)

BoJ kept monetary policy settings unchanged as expected with rates kept at -0.1% and 10yr yield target at around 0%. The BoJ tweaked the forward guidance to more clearly signal future chance of rate cut in which it stated that it expects short and long-term rates to stay at current or lower levels as long as needed. The BoJ noted that this is to pay close attention to chance momentum for hitting price target will be lost although it added there has been no further increase in chance of momentum for hitting price target will be lost but must continue to pay attention to the possibility. Furthermore, BoJ stated Japan's economy is likely to grow below potential temporarily but will likely continue expanding as a trend, while it noted that risks are skewed to the downside for the economy and it lowered all growth and inflation forecasts in its Outlook Report. (Newswires)

US/CHINA

China is said to be doubtful about the possibility of a long-term trade with US President Trump; said to be unwilling to budge on big structural changes, said to demand end to tariffs for any Phase 2 talks, reportedly concerned regarding US President Trumps 'impulsive nature' and the risk he may back out of the Phase 1 deal. (Newswires)

Prior to the above report, **China's MOFCOM said trade negotiations are progressing well and that the teams maintain close communication, while the sides will proceed according to previous plan and lead US and China negotiators are to hold a phone call on Friday**. (Newswires)

China Trade Association Chief said China could remove extra tariffs on US farm products to help importers purchase as much as USD 50bln worth of agricultural goods. (Newswires)

GEOPOLITICS

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North Korea has reportedly fired two projectiles, according to the South Korean Military and the Japanese Coast Guard note that the missile appers to have landed outside of their EEZ. (Newswires/Yonhap) Projectiles flew 370km with a maximum altitude 90km., Yonhap. (Yonhap)

US forces have conducted patrol at the Syria-Turkey border for the first time since the decision to withdraw, according to SDF sources and witnesses. (Newswires)

US plans to allow Russian, Chinese and European companies to continue non-proliferation work with Iran by renewing sanctions waivers, according to sources. (Newswires)

UK/EU

Survation Poll showed UK Conservative Party have an 8-point lead over the opposition with 34% of support vs. Labour Party at 26%. (Daily Mail)

ECB's de Guindos says the euro area slowdown is starting to affect the labour market, reiterates risks to the eurozone economy are tilted to the downside. (Newswires)

UK GfK Consumer Confidence (Oct) -14 vs. Exp. -13.0 (Prev. -12.0). (Newswires)
UK September Auto Manufacturing fell 3.8% Y/Y to 122.3k units according to SMMT.

EU GDP Flash Prelim QQ (Q3) 0.2% vs. Exp. 0.1% (Prev. 0.2%)
- EU GDP Flash Prelim YY (Q3) 1.1% vs. Exp. 1.1% (Prev. 1.2%)

EU HICP Flash YY (Oct) 0.7% vs. Exp. 0.7% (Prev. 0.8%)
- HICP-X F & E Flash YY (Oct) 1.2% vs. Exp. 1.1% (Prev. 1.2%)
- HICP-X F, E, A & T Flash YY (Oct) 1.1% vs. Exp. 1.0% (Prev. 1.0%)

EQUITIES

Major European Bourses (Euro Stoxx 50 -0.6%) are mostly lower, after reports that China is doubtful about the possibility of a long-term trade deal with US President Trump and unwilling to budge regarding key structural issues; news which triggered a bout of risk off sentiment. Underperformance is being seen in the FTSE 100 (-1.07%) – weighed on by index heavy weight Royal Dutch Shell (-3.6%) after it reported disappointing earnings, in which the Co. noted risks to the completion of its share repurchase programme (Note: Shell A and B shares account for 11% of the FTSE 100). Meanwhile, the FTSE MIB (-0.1%) fares slightly better, with decent gains in Fiat Chrysler (+8.7%) on the terms of its merger with Peugeot (-12.3%) and with each to own 50% share in the merged entity. Prior to the US/China trade headlines, global equities had been holding on to yesterday's post FOMC gains; in which the Fed cut rates by 25bps but indicated it would likely be on hold going forward. The sectors meanwhile are relatively defensive; Utilities (+0.7%), Health Care (-0.3%) and Consumer Staples (+0.1%) outperform while Energy (-2.4%) is the laggard on Shell. Prior to the risk off move, Tech (-0.7%) had been leading the pack higher, following strong earnings from strong earnings from Apple and Facebook (4.8% and 1.8% higher respectively in premarket trade). In terms of other individual movers; decent earnings saw Sanofi (-0.2%) bid at the open, albeit the Co. reversed gains amid the aforementioned US-China trade news. Conversely, weaker than expected earnings from Air France (-3.8%), Lloyds (-2.7%), BT (+0.5%) and Swiss RE (-1.9%) saw their respective shares under pressure.

Apple Inc (AAPL) Q4 EPS USD 3.03 vs. Exp. USD 2.83, rev. USD 64.04bln vs. Exp. USD 62.88bln, iPhone rev. USD 33.36bln vs. Exp. USD 32.415bln, iPad rev. USD 4.66bln vs. Exp. USD 4.81bln, Mac rev. USD 6.99bln vs. Exp. USD 7.46bln. (Newswires)

Facebook Inc (FB) Q3 19 (USD): EPS 2.12 (exp. 1.91), Revenue 17.65bln (exp. 17.36bln); DAU 1.62bln (est. 1.639bln); MAU 2.45bln (est. 2.503bln). (Newswires)

Shell (RDSA LN) – Q3 adj. profit USD 4.77bln vs. Exp. USD 3.92bln; Q3 oil & gas production 3.56mln BOE/D vs. Exp 3.57mln BOE/D, CCS earnings attributable to shareholders USD 6.081bln vs. Prev. USD 5.570bln. Co note risks to the completion of their share buyback programme within the guided timeline; intention to repurchase USD 25bln of shares remains. Co. have begun the next tranche in their buyback, USD 2.75bln by January 27th. Q4 integrated gas production anticipated 920-930k BOE/D. (Newswires) *Lower in excess of 3.5% today, Co's A & B listings account for over 11% of the FTSE 100*

FX

USD - The Greenback remains under pressure in the FOMC aftermath as some month end rebalancing models are negative in contrast to neutral signals flagged earlier in October, while the latest comments from China on the US trade front have been net bearish for the Buck with Beijing apparently raising doubts about the prospect of a long term accord given a reluctance to make

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major structural reforms and demands that Washington removes all tariffs before moving forward to Phase 2 talks. The DXY is holding just off 97.216 lows compared to 97.449 at one stage and considerably higher in knee-jerk Fed rate cut and shift to pause mode trade.

JPY/CHF/GBP/EUR - Risk-off sentiment prompted by the aforementioned Chinese concerns and conditions regarding trade negotiations with the US and more NK missile tests has (naturally) boosted the likes of the Yen and Franc (while Gold has also benefited and reclaimed Usd1500+/oz status), with Usd/Jpy retreating sharply through the 21 DMA (108.59), 108.50 and now testing 108.25 that would expose hefty option expiries between 108.00-10 (2.5 bn) if breached. Meanwhile, Usd/Chf is hovering close to the base of a 0.9895-60 range and Sterling is muscling in, albeit with bullish UK election momentum also underpinning the Pound amidst reports that the Brexit party may pull candidates and boost Tory votes in the process. Cable is holding near 1.2950, while Eur/Gbp is having another look at support ahead of 0.8600 even though the single currency is outpacing the Dollar with Eur/Usd firm within a 1.1150.75 band.

NZD/AUD/CAD - Somewhat contrasting fortunes down under, as the Kiwi clings to 0.6400 vs its US counterpart and stays above 1.0800 against the Aussie despite the latest China-US headlines and downbeat Chinese PMIs overnight with the aid of Westpac rolling its RBNZ ease forecast to February 2020 from next month and an improvement in the NBNZ business outlook. Conversely, Aud/Usd is losing grip of 0.6900 and Usd/Cad remains elevated between 1.3148-78 parameters following yesterday's cautious BoC outlook and eyeing Canadian data in the form of GDP, PPI and AWE.

EM - A steeper retreat from recent peaks by the Rand as the risk aversion noted above merely adds to weakness stoked by SA's MTBS and investor angst that Eskom aid is not as comprehensive as anticipated or hoped. Usd/Zar has been above 5.1800, but now paring back a tad.

Australian Building Approvals (Sep) M/M 7.6% vs. Exp. 0.1% (Prev. -1.1%). (Newswires)
Australian Building Approvals (Sep) Y/Y -19.0% vs. Exp. -25.7% (Prev. -21.5%)

New Zealand NBNZ Business Confidence (Oct) -42.4% (Prev. -53.5%). (Newswires)
New Zealand NBNZ Activity Outlook (Oct) -3.5% (Prev. -1.8%)

CBRT 2019 inflation outlook 12% vs. Prev. 13.9%; expected to converge gradually to target (5%) in the medium term; **CBRT Governor says they have used most of their space in loosening monetary policy**, improvement in inflation outlook continues, closely monitoring possible effects of rising protectionism possible effects of rising protections and uncertainties regarding economic policies and Consumer inflation is expected to remain in single digits in October, but rise in the last 2 months of 2019. (Newswires)

FIXED INCOME

Core bonds have backed off a bit, but remain firmly bid with Bunds still some ¾ point ahead, Gilts 50+ ticks above parity and the 10 year T-note hovering just below 130-00, as corresponding yields probe some psychological levels, like -40 bp and 1.75%. The rationale for the rallies are multi-fold and self-sustaining or propelling as chart levels break to trigger technical and short-stops, while the overall post-FOMC curve flattening theme persists. Ahead, a raft of US data as October draws to a close and a potential renewed debt bull fest if the macro releases are weak given that Fed rate cut expectations have diminished appreciably.

COMMODITIES

Crude markets have eroded earlier gains after US/China trade related risk off saw this morning's tentative gains quickly given back. WTI Dec' 19 futures topped out around USD 55.60/bbl and Brent Jan' 20 at USD 60.80/bbl, before a souring of sentiment saw the contracts fall as low as USD 54.85/bbl and USD 60.05/bbl respectively. In terms of crude specific news; the 590mln bpd Keystone pipeline, which carries crude oil from Alberta, Canada to refineries in the US, was shut yesterday after a spill, with little clarity on how long the disruption will last. Separate reports alleged that TC Energy has declared a 'force majeure' on the pipeline. "These developments will not be welcome news for Canadian producers" notes ING "with it likely to weigh on the WCS-WTI differential". Meanwhile, source reports last night that US plans to allow Russian, Chinese and European companies to continue non-proliferation work with Iran by renewing sanctions waivers, although the news appears to have done little to change the dial. In terms of Metals; Gold is bid on 1) a weaker buck post-FOMC, 2) weak overnight Chinese PMI data 3) jitters regarding North Korean missile tests and, most recently, 4) negative US/China trade headlines. Meanwhile Copper prices saw renewed pressure amid the overall risk sentiment coupled with the dismal China data, with the red metal now below earlier reported resistance at USD 2.660/lbs to make fresh weekly lows.