



Daily US Opening News

10th April 2023

SNAPSHOT

STOCKS			
ES Jun'23	-0.2%	RTY Jun'23	Unch.
NQ Jun'23	-0.5%	YM Jun'23	Unch.

FX			
DXY	+0.2% (102.19)	EUR/USD	Unch. (1.0897)
USD/JPY	+0.5% (132.71)	GBP/USD	+0.1% (1.2421)

BONDS			
US T-Note Jun'23	+3 ticks	Bund Jun'23	Closed
US 10yr Yield	3.37%	German 10yr Yield	Closed

ENERGY & METALS			
WTI May'23	+0.1%	Brent Jun'23	Unch.
Spot Gold	-0.3%	LME Copper	Closed

CRYPTO			
Bitcoin	+1.6%	Ethereum	+0.3%

As of 12:48BST/07:48EDT

LOOKING AHEAD

- US Employment Trends, Fed's Williams, Riksbank's Thedeen & Breman

US TRADE/RECAP

NFP

- **The US economy added 236k Nonfarm Payrolls in March** (exp. 239.0k, prev. revised up to 326k from 311k); the **unemployment rate fell 0.1ppts to 3.5%** (exp. 3.6%), while labour force participation rose to 62.6% from 62.5%. The rate of average earnings growth cooled to 4.2% Y/Y (exp. 4.3%) from 4.6% Y/Y.
- The release saw equity futures rising in thin trading conditions (little evidence of 'hard landing' in the data), while T-Note futures fell (recent downside data surprises in Tier 1 data had seen fixed income traders' position for a dovish outcome in the days leading up to the release, and accordingly, this was unwound).
- The data seems consistent with a 'soft landing' theme, analysts said, where jobs continue to be added to the economy in line with analyst expectations, while inflation pressures (average hourly earnings is the proxy) are



continuing to cool. In wake of the data, pricing for the Fed's rate hike trajectory moved hawkishly; money markets are currently pricing a 34% chance that the central bank holds rates between 4.75-5.00% at its May 3rd FOMC (vs around 45% before the data), while the market is now pricing around 50bps of rate cuts through the end of this year (vs about 60bps before the release).

WEEKEND HIGHLIGHTS

- **Canada's budget measures reportedly brighten critical miners' funding prospects**, according to Reuters.
- **Elon Musk tweeted that Tesla (TSLA) is planning to open a Megapack factory in Shanghai** to supplement the output of their existing Megapack factory in California.
- **The White House is reportedly planning to provide support for drugstores and pharmaceutical companies** in the ongoing battle over the abortion pill, according to Reuters sources.
- **Federal Reserve Balance Sheet (USD, W/W)**: 8.682tln (prev. 8.756tln), Discount Window borrowing 69.7bln (prev. 88.2bln), BTFP 79bln (prev. 64.4bln), Foreign Repo Usage 40bln (prev. 55bln).
- US Manheim (Mar) wholesale used vehicle price index +1.5% MM; MUVVI 238.1, -2.4% YY.
- Magnitude 3.6 (initially reported 4.1) earthquake occurred in Stanton, Texas (April 10th, 07:37GMT).

EARNINGS SEASON

- Q1 reporting season will get underway this week, and the consensus is for S&P 500 earnings growth to contract 5.2%, while revenues are seen rising 1.6%. Consumer Discretionary names are expected to outperform in Q1, with the street modelling a 37% rise in earnings growth; Industrials, Energy and Financials are also expected to post earnings growth in Q1. On the other side, Materials names are expected to be the worst performer, with the consensus anticipating earnings growth of -33%, while Health Care and Tech stocks are also expected to be among the worst performers.
- Of the handful of S&P 500 companies (around 20) that had reported Q1 figures by the end of last week, all posted earnings above estimates.
- Meanwhile, this week, there will be focus on the Big Banks reporting; in addition to the top- and bottom-line performance, loan provisions, and economic projections, traders will be paying particular attention to any commentary on how the recent stresses in the banking system have impacted operations; Goldman Sachs said it expects investor focus to centre on deposit inflows and pricing dynamics, but also what will the offset be from tighter lending standards, a weaker economic backdrop and the impacts on provisions and charge-offs, as well as the longer-term ramifications from regulatory reform.

GEOPOLITICS

CHINA-TAIWAN

- **China simulated striking Taiwan in two days of drills, and carried out drills for a third day on Monday; at 11:05GMT/06:05ET on Monday, China said that drills have now concluded**
- **Taiwan's Defence Ministry reports 59 Chinese military planes near Taiwan up until 10am on Monday**, according to Reuters; 39 crossed the Taiwan Strait median line and entered Taiwan's air defence zones. On Sunday, they had detected 70 Chinese aircraft, which included Su-30 fighters and H-6 bombers, as well as 11 ships, in the vicinity of Taiwan, according to Reuters. On Saturday, Taiwan's Defence Ministry reported that 71 Chinese aircraft had crossed the median line of the Taiwan Strait.
- **Around 20 military ships, including 10 Chinese and 10 Taiwanese, were involved in a stand-off near the median line of the Taiwan Strait on Sunday. Additionally, the source said China conducted simulated attacks on foreign military targets off Taiwan's southwest coast on the same day**, according to Reuters sources.
- **China's military deployed several multiple planes around the Taiwan Strait and the north and south ends of Taiwan Island, according to state media**. China said planes 'carrying live ammunition' conducted 'simulated strikes' near Taiwan. according to AFP.
- **Taiwan's Defence Ministry said they will respond to the situation with a calm, rational, and serious attitude. The ministry also mentioned that they will continue to maintain a high degree of vigilance and respond appropriately in order to defend national security**, according to Reuters.
- **The Taiwanese defence ministry stated that they are closely monitoring the People's Liberation Army's (PLA) Rocket Force, which is responsible for China's land-based missile system**, according to Reuters.
- **The de-facto US embassy in Taiwan has stated that they are comfortable and confident in their ability to ensure peace and stability in the region, as well as meet their national security commitments**. They have also stated that they have sufficient resources and capabilities in place to fulfil these responsibilities, according to Reuters.



- **US' Seventh Fleet conducted freedom of navigation operations in the South China Sea on April 10th**, according to Bloomberg.
- **China's military followed and monitored US destroyer movements in the Spratly Islands**, according to Reuters.
- **Texan Republican Michael McCaul said the possibility of US troops being stationed in Taiwan is "on the table" in the event of a Chinese invasion.** McCaul stated that if Communist China were to invade Taiwan, the matter would be discussed by Congress and with the American people, according to a Fox News Interview.

OTHER

- **French President Macron stated that Europe needs to decrease its reliance on the US for weapons, energy, and the 'extraterritoriality' of the US Dollar. Macron also emphasised the importance of Europe avoiding being drawn into a potential conflict between China and the US over Taiwan**, according to Politico.
- **US officials said they have received intelligence indicating that Iran is planning to carry out further attacks across the region in the near future. As a result, the US military announced on Saturday that it had deployed a guided-missile submarine to the Red Sea**, according to WSJ.
- **Russian military began to work out the defence of the northwestern borders due to the increased level of threats after Finland joined NATO**, according to Interfax.
- **North Korea has not responded to regular contact attempts made by South Korea via the inter-Korean military hotline for the fourth consecutive day**, according to Yonhap.
- **A US Air Force communications interception reconnaissance aircraft flew over South Korea on the 10th of April and started a reconnaissance flight against North Korea**, according to Yonhap.
- **A South Korean presidential official stated that they are aware of news reports regarding a leak of several classified US military documents.** The official also mentioned that South Korea plans to discuss the "issues raised" as a result of the leak with the US, according to Reuters. Subsequently, S. Korea's Presidential Office says it will demand the US take appropriate measures when details are confirmed.
- **Russian Kremlin says reports of a leak are "interesting" and they cannot rule out that, as the leak suggests, the US was spying on Ukraine's Zelenskiy.**
- **Israeli Prime Minister Netanyahu stated that they are currently in a period that will test their security.** He also assured the mayors of southern communities that their enemies were wrong to assume that the citizens of Israel were not united behind the IDF (Israel Defence Forces), according to Reuters.
- **The Israeli military reported on Sunday that three rockets were launched from Syria towards the Golan Heights.** One of the rockets crossed into Israeli-controlled territory and landed in open ground. The military did not provide further details regarding the incident, according to Reuters.
- **Saudi delegation arrived in Yemen's capital to negotiate a new truce with Huthi rebels**, according to diplomats cited by AFP.
- **India halted trade talks with the UK after saying the UK failed to condemn a Sikh extremist group**, according to The Times.
- **Japan said Chinese aircraft carrier Shandong and other warships were spotted near Moyakojima island between April 7th-9th; the carrier conducted air operations with jet fighters**, according to Reuters.

EUROPE (Markets closed for Easter)

NOTABLE HEADLINES

- **ECB's Knot (hawk) said the ECB "certainly" isn't finished with interest rate hikes. He mentioned that the decision of whether to raise rates by 25bps or 50bps in May has not been made yet.** Knot justified the need for interest rate hikes by highlighting that core inflation in the eurozone is currently around 6%, and it cannot be managed with an interest rate of 3%.
- **Swiss Finance Minister Keller-Sutter said there are no "stumbling blocks" to UBS' (USBG SW) takeover of Credit Suisse (CSGN SW).** She stated that there is a merger agreement between the two banks, and the government has made a commitment to providing Credit Suisse with liquidity to ensure stability. The guarantee agreement with UBS is still under negotiation, but Keller-Sutter mentioned that politicians appear to be in favour of the takeover and she does not see any issues at the moment, according to Finanz und Wirtschaft.
- **India has reportedly stalled trade discussions after accusing Britain of failing to condemn Sikh extremists that attacked the London High Commission, via The Times.**

APAC TRADE

EQUITIES



- **APAC stocks** started the first trading session of the week mostly in the green, whilst the region observed mass market closures including in Australia, New Zealand, and Hong Kong.
- **Nikkei 225** rose in early trade amid a weaker JPY, whilst the new BoJ Governor took over the top spot at the Central Bank.
- **Shanghai Comp** was subdued throughout the overnight session amid heightened tensions on the Taiwan front.
- **US equity futures** opened with modest gains but drifted lower throughout the APAC session, albeit within tight ranges.

FX

- **DXY** opened flat but gained traction as JPY lost ground against peers
- **USD/JPY** briefly dipped under 132.00 then reversed to levels above 132.50, with Japanese officials not expecting an abrupt shift in BoJ policy under the new governor.
- **EUR, GBP, and AUD** were essentially unchanged in thin conditions and somewhat cushioned by the JPY's underperformance.

FIXED INCOME

- **10yr UST** futures opened flat but yields thereafter briefly popped higher before recoiling, with markets awaiting the return of US players.

COMMODITIES

- **WTI and Brent** futures were choppy but overall underpinned amid the plethora of geopolitical headlines alongside OPEC's surprise production cut last week.
- Spot gold briefly reclaimed USD 2,000/oz handle before retreating back under the round figure as the Dollar strengthened.
- **Russia is reportedly mulling raising the base price for calculating the wheat export duty**, according to Vedomosti citing sources.

CRYPTO

- **Binance's US arm is having difficulty finding a bank to accept its customers' cash**, according to WSJ

NOTABLE ASIA-PAC HEADLINES

- **BoJ Governor Ueda says positive signs are emerging in prices**, very possible to reach a sustainable price target as wage growth strengthens. Want to avoid a sudden normalisation in policy, as this would cause a big impact on markets.
- **Former BoJ Governor Nakaso suggested that there may be a tweak or end to the yield curve control (YCC) policy**, according to Nikkei.
- **Foxconn (2354 TT) has announced plans to invest TWD 25bln in new manufacturing facilities in southern Taiwan over the next three years to support its electric vehicle (EV) ambitions.** The investment is intended to further develop the company's capabilities in the EV sector, according to Reuters.
- **Baidu (9888 HK) has filed a lawsuit against Apple (AAPL) and certain app developers over the distribution of fake Ernie Bot apps**, according to Reuters.
- **Japanese Chief Cabinet Secretary Matsuno expects the BoJ to conduct monetary policy appropriately with the government**, according to Reuters.
- **Japan's Junior Ruling Coalition Partner Chief expects economic growth and inflation target to be achieved without abrupt policy changes from the new BoJ Governor**, according to Reuters.

DATA RECAP

- Japanese Foreign Reserves (Mar) 1257.1B (Prev. 1226.0B)
- Japanese All Household Spending YY (Feb) 1.6% vs. Exp. 4.3% (Prev. -0.3%); MM (Feb) -2.4% vs. Exp. -0.4% (Prev. 2.7%)
- Japanese Overtime Pay (Feb) 1.7% (Prev. 1.1%)
- Japanese Leading Indicator (Feb) 1.1 (Prev. -0.6); Coincident Index (Feb) 2.8 (Prev. -3.0)
- Japanese Current Account NSA JPY (Feb) 2.1972T vs. Exp. 2.5357T (Prev. -1.9766T, Rev. -1.9893T)
- Korea (Republic of) Current Account Balance NSA (Feb) -0.52B (Prev. -4.52B, Rev. -4.21B)



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