



# Daily Asia-Pac Opening News

4th May 2023

## SNAPSHOT

STOCKS			
S&P 500	-0.7%	Nasdaq Comp.	-0.5%
DJIA	-0.8%	Russell 2000	+0.4%
ES Jun'23	-1.0%	RTY Jun'23	-0.3%
NQ Jun'23	-0.7%	YM Jun'23	-1.1%

  

FX			
DXY	-0.5% (101.32)	EUR/USD	+0.5%
USD/JPY	-1.1%	GBP/USD	+0.8%

  

BONDS			
US T-Note Jun'23	+29 ticks	10yr Bund Jun'23	+17 ticks
US 10yr Yield	3.35%	German 10yr Yield	2.24%
US 2s10s	+5.4bps	US 5s30s	+10.6bps

  

ENERGY & METALS			
WTI Jun'23	-4.9%	Brent Jul'23	-4.5%
Spot Gold	+1.1%	LME Copper	-0.3%

  

CRYPTO			
Bitcoin	-0.4%	Ethereum	+0.2%

- *As of 21:55BST/16:55EDT*

## LOOKING AHEAD

- Highlights include New Zealand Building Permits & ANZ Commodity Price Index, Australian Trade Data, Chinese Caixin Manufacturing PMI, HKMA Rate Decision, China Markets Reopen, Holiday Closure in Japan.

## US TRADE

### EQUITIES

- **US stocks** mostly declined with the majority of losses incurred after Fed Chair Powell's press conference despite initially printing session highs immediately after the statement. All eyes were on the Fed which hiked 25bps as expected and opened the door to a pause, although Powell was reluctant to officially call it one and pushed back



on market pricing for rate cuts this year, while banks particularly took a beating post-Powell after he alluded that the SLOOS survey is consistent with banks tightening lending standards and the pace of lending is slowing.

- **SPX** -0.70% at 4,090, **NDX** -0.64% at 13,030, **DJIA** -0.80% at 33,414, **RUT** +0.41% at 1,739.
- Click [here](#) for a detailed summary.

## FOMC

- **FOMC hiked rates by 25bps to 5.00-5.25% as expected, with the decision unanimous, while it opened the door to a rate pause as it dropped the language that it anticipates more policy firming may be appropriate to attain a sufficiently restrictive stance.** Fed stated that in determining the extent to which additional policy firming may be appropriate, it will take into account tightening to date, policy lags and other developments. Fed also noted that tighter credit conditions are likely to weigh on the economy, hiring and inflation but added that job gains have been robust and inflation remains elevated.
- **Fed Chair Powell said during the press conference the focus remains on the dual mandate and they are committed to bringing inflation back down to 2%, with the Fed to take a data-dependent approach to determine the extent of further rate hikes.** Powell also noted inflation is still well above its goal, pressures continue to run high but inflation has moderated somewhat, while they have a long way to go to bring down inflation and are prepared to do more if warranted.
- **Fed Chair Powell said during the Q&A that the decision on a pause was not made today but the statement change today was meaningful and they will be driven by incoming data and meeting-by-meeting,** while there will be an ongoing assessment of whether the Fed has reached sufficiently restrictive and it is not possible to say with confidence if it has reached a sufficiently restrictive level which it will revisit at the June meeting. Furthermore, he stated **the Senior Loan Officer Opinion Survey is consistent with banks tightening lending standards and the pace of lending slowing, while the Committee has a view that inflation is not going to come down so quickly as it will take some time and if that is correct, it would not be appropriate to cut rates.** Powell also said that support for a rate hike was very strong and **there were a number of policymakers at the meeting talking about pausing, but not so much at this meeting, while he added that they are much closer to the end than the beginning and they feel like they are close, or maybe even there.**

## NOTABLE HEADLINES

- **US Treasury's Frost said the June 1st estimate for exhausting extraordinary measures is the most accurate estimate,** looking at tax receipts, while the actual date for not being able to fund all obligations is dependent on realised receipts/outlays.
- **US Treasury announced its quarterly refunding for Q2 with the US to sell USD 40bln of 3yr notes on May 9th, USD 35bln of 10yr notes on May 10th, and USD 21bln of 30yr bonds on May 11th with all sizes unchanged.**

## DATA RECAP

- US S&P Global Services PMI Final (Apr) 53.6 (Prev. 53.7)
- US ISM N-Mfg PMI (Apr) 51.9 vs. Exp. 51.8 (Prev. 51.2)
- US ISM N-Mfg Price Paid Idx (Apr) 59.6 (Prev. 59.5)
- US ISM N-Mfg New Orders Idx (Apr) 56.1 (Prev. 52.2)
- US ISM N-Mfg Employment Idx (Apr) 50.8 (Prev. 51.3)
- US ADP National Employment (Apr) 296k vs. Exp. 148.0k (Prev. 145.0k, Rev. 142k)

## FIXED INCOME

- **Treasuries** were bid as the Fed laid the groundwork for a June pause and oil prices tumbled, while the Treasury announced the buyback programme is scheduled for 2024.

## FX

- **USD** was pressured in the aftermath of the Fed rate decision, where the central bank hiked rates by 25bps to 5.00-5.25%, as expected, but issued a dovish tweak to the statement in which it dropped the language that it anticipates more policy firming may be appropriate to attain sufficiently restrictive stance.
- **EUR** edged mild gains throughout the day and was further boosted by the FOMC announcement but then failed to reclaim the 1.1100 status and eventually faded most of the reaction to the Fed.
- **GBP** strengthened and printed a YTD high against the dollar in the wake of the FOMC announcement.
- **JPY** outperformed and USD/JPY briefly dipped beneath 135.00 after the dovish tweak to the Fed statement.



- **Czech National Bank Board voted 4-3 to maintain rates at 7.00% in which three members voted for a 25bps hike. CNB Governor Michl said they will wait for more data and will decide at the next meeting if rates will stay stable or rise**, while he added they may have to hike rates in the absence of fiscal reform and need to see credible fiscal policy.

## COMMODITIES

- **Oil prices** extended on losses amid further risk-off trade and ongoing growth concerns all prior to the Fed hiking rates by 25bps, as expected, while Iraq's Oil Minister expects to reach a final agreement with the KRG to recommence northern oil exports within two weeks.
- **US EIA Weekly Crude Stocks w/e -1.280M vs. Exp. -1.1M (Prev. -5.054M); SPR -2mln; SPR fell in the latest week to the lowest since October 1983.**
- **OPEC+ is to proceed with the plan for a June meeting**, according to delegates cited by Reuters.
- **Russian Deputy PM Novak said the fall in oil prices requires detailed study for possible OPEC+ response and commented that maybe the oil price fall will be short-term**, according to Interfax and TASS.
- **Iraq Oil Ministry said Baghdad and KRG have not reached an agreement needed to restart northern oil flows, although Iraq's Oil Minister expects to come to a final agreement with the KRG to recommence northern oil exports within two weeks.**
- **Syrian and Iranian presidents signed a long-term strategic cooperation agreement, including an MOU on oil cooperation.**
- **Chilean Codelco copper production (Mar) -16.5% Y/Y to 119.4k tonnes (vs +14.8% in Feb to 105.4k tonnes), Escondida production +13.5% to 92.4k tonnes (vs +4% in Feb to 72.7k tonnes) and Collahuasi copper production -16.2% to 42.9k tonnes.**
- **Indonesia cut tax breaks to discourage investments in low-quality nickel products as it aims to extract as much from its rich nickel reserves**, according to Reuters citing a cabinet minister.

## GEOPOLITICAL

- **Kremlin announced it successfully foiled a drone attack targeting Russian President Putin's residence, while it referred to the incident as a "planned terrorist act" and an attempt on the Russian president's life.**
- **An unknown drone crashed near Kolomna, Moscow Region**, according to Mash and Faytuks News.
- **Russia said Moscow reserves the right to take retaliatory measures it deems appropriate in response to the attempt to target the Kremlin**, according to Sky News Arabia.
- **Russian State Duma said it is time to launch a missile attack on Zelensky's residence**, according to Al Arabiya. It was also reported that the **Russian Parliament Speaker demands the Kyiv regime be destroyed after the drone attack on the Kremlin and said there can now be no negotiations with Ukraine's President.**
- **Ukrainian President Zelenskiy said they do not attack Russian President Putin or Moscow and that they fight in their own territory.**
- **White House said it cannot confirm the authenticity of the Kremlin drone report, and it will announce a new security assistance package for Ukraine later on Wednesday. US Secretary of State Blinken also said they cannot validate reports that Ukraine is targeting Russian President Putin with a drone strike**, according to a Washington Post interview.
- **EU Ambassadors have come to an agreement on the joint procurement of ammunition to Ukraine.**
- **Sirens sounded in the Ukrainian capital Kyiv**, according to Sky News Arabia. It was separately reported that the **Ukrainian army declared a state of air alert throughout the country**, according to Al Jazeera.
- **NATO intel chief said there are heightened concerns that Russia may target undersea cables and other infrastructure**, while Russia is said to be actively mapping infrastructure both on land and sea.
- **Venezuela and China are re-establishing ties which is said to pose a challenge to Washington**, according to Bloomberg.
- **US Fifth Fleet said a Panama-flagged oil tanker was seized by Iran's IRGC as it was transiting in the Strait of Hormuz on May 3rd**, while the US said Iran must immediately release the ship and crew.

## ASIA-PAC

- **US Senate is to begin work on new legislation to strengthen export control laws and identify new sanctions to counter China**, according to congressional aides cited by Reuters.
- **US Senate Majority Leader Schumer said Democrats hope to introduce a bipartisan bill to compete with China in the next several months and critical minerals is a very important part of this package**, while lawmakers will look at TikTok and other foreign-based apps when writing the China bill.



- **G7 weighs communique urging China to be "responsible" and to warn China against using force to alter the status quo**, according to Nikkei.
- **US Secretary of State Blinken is hopeful he can reschedule his trip to China this year.**
- **Hong Kong Monetary Authority said it has put in place a series of liquidity facilities to provide banks with short-term HKD liquidity in case it is needed.**

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