



# Daily US Opening News

21st September 2023

## SNAPSHOT

STOCKS			
Euro Stoxx 50	-1.3%	DAX40	-1.1%
Stoxx 600	-1.0%	FTSE 100	-0.6%
ES Dec'23	-0.5%	RTY Dec'23	-0.5%
NQ Dec'23	-0.8%	YM Dec'23	-0.4%

FX			
DX	+0.1% (105.52)	EUR/USD	-0.1% (1.065)
USD/JPY	-0.2% (148.10)	GBP/USD	1.228% (-0.5)

BONDS			
US T-Note Dec'23	-18+ ticks	Bund Dec'23	-33 ticks
US 10yr Yield	4.43%	German 10yr Yield	2.74%

ENERGY & METALS			
WTI Nov'23	-0.9%	Brent Nov'23	-0.9%
Spot Gold	%	LME Copper	-2.0%

CRYPTO			
Bitcoin	-1.2%	Ethereum	-0.8%

As of 11:05BST/06:05EDT

## LOOKING AHEAD

- US IJC, Existing Home Sales & EZ Consumer Confidence (Flash), BoE, CBRT & SARB Policy Announcements, ECB's Lagarde & Schnabel. Supply from the US.
- Click [here](#) for the Newsquawk Week Ahead summary.

## CENTRAL BANKS

- SNB: Policy Rate (Q3 2023) 1.75% vs. Exp. 2.0%** (Prev. 1.75%); **Maintains focus on selling foreign currency; it cannot be ruled out that a further tightening of monetary policy may become necessary.** CPI Forecasts: 2024: 2.2% (prev. 2.2%), 2025 2.1% (prev. 1.9%).
- SNB Chairman Jordan says we have had nominal overvaluation of the CHF** that has contributed to lower inflation in Switzerland.



- The unchanged announcement, which defied the 30/37 Reuters poll for a 25bp hike and market pricing ascribing around a 65% chance to such a move, resulted in EUR/CHF lifting from 0.9564 to 0.9650.
- **Riksbank: 4.0% vs. Exp. 4.0%** (Prev. 3.75%); the **forecast for policy rate indicates that it could be raised further**; Rate Path Q3-2024 4.10% (prev. 4.05%).
- **Riksbank reduces the currency risk in foreign exchange reserves**. Decided to **hedge a part of the FX reserves by selling USD 8bln and EUR 2bln for SEK**, and this equates to around 25% of the reserves. From 25th September and complete in four to six months. **Measure aimed at limiting losses of the SEK appreciates, does not have a monetary policy purpose.**
- The policy announcement and in particular the rate forecasts only implying around a 40% chance of further tightening from current levels as of Q3-2024 sparked immediate SEK pressure, with EUR/SEK lifting from 11.8519 to 11.9374 over the course of three minutes. Thereafter, following the separate release on FX hedging, EUR/SEK reversed course and fell from 11.9043 to 11.8802 with the SEK then seeing more pronounced appreciation as EUR/SEK fell to an 11.7582 low when the release got a wider airing.
- **Norges Bank: 4.25% vs. Exp. 4.25%** (Prev. 4.0%); there will **likely be one additional policy rate hike, most probably in December**. Repo Path: end-2023 4.31% (prev. 4.21%), **Q1-2024 4.44% (prev. 4.21%), Q2-2024 4.44% (prev. 4.18%)**, end-2024 4.33% (prev. 3.98%). NOK has appreciated, somewhat stronger than projected in the June report.
- The announcement and more pertinently guidance via the statement and repo path for one more hike sparked NOK appreciation, with EUR/NOK falling from 11.5250 to 11.4578 before then paring back towards 11.4950 over the course of 10 minutes.
- **ECB's Nagel says not clear if rates have peaked**; EZ core inflation is still stubborn and the inflation rate is not falling at the desired rate.
- **ECB's Kazaks** says rates will need to remain restrictive for quite a while; will take decisions meeting by meeting; **quite satisfied where rates stand now. Recent energy price rises are structural and not a short-term transitory rise**. APP sales and the end of PEPP reinvestment should be discussed before rate cuts. Given the current outlook, mid-2024 rate cut expectations are too early.
- **Brazil Central Bank cut the Selic rate by 50bps to 12.75%, as expected**, while it stated that committee members **unanimously anticipate further reductions of the same magnitude in the next meetings** and the pace of rate cuts is appropriate to keep monetary policy contractionary for the process of disinflation. BCB also stated that the total magnitude of the easing cycle will depend on inflation dynamics, expectations and projections, output gap and balance of risks.
- **HKMA maintained its rate unchanged at 5.75%**, as expected.

## EUROPEAN TRADE

### EQUITIES

- **European bourses** are pressured as the region reacts to Wednesday's FOMC where a hawkish hold was delivered, **Euro Stoxx 50** -1.1%.
- Action which continues the tone of **APAC** trade but with the region conscious of a Chinese cabinet pledge around manufacturing and also beginning to look ahead to Friday's BoJ.
- Sectors are primarily in the red with the exception of **Retail** post-earnings from JD Sports and Next which reside towards the top of the Stoxx 600; **Travel/Leisure** and **Basic Resources** lag, latter on benchmark activity and numerous price target cuts.
- US futures are lower across the board but with action slightly more contained when compared to European peers, **ES** -0.4%, **NQ** -0.6%; today's docket has a handful of data points before Friday's Fed speak resumption with Cook, Daly & Kashkari.
- **Google (GOOG)** reportedly wants to ditch **Broadcom (AVGO)** as its TPU sever chip supplier to reduce AI costs, according to The Information; Since last year has been working to replace Broadcom with **Marvell Technology (MRVL)**. *Pre-market: GOOG -0.7%, AVGO -5.2%, MRVL +3.5%*
- Click [here](#) for more detail.

### FX

- The Fed revives Greenback fortunes via more hawkish dot plots, **DX** firmly back above 105.000 within a 105.400-680 range.
- **Franc** collapses as SNB defies expectations for a 25bp hike and bases new forecasts on steady 1.75% rate, EUR/CHF and USD/CHF spike circa 100 pips to 0.9677 and 0.9078 respectively.
- **Pound** flounders in the dark about BoE prospects for midday as markets remain split between pause and 1/4 point rate rise, Cable sub-1.2300 from just over 1.2350 at best.



- **Yen** and **Euro** pare declines vs. Dollar ahead of 148.50 and 1.0600, with EUR/USD propped up by a Fib and option expiries.
- **Norwegian Crown** underpinned around 11.5000 vs. Euro after hawkish Norges Bank hike, **Swedish Krona** choppy on either side of 11.9000 as Riksbank reaches a peak and hedges 25% FX reserves.
- **PBoC set USD/CNY mid-point at 7.1730 vs exp. 7.3052 (prev. 7.1732)**
- The European Commission has sent a letter to Poland listing 11 questions to determine the scope of the visa-for-bribes scandal and the EU security impact, via Politico; the letter warns that Poland could be violating EU law
- Click [here](#) for more detail.
- Click [here](#) for the Option Expires for the NY Cut.

## FIXED INCOME

- Bonds off worst levels, but still heavy in wake of hawkish FOMC and through slew of other Central Bank pronouncements.
- **Bunds** below par between 129.69-23 parameters, **Gilts** sub-96.00 within 96.41-95.81 range and **T-note** nearer base of 108-16/25+ bounds pre-BoE, IJC, Philly Fed and ECB speakers
- Click [here](#) for more detail.

## COMMODITIES

- **Crude** benchmarks are softer intraday given broader risk sentiment post-Fed, WTI below USD 89.00/bbl and Brent down to a test of USD 92.00/bbl respectively at worst; currently off these lows.
- Dutch **TTF** pressured as Offshore Alliance members at Woodside have overwhelmingly voted to endorse a deal with the company.
- Spot **gold** is under modest pressure as the USD remains bid with **base** metals similarly pressured on the broader risk tone.
- **Saudi Crown Prince MBS responded that output reductions are purely based on supply and demand to the market when asked about criticism that oil output cuts help Russia.**
- **Australian industrial arbitrator said Chevron (CVX) and unions are on the precipice of achieving the first enterprise agreements for LNG facilities and discussions have resulted in widespread agreement on the majority of provisions of proposals. The arbitrator made recommendations on pay and working conditions for Chevron and unions to consider but noted that a failure to settle all outstanding issues would result in the agreed provisions simply evaporating, while parties are required to advise the commission of their acceptance or rejection of recommendations by 09:00 Sydney time on Friday.**
- **Offshore Alliance members at Woodside (WDS AT) have overwhelmingly voted to endorse a deal with the company while members at Chevron (CVX) will meet tonight to consider a recommendation made by the Fair Work Commission, according to a statement.**
- **Natural Gas Pipeline Co. declared a force majeure on the M&M line near compressor station 158 located in Dewey County, Oklahoma.**
- **Russia is mulling an additional tax on exports for some commodities including metals, according to sources cited by Reuters.**
- Click [here](#) for more detail.

## NOTABLE US HEADLINES

- **US House Speaker McCarthy said the House will vote on a defence appropriations rule on Thursday and he has the support from two of the five Republicans who opposed the measure on Tuesday.** McCarthy added that **House Republicans are very close to an agreement on a short-term stopgap bill** and are expected to begin moving forward on other appropriations bills after defence, according to Reuters.
- Republican Lawmakers are opposed to the latest Ukraine aid package proposed by US President Biden according to a letter seen by WSJ
- Click [here](#) for the US Early Morning Note.

## GEOPOLITICS

- **Russian Foreign Ministry said NATO drills near Russian borders are increasingly provocative and aggressive in nature, as well increase risks of incidents, according to RIA.**
- **Saudi Arabia said solving the Palestinian issue is critical to a deal with Israel, according to FT. In relevant news, Saudi Crown Prince MBS said he is prepared to work with whoever is leading Israel if there is a breakthrough in negotiations for normalisation with Israel, while he had also commented that Saudis will get a nuclear weapon if Iran does first, according to AFP and Fox News.**



- **Iranian President Raisi said Iran has no problem with IAEA inspections of its nuclear sites.**
- **Qatar held separate bilateral meetings with the US and Iran this week, touching on nuclear and drone issues,** according to sources cited by Reuters.
- **Kuwait's PM said the Iraqi ruling on regulating navigation in Khor Abdullah Waterway includes historical fallacies and Iraq needs to take concrete, decisive and urgent measures to address the ruling,** according to Reuters.
- **Nagorno-Karabakh ethnic Armenians say Azerbaijani forces have violated the ceasefire; Azerbaijan denies its forces violated the ceasefire.**

## CRYPTO

- **Bitcoin** is softer and has been slipping further below the USD 27k mark in European trade as the USD retains the bulk of yesterday's marked upside.

## APAC TRADE

- **APAC stocks** were pressured in the aftermath of the FOMC's hawkish pause.
- **ASX 200** was lower with the top-weighted financial industry leading the broad declines.
- **Nikkei 225** retreated below the 33,000 level as Japanese yields climbed to decade highs and with the BoJ kickstarting its 2-day policy meeting.
- **Hang Seng** and **Shanghai Comp** declined alongside the downbeat mood across regional peers, although the losses in the mainland were initially cushioned following the Chinese Cabinet's pledge to speed up the development of the advanced manufacturing sector and amid resilience in developers after Guangzhou adjust purchase rules for several districts.

## NOTABLE ASIA-PAC HEADLINES

- **Japanese PM Kishida said he will instruct people to pull together the pillars of an economic package early next week,** while they will include measures to counter inflation and social measures to counter declining population, according to Reuters.
- Chinese Commerce Ministry says some firms have obtained export licenses for gallium and germanium; willing to seek a basket of solutions for the Australian wine dispute.
- China's 2023 nat gas demand seen at 396.4BCM, +8% Y, via CNOOC; LNG imports 70.79mIn/T, +10.9% YY. Nat gas demand from China seen peaking in 2040 at 700BCM.

## DATA RECAP

- **New Zealand GDP QQ (Q2) 0.9% vs. Exp. 0.5% (Prev. -0.1%); YY (Q2) 1.8% vs. Exp. 1.2% (Prev. 2.2%)**

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