

# Daily European Opening News

5th February 2024

## SNAPSHOT

STOCKS			
Nikkei 225	+0.6%	ASX 200	-0.9%
Hang Seng	+0.1%	Shanghai Comp	-0.5%
Euro Stoxx 50 Mar'24	Unch.	DAX Mar'24	-0.1%
ES Mar'24	-0.2%	NQ Mar'24	-0.2%

FX			
DX	Unch. (104.03)	EUR/USD	Unch. (1.0780)
USD/JPY	Unch. (148.34)	GBP/USD	+0.1% (1.2612)

BONDS			
US T-Note Mar'24	-9 ticks	Bund Mar'24	-12 ticks
US 10yr Yield	4.06%	German 10yr Yield	2.23%

ENERGY & METALS			
WTI Mar'24	+0.3%	Brent Apr'24	+0.5%
Spot Gold	-0.4%	3M LME Copper	Unch.

CRYPTO			
Bitcoin	-0.6%	Ethereum	Unch.

As of 06:24GMT/01:24EST

## LOOKING AHEAD

- Highlights include German Trade Balance, EZ PMI, Sentix Index, Producer Prices, US ISM, Japanese Household Spending & Overtime Pay, BoC Market Participation Survey, Fed SLOOS, Comments from BoC's Macklem & Fed's Bostic, Supply from EU, Earnings from Vodafone, McDonald's, NXP Semiconductors & Caterpillar.
- Click [here](#) for the Newsquawk Week Ahead.

## US TRADE

### EQUITIES



- **US stocks** were firmer Friday after gradually reversing the kneejerk losses from the huge 353k new jobs reported in the January BLS report that ignited a broad hawkish reaction which saw the Dollar surge and Treasuries unwind their WTD gains in a big bear-flattener, although curve spreads recovered off lows into the afternoon ahead of upcoming Treasury auctions and corporate supply expectations.
- **SPX** +1.07% at 4,958, **NDX** +1.72% at 17,642, **DJIA** +0.35% at 38,654, **RUT** -0.59% at 1,962.
- Click [here](#) for a detailed summary.

## NOTABLE HEADLINES

- **Fed Chair Powell** said with the economy strong, they feel that they can approach the rate cut timing question carefully but repeated expectation that the March meeting is likely too soon to have confidence to start rate cuts and want more confidence before taking the very important step of starting rate cuts. Powell said they are making good progress on inflation and **could move sooner if they saw labour market weakness or inflation persuasively coming down but added that more persistent inflation could mean a later move** and that there is no easy, simple, obvious path, according to 60 Minutes interview. Furthermore, FT reported that **Powell said the Fed expects to make three cuts this year and a CBS reporter noted that Powell suggested the first cut could occur around mid-year.**
- **Fed's Bowman (voter)** said on Friday that she expects inflation to decline further with the policy rate held steady and it will eventually become appropriate to gradually cut rates if inflation continues to decline. Bowman also stated that upside risks to inflation include labour market tightness, easing financial conditions and geopolitics, while she **will remain cautious on policy and watchful on data and revisions.** Furthermore, she said **reducing the policy rate too soon could mean more hikes will be needed in the future and she remains willing to raise the policy rate at a future meeting if needed,** according to Reuters.
- **Fed's Goolsbee (non-voter)** said on Friday that the January jobs headline number was breathtaking but may not be as strong as it looks and inflation has been coming in better than expected although he doesn't like tying their hands regarding the timing of rate cuts with weeks and months of data ahead. Furthermore, he said more and more progress like what they've seen on inflation and jobs is what they need to see to feel comfortable they are on target, according to an interview with PBS NewsHour.
- **US Senate Majority Leader Schumer** announced a bipartisan bill that toughens border security and grants new aid to Ukraine, Taiwan and Israel, while the national security supplemental package totals USD 118bln and includes USD 60bln in military support to Ukraine and USD 14bln in security assistance for Israel, while it includes USD 30bln to strengthen US border security, according to a Reuters source.
- **US President Biden** said he strongly supports the bipartisan deal and that it is the toughest and fairest set of border reforms in decades, but added that there is more work to be done to get it over the finish line, while it was separately reported that **US Senator Murphy** said the bill also authorises a quarter of a million more visas which will reunite thousands of families, according to Reuters.
- **US House Majority Leader Scalise** said the Senate border bill will not receive a vote in the House, while House Speaker Johnson also said if this bipartisan bill reaches the House, it will be dead upon arrival.
- **US President Biden** is reportedly weighing joining Las Vegas hotel workers if they go on strike on Monday, according to the union chief.

## APAC TRADE

### EQUITIES

- **APAC stocks** were mostly subdued after last Friday's red-hot jobs report and the latest comments from Fed Chair Powell who reiterated the expectation that a March cut is likely too soon.
- **ASX 200** was dragged lower by underperformance in the commodity-related sectors and as participants await tomorrow's RBA decision, while Australian Services and Composite PMI data improved but remained in contraction territory.
- **Nikkei 225** was underpinned by recent currency weakness and with the biggest movers influenced by earnings.
- **Hang Seng** and **Shanghai Comp** were initially both pressured from early on in a continuation of the equity rout after Chinese stocks plunged to five-year lows despite the PBoC's previously announced RRR cut taking effect, while the securities regulator pledged to stabilise the market and prevent abnormal market fluctuations although refrained from announcing specific measures. As such, Chinese markets later recovered from their lows which saw both benchmarks briefly turn positive.
- **US equity futures** (ES -0.2%) pulled back from Friday's best levels amid the uninspiring mood across Asian peers.
- **European equity futures** indicate a contained open with Euro Stoxx 50 future flat after the cash market closed up 0.3% on Friday.



## FX

- **DXY** traded rangebound around the 104 mark and held on to last Friday's spoils which were spurred by the blockbuster jobs report, while Fed Chair Powell reiterated expectations that the March meeting is likely too soon to start rate cuts.
- **EUR/USD** languished beneath 1.0800 after collapsing in the aftermath of the NFP data and firmer US wages.
- **GBP/USD** traded subdued albeit with further downside cushioned by support at the 1.2600 level.
- **USD/JPY** was steady around 148.50 as it took a breather after the recent dollar-driven momentum.
- **Antipodeans** lacked direction after recent losses and as the RBA begins its first 2-day meeting since its revamp.
- **PBoC set USD/CNY mid-point at 7.1070 vs exp. 7.2088 (prev. 7.1006).**
- **CBRT appointed Fatih Karahan as its new governor, while Karahan said the main priority is to achieve price stability and he is determined to maintain tight monetary control until inflation hits the target. Furthermore, CBRT announced it will introduce interest payments for Turkish Lira required reserves, according to Reuters.**

## FIXED INCOME

- **10-year UST futures** extended on post-NFP losses after the red-hot jobs report spurred a hawkish reaction.
- **Bund futures** remained subdued after gapping below the 135.00 level ahead of German trade data.
- **10-year JGB futures** tracked recent downside in global peers, while results from the 10yr inflation-indexed JGB auction were mixed.

## COMMODITIES

- **Crude futures** were rangebound amid light energy-specific catalysts, cautious mood and geopolitical risks.
- **Two Ukrainian drones hit a primary oil processing facility at the Volgograd oil refinery in southern Russia.**
- **Spot gold** was subdued after slumping on Friday in the aftermath of the strong jobs data.
- **Copper futures** were little changed with demand hampered amid the mostly downbeat mood and Chinese stock market rout.

## CRYPTO

- **Bitcoin** traded marginally higher but with price action limited on both sides of the USD 42,500 level.

## NOTABLE ASIA-PAC HEADLINES

- **China's securities regulator vowed to stabilise the market and prevent abnormal market fluctuations although refrained from announcing specific measures, while it will crack down on ill-intended short-selling and attract more investment by long-term capital.** It was also reported that **China is to step up financing support for major private projects**, according to Bloomberg.
- **Indonesia Central Bank Governor Warjiyo said there should be room to cut rates, but they are waiting for the IDR to strengthen** and stated that Indonesia's economy is in an upward cycle with a peak seen in 2026.

## DATA RECAP

- Chinese Caixin Services PMI (Jan) 52.7 vs. Exp. 53.0 (Prev. 52.9)
- Chinese Caixin Composite PMI (Jan) 52.5 (Prev. 52.6)
- Australian Trade Balance (AUD)(Dec) 10.96B vs Exp. 11.00B (Prev. 11.44B)
- Australian Exports MM (Dec) 1.8% (Prev. 1.7%)
- Australian Imports MM (Dec) 4.8% (Prev. -7.9%)

## GEOPOLITICS

### MIDDLE EAST

- **US and UK carried out strikes against 36 Houthi targets which included missile systems, launchers, air defence systems, radar and buried weapons storage facilities, while the UK government said this was not an escalation, according to Reuters. US Central Command also announced its forces conducted a strike on four anti-cruise missiles which were prepared to launch against ships in the Red Sea.**



- **Yemen's Houthi spokesperson said the continuation of US-British aggression will not achieve any goal for the aggressors and Yemen's decision to support Gaza will not be affected by the attacks**, while the spokesperson added that Yemeni military capabilities are not easily destroyed and were rebuilt during years of tough war, according to Reuters.
- **White House's Kirby said strikes on Friday against Iran-backed groups were just the first round of action and more action will follow**, according to an interview with Fox News.
- **US National Security Adviser Sullivan said there will be more steps in the US response to the drone strike in Jordan and that the US would not describe it as an open-ended military campaign but added that if the US continues to see threats and attacks, they will respond to them**. Sullivan also stated that Gaza humanitarian issues will be the top priority for Secretary of State Blinken on his trip and that the ball is in Hamas' court on the hostage proposal, according to Reuters.
- **Iraqi military spokesperson said US air strikes constitute a violation of Iraqi sovereignty and pose a threat that could lead Iraq and the region into dire consequences**. It was also reported that the **Iraqi PM denied the US had coordinated air strikes with the Iraq government and called those claims lies**, while the **Iraqi PM said 16 were killed including civilians and 25 were wounded in the US aggression against Iraq's sovereignty**. Furthermore, **Iraq's Foreign Ministry summoned the US Charge D'Affaires to Baghdad and handed a note of protest against US attacks in Iraq**, according to Reuters.
- **Iran strongly condemned the US military strikes which it said were violations of the sovereignty and territorial integrity of Iraq and Syria, while it added that US attacks represent another adventurous and strategic mistake by the US that will result only in increased tension in instability in the region**. **Syria's Foreign Ministry also condemned the US attack on Syrian territory and stated that the US is fuelling conflict in the region in a very dangerous way**.
- **Israeli army said its warplanes bombed an operational headquarters and military infrastructure of Hezbollah in the area of the village of Yaron and they also targeted a Hezbollah observation point in the village of Maroun al-Ras in southern Lebanon**, according to Al Jazeera.

## OTHER

- **Ukrainian President Zelensky said he was considering replacing several officials including state leaders and in the military**.
- **G7 countries are reportedly drawing up plans to issue debt to help fund Ukraine using Russian assets as a backstop for the repayment**, according to FT.
- **South Korea summoned the Russian envoy over Moscow's comment criticising President Yoon's remarks on North Korea**.

## EU/UK

### NOTABLE HEADLINES

- **UK seeks to end the Northern Ireland impasse and unveiled a plan to reduce trade friction on goods flowing from Great Britain to Northern Ireland**, according to Bloomberg.
- **Sinn Fein's Michelle O'Neil was formally appointed as Northern Ireland's First Minister to become the first Irish nationalist to hold the post**, according to Reuters.
- **ECB's Elderson said that they see a lot is going well for banks in the area of climate risks even if no single bank has currently met all expectations**.
- **ECB's Vujcic said patience is needed and need to ensure there aren't any second-round effects on inflation from wages before cutting interest rates**, according to Bloomberg.

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