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Daily Market Overview

September 23, 2022

Overnight Headlines:

- The BOE delivered a second straight 50bp hike, with three officials pushing for an even larger rise. The MPC reinforced the view that tightening is far from done, while suggesting deep recession may be averted. The SNB hiked 75bps as expected, launching its key rate back into positive territory as expected, but the Swiss franc still dropped the most since 2015. The SARB also raised rates by 75bps, while Turkey shocked investors with a 100bp cut in the face of raging inflation.
- Notorious equities manager Jeff Muhlenkamp is holding his money tight until a fresh wave of market dislocations creates "nonsense prices" on Wall Street. "Something around the world is going to break and it's going to be something that's big enough that it gets the Fed's attention." Ex-Goldman Sachs strategist Abby Joseph Cohen thinks investors are confused, citing Wednesday's "erratic" stock market reaction to the FOMC. "There is this yin yang between inflation and higher yields versus will the economy and earnings continue to grow."
- The BoJ has intervened to prop up the yen - and event that hasn't occurred since 1998. PM Fumio Kishida also added Japanese policy makers will take further action as needed against excessive moves in the currency. The US Treasury said it understood Tokyo's action yet did not endorse it. The yen rose to as much as 140.36 in New York trading hours.

Please click on the following links to view today's indicative pricing sheets:

[CitiFirst MINIs and GSL MINIs \(PDF\)](#)

[CitiFirst MINIs and GSL MINIs \(excel\)](#)

[CitiFirst Instalment MINIs \(PDF\)](#)

Stopped Out Warrants:

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
ABCKCC	1.624	1.95	0.33	21/09/2022	26/09/2022
BENKOC	7.27	8.36	1.08	21/09/2022	26/09/2022
CCPJOB	15.255	18.23	2.84	21/09/2022	26/09/2022
DJXKCI	29288	30370	16.28	22/09/2022	26/09/2022
EVNKCA	1.675	2.00	0.325	21/09/2022	26/09/2022
EVNKCD	1.644	1.98	0.335	21/09/2022	26/09/2022
FMGKCF	14.893	17.09	1.96	21/09/2022	26/09/2022
FXUKOB	0.647	0.665	2.56	22/09/2022	26/09/2022
NDXKOI	11161.9	11684	7.86	22/09/2022	26/09/2022
SPFKCH	3637.82	3772	2.03	22/09/2022	26/09/2022
XJOMOG	6334.76	6705	3.71	21/09/2022	26/09/2022

Overnight Summary:

RATES

AUS 3yr 96.34 (-14.5bp) | AUS 10yr 96.13 (-16.0bp) | US 10yr 3.71 (+18.4bp) | Bund 10yr 1.97 (+7.2bp)

- US : The treasury curve became sharply bear steeper on Thursday as markets continue to digest the hawkish FOMC meeting, increased probability of BOJ YCC alternation and the BOE's QT announcement. Most price action was seen over the morning session, consistent with profit taking on flattener trades and ongoing outright selling following Wednesday's Fed decision. Intermediate tenors led the selloff, with the 10y ending 7.3 cheaper at 3.71% while the 2y closed 7bp cheaper at 4.12%. Interestingly, the 2s10s curve closed 11bp steeper at -41bp after testing cycle lows of -57bp earlier in the session. In the front end, the SFRZ2/Z3 spread steepened 13bp to -12bp, while 1y1y surpassed its 2008 highs of 4.08%. Swap spreads significantly contracted, indicating underperformance of cash treasuries relative to swaps.
- EU : Gilts bear flattened and underperformed global peers after the BOE lifted rates by 50bp and announced the beginning of QT (roll-off and active sales) on 3 October. 10y gilt yields sold off the most since March 2020, closing 18bp cheaper at 3.49% and steepening the 2s10s curve by 4.2bp. Money markets pared BOE

tightening expectations out to May 2023, with a 5% policy rate now priced by September 2023. Bunds and BTPs also fell, with their respective curves bear flattening on the day. 10y bund yields rose 7.2bp to 1.96% while the 5s30s curve flattened 6bp. BTPs outperformed bunds for a third day ahead of Sunday's election, the longest run in two weeks, with the BTP-bund spread ending 4bp tighter at 221bp. ECB-dated OIS priced a deposit rate of 3% by July 2023.

- AU: Aussie bond futures sharply sold off and bear steepened, with the 3y becoming 7.5 bp cheaper at 3.66% while the 10y became 9.5 bp cheaper at 3.87%.

EQUITIES

S&P500 3,757.99 (-0.84%) | Stoxx600 399.76 (-1.79%) | FTSE100 7,159.52 (-1.08%)

- Shares on Wall Street ended lower after attempting to claw back Wednesday's losses after the Fed delivered a third jumbo rate hike and signalled for more to come. All three major benchmarks closed lower amid a burst of late selling, the Dow Jones shed 0.35%, the tech-heavy Nasdaq lost 1.37%, while the broad-based S&P 500 declined 0.84%. Consumer discretionary was the steepest decliner while health care and communication services were the only winners. In company news, leading drugmakers Merck & Co, Johnson & Johnson, Amgen and United Health Group topped the Dow Jones. Tesla shares fell -4.06% as it recalled 1.1 million vehicles across all 4 of its models due to a defect with the automatic window system. FactSet Research Systems was among the worst performers on the S&P 500, losing -8.29% after reporting fiscal Q4 adjusted earnings below analyst expectations. On the upside, FedEx climbed 0.84% as it announced plans to cut up to \$2.7 billion in spending to tackle challenges including slowing consumer demand and a tight labour market. The courier is also planning to raise shipping rates after shocking Wall Street last week by withdrawing its annual forecast and posting disappointing preliminary results.
- European stocks fell on Thursday, wiping out all of the summer's gains and sinking to the lowest levels since Jan 2021. The Bank of England announced its second 0.5 percentage point rate increase and warned the British economy was slipping into recession. The Swiss National Bank also lifted rates overnight, opting for a 0.75 percentage point increase. On the data front, euro zone consumer confidence fell by a more than expected 3.8 points in September. The Stoxx 600 fell -1.62% led by rate-sensitive tech and real estate stocks which fell by more than 4% each, while energy was the only sector to close in the green. The FTSE 100 outperformed the region, falling -1.08%. ASML Holdings lost -5.19%, weighing the most on the Stoxx, though Darktrace had the largest drop. Shares in Credit Suisse Group hit record lows on a report that it's weighing an exit of the US market as one of the various scenarios for a strategic revamp. A representative of the bank denied the report.

FOREIGN EXCHANGE

AUDUSD 0.6643 (+0.80%) | DXY 111.251 (-0.32%) | EURUSD 0.9838 (0.00%)

- The dollar ended the session weaker after BoJ's intervention roiled FX markets. DXY lost as much as -1.01% in a kneejerk reaction to BoJ, but soon rallied back up above the 111 handle. USDJPY was the highlight of yesterday's session as BoJ intervened in the FX market for the first time in more than two decades whilst reiterating to keep rates unchanged. USDJPY traded as low as 140.35 and as high as 145.90, though our CitiFX strat highlights previous experience suggests that stand alone intervention is unlikely to alter the JPY trend directly and the BoJ/FOMC policy divergence will keep the door open for USDJPY upside.
- Aussie and Kiwi both strengthened +0.80% and +0.48% against the lower dollar . AUD fell to 0.6573, its lowest since May 2020, but managed to recover some ground and finished the session with modest gains around 0.6650. The advance took place in early LDN trading after BoJ's intervention which helped to push the dollar down against all of its peers. CAD advanced +0.23% while NOK lost -0.20%.
- EUR ended the session flat after dipping to 0.9809 as European two year bond yields rose and curves flatten with the currency weighed down by higher NatGas prices. GBP ended the night +0.18% higher as BoE raised rates by 50bps in a split decision which caused UK bonds to fall across the curve, sending 10-year yield 5 bps higher. Given that three members still voted for an acceleration of rate hike, we see this as a warning that further increase in size may be on the cards and think 75bps in November is now marginally more likely than not.

CREDIT

US IG39 102.30 (+1.97bp) | US HY38 98.11 (-0.34pts) | Itraxx Main 38 125.55 (+3.21bp) | Xover 38 618.47 (+16.29bp)

- US: Five issuers priced \$5.1bn on Thursday following a slew of hawkish global central bank monetary policy actions to bring the week's total to \$6.1bn, 83% less than the \$35bn projected. Issuers paid more than 19bps in concessions on deal that were just shy of 3x covered on average. Citigroup brought their third 4NC FXD to FRN deal this year, pricing \$2.75bn at +148 on demand that exceeded \$5bn. In secondary, Oracle saw action across the curve after S&P affirmed the BBB rating but moved it from Negative watch to Outlook Negative. ORCLL spreads were +1-2bp, with lots of bonds lifted. ORCL was +3-4bp before the S&P news and saw some good flow during the session. FedEx was little changed from its 25bp widening last week after company results were consistent with the dire update from last week. Cost cutting action is expected to save \$2.7b billion. The rest of credit ended +1-3bp wider amid some balanced action as rates moved sharply higher. HY saw prices slump, although volume was said to be thin with most supply from the ETFs. Over \$1.5 billion left the HY ETF space this week. Traders said there's not the buying into weakness seen amid similar moves lower with RM on the sidelines. Prices down 1/2 to 2 points. The indices moved wider with IG39 at +1.97bp and HY 38 -0.34pts.
- EU: Europe's primary market saw only one deal on Thursday, amid variable risk sentiment and as the Bank of England delivered a second consecutive half-point interest-rate hike. In secondary, it was another volatile day post FOMC, the

market opened 10bps wider on XO and 25-50c lower on cash, but XO came off the wides pretty quickly and with rates also rallying back cash rallied back to unch'd and even higher on the day in spots, TMT in particular. In the afternoon XO and rates both widened out to close near the wides of the day and cash felt softer but flows remained somewhat muted and skewed to better buying overall. The indices closed wider with iTraxx Main 38 at +3.21bp and Xover 38 at +16.29bp.

COMMODITIES

Gold 1,671.16 (+0.76%) | WTI 83.49 (+0.50%) | Copper 3.48 (-0.13%) ^

- Energy: Oil held on to post a gain after a slew of rate hikes around the world reaffirmed global central bankers would continue to fight inflation at the expense of economic growth. Brent rose +0.46% to \$90.36, while WTI climbed 0.50% to \$83.49.
- Metals : Gold whipsawed after Japan intervened in the foreign exchange market and simultaneous central bank tightening ensued. The precious metal rose +0.76% to now sit at \$1,671.16. In the broader space, copper and nickel edged lower by -0.13% and -1.55% respectively.
- Agriculture: Wheat rose to a two-month high as threats of war threaten supplies in the black sea. The market is concerned the agreement signed by Russia to allow free shipment of Ukrainian grain could be at risk, with wheat futures rising +5.9% so far this week.

Overnight Summary					
	Last Price	1d (net)	1d (%)	1m (%)	YTD (%)
Equities					
S&P 500	3,757.99	-31.94	-0.8%	-9.2%	-21.2%
Nasdaq	11,066.80	-153.39	-1.4%	-10.6%	-29.3%
Dow Jones	30,076.68	-107.10	-0.4%	-9.0%	-17.2%
Euro Stoxx 50	3,427.14	-64.73	-1.9%	-6.3%	-20.3%
FTSE100	7,159.52	-78.12	-1.1%	-5.0%	-3.0%
TOPIX	1,916.12	-4.68	-0.2%	-2.8%	-3.8%
KOSPI	2,332.31	-14.90	-0.6%	-4.2%	-21.7%
Shanghai Comp	3,108.91	-8.27	-0.3%	-5.1%	-14.6%
ASX200 Futures	6,628.00	-17.00	-0.3%	-3.5%	-9.8%
VIX Index	27.35	-0.64			
Foreign Exchange					
DXY	111.2760	-0.49	-0.4%	2.0%	16.3%
AUDUSD	0.6644	0.01	1.0%	-4.1%	-8.5%
EURUSD	0.9839	0.00	0.2%	-1.3%	-13.5%
GBPUSD	1.1256	0.00	0.3%	-4.9%	-16.8%
USDJPY	142.3900	-3.26	-2.3%	-3.9%	-19.2%
USDCHF	0.9775	0.01	1.4%	-1.4%	-6.6%
Fixed Income - 10y					
	%	bps		bps	bps
Aus (Fut.)	3.88%	16.00		28.00	215.50
United States	3.71%	18.37		66.69	220.30
United Kingdom	3.49%	18.19		91.71	252.28
Germany	1.96%	7.20		64.58	214.30
France	2.52%	7.70		60.23	232.46
Italy	4.15%	3.68		52.17	299.20
Commodities					
WTI Crude	83.49	0.55	0.7%	-7.5%	11.0%
Brent Crude	90.34	0.51	0.6%	-6.4%	16.1%
Copper c/lb	349.85	-1.35	-0.4%	-4.2%	-21.6%
Nickel	24,949.00	-15.00	-0.1%	12.1%	20.2%
Zinc US\$/mt	3,098.50	-30.00	-1.0%	-11.2%	-12.3%
Aluminium US\$/mt	2,202.50	-43.00	-1.9%	-7.7%	-21.5%
Iron Ore US\$/mt	99.00	0.04	0.0%	-5.6%	-12.0%
Gold US\$/oz t	1,671.16	11.86	0.7%	-4.4%	-8.6%
Silver US\$/oz t	19.63	0.27	1.3%	2.7%	-15.8%
Bitcoin USD	19,218.70	-29.03	-0.2%	-10.5%	-58.5%
Lithium (ETF)	71.66	-1.25	-1.7%	-7.9%	-15.1%
DLCs					
	Last Price	Aud Price			Spread
Rio PLC	4,828.00	81.80	2.3%	-2.3%	11.5%
South 32 - Lon	229.00	3.88	-0.9%	-4.1%	0.5%
South 32 - J'burg	4,600.00	3.93	-2.6%	-4.1%	-0.9%
Janus Henderson	22.43	33.76	-1.8%	-10.6%	2.3%
Virgin Money	145.20	2.46	-2.1%	0.3%	1.2%
NWS A	15.69	23.62	-2.0%	-10.1%	6.5%
ADRs					
	Last Price	Aud Price			Spread
BHP	51.21	38.54	2.4%	-10.6%	-1.5%
Rio	55.35	83.31	4.0%	-6.1%	9.5%
CSL	92.53	278.52	-0.3%	-8.1%	0.9%
James Hardie	20.92	31.49	-1.2%	-13.5%	3.3%
ResMed	213.69	32.16	-1.8%	-6.8%	1.3%
Amcor	11.15	16.78	-0.6%	-10.7%	1.3%
Square	55.93	84.18	-5.9%	-23.4%	9.8%

***At time of writing**

Source: Bloomberg

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