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The Overview 12 September 2019

US Economics Flash - CPI Preview - Solid CPI to support August core PCE inflation *(Veronica Clark 11 Aug 2019)*

- Following two months of stronger 0.3%MoM increases in core CPI, we expect a more moderate 0.18% increase in August. This expectation results from solid increases in underlying components of inflation consistent with the Fed's 2% target, and a moderation in strong transitory factors.
- Our expectation for core CPI is also consistent with another solid monthly increase in core PCE inflation, which has been on the stronger side recently. This, coupled with favorable base effects from a weak reading in August 2018, would boost the year-on-year reading, potentially to as high as 1.8%YoY. After running at a pace around 1.5-1.6%YoY since February, core PCE inflation could be much closer to the 2% target when released at the end of the month.
- We see risks for the market as roughly balanced for the August CPI release. Another strong reading would likely extend the trend over the last few days of markets reducing expectations of further significant cuts from the Fed. On the other hand, another weaker reading would reinforce expectations that Fed officials will see more cuts as warranted.
- Following two months of strong 0.3%MoM increases, we expect a more standard 0.18%MoM increase in core CPI in August. This would reflect solid increases in underlying components of inflation but more modest price increases in the transitory factors that have boosted core CPI for the last two months.
- Our expectation for core CPI, along with a rebound in medical services in PPI, is consistent with another solid monthly increase in core PCE inflation in August. After weakness early in the year, recent increases in core PCE have been on the stronger side, consistent with an underlying pace of inflation still close to target. Another solid increase coupled with favorable base effects from a weak reading in August 2018 would imply the year-on-year reading jumps as high as 1.8%YoY, putting it that much closer to the Fed's 2% target when released later this month

[Link to full article](#) to read the report:

Top Warrants & Stopped Out Warrants

Previous day's top warrants by value and volume

Warrant Code	Value	Citi	Warrant Code	Volume	Citi
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XJOMOQ	\$1,308,196	Citi Buys	XJOMOQ	388,003	Citi Buys
WBCJOC	\$327,894	Citi Sells	FMGKQOQ	150,000	Citi Buys
WPLJOF	\$199,340	Citi Sells	SARKOD	138,341	Citi Buys
FMGKQOQ	\$174,750	Citi Buys	CGCKOQ	100,000	Intraday
CBAKOY	\$131,375	Citi Sells	AMPKCP	100,000	Citi Sells

Stopped Out Warrants

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
APXKOI	20.5690	22.59	\$1.915	11/09/2019	13/09/2019
ASXKOD	74.1940	81.75	\$7.56	11/09/2019	13/09/2019
COHKOC	187.2680	205.7	\$18.26	11/09/2019	13/09/2019
CSLKCH	211.0870	232	\$21.63	11/09/2019	13/09/2019
FMGKOV	9.9890	8.8	\$1.205	11/09/2019	13/09/2019
GMGKOA	12.1930	13.39	\$1.195	11/09/2019	13/09/2019
NCMKOD	30.7450	33.77	\$3.01	11/09/2019	13/09/2019
WBCKOU	30.7490	29.23	\$1.45	11/09/2019	13/09/2019

Headlines & Highlights

- President Trump has called China's exemption of some US goods from retaliatory tariffs as the right thing to do, whilst also reiterating that he believes Beijing wants to do a deal on trade. The one-year exclusion period covers 16 categories of products worth to be an estimated \$1.65bn. Agricultural items such as soybeans and pork will continue to face Chinese duties.
- Boeing CEO Dennis Muilenburg made his first public comments since July, revealing that the 737 Max may return to service on a phased timetable, and is a possibility if regulators globally approve the grounded jet to fly at their own pace, instead of closely following the lead of US officials. He also reaffirmed that the company estimates that the Max will be approved to return early in the fourth quarter.
- A government document revealing the worst case scenario of a no-deal Brexit has been released, warning of food and fuel shortages, disruption to the supply chain for up to 6 months, public disorder and intense pressure to return to negotiations. Moreover, the administration suffered another blow when a Scottish Court ruled Johnson's decision to suspend Parliament earlier this week as unlawful, setting up a showdown in the Supreme Court next week.

Overnight

Equities | S&P500 3,000.93 (+0.72%) | Stoxx600 389.71 (+0.85%) | FTSE100 7,338.03 (+0.96%)

- US – US stocks rallied overnight driven by technology (+1.01%) and healthcare(+1.01%). Apple (AAPL +3.18% \$223.59) was one of the top performers on the day as they released their new range of iPhones and TV+ streaming services with competitive pricing making analysts more bullish. Meanwhile Amazon (AMZN +0.13%) is the target of an FTC probe examining whether it uses its market power to hurt competition.
- EU – Euro climbed further overnight rallying to 6-week highs as the Stoxx600 (+0.9%), FTSE (+0.96%) and the DAX (+0.7%) all rallied as Merkel said her government will work until the last day to ensure an orderly UK departure while tempering enthusiasm with the caveat that Germany is ready for a no-deal Brexit. IT (+1.3%) was the sector which gained most in the Stoxx600 overnight with AMS (AMS +7.19% EU45.93) performing the best as the advanced sensor maker rallied with other chip stocks led by the release of the iPhone 11. In the FTSE, real estate (+2.33%) stocks performed while HSBC (HBSA +1.94% GBP625.5) moved the index most as speculation looms that it looks to sell its French retail bank, which currently runs at a loss.

Foreign exchange | AUDUSD 0.6863 (-0.10%) | DXY 98.6280 (+0.26%) | EURUSD 1.1009 (-0.35%)

- The Canadian dollar fell broadly Wednesday with oil prices after a report that US President Donald Trump has considered easing Iranian sanctions to secure a meeting with the nation's leader, Hassan Rouhani. The resource-reliant loonie was down against all of its G-10 peers, losing as much as 0.5% against the greenback, while WTI crude fell as much as 3.1%.
- USD/JPY was +0.3% to ~107.81, just beneath the daily high of 107.85 reached in Tokyo; pair rose for the third day. China unveiled a list of tariff exemptions, easing trade tensions although some critical agricultural products were left off the list. Yen weakened on expectations the BOJ could consider fresh easing measures at next week's policy meeting.

- EUR/USD was -0.3% at ~1.1009 after falling as low as 1.0985, the lowest in a week, amid bearish positioning; the pair trimmed losses on a report that the ECB may cut some growth projections and also sees extended rise in inflation.
- GBP/USD was -0.2% to ~1.2329 vs session low 1.2313; cable tested and failed at 1.2370 three times, before breaking under support in the 1.2340/45 range. The UK published warnings of disruption to trade, financial services and food supplies if it leaves the European Union without a deal on Oct. 31, after lawmakers voted to force the government to make it public.

Commodities | Gold 1,505.10 (+0.39%) | WTI 55.97 (-2.49%) | Copper 2.64 (+0.17%)

- Oil dropped to a one-week low as US president Trump considered easing sanctions on Iran that severely restricted the OPEC member's ability to export crude. Futures declined as much as 3.1% on the news. Trump is preparing to meet with Iranian President Rouhani later this month. Separately, diesel stockpiles expanded by 2.7mm barrels last week, surprising analysts who were girding for a withdrawal. At the same time, crude inventories declined by 6.9mm barrels, helped by some of the highest exports since June, with gasoline drawing down to 682k.
- Gold rebounded to snap its longest losing streak since May, while the latest data is beginning to show outflows from ETFs backed by the metal. Aluminium (+0.3%) rose to its highest since late July in a mixed session for metals, boosted by a decline in stockpiles and pressures in China and Indonesia. Leasing US producer Alcoa Corp, said a possible ban on bauxite exports from Indonesia would be enough to wipe out a global surplus of the ore that goes into aluminium production. Tin and zinc also advanced, while copper, lead, and nickel fell on the LME.
- Corn (-0.4%) and soybeans (-0.6%) fell in Chicago on beneficial growing conditions for US crops. A lack of tariff exemptions by China on major agricultural products also dampened hopes of a breakthrough in the trade dispute. Meanwhile, warmer temperatures in the US Midwest should help late-planted corn and soy fields mature. The USDA releases monthly supply and demand data tomorrow, in which analyst surveyed predict the government to cut harvest estimates.

CORPORATE

ECONOMICS

- 11:00 AU Consumer Inflation Expectation
- 22:30 US CPI Ex Food and Energy YoY
- 22:30 US CPI Core Index SA
- 22:30 US CPI Index NSA
- 22:30 US Initial Jobless Claims
- 22:30 US Continuing Claims

Overnight Summary

-- Equities --	Last	Chg	%chg
Dow	27,137	+228	+0.8%
S&P500	3,001	+22	+0.7%
Nasdaq	8,170	+86	+1.1%
Euro Stoxx	3,517	+18	+0.5%
Shanghai Comp.	3,009	-12	-0.4%
Nikkei	21,598	+206	+1.0%
....SPI (Aust)	6,663	+26	+0.4%
-- FX --	Last	Chg	%chg
\$A / \$US	0.6862	+0.0001	+0.0%
Yen / \$US	107.82	+0.00	+0.0%
Euro / \$US	1.1009	-0.0001	-0.0%
\$A / GBP	0.5565	+0.0012	+0.2%
A\$ TWI	60.10	0.200	+0.3%
USDCNH	7.11	0.000	+0.0%
-- Cmdty --	Last	Chg	%chg
Aluminium	82.6	1.0	+1.2%

Copper	264.2	0.5	+0.2%
Nickel	818.5	-0.2	-0.0%
Coking Coal	146.0	-0.2	-0.1%
Thermal Coal	65.4	-0.4	-0.7%
Iron Ore	91.1	0.2	+0.2%
Gold	1505.10	+5.90	+0.4%
Oil...WTI	55.75	-1.65	-2.9%
Oil..Brent	61.02	-1.36	-2.2%
Zinc	2338.00	+28.00	+1.2%
Gas	2.55	-0.04	-1.4%
-- DLCs --	Last	Chg	%chg
BHP Billiton Plc	1,777	2.0	+0.1%
Rio Plc	4,289	37.5	+0.9%
Clydesdale Plc	124	0.9	+0.7%
South 32 - London	155	3.8	+2.5%
-- US listeds --	Last	Chg	%chg
BHP - adr	50.58	+0.22	+0.4%
RIO - adr	53.24	+0.38	+0.7%
Janus Henderson	21.82	0.6	+2.9%
Resmed	133.69	-0.67	-0.5%
NWS A	14.55	+0.04	+0.3%
James Hardie	15.95	-0.08	-0.5%
Bonds	Last	Chg	%chg
US 10 Year	1.74	+0.01	
Aus 10 Year	1.14	+0.06	
Volatility	Last	Chg	%chg
VIX	14.61	-0.59	-3.9%

Source: Bloomberg

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