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The Overview 13 June 2019

US Economics Flash - Another soft core CPI in May, but still solid core PCE expected *(Veronica Clark 12 June 2019)*

- Data**

Core CPI rose 0.1%MoM in May for the fourth month in a row, below consensus and Citi at 0.2%. Core CPI rose 2.0%YoY. Headline CPI rose 0.1%MoM and retraced to 1.8%YoY.

- Citi's view**

The again softer-than-expected 0.113%MoM increase in core CPI reaffirms the low-inflation narrative that has persisted for the last few months. While persistently low inflation would be one factor supporting a potential Fed cut, we do not think one additional soft inflation print alone is enough to dramatically change the current outlook.

While some transitory weakness remains in certain factors, recently very-strong components of underlying inflation, such as shelter prices, moderated in May. After rising at a +0.3%MoM pace for the past three months, owners' equivalent rent rose a more modest 0.26%MoM in May. While still a solid pace, this is more in line with what we would expect given soft housing activity over the past year that should act to dampen shelter prices.

Core goods prices fell 0.1%, weighed on by a 1.4% decline in used car prices, although apparel prices stabilized after recent declines. The fall in used car prices weighed on overall core CPI by 0.04pp, although the drag on core PCE inflation from used cars will be less, as this component receives only about a third of the weight in PCE as it does in CPI. We also continue to expect that used car prices will stabilize after recent declines and could provide a boost to CPI in coming months

[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
NDXKOD	\$1,452,000	Citi Buys	LSFJOA	326,974	Citi Sells
WOWKOB	\$1,033,294	Citi Buys	MYXKOR	300,000	Citi Buys
XJOMOS	\$661,277	Citi Sells	SGRJOY	262,500	Citi Buys
SPFKCJ	\$326,000	Citi Buys	XJOMOS	254,102	Citi Sells
TLSKCI	\$286,532	Citi Buys	WOWKOB	164,560	Citi Buys



Stopped Out Warrants

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
APTKOP	28.2150	25.41	\$2.71	12/06/2019	14/06/2019
COLKOR	14.5420	13.1	\$1.44	12/06/2019	14/06/2019
XJOMOT	6772.9560	6578	\$1.94	12/06/2019	14/06/2019

Headlines & Highlights

- As we close in on the G20 summit in Japan (28th-29th June), the trade war continues to dominate headlines. Trump overnight was optimistic about the outcome of a deal stating that he has "a feeling that we are going to make a deal". However, President Trump was quick to remind markets of the threat to impose additional tariffs on \$325bn of Chinese imports should a deal fail to come to fruition.
- As Britain sits amidst a sea of leadership candidates, in the wake of Theresa May's departure and an impending Brexit deadline, Tory leadership front runner Boris Johnson has reiterated a vow to leave the EU on the October deadline. Johnson stated that although he would like to avoid a no deal Brexit, to allow for a valid negotiation tool, the country should prepare for this outcome. This comes as another run at a deal to block a no deal Brexit has fallen short.

Overnight

Equities | S&P500 2,879.84 (-0.20%) | Stoxx600 379.74 (-0.30%) | FTSE100 7,367.62 (-0.42%)

- US: The S&P500 finished the session in the red, down 0.20%, carried by Utilities (+1.33%) whilst Energy names (-1.44%) declined the most. ALXN (+3.00%) topped the index whilst LLY (+2.70) also finished higher, following declines in the previous session, after presenting underwhelming trial data at the American Diabetes Association conference. WDC (-5.65%) retreated the most on the index whilst MU (-5.40%) also declined after Evercore ISI warned that a recovery in memory chip demand may not pick up until the second half of 2020.
- EU: The FTSE Index finished 0.42% lower, weighed down by Energy names (-1.64%) whilst the Health Care sector (+0.76%) carried the index. RB/ (+4.38%) was the best performing stock of the session following the appointment of a new CEO, Laxman Narasimha. ULVR (+1.11%) also rallied after the company's CEO revealed that they are interested in potential acquisitions over £1b, and that focus is expected to shift away from food, to beauty and personal care products. BATS (-4.40%) was the main laggard of the session after its outlook for next generation products disappointed investors and as concern over 1H volumes increased. The STOXX declined 0.30%, led by Health Care names (+0.61%) whilst Energy (-2.20%) retreated the most. SPR (+11.52%) topped the index after KKR & Co offered to buy out minority shareholders. COLR (-5.74%) was the worst performing stock following analyst downgrades. The DAX finished the session 0.33% lower, carried by Consumer Staples (+2.09%) whilst the Health Care sector (-1.60%) was the main drag.

Foreign exchange | AUDUSD 0.6929 (-0.29%) | DXY 97.0010 (+0.36%) | EURUSD 1.1289 (-0.40%)

- The greenback outperformed the majority of G10 peers after a string of Trump comments overnight, largely his threat of sanctions on Germany over their support of a Russian gas pipeline. EURUSD slid 53 pips down through 1.13 into where it currently trades at 1.1289.
- Cable traded down 65 pips to break 1.27 after the UK parliament rejected a deal that would block a no deal Brexit. GBPUSD currently sits at 1.2690.
- AUDUSD depreciated 30 pips overnight off the back of a strong greenback and it currently sits at 0.6929 going into today employment prints (11:30am SYD).

Commodities | Gold 1,337.10 (+0.44%) | WTI 51.09 (-4.09%) | Copper 2.67 (+0.03%)

- Oil slumped to its lowest in five months as US crude stockpiles climbed, with a headline build of 2.2mm bbl versus a 1mm drawdown estimate. Almost all the increase was at Cushing, building 2.1mm b/d, while imports ticked down by 316k. OPEC is close to reaching an agreement on extending curbs, even as they struggle to set a date for their next meeting. Meanwhile, global oil demand estimates for March and April are pointing to YoY declines. Morgan Stanley expects growth of 1mm b/d this year, while JP Morgan has an even lower 800k.
- Spot gold rose for the first time this week, with silver (+0.1%) and palladium (+1.1%) also up. Copper (-0.7%) edged lower on the LME, as pessimism around global trade tensions topped potential supply threats arising from the Codelco mine and a miss on US CPI. In particular, Chinese car sales declined for a 12th consecutive month in May. Lead and nickel also fell on the LME, while aluminium, zinc and tin advanced.
- Corn (+0.3%), soybeans (+2.2%) and wheat (1.6%) were all higher in Chicago. Soybeans rose on speculation that the USDA will lower domestic yield estimates, while wet forecasts across the Midwest are creating more

headwinds, as US corn floods trigger orders for Argentine grain. Lastly, House Democrats say they are optimistic on final negotiations for a USMCA trade agreement...

CORPORATE

- CIM.AX Ex Dividend
- CGF.AX Challenger Ltd Investor Day
- WES.AX Wesfarmers Ltd Strategy Briefing Day
- SGP.AX Stockland Corporation Ltd Investor Day

ECONOMICS

- 22:30 US CPI MoM
- 22:30 US CPI Ex Food and Energy MoM
- 22:30 US CPI YoY

Overnight Summary

-- Equities --	Last	Chg	%chg
Dow	26,005	-44	-0.2%
S&P500	2,880	-6	-0.2%
Nasdaq	7,793	-30	-0.4%
Euro Stoxx	3,387	-14	-0.4%
Shanghai Comp.	2,909	-16	-0.6%
Nikkei	21,130	-75	-0.4%
....SPI (Aust)	6,552	+2	+0.0%
-- FX --	Last	Chg	%chg
\$A / \$US	0.6930	-0.0032	-0.5%
Yen / \$US	108.19	-0.01	-0.0%
Euro / \$US	1.1334	+0.0002	+0.0%
\$A / GBP	0.5497	-0.0009	-0.2%
A\$ TWI	60.00	0.000	+0.0%
USDCNH	6.94	0.000	+0.0%
-- Comdty --	Last	Chg	%chg
Aluminium	81.2	0.5	+0.7%
Copper	265.4	-1.1	-0.4%
Nickel	537.1	-2.0	-0.4%
Coking Coal	194.0	0.0	+0.0%
Thermal Coal	72.7	-3.1	-4.1%
Iron Ore	103.3	1.0	+1.0%
Gold	1342.50	+5.50	+0.4%
Oil...WTI	51.14	-2.13	-4.0%
Oil..Brent	59.82	-2.47	-4.0%
Zinc	2509.00	+2.50	+0.1%
Gas	2.38	-0.02	-0.8%
-- DLCs --	Last	Chg	%chg
BHP Billiton Plc	1,909	14.4	+0.8%
Rio Plc	4,713	16.0	+0.3%
Clydesdale Plc	179	-2.0	-1.1%
South 32 - London	178	0.3	+0.2%
-- US listeds --	Last	Chg	%chg
BHP - adr	54.78	-0.27	-0.5%
RIO - adr	60.29	+0.02	+0.0%
Janus Henderson	21.43	0.1	+0.4%
Resmed	119.53	+1.36	+1.1%
NWS A	11.74	-0.06	-0.5%
James Hardie	12.88	-0.25	-1.9%
Bonds	Last	Chg	%chg

US 10 Year	2.12	-0.02	
Aus 10 Year	1.43	-0.03	
Volatility	Last	Chg	%chg
VIX	15.91	-0.08	-0.5%

Source: Bloomberg

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