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The Overview 17 September 2019

## US Economics Flash - FOMC Preview - Rate cut expected, risks skew hawkish *(Andrew Hollenhorst 16 Sept 2019)*

Although the outcome of the September policy decision is all-but-certain to be another 25bp cut, we see slightly hawkish risks to the meeting.

The updated dot plot may show a median dot indicating no further rate cuts this year, in line with our own base case for no further cuts in 2019 or 2020.

Recently higher repo and fed funds rates raise the risk of a 30bp reduction in IOER, but our base case is for a 25bp cut.

Chair Powell is unlikely to repeat the characterization of cuts as a “mid-cycle adjustment,” which was a hawkish surprise in July. While Powell will likely present an upbeat view of the consumer-driven US economy, downside risks mean he will emphasize that the Fed remains committed to “act as appropriate to sustain the expansion.”

[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
XJOMOQ	\$2,951,192	Citi Sells	XJOMOQ	990,476	Citi Sells
LSFJOA	\$432,375	Citi Buys	LSFJOA	750,000	Citi Buys
WPLJOF	\$395,091	Citi Buys	WPLJOF	58,520	Citi Buys
BHPJCA	\$304,180	Citi Buys	BHPLOE	54,499	Citi Buys
BHPLOE	\$299,007	Citi Buys	XJOLOA	100,000	Intraday

Stopped Out Warrants

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
BHPKOS	41.9780	38.13	\$2.67	16/09/2019	18/09/2019



BHPKOX	42.8520	38.93	\$3.55	16/09/2019	18/09/2019
IELKCA	12.3170	14.14	\$2.10	16/09/2019	18/09/2019
RIOKCS	101.5220	94	\$7.58	16/09/2019	18/09/2019
SGMKOD	9.9470	10.91	\$0.76	16/09/2019	18/09/2019
STOKOT	8.7480	7.88	\$0.765	16/09/2019	18/09/2019
TWEKOC	16.1950	17.79	\$1.66	16/09/2019	18/09/2019
WOWKCC	33.6780	36.17	\$2.29	16/09/2019	18/09/2019
WTCKOA	29.9140	34.32	\$3.90	16/09/2019	18/09/2019

## Headlines & Highlights

- Saudi Aramco has revealed that they may face weeks or months before the majority of output is restored at the giant Abqaiq plant following an attack over the weekend. Whilst the attack cut Aramco's oil production by 50%, the company is still assessing the state of the plant, with some reports suggesting that less than half of the plant's capacity can be restored quickly. Moreover, Saudi Arabia's Foreign Ministry has revealed that Iranian weapons were used in the drone attack, but stopped short of directly blaming the nation.
- Following a meeting between the UK Prime Minister Boris Johnson and European Commission President Jean-Claude to discuss a Brexit agreement, the pair agreed that discussions would intensify and that pace of meetings would speed up, with meetings expected to take place on a daily basis soon. Whilst Johnson did reveal that he is optimistic about reaching a deal, an EU official stated that a breakthrough was no closer to being reached.

## Overnight

**Equities | S&P500 3,007.39 (-0.07%) | Stoxx600 391.79 (+0.34%) | FTSE100 7,367.46 (+0.31%)**

- US – US stocks ended lower Monday after a weekend attack on Saudi Arabia's oil-production facilities unsettled global markets, halted the Dow's eight-session winning streak and sent crude prices rocketing higher. The Dow Jones Industrial Average fell 142.7 points, or 0.5%, to close at 27,076.82, ending an eight-day winning streak. The S&P 500 index shed 9.43 points, or 0.3%, to finish at 2,997.96, while the Nasdaq Composite Index dropped 23.17 points, or 0.3%, to end at 8,153.54. Chevron Corp. shares were the Dow's best performing Monday, rising 2.2%, while fellow oil producer Exxon Mobil Corp. XOM, +1.50% also gained, advancing 1.5%. Walt Disney Co. chief executive Robert Iger has resigned from the board of Apple Inc. the entertainment giant said Friday evening. Earlier last week, Apple revealed a new streaming service that will compete with a planned service by Disney. Shares of General Motors Co. fell 4.2% after nearly 50,000 United Auto Workers went on strike amid negotiations between worker and management for a new four-year contract.
- EU – European stock markets fell on Monday as traders reacted to the news of the attack that took half of Saudi Arabia's oil output offline, sending oil producers much higher while airlines struggled. The broader Stoxx Europe 600 fell 0.58% to 389.53 in a move that masked a major split. Majors like BP and Royal Dutch Shell rallied as explorers including Aker BP surged. Airlines including Air France-KLM that are sensitive to jet fuel costs tumbled, as did cruise operator Carnival. Banks that have rallied of late also dropped, with Deutsche Bank and Commerzbank lower. The German DAX weakened 0.71% to 12387.81, the French CAC 40 fell 0.94% to 5611.15 and the UK FTSE 100 fell 0.63% to 7321.41.

**Foreign exchange | AUDUSD 0.6866 (-0.10%) | DXY 98.6490 (+0.46%) | EURUSD 1.1003 (-0.62%)**

- The greenback climbed by the most in almost three weeks as increased geopolitical tensions ripple through as investors clamour to haven currencies. It is speculated about a US strike on Iran in retaliation for the attack on Saudi Arabia's oil facilities.
- Cable fell 72 pips dropping to 1.2431 as the UK PM Boris Johnsons declined to rule out court action over a no-deal Brexit. Johnsons and EU Commission President Jean-Claude Juncker agreed that discussion would intensify and meeting would take place daily as no "legally operational" solution had been proposed yet.
- EURUSD also slipped falling 73 pips to 1.1003 as the dollar rallied.
- The AUDUSD followed the beta move falling 14 pips after close finishing at 0.6866.

**Commodities | Gold 1,505.90 (+0.43%) | WTI 61.88 (+12.82%) | Copper 2.71 (+2.43%)**

- Oil continued its record surge after a devastating attack on Saudi Arabia intensified concerns about growing instability in the world's most important crude-producing region. Saudi officials downplayed prospects for a rapid recovery, as Saudi Aramco faces weeks or months before most output from its giant Abqaiq crude-processing complex is restored. The Foreign Ministry said Iranian weapons were used in the attacked but stopped short of blaming the Islamic Republic, while the US has not shied away from blaming Iran. US Energy Secretary Rick Perry told CNBC, that a "coalition effort" will be needed to counter Iran. US gasoline futures jumped 13%.

- Haven assets including gold and silver (+2.0%) surged as investors fled riskier instruments. Copper (-1.7%) posted the biggest loss in six weeks, and nickel (-2.1%) dropped after weaker-than-expected Chinese industrial data, including decelerating fixed-asset investment. The effect of the oil price shock on the economy, amid weak global demand is also taking its toll. Tin advanced while aluminium, lead and zinc declined.
- Wheat (+1.1%) and corn (+1.4%) rallied in Chicago. Ethanol and soybean-oil futures (+2.9%) jumped on speculation that US biofuel demand will increase, bolstered by a surge in oil prices. Meanwhile, bullish sugar traders finally had a reason to cheer as prices extended gains, moving higher by as much as 4.5% in NY. Behind the move is the oil advance which makes biofuel from sugarcane more competitive. The commodity has lost half its value from a 2016 peak amid ample world supplies.

## CORPORATE

- EVN.AX Evolution Mining Ltd at Denver Gold Forum
- RRL.AX Regis Resources Ltd at Denver Gold Forum
- RSG.AX Resolute Mining Ltd at Denver Gold Forum
- SAR.AX Saracen Mineral Holdings Ltd at Denver Gold Forum
- SBM.AX St Barbara Ltd at Denver Gold Forum

## ECONOMICS

- 11:30 AU RBA Minutes of Sept. Policy Meeting

## Overnight Summary

-- Equities --	Last	Chg	%chg
Dow	27,077	-143	-0.5%
S&P500	2,998	-9	-0.3%
Nasdaq	8,154	-23	-0.3%
Euro Stoxx	3,518	-32	-0.9%
Shanghai Comp.	3,031	-0	-0.0%
Nikkei	21,988	+229	+1.1%
...SPI (Aust)	6,661	-16	-0.2%
-- FX --	Last	Chg	%chg
\$A / \$US	0.6865	-0.0014	-0.2%
Yen / \$US	108.10	-0.02	-0.0%
Euro / \$US	1.1002	+0.0001	+0.0%
\$A / GBP	0.5525	+0.0022	+0.4%
A\$ TWI	59.90	0.000	+0.0%
USDCNH	7.06	0.001	+0.0%
-- Cmdty --	Last	Chg	%chg
Aluminium	82.1	0.3	+0.4%
Copper	271.0	6.4	+2.4%
Nickel	805.1	-10.9	-1.3%
Coking Coal	146.2	-1.8	-1.2%
Thermal Coal	66.2	0.5	+0.7%
Iron Ore	94.1	-0.4	-0.4%
Gold	1506.50	-5.30	-0.4%
Oil...WTI	62.90	+8.05	+14.7%
Oil..Brent	68.02	+8.80	+14.9%
Zinc	2385.00	+38.00	+1.6%
Gas	2.68	-0.00	-0.0%
-- DLCs --	Last	Chg	%chg
BHP Billiton Plc	1,824	-12.2	-0.7%
Rio Plc	4,333	-93.0	-2.1%
Clydesdale Plc	124	-7.1	-5.4%

South 32 - London	155	-3.0	-1.9%
<b>-- US listeds --</b>	<b>Last</b>	<b>Chg</b>	<b>%chg</b>
BHP - adr	52.04	+0.12	+0.2%
RIO - adr	53.65	-1.17	-2.2%
Janus Henderson	21.95	0.1	+0.6%
Resmed	130.71	-1.46	-1.1%
NWS A	14.08	-0.47	-3.2%
James Hardie	16.09	-0.13	-0.8%
<b>Bonds</b>	<b>Last</b>	<b>Chg</b>	<b>%chg</b>
US 10 Year	1.85	-0.05	
Aus 10 Year	1.19	+0.03	
<b>Volatility</b>	<b>Last</b>	<b>Chg</b>	<b>%chg</b>
VIX	14.67	+0.93	+6.8%

Source: Bloomberg

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