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Daily Market Overview

February 6, 2024

Overnight Headlines:

- The ISM Services index rose to 53.4 in January, above Citi's forecast of 51.9 and consensus at 52.1. Our economists said they expect ISM employment to increase as other labour market data has not confirmed any drastic deterioration in labour market conditions.
- Federal Reserve Bank of Minneapolis President Neel Kashkari spoke overnight, saying policymakers have time to gauge incoming data before lowering interest rates. He said "it is possible, at least during the post pandemic recovery period, that the policy stance that represents neutral has increased." ([BBG](#)).
- As China continues to try and stem its stock rout, it has placed further trading restrictions on domestic institutional investors and some offshore units. The new restrictions include caps on some brokerages' total return swaps, designed to limit a channel generally used by Chinese investors to short Hong Kong stocks ([BBG](#)).

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 \(PDF\)](#)

Top Warrants by Value and Volume From Last Trading Day:

Warrant Code	Value	Citi	Warrant Code	Volume	Citi
FXUKCU	\$471,733	Citi Sells	PTMJCA	485,970	Citi Sells
BHPJOC	\$322,844	Citi Sells	FBUJCB	101,600	Citi Sells
NDXKOS	\$271,627	Citi Buys	FXUKCU	85,225	Citi Sells

CSLSOD	\$206,927	Citi Sells	NHCJOD	76,420	Citi Sells
NDXKOU	\$200,796	Citi Buys	S32KOD	60,000	Citi Sells

Stopped Out Warrants:

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
FXUKCF	0.6332	0.65	\$2.58	5/02/2024	7/02/2024
PTMJOB	0.9056	1.13	\$0.21	5/02/2024	7/02/2024

Overnight Summary:

RATES	
AUS 3yr 96.28 (-7.0bp) AUS 10yr 95.82 (-7.5bp) US 10yr 4.16 (+14.2bp) Bund 10yr 2.32 (+7.5bp)	
<ul style="list-style-type: none"> US treasuries bear steepened, following strong ISM services data and Powell's reinforcement of the more hawkish themes from last week's FOMC. The print saw an unexpected jump in the prices paid by companies in the service sector for materials, with the prices index printing at 64 (vs 56.7 in December), making it the largest MoM increase since August 2012. Notably, 35.5% of companies that were surveyed reported paying higher prices in January (vs 15.8% in December), driven by increasing transportation costs due to unrest in the Red Sea and wages (BBG). In the 60 minutes interview, Powell reinforced that March is probably too early to cut rates, a sentiment echoed by fellow member Kashkari, who noted that the neutral rate has potentially increased, giving the 'FOMC time to assess upcoming economic data before starting to lower rates', with 'less risk of derailing economic recovery' (BBG). In curves, 2s10s steepened +4.41 bps to 30.42 (2y +10 bps and 10y +14.2 bps), whilst 5s30s flattened slightly -1.08 bps to 22.55 (5y +13.64 bps and 30y +12.56 bps). In EU Bonds, both bunds and gilts bear steepened following the stronger than expected US ISM data, and Powell's recent commentary. Bunds saw the 10y yield jump 18 bps since last Thursday, making it the biggest two-day jump in two months, with markets now pricing in 124 bps of ECB easing this year. The Office for National Statistics also revised the UK employment rate lower, for the three months up until November (3.9% current vs 4.2% estimated). This suggests that the labour market has not loosened as much as expected, instead putting upwards pressure on wages and prices and pushing back BoE cuts (BBG). The 2s10s bund curve +3.06 steeper (2y +4.81 bps and 10y +7.48 bps), whilst the 2s10s gilt curve was +0.22 steeper (2y +8.67 bps and 10y +8.99 bps). The BTP bund spread compressed 1bp to 157 bpss. Aussie bond futures bear steepened, with 3y yields up 7bps and 10y yields up 7.5bps. 	
EQUITIES	
S&P500 4,953.82 (-0.10%) Stoxx600 483.69 (-0.05%) FTSE100 7,612.86 (-0.04%)	

- US stocks closed near flat as Jan ISM data continued to show evidence of a resilient economy. The key indices declined in the early parts of the session as poor sentiment continued from Friday's jobs data and Powell's hawkish speech. Losses were extended after Jan ISM services prices paid index reached an 11-month high of 64 (vs 56.7 expected & 57.4 prior), however, these losses were regained in the later stages of the session ([Barrons](#)). The S&P500 was -0.10% lower, the Dow Jones declined -0.49% and the NASDAQ was flat. Tech stocks performed well, increasing +0.72% and the materials sector lagged, declining -2.20%.
- Euro stocks were also near flat to close Monday's session. After starting the session positively, the Stoxx600 index erased any gains after falling victim to the negative sentiment out of the US and experiencing some disappointing company announcements ([BBG](#)). The Stoxx600 index was -0.05% lower and the FTSE100 declined -0.04%. The consumer staples sector was the best performer, increasing +1.25% and the communication services sector was the worst performer, declining -0.83%. UniCredit Group was one of the index's best performers, gaining +8.10%. Q423 NPAT was a beat to consensus (€2,810m actual vs €1,209 consensus) and the company provided a +15% 2024 NPAT guidance upgrade. Electrolux was the index's worst performer as negative momentum post-Q423 results release continued ([Citi](#)). Electrolux was -6.12% lower at close.

FOREIGN EXCHANGE

AUDUSD 0.6482 (-0.54%) | DXY 104.436 (+0.42%) | EURUSD 1.0743 (-0.39%)

- The US dollar outperformed all its G10 peers with the DXY gaining +0.42% overnight as data released and Fed Kashkari delivered hawkish comments: "the neutral rate may have increased, policy not tight enough". The first data prints were US PMIs, which came out lower than expected, at 52.5 vs 52.9 consensus for services PMI, and 52.0 vs 52.3 consensus for composite PMI. However, it was ISM services data which moved the dollar, where all categories had a large surprise higher compared to expectations. ISM services index printed at 53.4 vs 52.0 expected, prices paid printed 64.0 vs 56.7 expected, employment printed 50.5 vs 49.4 expected, new orders printed 50.5 vs 54.8 expected ([BBG](#)). Despite the strong ISM services results, only -3bps of cuts are priced in for the Fed's March meeting, but there is -116bps of cuts priced in for the year. The USDJPY gained +0.28% to 148.70 as surging US treasury yields supported the dollar side of the pair, if current market sentiment continues, the break of the psychological 150 resistance will be the next significant level.
- High beta currencies have moved lower after strong US ISM data pushed the dollar higher, the Aussie fell -0.54% to 0.6482 and the Kiwi fell -0.38% to 0.6053. The RBA releases their decision on monetary policy at 2:30pm today, but the new format includes a post decision press conference at 3:30pm. There are currently 0bps priced in to the result today, with Citi's economists expecting a hold from the RBA. The petrocurrencies both fell against the dollar despite crude prices rising overnight. Canadian PMI data printed, with both composite and services PMI beating prior, at 52.2 vs 51.9 prior and 46.3 vs 44.7 prior.
- The EUR fell -0.39% against the dollar to 1.0743, as there was an array of Eurozone data that printed overnight. First Eurozone PMI data printed, with both services and composite flat against expectations and prior, 48.4 & 47.9 respectively, this was followed by the

Sentix Investor Confidence survey which printed above expectations at -12.9 vs -15.0 expected, finally Eurozone PPI data released, with MoM printing as expected -0.8%, while YoY missed lower, at -10.6% vs -10.5% expected. Following this the EUR now has -3 bps of cuts priced in for the March ECB meeting. The GBP fell sharply, losing -0.65% to 1.2535 overnight. The most significant UK prints overnight were the UK services and composite PMIs, both printing above expectations with a 54.3 vs 53.8 for services PMI and 52.9 vs 52.5 for composite PMI. There is currently only -2bps of cuts priced in for the BoE March meeting, and -86 bps of cuts for the year.

COMMODITIES

Gold 2,026.07 (-0.23%) | WTI 72.77 (+0.32%) | Copper 8360.00 (-1.44%) ^

- **Energy:** Oil prices displayed gains on Monday, with Brent crude futures rising by +0.41% to \$78.02/bbl and U.S. WTI crude increasing by +0.32% to \$72.77/bbl. The upswing was propelled by heightened tensions in the Middle East and the ongoing Russia-Ukraine conflict. Ongoing conflicts, such as the stalled ceasefire negotiations between Israel and Hamas and U.S. strikes against Iran-backed groups in Yemen disrupting global oil trading routes, contributed to market unease. Additionally, two Ukrainian drone attacks over the weekend targeted Russia's largest oil refinery, diminishing Russia's exports of naphtha and intensifying concerns. Despite a 7% slump in the previous week, attributed to weak economic activity in China and diminishing hopes of U.S. interest rate cuts, the market rebounded. A data release revealing a January uptick in U.S. services sector growth dampened expectations for rate cuts, as a stronger U.S. dollar limited oil's gains. ([RT](#))
- **Metals:** Gold slipped by -0.23% to \$2,026.07/oz influenced by a strengthening U.S. dollar and rising bond yields following a robust U.S. jobs report and statements from Federal Reserve officials that tempered expectations of early interest rate cuts. Minneapolis Fed President Neel Kashkari's remarks on Monday emphasized a resilient U.S. economy and the possibility of a higher neutral rate of interest, suggesting the Federal Reserve may take time before considering interest rate cuts. In the broader precious metals market, spot silver fell by -0.98% to \$22.35/oz, palladium remained steady at \$946.96/oz, and platinum gained +0.8% to \$897.65/oz. In China, copper smelters are considering cuts as processing fees hit a record low of \$21.90/tn. This is prompted by a global supply disruption, raising concerns about a potential global shortage, yet copper finished down -1.44% to \$8,360/tn. In other base metals, Iron dropped -1.15% to \$124.65/tn, Aluminium dropped -0.62% to \$2,212/tn, Zinc dropped -2.27% to \$2,420/tn as did Nickel which dropped -1.32% to \$16,020/tn. ([RT](#))
- **Agriculture:** Soybean futures experienced volatility on Monday, rising due to stronger-than-expected export news and a recovery from the most-active contract's dive to its lowest price since December 2020. The U.S. Department of Agriculture reported weekly export inspections for soybeans well above trade expectations at 1,426,472 metric tons, though below the volume at the same time last year. Despite bullish signals, South American harvest prospects and a strengthening U.S. dollar tempered price rallies. Corn futures briefly firmed on news of U.S. exporters selling 155,000 metric tons of corn to Mexico for the [2023-2024](#) marketing year before turning lower. Wheat futures declined for a second consecutive session due to a stronger dollar and strong competition from global suppliers, especially Russia. The most active soybean contract was up +0.55% at \$11.95/bu, wheat fell -1.88% to \$5.89/bu, and corn slipped -0.23% to \$4.42/bu. ([RT](#))

*At time of writing

Overnight Summary					
	Last Price	1d (net)	1d (%)	1m (%)	YTD (%)
Equities					
S&P 500	4,945.56	-13.05	-0.3%	5.3%	3.7%
Nasdaq	15,607.82	-21.13	-0.1%	7.5%	4.0%
Dow Jones	38,477.49	-176.93	-0.5%	2.7%	2.1%
Euro Stoxx 50	4,655.27	0.72	0.0%	4.3%	3.0%
FTSE100	7,612.86	-2.68	0.0%	-1.0%	-1.6%
TOPIX	2,556.71	17.03	0.7%	6.8%	8.0%
KOSPI	2,591.31	-24.00	-0.9%	0.5%	-2.4%
Shanghai Comp	2,702.19	-27.97	-1.0%	-7.7%	-9.2%
ASX200 Futures	7,567.00	-20.00	-0.3%	1.4%	-0.2%
VIX Index	13.72	-0.13			
Foreign Exchange					
DXY	104.4860	0.46	0.4%	2.0%	3.1%
AUDUSD	0.6483	0.00	-0.5%	-3.4%	-4.8%
EURUSD	1.0740	0.00	-0.4%	-1.9%	-2.7%
GBPUSD	1.2534	-0.01	-0.6%	-1.5%	-1.5%
USDJPY	148.7200	0.38	0.3%	-2.8%	-5.2%
USDCHF	0.8708	0.00	0.4%	-2.4%	-3.4%
Fixed Income - 10y					
	%	bps		bps	bps
Aus (Fut.)	4.19%	8.00		4.50	22.50
United States	4.17%	14.47		11.99	28.66
United Kingdom	4.00%	9.01		21.96	47.49
Germany	2.31%	7.48		15.91	29.28
France	2.81%	6.99		11.70	25.57
Italy	3.87%	6.88		3.28	18.91
Commodities					
WTI Crude	72.81	0.53	0.7%	-1.4%	1.6%
Brent Crude	78.06	0.73	0.9%	-0.9%	1.3%
Copper c/lb	377.20	-4.95	-1.3%	-0.9%	-3.0%
Nickel	16,235.00	5.00	0.0%	-2.0%	-2.2%
Zinc US\$/mt	2,451.00	-27.00	-1.1%	-6.5%	-7.8%
Aluminium US\$/mt	2,233.50	-13.50	-0.6%	-4.4%	-6.3%
Iron Ore US\$/mt	126.30	-1.41	-1.1%	-10.0%	-7.4%
Gold US\$/oz t	2,025.69	-4.07	-0.2%	-1.0%	-1.8%
Silver US\$/oz t	22.36	-0.21	-1.0%	-3.6%	-6.0%
Bitcoin USD	42,403.95	-355.93	-0.8%	-3.6%	-0.2%
Lithium (ETF)	39.51	-1.02	-2.5%	-18.4%	-22.4%
DLCs					
	Last Price	Aud Price			Spread
Rio PLC	5,349.00	103.42	-1.1%	-6.2%	24.9%
South 32 - Lon	164.60	3.18	-3.2%	-4.6%	1.5%
South 32 - J'burg	3,982.00	3.22	-2.5%	-2.8%	0.2%
Virgin Money	149.70	2.89	-1.5%	-6.3%	2.3%
NWS A	24.28	37.45	-1.7%	-0.6%	5.3%
ADRs					
	Last Price	Aud Price			Spread
BHP	59.58	45.95	-2.5%	-9.8%	1.1%
Rio	67.61	104.29	-1.3%	-6.9%	23.8%
CSL	97.00	299.24	0.0%	0.4%	0.3%
James Hardie	38.54	59.45	-0.3%	5.4%	-0.6%
ResMed	191.14	29.48	-0.4%	14.6%	1.0%
Amcor	9.30	14.34	-1.0%	-4.6%	1.0%
Square	65.94	101.70	-2.9%	-1.5%	2.2%

Source: Bloomberg

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