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Daily Market Overview

August 27, 2024

Overnight Headlines:

- China's broad budget expenditure fell by 2% during the first seven months of 2024, reflecting fiscal strain. The significant drop in land sale revenues for local governments, reaching a historic low, adds pressure on Beijing to inject more stimulus into the economy. The total expenditure from both the general public budget and the government fund was approximately 19.7 trillion yuan (\$2.8 trillion), according to data from the Ministry of Finance ([BBG](#)).
- PDD Holdings Inc., the owner of Temu, experienced its steepest stock decline since 2022 after forecasting slower revenue growth. The company faces intensified competition from rivals like ByteDance and Alibaba, challenging its expansion efforts. Co-founder Chen Lei admitted that PDD's current growth trajectory is unsustainable, leading to a drop in stock prices during pre-market trading in New York ([BBG](#)).
- Canada will implement new tariffs on Chinese electric vehicles, steel, and aluminum, following similar actions by the US and EU. The government plans a 100% levy on electric cars and 25% on steel and aluminum imports. Prime Minister Justin Trudeau announced the policy in Halifax, Nova Scotia, as part of broader discussions on economic and foreign relations. This move aims to protect Canadian manufacturers but risks retaliation from China ([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 Traded Warrants By Value and Volume From Last Trading Day

| Warrant Code | Value | Citi | Warrant Code | Volume | Citi |
|--------------|-----------|------------|--------------|---------|------------|
| XJOKOZ | \$345,628 | Citi Buys | INGKOD | 226,300 | Citi Buys |
| SPFKOO | \$198,400 | Citi Sells | DYLKOB | 170,000 | Citi Buys |
| INGKOD | \$173,861 | Citi Buys | MP1KOF | 160,801 | Citi Buys |
| QOZJCA | \$160,365 | Citi Buys | PRUKOD | 100,000 | Citi Sells |
| MP1KOF | \$143,917 | Citi Buys | AZJKCB | 100,000 | Citi Sells |

Stopped Out Warrants:

| Warrant Code | Strike | Stop Loss | Remaining Value | Stop Loss Date | Final Listing Date |
|--------------|------------|-----------|-----------------|----------------|--------------------|
| NHFKOE | 6.1133 | 7.02 | \$0.475 | 26/08/2024 | 28/08/2024 |
| XJOKCP | 8550.6357 | 8050 | \$4.970 | 26/08/2024 | 28/08/2024 |
| PPTJOA | 17.0514 | 20.34 | \$3.220 | 26/08/2024 | 28/08/2024 |
| JBHKOP | 92.3201 | 78.17 | \$13.710 | 26/08/2024 | 28/08/2024 |
| WESKOP | 89.9188 | 76.41 | \$13.450 | 26/08/2024 | 28/08/2024 |
| RRLKCP | 2.4380 | 1.83 | \$0.605 | 26/08/2024 | 28/08/2024 |
| SEKKOQ | 26.5850 | 22.59 | \$3.940 | 26/08/2024 | 28/08/2024 |
| DJXKCR | 43006.3726 | 41394 | \$23.780 | 26/08/2024 | 28/08/2024 |

Overnight Summary:

| RATES | |
|--|--|
| AUS 3yr 96.54 (-3.0bp) AUS 10yr 96.11 (-3.0bp) US 10yr 3.82 (+1.7bp) Bund 10yr 2.25 (+2.3bp) | |
| <ul style="list-style-type: none"> US: US treasuries slightly declined amid some hawkish comments from the Fed's Daly and upcoming supply beginning Tuesday. Fed dated swaps saw 101bps of cuts priced into 2024 year end, and a cumulative 229bps into 2025 year end. Fedspeak saw a small flattening reaction by the market, with Daly saying that there are no real signs of labour weakness and that it is too early to know the pace of coming rate cuts. Historically higher corporate bond supply in September has underwriters expecting \$125bn in September, compared with a 5y average of \$136bn for the month. The treasury auction cycle begins with a \$69bn 2y note, followed by a \$70bn 5y and \$33bn 7y auctions the following days. 2y treasuries ended +2.05bps higher, whilst the 10y ended +1.7bps higher to 3.816% (BBG). EU: European bonds decline led by the belly of the curve, ahead of Tuesday with a 5y auction in the German market. Breakevens underperform on sharp oil gains, leaving ECB rate cut wagers steady at 24bps for next month and 66bps by year end. 2y bunds ended +2.14bps higher at 2.392% and the 10y ended +2.18bps to 2.245%. Front-end BTPs led | |

losses with the 2y up +5.59bps to 2.863% and the 10y up +2.74bps to 3.593%. The UK bond market was closed due to public holiday observation ([BBG](#)).

- AU: Aussie bond futures declined with the 3y and 10y price down 3bps.

EQUITIES

S&P500 5,616.84 (-0.32%) | Stoxx600 518.05 (-0.02%) | FTSE100 8,327.78 (+0.48%)

- U.S. equities slipped overnight, weighed down Nvidia (-2.25%) which fell ahead of its quarterly report due later this week. The S&P500 (-0.32%) and NASDAQ (-0.85%) fell while the Dow (+0.16%) was supported by gains from Caterpillar (+0.79%) and American Express (+1.03%). Sector-wise, Energy names finished +1.11% higher while Information Technology (-1.12%) fell. Among other names, Tesla (-3.2%) fell after Canada announced it would impose 100% tariffs on imported Chinese EVs ([Barron's](#)). Boeing (-0.85%) fell after NASA chose SpaceX over Boeing to return astronauts from space next year ([IBD](#)).
- European equities were also muted overnight with semiconductor stocks leading the Stoxx600 -0.02% lower. Real Estate names were top performers on the index with the sector up +1.16% while Information Technology stocks led declines with the sector down -1.31%. Among individual movers, ASML (-2.66%) and ASM (-1.56%) fell. Solar panel maker Meyer Burger (-45%) recorded its worst day on record after the company halted plans for a Colorado plant and delayed release of its financial results after saying it was drawing up restructuring plans ([Reuters](#)).

FOREIGN EXCHANGE

AUDUSD 0.6773 (0.00%) | DXY 100.880 (+0.15%) | EURUSD 1.1163 (-0.13%)

- The dollar was +0.15% higher overnight and with little in the way of catalysts, the moves look somewhat like an ever so slight unwind of recent weakness. The Fed's Daly hit the wires and for the most part followed the script set by Powell at Jackson Hole, though did sound quite hawkish on the labour market ([Citi](#)). Additionally, FX strategy flags that the DXY had been close to major support and this short bout of strength is not surprising. September also typically sees the dollar higher (spot seeing positive returns in 8 of last 10 years), with risk aversion likely offering the best explanatory power. In other words, USD's safe haven property becomes attractive as equities and other risk assets tend to underperform over this window ([Citi](#)). Finally, overall bearish positioning in the USD has reduced, despite leveraged accounts flipping to net short as real money and retail names were net buyers over the last week. A decrease in bullish EM FX positioning is likely behind the adjustments ([Citi](#)). USDJPY looked to follow the slight pickup in US yields higher during the NY session, up +0.52% to 144.55. Month end FX hedge rebalancing estimates point to JPY buying against the dollar, which could see price action correct throughout the week ([Citi](#)).
- The risk sensitive AUD and NZD were both broadly flat since yesterday's Sydney close, trading around 0.6773 and 0.6207 respectively. Interestingly, price action did not seem to reflect that flows in New York pointed toward net NZD selling overall, according to our eTrading team ([Citi](#)).
- EURUSD moved -0.13% lower to 1.1163, though the moves were somewhat subdued given London's bank holiday. German business sentiment likely didn't help however, falling from 87.0 in July to 86.6 (Consensus 86.0, Citi 86.5), the current assessment component – which we treat as an indicator of the output gap (or GDP deviations from trend or slack) – fell from 87.1 to 86.5 (Consensus 86.5, Citi 86.8) ([Citi](#)). The pound was little changed at 1.3192.

COMMODITIES

Gold 2,518.03 (-0.01%) | WTI 77.15 (+2.15%) | Copper 9288.00 (+1.73%) ^

- **Energy:** Oil prices rose about 3% on Monday due to escalating Middle East tensions and production cuts in Libya, which have raised concerns about global oil supply. Brent crude futures climbed to \$81.15 a barrel, and U.S. crude reached \$77.20 a barrel. The ongoing conflict in the Middle East, particularly the lack of progress in ceasefire talks in Gaza, and operational disruptions in Libya's oil fields are key factors driving the price increase. This surge is seen amidst a backdrop of tightening global oil inventories, particularly at Cushing, Oklahoma, which is a critical U.S. storage hub. Despite these tensions, OPEC+ plans to increase output later this year, adding complexity to future price dynamics ([Reuters](#)).
- **Metals:** Gold prices increased by over 1%, driven by strong safe-haven demand and anticipation of a U.S. Federal Reserve rate cut in September. Spot gold rose to \$2,518.47 per ounce, nearing a record high set the previous week. This rise reflects investor sentiment regarding easing monetary policy and geopolitical tensions, particularly in the Middle East following recent attacks. Gold's appeal as a safe-haven asset is bolstered in times of geopolitical instability and economic uncertainty, making it a preferred investment during such periods ([Reuters](#)).

*At time of writing

Source: Bloomberg

CitiFirst Warrants

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