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Daily Market Overview

January 29, 2024

Overnight Headlines:

- Core PCE inflation rose 0.17%MoM in Dec with a stronger increase in core services prices including housing. Our economists say Fed officials will be encouraged by core PCE inflation remaining at 1.9% on a 6-month basis. They caution that weaker elements of PCE will likely be temporary, and that consumption, the last driver of strong GDP growth, could also start to slow if the labour market weakening apparent in late 2023 accelerates into this year.
- China will halt the lending of certain shares for short selling from Monday as announced by the securities regulator on Sunday, as a part of the move to support the country's slumping stock market. Strategic investors will not be allowed to lend out shares during agreed lock-up periods, and securities finance firms that borrow shares from institutional investors will have to wait one day before providing them to brokerages instead of the stock being immediately available ([BBG](#)).
- Iranian backed militants killed three service members and wounded 25 others in a drone attack near the Syrian border. This marks the first American deaths under enemy attack since Israel and Hamas went to war. President Biden has vowed US retaliation, saying "we will hold all those responsible to account at a time and in a manner of our choosing" ([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 \(PDF\)](#)

Stopped Out Warrants:

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
DMPJOB	34.4586	41.12	\$6.52	25/01/2024	30/01/2024
DMPKOE	36.9682	44.26	\$6.63	25/01/2024	30/01/2024
DMPJOC	33.6244	40.12	\$6.30	25/01/2024	30/01/2024
DMPKOA	41.1872	49.34	\$4.81	25/01/2024	30/01/2024
DMPJCB	39.4346	47.23	\$6.56	25/01/2024	30/01/2024

Overnight Summary:

RATES	
AUS 3yr 96.24 (-2.0bp) AUS 10yr 95.75 (-2.0bp) US 10yr 4.14 (+1.9bp) Bund 10yr 2.30 (+0.9bp)	
<ul style="list-style-type: none"> US treasuries bear flattened following mixed PCE, GDP and personal income data, as markets cut back on FOMC rate cuts. Personal income rose 0.3% and spending increased 0.7% in December, with the latter stronger than expected. PCE was up 0.2% last month, whilst core PCE also rose 0.2% (vs 0.1% previously). Q4 GDP growth significantly beat expectations at 3.3% (vs 2% expected and 4.9% prior), 'boosting optimism that the Fed can deliver a soft landing' (BBG). This week, the FOMC is widely expected to hold rates steady, with economists noting the discussion will be 'when' and not 'if' to initiate rate cuts. In curves, 2s10s flattened -4.69 bps to -21.36 (2y +5.57 bps and 10y +0.88 bps), with 5s30s similarly flatter -4.02 bps to 33.05 (5y +3.83 bps and 3 y -0.19 bps). In EU Bonds, bunds bear flattened, in line with the US and following ECB Villeroy's recent commentary, while Gilts bull steepened ahead of this Thursday's BoE meeting. In an interview, Villeroy noted with respect to rate cuts that 'regarding the exact date, not one is excluded, and everything will be open at our next meetings' (BBG). Differing opinions are starting to emerge and will likely continue with the many policymakers speaking this week, noting that Lagarde pushed back on cuts just last week. The 2s10s bund curve was -0.71 bps flatter (2y +1.59 bps, 10y +0.88 bps), whilst the 2s10s gilts curve was steeper +1.68 bps (2y -3.51 bps, 10y -1.83 bps). The BTP bund spread tightened 2.3bps to 151 bps. Aussie bond futures saw no change to curve, with 3y yields up 2bps and 10y yields up 2bps. 	
EQUITIES	

S&P500 4,890.97 (-0.07%) | Stoxx600 483.84 (+1.11%) | FTSE100 7,635.09 (+1.40%)

- US stocks were mixed as earnings season continued and core PCE inflation for Dec met expectations. Core PCE inflation increased +0.2% m/m, from +0.1% m/m prior and the super-core measure increased +0.3% m/m (vs +0.14% m/m prior) ([BBG](#)). The S&P500 was -0.07% lower, the Dow Jones increased +0.16% and the NASDAQ declined -0.36%. The energy sector was the best performer, increasing +0.76% alongside a rise in oil prices (Brent +1.74% & WTI +1.46%). The tech sector lagged, falling -1.05%. Regarding individual stocks, American Express was the index's best performer after reporting Q4 CY23 results and CY24 guidance. Momentum within the high-end customer base drove top and bottom-line growth and credit quality outperformed expectations. AXP closed +7.10% higher. Intel was the worst performer, decreasing -11.91%. The company's Q4 CY23 revenue outpaced expectations however, Q1 CY24 revenue (US\$12.7b guidance vs US\$14.2 consensus) and GM (42.5% guidance vs 43.8% consensus) guidance was revised down.
- Euro stocks finished Friday's session in the green after the ECB held their policy rate constant and the ECB's Villeroy delivered some dovish remarks. Villeroy indicated the ECB's meetings will be live for the remainder of the year stating that "everything will be open at our next meetings" ([BBG](#)). The Stoxx600 closed +1.11% higher and the FTSE100 gained +1.40%. The consumer discretionary sector was the best performer, increasing +3.95% and the tech sector underwent some price reversal following a strong couple of weeks, falling -0.98%. Remy Cointreau was the index's best performer, increasing +15.16%. RWE was the laggard, decrease -6.03% after the company reduced their 2024 earnings outlook ([BBG](#)).

FOREIGN EXCHANGE

AUDUSD 0.6577 (-0.15%) | DXY 103.433 (-0.11%) | EURUSD 1.0847 (+0.08%)

- The DXY has moved -0.11% lower to 103.433 in the last overnight session as the Fed's preferred inflation gauge, core PCE released. There were mixed reactions as the MoM core PCE printed at consensus expectations of +0.2%, but the annualised figure printed below at +2.9% vs +3.0% expected ([BBG](#)). US GDP also printed higher-than-expected at +3.3% vs +2.0% expected. Markets now price in a total of -134 bps of cuts in 2024 vs -132 bps previously, and -32 bps of cuts by May vs -29 previously. The USDJPY is gaining steam again, rising +0.24% to 148.15, as Japan's CPI numbers substantially miss expectations, printing at 1.6% vs 2.0% expected. While markets still see BoJ normalisation occurring in 2024, this print has reduced expectations of it occurring in March. Citi's view is it occurring in April.
- High betas have moved lower in the last overnight session as the USD leg moved pairs with US PCE data taking centre stage. The AUDUSD fell -0.15% to 0.6577, the week ahead will be very important for the Aussie as CPI data prints on

Wednesday 31/01, and PPI prints on Friday. Currently there are -41 bps of cuts priced in by the RBA for 2024, and Citi still forecasts the RBA will hike 25 bps in Feb. The NZDUSD has fallen -0.21% to 0.6090, continuing its fall after last weeks CPI print coming in at consensus +4.7% YoY. The petrocurrencies CAD & NOK finished the last session flat.

- The EURUSD ended the last overnight session slightly higher at +0.08% to 1.0847, as the ECB decided to keep rates on hold. Lagarde stressed it is “premature to discuss rate cuts”, highlighting their data dependence, and standing by her summer rate cut comments. Overall, she sounded dovish as she was hopeful there could be a turning point in wages. The market currently prices in -51bps of cuts by June. The GBP has inched +0.04% higher to 1.2703 as the BoE now becomes the new focus post ECB meeting. On Thursday 01/02 the BoE will have their policy meeting, Citi is expecting them to retain a hawkish bias (Citi). The market consensus is that the BoE will keep rates on hold at 5.250% to deal with sticky services inflation ([BBG](#)).

COMMODITIES

Gold 2,018.52 (-0.20%) | WTI 78.01 (+1.46%) | Copper 8546.00 (-0.27%)^

- Energy: Oil prices surged for a second consecutive week, making a robust climb in Brent crude by +1.74% to settle at \$83.55/bbl on Friday, marking the highest close since Nov 30. WTI followed suit, rising by +1.46% to \$78.01/bbl, also achieving its highest close since November. Both benchmarks recorded weekly gains exceeding 6%, the most substantial increase since the week ending Oct. 13, coinciding with the Israel-Hamas conflict in Gaza. The positive momentum was fueled by faster-than-expected U.S. 4Q GDP growth and cooling inflation data, coupled with China's measures to boost its economy. Geopolitical tensions, notably the Houthi attack on an oil tanker in the Red Sea, further contributed to the surge. Alongside these factors, a larger-than-expected 9.2 million-barrel drop in U.S. commercial crude stocks heightened concerns over supply disruptions, providing additional support to prices. ([RT](#))
- Metals: Gold prices remained stable this week, closing at \$2,018.52/oz on Friday, indicating a marginal -0.20% decline. Attention shifted to the U.S. Federal Reserve's upcoming meeting for insights into the interest rate outlook. Despite delayed expectations for rate declines, the persistent belief in lower rates in 2024 supports the gold market. China's gold premiums rose due to additional stimulus measures before Lunar New Year celebrations. U.S. prices rose moderately in December, contributing to annual inflation below 3% for the third consecutive month. Silver, despite a -0.48% loss on Friday (\$22.80/oz), is on track for its best week in five. Additionally, platinum rose by 2.6% to \$914.33, and palladium gained 1.9% to \$958.81. In base metals, copper retreated as China's stimulus-fueled rally lost steam. Industrial metals rose earlier in the week on China's measures to support economic growth, including a cut in reserve-requirement ratios and aid for the stock market and property developers. Iron ore gained +1.27% to \$136.75/tn on Friday, while copper slipped -0.27% to \$8,546/tn. The Yangshan copper premium in China fell to its lowest since September, indicating

- weakened demand for imports. Nickel had a gain of +2.10% to \$16,785/tn, while Aluminum and Zinc traded flat at \$2,274/tn and \$2,578/tn respectively. ([RT](#))
- Agriculture: In agriculture, wheat, corn, and soybean futures experienced declines as profit-taking and concerns about South American crops weighed on market sentiment. Wheat settled down -1.8% at \$6.00/bu, driven by Argentina's upwardly revised crop estimates. Corn declined -1.2% to \$4.46/bu, with a slightly more favourable shift in South American weather impacting prices. Soybeans fell -11.1% to \$12.09/bu, driven by disappointing export sales and concerns about a cheaper Brazilian crop. ([RT](#)).

*At time of writing

Overnight Summary					
	Last Price	1d (net)	1d (%)	1m (%)	YTD (%)
Equities					
S&P 500	4,890.97	-3.19	-0.1%	2.5%	2.5%
Nasdaq	15,455.36	-55.14	-0.4%	3.0%	3.0%
Dow Jones	38,109.43	60.30	0.2%	1.1%	1.1%
Euro Stoxx 50	4,635.47	53.21	1.2%	2.5%	2.5%
FTSE100	7,635.09	105.36	1.4%	-1.3%	-1.3%
TOPIX	2,497.65	-34.27	-1.4%	5.5%	5.5%
KOSPI	2,478.56	8.22	0.3%	-6.7%	-6.7%
Shanghai Comp	2,910.22	4.11	0.1%	-2.2%	-2.2%
ASX200 Futures	7,553.00	14.00	0.2%	-0.4%	-0.4%
VIX Index	13.26	-0.19			
Foreign Exchange					
DXY	103.4330	-0.07	-0.1%	1.9%	2.1%
AUDUSD	0.6578	0.00	-0.2%	-3.7%	-3.4%
EURUSD	1.0847	0.00	0.0%	-1.9%	-1.7%
GBPUSD	1.2698	0.00	-0.1%	-0.3%	-0.3%
USDJPY	148.1600	0.42	0.3%	-4.6%	-4.8%
USDCHF	0.8637	0.00	-0.3%	-2.2%	-2.6%
Fixed Income - 10y	%	bps		bps	bps
Aus (Fut.)	4.26%	2.00		29.00	29.00
United States	4.14%	1.89		25.83	25.83
United Kingdom	3.96%	-1.81		43.17	43.17
Germany	2.30%	0.88		27.60	27.60
France	2.78%	0.75		22.91	22.91
Italy	3.81%	-0.32		12.84	12.84
Commodities					
WTI Crude	78.01	0.65	0.8%	3.2%	8.9%
Brent Crude	83.55	1.12	1.4%	3.1%	8.5%
Copper c/lb	385.20	-1.70	-0.4%	-1.1%	-1.0%
Nickel	16,785.00	84.00	0.5%	1.7%	1.1%
Zinc US\$/mt	2,577.50	-2.50	-0.1%	-0.9%	-3.0%
Aluminium US\$/mt	2,274.50	36.00	1.6%	-2.2%	-4.6%
Iron Ore US\$/mt	136.25	0.94	0.7%	-0.1%	-0.1%
Gold US\$/oz t	2,018.52	-4.64	-0.2%	-2.4%	-2.2%
Silver US\$/oz t	22.80	-0.15	-0.7%	-5.9%	-4.2%
Bitcoin USD	41,825.00	-326.09	-0.8%	-1.5%	-1.6%
Lithium (ETF)	43.44	0.08	0.2%	-16.3%	-14.7%
DLCs					
	Last Price	Aud Price			Spread
Rio PLC	5,549.00	107.13	1.2%	-5.3%	23.8%
South 32 - Lon	173.00	3.34	0.8%	-2.3%	0.3%
South 32 - J'burg	4,160.00	3.37	0.8%	-1.7%	-0.6%
Virgin Money	155.05	2.99	1.8%	-5.6%	-0.8%
NWS A	24.74	37.61	0.2%	0.4%	3.5%
ADRs					
	Last Price	Aud Price			Spread
BHP	61.96	47.10	0.4%	-9.7%	0.9%
Rio	70.77	107.59	1.0%	-5.1%	23.3%
CSL	96.70	294.01	0.4%	-0.9%	-0.3%
James Hardie	36.73	55.84	0.5%	-4.3%	-0.5%
ResMed	190.15	28.91	2.0%	9.9%	-2.8%
Amcor	9.54	14.50	0.7%	-1.8%	-2.8%
Square	64.97	98.77	3.6%	-18.3%	-3.1%

Source: Bloomberg

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