CitiFirst Warrants (Australia)

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Daily Market Overview

August 1, 2024

Overnight Headlines:

- Federal Reserve Chair Jerome Powell indicated that the central bank might lower interest rates as early as the September meeting. Despite keeping the benchmark rate at its highest in over 20 years, Powell noted that if upcoming data, the economic outlook, and inflationary trends align favorably, a rate cut could be possible. He stressed the importance of balancing inflation control with maintaining a strong labor market as key factors in the decision (BBG).
- Meta Platforms Inc. reported second-quarter sales that exceeded expectations, driven by growth in targeted advertising, thanks to substantial investments in artificial intelligence. The company, which now has 3.27 billion users across its apps, saw its shares rise sharply in after-hours trading as a result of the strong performance. Increased spending on AI infrastructure was highlighted as a key factor in the improved advertising revenue (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
BHPJOP	$1,217,724	Citi Buys	**TLSJOA**	200,000	Citi Sells
FMGKOC	$1,098,531	Citi Sells	**AMPJOF**	200,000	Citi Buys
CBAKCV	$523,064	Citi Sells	**PLSKCC**	181,000	Citi Buys
FMGJOM	$495,163	Intraday	**BHPJOP**	163,218	Citi Buys

NDXKCK	$494,520	Citi Buys	**PLSKCA**	130,000	Citi Buys

Stopped Out Warrants:

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
CBAKCP	154.6650	136.07	$18.190	31/07/2024	2/08/2024
QANKOR	7.5319	6.4	$1.130	31/07/2024	2/08/2024
WESKOW	86.5754	73.56	TBC	31/07/2024	2/08/2024
NABKOZ	43.4788	38.25	$5.230	31/07/2024	2/08/2024

Overnight Summary:

RATES

AUS 3yr 96.34 (+6.0bp) | AUS 10yr 95.95 (+6.5bp) | US 10yr 4.03 (-11.0bp) | Bund 10yr 2.30 (-3.6bp)

- US treasuries advanced following the July FOMC meeting, with Powell laying out the ground work for a September base case cut, amongst reports Iran has ordered retaliation against Israel. The front-end and belly outperformed, with OIS pricing also rallying, seeing 27bps priced into the September meeting and 71bps for the rest of the year, compared to 67bps at Thursday's close. Powell said a 50bps cut was not in discussion for September, though caveated with saying there was discussion about cutting in this July meeting. 2y treasuries ended -10.1bps lower at 4.257%, whilst the 10y ended -10.9bps lower to 4.03% (BBG).
- European bonds advanced following the Fed meeting and ahead of the BOE meeting. Markets bet on 23bps of cuts in the September ECB meeting, 57bps by year end and 146bps by end of 2025. 10y bunds ended -3.59bps lower at 2.302%, whilst the BTP-bund spread narrowed by -1bp to 134bps. The 10y BTP ended -4.62bps lower at 3.649%. Rate cut wagers for the BOE have extended, pricing into this week and 54bps by year end. Gilts belly outperform with the 5y down -8.07bps to 3.763% and the 2s10s curve flattening -2.37bps (BBG).
- Aussie bond futures bull flattened with the 3y price up 6bps and the 10y up +6.5bps.

EQUITIES

S&P500 5,522.30 (+1.58%) | Stoxx600 518.18 (+0.80%) | FTSE100 8,367.98 (+1.13%)

- U.S. markets ended higher overnight, buoyed by optimism of a September rate cut and a rally in chip stocks. While the Fed kept its overnight interest rate on hold at 5.25%-5.50%, Chair Jerome Powell said the central bank may be ready to reduce as soon as their next meeting in September. The S&P500 (+1.58%), Dow (+0.24%) and NASDAQ (+2.64%) all gained. On the S&P500, Information Technology (+3.95%) was the top traded GICS sector while Health Care (-0.39%) logged the biggest decline. AMD (+4.36%) gained after forecasting strong 2024 AI chip sales. The company increased its sales forecast to $4.5bn for the year, a +13% increase from its prior forecast 3mo ago following strong data centre revenue and demand which has more than doubled YoY (WSJ). Peer Nvidia (+12.81%) also gained on the news. Meta (+2.51%) gained after market after beating estimates for advertising growth. 3Q revenue growth is expected to fall between $38.5bn and $41bn, ahead of estimates of $38.3bn. The company's strong growth in digital advertising revenue which saw net profit rise +73% YoY to $13.5bn comes despite rising investment in AI. In April, the company said it would increase AI spending by up to $10bn (WSJ). Microsoft (-1.08%) continued to fall after reporting higher-than-expected AI capex yesterday.

- Strength in European shares persisted with the Stoxx600 gaining +0.80% overnight, fuelled by further positive earnings. Information Technology (+2.99%) was the top sector on the Stoxx600 while Real Estate (-0.11%) led losses. ASML (+5.56%) gained following a report that the company could be spared from many of the new U.S. restrictions on Chinese exports. The report said U.S. allies including the Netherlands, where ASML is based, would be excluded from restrictions on equipment sales to Chinese chipmaking plants (Reuters). BBVA (-4.63%) fell with the Spanish bank reporting slow net profit growth in its main Mexican market. While a +38% YoY rise in profit beat expectations, the result was overshadowed by a +44% rise in loan loss provisions, most of which were in Mexico (Reuters).

FOREIGN EXCHANGE

AUDUSD 0.6541 (+0.55%) | DXY 104.058 (-0.30%) | EURUSD 1.0827 (+0.06%)

- The dollar was -0.30% lower after the Fed held rates overnight as expected. Guidance in the statement was largely unchanged and thus skewed slightly hawkish, though Powell's somewhat dovish presser was the key; the Fed Chair made clear in the press conference that the base-case for Fed officials is to begin cutting rates at the upcoming meeting in September. Powell also mentioned that while the majority supported holding rates steady at today's meeting, there was a "real conversation" about the potential to cut begin rate cuts immediately. Ultimately, we now await NFPs to provide more direction from here (Citi). USDJPY continued its delayed BoJ reaction overnight, down -1.47%, breaking through the 150 handle to trade ~149.90. We haven't seen a wave of consensus unwinds like last week, probably given there are few USDJPY bulls left after the months already drastic pre-BoJ selloff. Our vol desk reported seeing a steady stream of unwinds of topside structures. Meanwhile in London we saw JPY buying across the client base with volumes 3x recent averages in the London morning. As the day went on however, NY sales reported flows becoming more mixed (Citi).
- The dovish FOMC catalysed broad strength across risk assets, seeing the Aussie and Kiwi up +0.55% and +0.47% respectively since Sydney close. The moves come after yesterday's Q2 AU CPI surprise led our econ team to change their RBA call; rather than hiking next week, they now expect the RBA to leave rates unchanged in 2024 at 4.35%. However, rate cuts are still a 2025 story. Given that the labour market remains tight and there are more tailwinds than headwinds in H2, econ believe it is unlikely that the RBA can cut rates this year (Citi).
- The EUR was fairly steady (+0.06%) after HICP inflation in July came in slightly above consensus and our expectations at 2.6% YY (Consensus and Citi 2.5%), up from 2.5% YY in June. Core inflation was steady at 2.9% YY (Consensus and Citi 2.8%). Our economists reckon the July print is not helpful for the chances of a rate cut in September and a dovish ECB (Citi). US data however remains the focus, and FX sales think it could be worth buying dips, given risk of slower US data ahead (Citi). The pound moved +0.17% higher, though long GBP positioning looks somewhat stretched especially ahead of the BoE tonight. Our base case leans to a tentative 5-4 rate cut, though the decision to cut or hold ultimately sits with Bailey and/or Lombardelli (Citi).

COMMODITIES
Gold 2,447.67 (+1.24%) | WTI 77.91 (+2.18%) | Copper 9225.00 (+2.82%) ^

- **Energy:** Oil rose overnight, extending gains following reports that Israel had killed Hamas' political leader, stoking tensions in a region that produces around a third of the world's crude (BBG). Additionally, an industry report pointed to a fifth week of drawdowns in US stockpiles last week, marking the longest streak of declines since January 2022. In other news, the UK government followed through on its pledge to toughen up the tax regime for North Sea oil and gas producers yesterday, increasing a windfall levy and ending some investment allowances (BBG). Despite the most recent gains, crude is set for its largest monthly drop this year, as the outlook for a prolonged Chinese economic slowdown continues to weigh on sentiment. Futures are still modestly higher this year on the back of OPEC+ supply curbs and expectations the Federal Reserve will start lowering interest rates soon (BBG).
- **Metals:** Gold prices rose overnight, supported by central bank policy moves overnight and yesterday. The Fed held benchmark rates overnight, while signalling they will look to cut rates at an upcoming meeting, which supported higher prices in dollar-denominated assets, like gold. This came after shortly after the BoJ raised its key rate to ~0.25%, from a range of 0% to 0.1%, yesterday, which came as a surprise to markets and provided a further boost to gold, silver, & copper (BBG). Gold hit a record earlier this month as Asian investors ramped up demand for physical bars in the over-the-counter market. It was the precious metal's best second quarter for at least 25 years, according to the World Gold Council (BBG). Spot gold, silver and platinum closed out the New York session higher, while palladium declined.

Overnight Summary					
	Last Price	1d (net)	**1d (%)**	1m (%)	YTD (%)
Equities					
S&P 500	5,522.30	85.86	**1.6%**	1.1%	15.8%
Nasdaq	17,599.40	451.98	**2.6%**	-0.8%	17.2%
Dow Jones	40,842.79	99.46	**0.2%**	4.4%	8.4%
Euro Stoxx 50	4,872.94	31.94	**0.7%**	-0.4%	7.8%
FTSE100	8,367.98	93.57	**1.1%**	2.5%	8.2%
TOPIX	2,794.26	39.81	**1.4%**	-1.1%	18.1%
KOSPI	2,770.69	32.50	**1.2%**	-1.2%	4.3%
Shanghai Comp	2,938.75	59.45	**2.1%**	-1.9%	-1.2%
ASX200 Futures	8,078.00	17.00	**0.2%**	4.3%	6.5%
VIX Index	16.36	-1.33			
Foreign Exchange					
DXY	104.0960	-0.24	**-0.2%**	-1.7%	2.7%
AUDUSD	0.6545	0.00	**0.6%**	-1.7%	-3.9%
EURUSD	1.0825	0.00	**0.0%**	0.8%	-1.9%
GBPUSD	1.2857	0.00	**0.1%**	1.6%	1.0%
USDJPY	150.0300	-2.21	**-1.5%**	7.6%	-6.0%
USDCHF	0.8780	0.00	**-0.4%**	2.8%	-4.2%
Fixed Income - 10y	%	bps		bps	bps
Aus (Fut.)	4.07%	**-5.50**		-32.50	10.00
United States	4.03%	**-10.90**		-43.08	15.15
United Kingdom	3.97%	**-7.35**		-31.19	43.92
Germany	2.30%	**-3.61**		-30.34	27.98
France	3.01%	**-4.04**		-33.57	45.34
Italy	3.65%	**-4.63**		-45.53	-4.15
Commodities					
WTI Crude	78.56	0.65	**0.8%**	-5.8%	9.6%
Brent Crude	80.84	2.77	**3.5%**	-6.4%	4.9%
Copper c/lb	419.50	1.85	**0.4%**	-5.2%	7.8%
Nickel	16,071.00	234.00	**1.5%**	-7.1%	-3.2%
Zinc US$/mt	2,629.00	-8.00	**-0.3%**	-10.5%	-1.1%
Aluminium US$/mt	2,224.50	-26.00	**-1.2%**	-11.9%	-6.7%
Iron Ore US$/mt	102.85	1.74	**1.7%**	-6.6%	-24.6%
Gold US$/oz t	2,447.74	26.37	**1.1%**	5.0%	18.7%
Silver US$/oz t	29.09	0.49	**1.7%**	-1.2%	22.2%
Bitcoin USD	64,893.09	333.13	**0.5%**	2.6%	52.7%
Lithium (ETF)	39.17	0.93	**2.4%**	0.9%	-23.1%
DLCs	Last Price	Aud Price			Spread
Rio PLC	5,026.00	98.73	**1.8%**	-3.4%	19.0%
South 32 - Lon	156.80	3.08	**0.8%**	-18.7%	-0.3%
South 32 - J'burg	3,709.00	3.11	**1.2%**	-16.6%	-1.3%
Janus Henderson	37.23	56.88	**1.7%**	10.4%	#VALUE!
Virgin Money	215.40	4.23	**0.0%**	0.8%	0.2%
NWS A	27.58	42.14	**0.6%**	0.0%	5.3%
ADRs	Last Price	Aud Price			Spread
BHP	55.53	42.42	**2.6%**	-2.7%	-0.3%
Rio	65.16	99.56	**2.6%**	-1.2%	18.0%
CSL	102.02	311.76	**0.3%**	3.6%	-0.7%
James Hardie	36.16	55.25	**1.6%**	14.6%	-1.0%
ResMed	213.25	32.58	**2.5%**	11.4%	0.6%
Amcor	10.53	16.09	**0.5%**	7.7%	0.6%
Square	61.88	94.55	**3.0%**	-4.0%	0.2%

*At time of writing

Source: Bloomberg

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