



CitiFirst Warrants (Australia)

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Daily Market Overview

January 25, 2024

Overnight Headlines:

- The PBoC announced a 50bps RRR cut and 25bps cut for relending & rediscounting rates. The timing of the RRR cut was in line with our expectation, yet the size was more generous. Our China economist Xiangrong Xu thinks that it could make up for some confidence lost in the earlier policy rate/LPR decisions but may still fall short of a decisive revival of animal spirits ([Citi](#)).
- The Bank of Canada left policy rates unchanged at 5% as widely expected, with the explicit hiking bias removed from the statement. Our Canada economist Veronica Clark saw Governor Macklem's neutral bias (or lack of explicit guidance on rates entirely) as dovish in the context of recently stronger data that led market (and our) expectations towards a more hawkish tone from the BoC. She reiterates her view of a July cut, but flags risks of fewer than 100bps of cuts in our base case. . ([Citi](#))
- Boeing is poised to deliver a 737 Max aircraft to China for the first time since the model was grounded in early 2019. This is a boost to the planemaker as it works to build support for the troubled model ([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
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BHPKOE	\$268,783	Citi Buys	STOKOC	130,000	Citi Sells
SPFKOP	\$216,685	Citi Buys	NANKCC	117,588	Citi Sells
STOKOC	\$193,600	Citi Sells	PLSJOC	100,000	Citi Buys
XJOKOE	\$184,125	Citi Sells	SGRKOB	100,000	Citi Buys
PLSKOR	\$158,450	Citi Sells	PLSKOR	95,000	Citi Sells

Stopped Out Warrants:

Warrant Code	Strike	Stop Loss	Remaining Value	Stop Loss Date	Final Listing Date
NANKCD	3.1614	3.61	\$0.000	24/01/2024	29/01/2024
NANJOB	2.8556	3.13	\$0.190	24/01/2024	29/01/2024
FMGKCP	33.9555	28.86	\$5.030	24/01/2024	29/01/2024

Overnight Summary:

RATES
AUS 3yr 96.18 (-4.0bp) AUS 10yr 95.71 (-4.5bp) US 10yr 4.18 (+5.0bp) Bund 10yr 2.34 (-1.0bp)
<ul style="list-style-type: none"> US treasuries sold off with the curve relatively unchanged, following poor demand in a 5y note auction, increasing the risk of the Fed staying higher for longer. With yields across maturities already higher yesterday, coupled with stronger than expected recent economic activity, 30y yields reached a year to date high of approximately 4.42%. Next week, the Treasury is expected to announce a more intense borrowing schedule for the February to April (BBG). In curves, 2s10s slightly steepened +0.24 bps to -19.98 (2y +4.75bps and 10y +4.99), with 5s30s similarly steeper +0.25 bps to 32.472 (5y +4.46 bps and 30y +4.71bps). The \$61bn 5y note auction drew a yield of 4.055% (vs 4.035 expected), with a bid to cover of 2.31x. The weak demand may be attributed to its size, being the largest on record for a 5y year note. Indirect bidders were awarded 60.9% (vs 66.8% average of previous six), direct bidders took 18.7%, and dealers accepted 20.37% (vs 14.78% average of previous six) (BBG). In EU Bonds, bunds and gilts diverge following Eurozone PMI data showing the private sector contracted for an eight straight month in January, with bunds bull flattening and gilts bear flattening. Whilst January data showed the manufacturing sector performed better than expected (46.6 from previous 44.4), services PMI printed weaker than anticipated (48.4 from previous 48.8), causing a rally in the front end of approximately 5bps. These numbers create downside risk for ECB's forecasts of GDP, at 0.2% for Q1 2024 and 0.1% for Q4 2024 (BBG). The market expects the ECB to hold rates this Thursday, with 16bps cuts priced in by April. The 2s10s bund curve was -0.7 bps flatter (2y -0.31 bps, 10y -1.01 bps), whilst the 2s10s gilts curve was flatter -2.0 (2y +4.21 bps, 10y +2.41 bps). The BTP bund spread tightened 1bp to 155 bps. Aussie bond futures bear steepened with 3y yields up 4bps and 10y yields up 4.5bps.

EQUITIES

S&P500 4,880.56 (+0.33%) | Stoxx600 477.09 (+1.18%) | FTSE100 7,527.67 (+0.56%)

- US equity markets continued their strong momentum following another busy session of earnings releases. The S&P500 closed +0.33% higher, the Dow Jones was about flat (-0.02%) and the NASDAQ gained +0.63%. The communication services sector was the best performer, increasing +1.36%, while the utilities sector was the laggard, falling -1.17%. Netflix led the index's gains, increasing +11.80%, after reporting Q4 CY23 revenue slightly above consensus and operating income +24% above consensus ([Citi](#)). The company's subscriber growth also provided a beat (actual +13.1m q/q vs consensus +8.8m q/q). DuPont de Nemours was the worst performer, dropping -13.01% following a disappointing Q1 CY24 sales guidance update (updated guidance US\$2.b vs prior consensus US\$3.03b) ([BBG](#)).
- Euro stocks closed Wednesday's session higher following a particularly strong day of trading for semiconductor names; ASML +9.72%, AIXA +5.45% and ASM +2.56%. Earnings and positive China sentiment have driven the rallies in European equities intraday ([Citi](#)). The Stoxx600 rose +1.18% and the FTSE100 increased +0.56%. Tech stocks surged, gaining +5.45% while the consumer staples sector was the worst performer, decreasing -0.04%. On an individual stock front, ASML's strong Q4 CY23 results release was driven by record new orders which flowed into a solid top line beat (actual €7,237m vs consensus €6,900) ([Citi](#)). Puma was the index's worst performer, dropping -10.45%, after an 11% net income miss largely due to effects from the devaluation of the Argentine Peso ([Citi](#)).

FOREIGN EXCHANGE

AUDUSD 0.6580 (+0.06%) | DXY 103.239 (-0.18%) | EURUSD 1.0887 (+0.20%)

- The DXY moved lower -0.18% in the overnight session to 103.239, as a risk on sentiment takes over after positive tech earnings, China policy support and better European data all released overnight ([Citi](#)). US PMI data also printed overnight, which did encourage a small rally in the DXY but lost steam shortly after. S&P Global US Composite PMI printed at 52.3 vs 51.0 expected, manufacturing PMI printed 50.3 vs 47.6 expected, and services PMI printed at 52.9 vs 51.5 expected. Markets are now pricing in -12 bps for a March rate cut, but Initial jobless claims on the 26/01 and core PCE on the 27/01 will determine where things finish at the end of the week ([Citi](#)). The Yen has had a strong performance overnight, with the USDJPY falling -0.20% to 147.59, but falling as low as 146.68 in the intra-day.
- The antipodes have both finished near where they opened, AUDUSD +0.06% to 0.6580 & the NZDUSD +0.08% to 0.6112, despite both having strong rallies in the intra-day as news of more policy support out of China helped support the currencies. PBoC Gov. Pan said they will cut the RRR rate by 0.5ppt on Feb. 5, which will release CNY1 trillion of liquidity ([Citi](#)). The CAD has found gains early in the overnight session, however the BoC decided to leave rates unchanged at 5% as expected, noting that they were worried about persistent core inflation, erasing the Loonie's gains for the session ([BBG](#)). The NOK has had a strong performance as crude prices rose overnight off news of China stimulus giving hope to increasing demand ([RT](#)).

- The EURUSD saw gains overnight after a rough performance the day prior, gaining +0.20% to 1.0887 as mixed Eurozone PMI numbers indicated that its likely the ECB will have to hold off from their dovish pivot. Eurozone manufacturing PMI had a strong surprise printing at 46.6 vs 44.7 expected, services however printed below expectations at 48.4 vs 49.0, the composite printed at 47.9 vs 48.0 ([BBG](#)). The Sterling also moved higher +0.17% overnight to 1.2724 as UK PMI data beat estimates, with private sector firms reporting the sharpest jump in costs in five months. S&P Global UK manufacturing PMI printed at 47.3 vs 46.7, services PMI printed at 53.8 vs 53.2 expected, and the composite PMI printed at 52.5 vs 52.1. The strength from these numbers now supports the market consensus of later BoE rate cuts ([Citi](#)). Markets are currently pricing in -131 bps of cuts over 2024 for the ECB, with the first -44bps priced in by June. Markets are pricing in -97 bps of cuts from the BoE over 2024, with -24 bps priced in by June. ([Citi](#)).

COMMODITIES

Gold 2,012.22 (-0.69%) | WTI 75.13 (+0.85%) | Copper 8562.00 (-1.28%) ^

- Energy: Oil prices surged to a four-week high, with Brent crude climbing +0.46% to \$80.05/bbl, and WTI crude rising +0.85% to \$75.13/bbl. This upward momentum was propelled by a larger-than-expected 9.2 million barrel withdrawal from U.S. crude stockpiles, a drop in U.S. oil output due to freezing conditions (plummeting to a five-year low of 12.3 million bpd), and Chinese economic stimulus through a reduction in bank reserve requirements. The coalition led by the U.S. and UK continued to conduct strikes against Houthi fighters in Yemen, responding to global trade threats, while U.S. strikes targeted Iran-linked militia in Iraq. The weaker U.S. dollar, reaching a one-week low, added bullish momentum to oil prices, making crude more attractive for buyers using other currencies. ([RT](#))
- Metals: Gold prices eased by -0.69% to \$2,012.22/oz, despite a weakened dollar, as strong U.S. business activity revealed in an S&P Global survey hinted at a delayed Federal Reserve interest rate cut. Meanwhile, silver displayed resilience, rising +0.85% to \$22.67/oz, as platinum edged up by +0.3% to \$902.87/oz, while palladium strengthened by 1.9% to \$966.39/oz. In base metals copper, zinc, nickel, and aluminum experienced gains following China's announcement of measures to boost liquidity in its banking system. The 0.5 percentage-point cut in China's reserve ratio requirement injected \$139 billion into the market, contributing to the rally. Nickel edged up finishing at \$16,649/tn, as did copper finishing at \$8,405/tn. Iron Ore was up +0.55% finishing at \$135.95/tn while zinc and aluminum finished up at \$2,584/tn and \$2,230/tn respectively. ([BBG](#))
- Agriculture: A recent survey conducted by Farm Futures highlighted U.S. farmer's planting intentions which revealed them anticipating 92.8 million acres for corn, 85 million acres for soybeans, and 48 million acres for wheat. This defies expectations, suggesting a 1.9% reduction in corn area, a 1.6% soybean expansion, and a 3.2% decrease in wheat compared to 2023. Soybeans were unchanged in the overnight session, holding at \$12.39/bu, while corn rose by +1.18% to \$4.51/bu, with wheat strengthening by +2.47% to \$6.11/bu. ([BBG](#))

Overnight Summary					
	Last Price	1d (net)	1d (%)	1m (%)	YTD (%)
Equities					
S&P 500	4,882.00	10.33	0.4%	2.7%	2.4%
Nasdaq	15,402.28	88.34	0.4%	3.3%	3.2%
Dow Jones	37,883.88	-81.77	-0.1%	1.3%	0.4%
Russ 2000	4,584.11	98.30	2.2%	0.8%	0.9%
FTSE 100	7,537.87	41.94	0.8%	-0.2%	-0.1%
TOPIX	2,559.22	-12.89	-0.5%	8.2%	8.9%
NYSE	2,489.89	-8.92	-0.4%	-0.5%	-7.0%
Shanghai Comp	2,523.77	48.90	1.8%	-3.4%	-5.2%
ASX200 Futures	7,806.00	18.00	0.2%	0.3%	-1.0%
VIX Index	12.88	0.21			
Foreign Exchange					
EUR	100.2250	-0.22	-0.2%	1.5%	1.9%
AUDUSD	0.8919	0.00	0.1%	-3.2%	-3.4%
EURUSD	1.0854	0.00	0.2%	-1.1%	-1.4%
GBPUSD	1.2722	0.00	0.2%	0.3%	-0.1%
USDJPY	147.8800	-0.30	-0.2%	-3.5%	-4.4%
USDCNH	0.8832	-0.01	-0.7%	-1.0%	-2.5%
Fixed Income - 10y					
	%	bps		bps	bps
Aus (Ful.)	4.33%	4.50		27.50	32.50
United States	4.18%	4.70		28.10	28.71
United Kingdom	4.07%	2.42		50.47	47.52
Germany	2.34%	-1.90		38.30	31.50
France	2.54%	-8.88		38.01	28.10
Italy	3.89%	-1.85		35.57	20.72
Commodities					
WTI Crude	75.28	0.50	1.2%	2.3%	5.0%
Brent Crude	80.18	0.82	0.8%	1.4%	4.1%
Copper oile	387.48	8.10	2.1%	-0.9%	-0.4%
Nickel	16,306.00	298.00	1.9%	-1.2%	-1.8%
Zinc US\$/mt	2,619.50	83.00	3.8%	-3.1%	-5.2%
Aluminum US\$/mt	2,328.00	89.00	3.9%	-4.2%	-6.9%
Iron Ore US\$/mt	135.98	0.81	0.5%	0.4%	-0.3%
Gold US\$/oz	2,013.44	-11.12	-0.6%	-1.9%	-2.4%
Silver US\$/oz	23.88	0.21	1.2%	-8.2%	-4.7%
Bitcoin USD	38,943.00	841.22	1.8%	-8.5%	-8.3%
Lithium (KTP)	44.38	0.20	0.8%	-11.7%	-12.9%
Options					
	Last Price	Aud Price		Spread	
Rio PLC	5,494.00	108.28	1.8%	-5.9%	21.4%
South 32 - Lon	174.80	3.20	3.9%	0.3%	-1.1%
South 32 - Jhang	4,172.00	3.20	3.2%	2.4%	-0.4%
Virgin Money	183.00	3.20	1.1%	-8.4%	-0.3%
WVIA A	34.57	37.24	1.8%	3.2%	3.8%
ADRs					
	Last Price	Aud Price		Spread	
QHP	82.32	47.28	1.7%	-5.1%	-1.1%
Rio	89.90	108.28	1.7%	-5.2%	21.4%
CSL	98.01	291.91	-8.9%	0.1%	-0.2%
James Hardie	35.99	54.71	-3.9%	-4.7%	2.3%
Resilife	172.38	28.20	-1.9%	0.8%	0.8%
Amcor	9.38	14.21	-1.3%	-3.4%	0.8%
Square	83.42	98.42	-4.2%	-17.8%	4.5%

*At time of writing

Source: Bloomberg

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