



Daily European Opening News

2nd October 2023

SNAPSHOT

STOCKS

Nikkei 225	Unch.	ASX 200	-0.2%
Hang Seng	Closed	Shanghai Comp	Closed
Euro Stoxx 50 Dec'23	Unch.	DAX Dec'23	+0.1%
ES Dec'23	+0.5%	NQ Dec'23	+0.7%

FX

DX	Unch. (106.26)	EUR/USD	Unch. (1.0566)
USD/JPY	+0.3% (149.73)	GBP/USD	-0.1% (1.2185)

BONDS

US T-Note Dec'23	-9 ticks	Bund Sep'23	-42 ticks
US 10yr Yield	4.61%	German 10yr Yield	2.85%

ENERGY & METALS

WTI Nov'23	+0.1%	Brent Dec'23	+0.1%
Spot Gold	-0.3%	LME Copper	Unch.

CRYPTO

Bitcoin	+4.3%	Ethereum	3.5%
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As of 06:16BST/01:16EDT

LOOKING AHEAD

- Highlights include UK Nationwide House Prices, Spanish, Italian, German, French, EZ, UK & US PMIs, US ISM Manufacturing, Riksbank Minutes, Speeches from Fed's Powell & Williams, Supply from Italy.

US TRADE

EQUITIES

- US stocks** were flat to lower to end the week, month, and quarter with initial strength after soft-leaning PCE data reversed throughout the session in the backdrop of rebalancing flows which resulted in the major indices posting their worst quarterly performances in a year.
- SPX** -0.27% at 4,288, **NDX** +0.08% at 14,715, **DJI** -0.47% at 33,507, **RUT** -0.51% at 1,785.
- Click [here](#) for a detailed summary.



NOTABLE US HEADLINES

- **US House and Senate passed a short-term spending bill to keep the government funded, while President Biden signed the 45-day stop-gap funding measure into law which averts a government shutdown and funds the government until November 14th** although does not include Ukraine funding.
- **US President Biden said it is time to stop governing by crisis and he is sick and tired of brinkmanship, while he expects Republicans to honour the deal they made in May and urges them to not waste time on funding the government.** Furthermore, **he hopes Republicans will maintain support for Ukraine and said his message to Ukraine on future aid is that they are going to get it done**, according to Reuters.
- **US GOP Rep. Gaetz will file a motion to remove House Speaker McCarthy, while it was later reported that House Speaker McCarthy said he will not be ousted**, according to Reuters citing CNN and CBS.
- **Fed's Williams (voter) said on Friday that inflation is still too high and price stability is essential for the economy, while he added it will still take a while for monetary policy tightening to affect the economy and the future is uncertain with the data to drive future policy choices.** Williams also commented that the Fed will need a restrictive policy stance for some time to achieve goals and the Fed is at or near the peak for the federal funds rate.

APAC TRADE

EQUITIES

- **APAC stocks** traded mixed in severely holiday-quietened conditions amid the mass closures in the region, while participants digested the key weekend developments including the US averting a government shutdown and mixed Chinese PMI data.
- **ASX 200** was lacklustre with many domestic participants absent in observance of Labour Day in Australia's most populous state of New South Wales and ahead of tomorrow's RBA meeting which is the first under Governor Bullock's tenure.
- **Nikkei 225** opened above 32,000 with the index boosted by a weaker currency and an encouraging Tankan survey which showed Large Manufacturers' Sentiment at its highest since June last year and the Non-Manufacturing at its highest in over three decades, although the index later pared most of the gains and eventually slipped back beneath the aforementioned key level.
- **Hang Seng** and **Shanghai Comp.** were shut alongside closures in South Korea and India, with mainland China away the entire week for the National Day Golden Week celebrations.
- **US equity futures** (ES +0.5%) were underpinned amid relief from the last-minute funding breakthrough.
- **European equity futures** are indicative of a contained open with Euro Stoxx 50 future flat after the cash market closed up 0.3% on Friday.

FX

- **DXY** was unchanged despite the US averting a government shutdown after Congress passed a last-minute 45-day continuing resolution that effectively kicks the can down the road, while the attention for the greenback turns to the ISM Manufacturing PMI data and upcoming Fed speakers including Powell.
- **EUR/USD** traded uneventfully after last week's failure to sustain the 1.0600 status.
- **GBP/USD** languished beneath the 1.2200 handle in the absence of any immediate catalysts.
- **USD/JPY** printed an 11-month high as it continues to test the government's resolve and with the BoJ Summary of Opinions not providing anything to suggest a tweak this year.
- **Antipodeans** were subdued ahead of the RBA and RBNZ central bank meetings in which both are expected to keep their rates unchanged although money markets are leaning towards another rate hike by the former before year-end.

FIXED INCOME

- **10yr UST futures** were marginally pressured amid gains in yields after the US averted a government shutdown whereby additional aid for Ukraine was removed from the bill to pass Congress.
- **Bund futures** traded slightly lower as prices eased back following Friday's firm rebound.
- **10yr JGB futures** softened in tandem with the pressure in global counterparts and following the mostly encouraging BoJ Tankan survey, but were briefly supported after the BoJ announced to conduct purchases of 5yr-10yr bonds on top of its scheduled buying on Wednesday.



COMMODITIES

- **Crude futures** were rangebound in holiday-quietened trade and following the mixed Chinese PMI data, while OPEC+ sources recently noted an unlikelihood for any tweaks at Wednesday's JMMC meeting.
- **OPEC+ ministerial panel unlikely to recommend output policy change at October 4th meeting**, according to Reuters sources on Friday.
- **Iraq's September oil exports averaged 3.4mln bpd and oil prices averaged USD 92.05/bbl.**
- **Spot gold** marginally extended on six-month lows after trickling below USD 1850/oz.
- **Copper futures** traded sideways amid the mixed risk appetite and absence of its largest buyer.
- **Five more cargo ships were reportedly headed towards Ukrainian Black Sea ports for further grain exports**, according to Ukraine's Deputy PM.

CRYPTO

- **Bitcoin** held on to its gains after a late rally on Sunday which lifted prices back above USD 28,000 and Ethereum also saw a similar increase of nearly 4% in tandem with the crypto surge despite the lack of immediate catalysts, before spending the rest of Asian trade in limbo.

NOTABLE ASIA-PAC HEADLINES

- **German Finance Minister Lindner said at the third German-Chinese financial dialogue in Frankfurt which was attended by Chinese Vice Premier He Lifeng that Germany and China are keen to further strengthen their cooperation on financial and economic issues**, while he added that both sides want to create a fair and non-discriminatory market environment and strengthen the security of global supply chains. **Lindner also pledged that Germany will continue supporting a Chinese state-backed development bank despite Canada's decision to freeze ties**, according to AA and Politico.
- **BoJ Summary of Opinions from the September meeting noted a member stated they need to continue easing patiently and a member said they should maintain easy policy for now but in future exit, must consider what to do with non-JGB asset holdings.** Furthermore, there was an opinion that **there is no need to make additional YCC tweaks as long-term rates are moving fairly stably and it was also stated that they cannot currently determine the timing of the policy tweak as that would depend on economic and price conditions at the time**, while a member said **it is important to prepare for exit from a risk management perspective as they could have clarity around January-March next year on whether the 2% inflation target can be met in a sustained and stable fashion.**
- **BoJ Governor Ueda said the sustainable and stable achievement of the BoJ's 2% inflation target is not yet in sight and there is still some distance before reaching an exit from easy policy.** Ueda stated that the BoJ's ability to conduct monetary policy is not impaired by a temporary decrease in profits and capital as long as it conducts appropriate monetary policy, while he added that **given the current distance to exit, he believes it is the right time to discuss the topic of central bank finances and monetary policy conduct from an objective perspective.**
- **Japan reportedly put the brakes on the lucrative used-car trade with Russia which is valued at nearly USD 2bln annually**, according to Reuters.

DATA RECAP

- **Chinese NBS Manufacturing PMI (Sep) 50.2 vs. Exp. 50.0 (Prev. 49.7)**
- **Chinese NBS Non-Manufacturing PMI (Sep) 51.7 vs Exp. 51.5 (Prev. 51.0)**
- **Chinese NBS Composite PMI (Sep) 52.0 (Prev. 51.3)**
- **Chinese Caixin Manufacturing PMI (Sep) 50.6 vs Exp. 51.2 (Prev. 51.0)**
- **Chinese Caixin Services PMI (Sep) 50.2 vs Exp. 52.0 (Prev. 51.8)**
- **Chinese Caixin Composite PMI (Sep) 50.9 (Prev. 51.7)**
- **Japanese Tankan Large Manufacturing Index (Q3) 9 vs. Exp. 6 (Prev. 5)**
- **Japanese Tankan Large Manufacturing Outlook (Q3) 10 vs. Exp. 5 (Prev. 9)**
- **Japanese Tankan Large Non-Manufacturing Index (Q3) 27 vs. Exp. 24 (Prev. 23)**
- **Japanese Tankan Large Non-Manufacturing Outlook (Q3) 21 vs. Exp. 22 (Prev. 20)**
- **Japanese Tankan Large All Industry Capex (Q3) 13.6% vs. Exp. 13.6% (Prev. 13.4%)**

GEOPOLITICS/GLOBAL NEWS



- **UK Defence Secretary Shapps said UK troops will be deployed in Ukraine for the first time to start training Ukrainian soldiers on-site and not only at NATO bases under plans being discussed with military chiefs.** Shapps also stated the UK signed contracts worth GBP 4bln to drive forward AUKUS submarines with the contracts signed with BAE Systems (BA/ LN), while the UK is deploying RAF typhoons to Poland and deploying forces to the UN peacekeeping mission in Kosovo, according to Reuters.
- **US Central Command conducted a helicopter raid in Northern Syria on September 28th and captured ISIS facilitator Mamduh Ibrahim Al-Haji Shaykh,** according to Reuters.
- **Turkey's Interior Minister said two terrorists attacked in front of the ministry building in which one was neutralised and the other blew himself, while Turkey stated that one of the attackers was a PKK member and Turkey later carried out air strikes in Northern Iraq and destroyed 20 targets of Kurdish militant group PKK,** according to Reuters.
- **Turkish President Erdogan said will continue the struggle against inflation, terror and the outlawed group FETO, while he also commented that Turkey has kept every promise to the EU although the EU did not, and Turkey does not have any expectations from the EU.**

EU/UK

NOTABLE HEADLINES

- **UK PM Sunak said the government is making good progress on bringing down inflation,** according to Reuters.
- **UK Chancellor Hunt was reportedly caught in a secret recording suggesting that PM Sunak will call a general election once inflation falls below 3% which gives the strongest hint that the next general election could be held in Autumn next year,** according to Sunday Times' Wheeler.
- **UK Housing Minister Gove said his opinion is wherever they can cut taxes that those cuts should fall on workers and he would like to see the tax burden reduced before the next election,** while he added that they first need to be certain that inflation is coming down.
- **England's water companies are to pledge to invest GBP 90bln in water and sewerage networks in plans which would increase household bills,** especially in the southeast, according to Sunday Times.
- **ECB's de Guindos dismissed talk of rate cuts and warned that getting back to 2% inflation will be difficult with the last mile of disinflation the hardest,** according to FT.
- **Slovakia's former PM Fico's leftist-populist Smer party won the election with 23.4% of votes, while the party is seen as pro-Russian after promising to stop sending weapons to Ukraine,** according to Politico.
- **Fitch raised Portugal's sovereign rating from BBB+ to A-; Outlook Stable, while Moody's raised Cyprus's sovereign rating to investment grade of Baa2; Outlook Revised to Stable from Positive.**

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