



MONITOR: MARKETS

KEY POINTS FOR THE DAY

Monday 9 October 2023

OVERNIGHT

A rise in geopolitical tensions is weighing on risk sentiment, following Hamas's attack on Israel over the weekend. Stocks across the Asia-Pacific region are mostly trading lower, albeit marginally, while oil prices have jumped with Brent crude trading just below the \$88pb mark, having ended last week just above \$84pb. With Japanese markets closed due to the holiday, there has been no cash trading in US Treasuries. However, Treasury futures have risen, reflecting some risk aversion following this weekend's events in the Middle East.

THE DAY AHEAD

Friday's release of the latest monthly US labour market report revealed a stellar increase in nonfarm payrolls of 336k in September, driving the benchmark US 10-year Treasury yield back towards 4.90%, a 16-year high initially reached earlier in the week, as markets speculated on whether the Fed will continue to tighten policy at their next update in early November. There is some debate whether the sharp rise in US Treasury yields itself will make policymakers at the Federal Reserve more cautious about whether to proceed with a further hike on the basis that markets may be doing some of the policy tightening for

them. Nevertheless, expectations of 'higher for longer' interest rates remain firmly in place whether or not there is another Fed hike this year.

Ahead of this week's key US CPI report – which will likely play a key input into the Fed's November decision – comments today by Fed officials Barr, Logan and Jefferson will provide markets with some food for thought. All three are voting members on the rate-setting committee this year and their comments could see markets reassess the probability they attach to a November rate hike, which was 30% at the time of writing.

It's a relatively quiet data day, partly due to it being a public holiday in the US (Columbus Day), with the Eurozone Sentix investor confidence survey for October the only release scheduled. This means that comments from other central bankers are likely to be the main focus for today. For the Eurozone, ECB members Guindos, Centeno, de Cos and incoming member Cipollone are due to speak. Domestically, the arch-hawk on the Bank of England's MPC Catherine Mann will appear as a panellist at the National Association for Business Economics annual meeting. In particular, markets will be watching for signs that Ms Mann views further rate hikes as necessary in the UK, following her dissent to the majority decision to leave rates on hold at the September meeting in favour of another quarter-point increase.

Table: Market Data

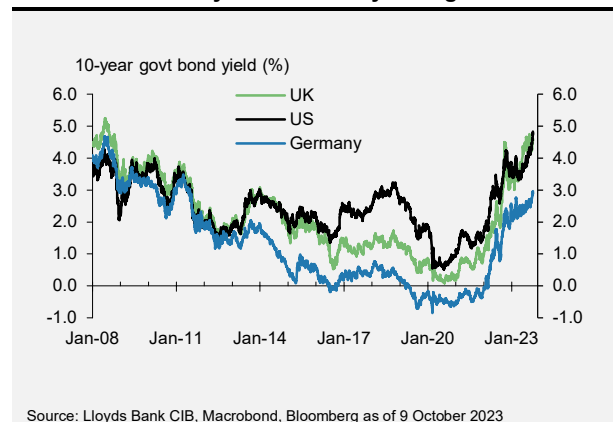
CURRENCIES		Daily change (%)
€/\$	1.054	-0.41
£/\$	1.220	-0.34
£/€	1.157	0.06
£/¥	181.93	-0.44
£/SFr	1.111	-0.23
£/A\$	1.920	0.20
£/C\$	1.665	-0.41
EQUITIES		Daily change (%)
FTSE All-Share	4055.7	0.59
S&P 500	4308.5	1.18
Nikkei 225	30994.7	-0.26
INTEREST RATES (%)		Daily change (bps)
UK Bank rate	5.25	0.0
3m interbank rate	5.41	-0.5
5yr swap rate	4.67	-0.9
10yr gilt yield	4.57	3.1
US Fed funds target rate	5.50	0.0
10yr treasury yield	4.80	0.0
ECB refi rate	4.50	25.0
German 10yr bund yield	2.84	-4.1
COMMODITIES (US\$)		Daily change (%)
Oil, Brent benchmark	87.5	3.44
Gold spot	1850.9	0.98

Source: Bloomberg data as of 9 October 2023

MARKETS

The US dollar has risen following Friday's decline, in response to this weekend's events. GBP/USD has dropped to around 1.22 while EUR/USD has eased further below 1.06.

Government bond yields at multi-year highs



Calendar – key data and events today

Ctry	Time	RELEASE/EVENT	Period	Consensus	Forecast	Previous
EC	09:00	ECB's Guindos Speaks				
PO	09:15	ECB's Centeno, Central Bank of Brazil's Campos Neto Speak				
EZ	09:30	Sentix Investor Confidence	Oct	-23.5	--	-21.5
EZ	13:00	ECB's de Cos Speaks in Madrid				
US	13:00	Fed's Barr Speaks at American Bankers Conference				
US	14:00	Fed's Logan Speaks on US Outlook, Monetary Policy				
EZ	15:00	Incoming ECB Executive Board Member Cipollone in EU Parliament				
US	17:50	Fed's Jefferson Speaks at NABE Conference				
UK	21:00	BOE's Catherine Mann speaks				
<u>Overnight (Early Tuesday)</u>						
UK	00:01	BRC Sales Like-For-Like	Sep	--	--	(4.3%)
JN	00:50	Current Account Adjusted	Aug	¥2,408bn	--	¥2,767bn

Source: Bloomberg data, Lloyds Bank Commercial Banking analytics as of 9 October 2023
Data in brackets denote YoY unless stated otherwise
Times are UK local.

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