Morning Call

Geneva, March 2, 2023

Market Corner

Asian stocks fell, with a rally in Chinese shares losing steam as traders adjusted expectations for further stimulus plans on signs the nation's economy is improving.
The MSCI Asia Pacific Index dropped as much as 0.6%, driven by losses in major Chinese internet companies. Hong Kong led losses around the region, while onshore China shares steadied after gains Wednesday on strong manufacturing data. South Korean stocks climbed after a holiday.
A faster-than-expected recovery in the Chinese economy is seen suggesting that the government may be restrained in rolling out new stimulus measures this year. That's tempering expectations for more supportive policies from a meeting of the nation's top political leaders due this weekend.

US equities fell Wednesday as a combination of hotter-than-expected economic data and hawkish comments from Federal Reserve officials signaled that central bankers may need to hike rates further than expected to combat inflation.
The S&P 500 Index fell 0.5%, with eight of 11 major industry groups lower, led by utilities and real estate as 319 stocks in the index fell while 184 gained. Energy and materials rose on a surprise acceleration in Chinese manufacturing purchases. The tech-heavy Nasdaq 100 Index dropped 0.7% and the blue-chip Dow Jones Industrial Average was little changed.
"The only thing equity bulls can be happy about is that prices aren't down even more," Vital Knowledge founder Adam Crisafulli wrote Wednesday. He said the theme of the day was "hot data" in the US, where manufacturers' prices paid and new orders were higher than expected, and in Europe after a surprising acceleration in German inflation.
As a result, he said "it remains rather impressive to see the SPX hold at these levels given the astronomical repricing in yields and Fed forecasts."
The rally in equities at the start of 2023 is showing signs of petering out, as inflation is proving stickier than expected, prompting investors to grow wary of the potential for a more hawkish Fed. Investors are now bracing for one of three main scenarios — a hard landing, soft landing or no landing, B Riley chief market strategist Art Hogan wrote in a note.

World Indices	Last	1D Change	YTD
Dow Jones	32 661.8	0.02%	-1.46%
S&P 500	3 951.4	-0.47%	2.91%
Nasdaq	11 379.5	-0.66%	8.72%
Eurostoxx 50	4 215.8	-0.53%	11.13%
FTSE 100	7 914.9	0.49%	6.22%
CAC 40	7 234.3	-0.46%	11.75%
DAX	15 305.0	-0.39%	9.92%
SMI	11 056.1	-0.38%	3.04%
Nikkei	27 498.9	-0.06%	5.38%
Hang Seng	20 470.9	-0.72%	3.50%
CSI 300	4 117.7	-0.22%	6.36%
VIX Index	20.6	-0.58%	-5.03%

World Bonds	Last	1D Change	YTD
US 10Y	4.0379	0.05	0.167
EUR 10Y	2.7640	0.06	0.198
Swiss 10Y	1.5120	0.05	-0.105
UK 10Y	3.8380	0.01	0.166

Source: Bloomberg

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Crypto Corner

For months, US authorities have been racing to sever ties between banks and risky crypto ventures, worried the financial system could someday suffer serious losses. They may have been too late.

In the starkest warning yet by a US bank catering to the sector, Silvergate Capital Corp. said Wednesday it needs more time to assess the extent of damage to its finances stemming from last year's crypto rout — including whether it can remain viable. The shares plunged as much as 33% after the close of regular trading.

The firm, which already reported a $1 billion loss for the fourth quarter, said that figure could climb higher. The company is still tallying the cost of rapidly selling assets to repay advances from the Federal Home Loan Bank System. It may also need to mark down the value of some remaining holdings.

That could result in "being less than well-capitalized," La Jolla, California-based Silvergate wrote in a regulatory filing. "The company is evaluating the impact that these subsequent events have on its ability to continue as a going concern."

Such an admission by a lender with federally insured deposits and more than $11 billion in assets will add to a debate among US lawmakers and regulators over whether banks can manage the risks associated with digital assets.

For a time, Silvergate excited its shareholders with what seemed like a novel approach: soaking up cash deposits from crypto ventures to invest in more staid securities. But when Sam Bankman-Fried's FTX empire collapsed in November, the bank's customers withdrew en masse to weather the storm, forcing it to unload holdings at a loss.

"It confirms the fears that many regulators have had," said Todd Baker, a senior fellow at Columbia University's Richman Center for Business, Law and Public Policy. "If this bank fails, it's going to be held up as an example of why banks should be extremely conservative in dealing with crypto companies."

And even if that doesn't happen, Silvergate's travails will stoke even greater caution on the part of regulators, he said.

Indeed, a US crackdown has already begun.

In early January, three top financial regulators — the Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corp. — issued a blunt warning to banks that crypto-related risks that can't be controlled shouldn't be allowed to infect the banking system.

Later that month, the Fed piled on with a policy statement as it turned down a bid by crypto firm Custodia Bank Inc. to get coveted access to the central bank's payment system. And last month, Bloomberg reported that Binance Holdings Ltd., the world's largest cryptocurrency exchange, was mulling whether to end its relationships with US partners amid the stricter regulatory regime.

Meanwhile, the Securities and Exchange Commission targeted stablecoin issuers and so-called staking, a practice of generating yield by holding tokens.

rypto Market Cap: $1.06T 24h Vol: $45.6B Dominance: BTC: 42.3% ETH:18,8%

Crypto	Last	1D Change	YTD
Bitcoin	23 395.65	-0.69%	41.42%
Ethereum	1 643.06	-0.87%	36.99%

Source: fxstreet.com / Bloomberg/Coinmarketcap.com

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Commodity Corner

Gold was steady, holding gains made over the past three days, amid a drop in the dollar and optimism over China's economic recovery.
The precious metal is up 1.4% for the week, buoyed by the 0.8% slide in the greenback, which typically moves in the opposite direction to gold. Meanwhile, China — the world's top consumer of bullion — is enjoying a faster-than-expected improvement following the removal of strict Covid Zero measures.
In the US, Federal Reserve officials said interest rates will need to increase further and stay elevated into next year to curb inflation. Higher rates are generally negative for non-interest-bearing gold

Spot gold was little changed at $1,837.30 an ounce as of 8:28 a.m. in Singapore. The Bloomberg Dollar Spot Index dipped 0.1% after Wednesday's 0.5% fall. Silver was flat, platinum dropped, and palladium edged higher

Precious Metals	Last	1D Change	YTD
Gold	1 831.54	-0.28%	0.39%
Silver	20.81	-0.86%	-13.15%
Platinium	953.31	-0.63%	-11.25%
Palladium	1 434.24	-0.66%	-20.04%

Oil steadied after a two-day gain as concerns over tighter US monetary policy vied with optimism over a revival in Chinese demand.
West Texas Intermediate held near $78 a barrel after adding 2.7% over the previous two sessions. The Federal Reserve has signaled it'll need to push rates higher to rein in inflation. That's overshadowing signs that Chinese demand will recover after the biggest oil importer abandoned Covid Zero.
Still, there's no lack of bullishness from oil-market participants. In the latest, Chevron Corp. Chief Executive Officer Mike Wirth said rising Chinese demand may aid prices. Amin Nasser, Wirth's counterpart at Saudi Aramco, said consumption in the world's second-largest economy was "very strong."
Oil has softened slightly this year on a challenging global macroeconomic outlook and as US commercial inventories swelled. Nationwide stockpiles rose by a less-than-expected 1.2 million barrels last week, as crude shipments rose to a record, according to official figures released on Wednesday.
"The big picture is that crude has become locked in a narrow band, once again, with no major impetus to move prices sustainably higher or lower," said Vandana Hari, founder of Vanda Insights in Singapore. "It's a waiting game on China, as well as the global economy."

Wolrd Commodities	Last	1D Change
WTI Crude	77.56	-0.17%
Brent Crude	84.22	-0.11%
Nat Gas (HH)	2.78	-1.17%
Nickel	24 708.00	0.36%
Copper	413.50	-0.79%
Corn	645.75	0.82%
Wheat	697.00	0.80%
Soybean	1 505.00	0.05%
Coffee	185.30	-2.68%
Cotton	84.57	0.45%
Sugar	20.57	2.49%

Source: fxstreet.com / Bloomberg

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FX Corner

EUR/USD remains vulnerable while trading near 1.0650 in early Europe. The pair is undermined by soaring US Treasury bond yields, in the face of hot global inflation and hawkish Fed bets. ECB Lagarde's speech and Eurozone inflation data are awaited.

GBP/USD is extending losses below 1.2000 in the European morning. Challenges to the Brexit deal and risk-off flows are weighing on the pair. The US Dollar is tracking the US Treasury bond yields higher amid hawkish Fed expectations, ahead of US mid-tier data.

USD/JPY struggles to overcome the previous two-day inaction as bulls keep the reins around 136.30 during early Thursday. In doing so, the Yen pair prints mild gains after bouncing off the 50-bar Simple Moving Average (SMA) and a two-week-old horizontal support zone.

AUD/USD remains under moderate selling pressure below 0.6750 in Thursday's Asian trading. Risk sentiment remains in a weaker spot, as the US S&P 500 Futures drop 0.40% on disappointing Tesla Inc.'s news. Hawkish Fed rate hike expectations continue to sap investors' confidence.

World Currencies	Last	1D Change	YTD
EURUSD	1.0639	**-0.27%**	**-0.64%**
EURCHF	1.0035	**-0.10%**	**-1.40%**
EURGBP	0.8885	**-0.18%**	**-1.40%**
EURJPY	145.5100	**-0.14%**	**-3.67%**
USDCHF	0.9433	**-0.39%**	**2.04%**
USDJPY	136.7700	**-0.42%**	**-4.36%**
USDCAD	1.3616	**-0.16%**	**-0.47%**
USDTRY	18.8901	**-0.03%**	**-0.97%**
GBPUSD	1.1973	**-0.47%**	**-0.94%**
AUDUSD	0.6735	**-0.38%**	**-1.17%**
NZDUSD	0.6221	**-0.58%**	**-2.05%**

Devise	S3	S2	S1	R1	R2	R3
EURUSD	1.0389	1.0515	1.0592	1.0718	1.0767	1.0893
USDJPY	133.5533	134.7633	135.4767	136.6867	137.1833	138.3933
GBPUSD	1.1780	1.1904	1.1966	1.2090	1.2152	1.2276
USDCAD	1.3462	1.3537	1.3566	1.3641	1.3687	1.3762
AUDUSD	0.6569	0.6658	0.6709	0.6798	0.6836	0.6925
NZDUSD	0.6013	0.6123	0.6190	0.6300	0.6343	0.6453
USDCHF	0.9236	0.9314	0.9355	0.9433	0.9470	0.9548
USDTRY	18.8376	18.8597	18.8718	18.8939	18.9039	18.9260
XAUUSD	1791.930	1813.380	1825.050	1846.500	1856.280	1877.730
XAGUSD	20.3064	20.6536	20.8233	21.1705	21.3480	21.6952

Source: fxstreet.com / Bloomberg

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Event Corner

ECO Economic Calendars

G8 | Browse | 08:17:02 | 03/02/23 - 03/02/23

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Date Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
03/02 00:50	JN				Capital Spending Ex Software YoY	4Q	5.5%	--	8.0%	--
03/02 00:50	JN				Capital Spending YoY	4Q	7.1%	--	9.8%	--
03/02 00:50	JN				Company Profits YoY	4Q	8.4%	--	18.3%	--
03/02 00:50	JN				Company Sales YoY	4Q	8.7%	--	8.3%	--
03/02 00:50	JN				Monetary Base YoY	Feb	--	--	-3.8%	--
03/02 00:50	JN				Monetary Base End of period	Feb	--	--	¥651.9t	--
03/02 00:50	JN				Japan Buying Foreign Bonds	Feb 24	--	--	¥2693.3b	--
03/02 00:50	JN				Foreign Buying Japan Stocks	Feb 24	--	--	¥197.7b	--
03/02 00:50	JN				Foreign Buying Japan Bonds	Feb 24	--	--	¥229.5b	--
03/02 00:50	JN				Japan Buying Foreign Stocks	Feb 24	--	--	-¥202.0b	--
03/02 06:00	JN				Consumer Confidence Index	Feb	32.0	--	31.0	--
03/02 08:45	FR				Budget Balance YTD	Jan	--	--	-151.5b	--
03/02 10:00	IT				Unemployment Rate	Jan	7.8%	--	7.8%	--
03/02 11:00	IT				CPI EU Harmonized YoY	Feb P	9.5%	--	10.7%	--
03/02 11:00	IT				CPI EU Harmonized MoM	Feb P	-0.3%	--	-1.3%	-1.5%
03/02 11:00	IT				CPI NIC incl. tobacco YoY	Feb P	8.9%	--	10.1%	10.0%
03/02 11:00	IT				CPI NIC incl. tobacco MoM	Feb P	0.1%	--	0.2%	0.1%
03/02 11:00	EC				CPI Estimate YoY	Feb	8.3%	--	8.6%	--
03/02 11:00	EC				CPI MoM	Feb P	0.5%	--	-0.2%	--
03/02 11:00	EC				CPI Core YoY	Feb P	5.3%	--	5.3%	--
03/02 11:00	EC				Unemployment Rate	Jan	6.6%	--	6.6%	--
03/02 14:00	RU				Gold and Forex Reserve	Feb 24	--	--	$582.1b	--
03/02 14:30	US				Nonfarm Productivity	4Q F	2.5%	--	3.0%	--
03/02 14:30	US				Unit Labor Costs	4Q F	1.6%	--	1.1%	--
03/02 14:30	US				Initial Jobless Claims	Feb 24	195k	--	192k	--
03/02 14:30	US				Continuing Claims	Feb 18	1669k	--	1654k	--

Source: Refinitiv

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