Morning Call

Geneva, June 23, 2023

Market Corner

Asia stocks headed for a fifth straight day of declines, the longest losing streak this year, led by an extended selloff in Hong Kong-listed Chinese shares. Japanese equities also slumped.

The MSCI Asia Pacific Index dropped as much as 1.6%, with Tencent and Toyota Motor the biggest drags. The Hang Seng China Enterprises Index slid more than 2% as trading resumed after a holiday. The gauge was on course for its worst week since March as the stimulus trade fizzled amid modest policy support from authorities.

"The flows, the sentiment, the margin trading, they are all at a fairly bearish level," Winnie Wu, China equity strategist at Bank of America Corp., said on Bloomberg Television. Also weighing on the broader Chinese market is a "structural de-rating" of the dominant internet sector, she added.

Higher bond yields also unnerved Asian equity investors, after the US 10-year Treasury yield advanced overnight amid hawkish Fed rhetoric and heightened fears of recession. Two-year yields are hovering near the highest since March.

Shares in Japan, the market with the highest weighting in the MSCI measure, were among the biggest losers in the region. The Nikkei 225 was on track for its first weekly drop in 11, falling amid a report that Japan's consumer prices rose at a faster pace than expected in May.

US equities snapped a three-day losing streak as investors analyzed a second day of congressional testimony from Federal Reserve Chair Jerome Powell.

The S&P 500 Index rose 0.4%, with five of 11 major industry groups higher, led by consumer discretionary and communication services. The tech-heavy Nasdaq 100 Index gained 1.2%, with Amazon.com Inc. and Microsoft Corp. adding the most to the gains. Meanwhile, the blue-chip Dow Jones Industrial Average ended essentially flat.

The latest initial jobless claims print Thursday pointed to a still resilient labor market, with US unemployment benefit applications remaining unchanged from the week prior.

Sales of previously owned US homes barely rose in May as high mortgage rates continued to crimp demand and discourage owners from listing their properties. Contract closings edged up 0.2% to a 4.3 million annualized pace, according to data released Thursday by the National Association of Realtors. Compared with a year earlier, sales were down more than 18% on an unadjusted basis.

World Indices	Last	1D Change	YTD
Dow Jones	33 946.7	-0.01%	2.41%
S&P 500	4 381.9	0.37%	14.13%
Nasdaq	13 630.6	0.95%	30.23%
Eurostoxx 50	4 304.5	-0.42%	13.47%
FTSE 100	7 502.0	-0.76%	0.67%
CAC 40	7 203.3	-0.79%	11.27%
DAX	15 988.2	-0.22%	14.83%
SMI	11 183.4	0.09%	4.23%
Nikkei	32 661.3	-1.81%	25.19%
Hang Seng	18 843.2	-1.95%	-4.73%
CSI 300	3 864.0	-1.53%	-0.20%
VIX Index	12.9	-2.20%	-40.42%

World Bonds	Last	1D Change	YTD
US 10Y	3.7793	-0.02	-0.096
EUR 10Y	2.4940	0.06	-0.077
Swiss 10Y	1.0280	0.05	-0.589
UK 10Y	4.3670	-0.04	0.695

Source: Bloomberg

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Crypto Corner

Bitcoin is heading for one of its strongest weeks of the year, buoyed by speculation that proposed exchange-traded funds potentially herald new sources of demand for the largest digital asset.

The token edged below $30,000 as of 10:05 a.m. Friday in Singapore, leaving it on course for a 13% weekly gain, the most for such a timespan since March. Smaller coins like XRP, Cardano and Solana dipped on the day.

BlackRock Inc.’s surprise June 15 filing with the Securities and Exchange Commission is among a flurry of US applications to start ETFs investing in spot Bitcoin. The SEC has resisted such funds, but the heft of the world’s largest asset manager has led some to argue the agency might yet be persuaded.

“An approval would profoundly impact the market structure of Bitcoin, as it would reduce the barriers for financial advisers to offer exposure” to the token, Vetle Lunde, senior analyst at K33 Research, wrote in a note.

Aside from the ETF filings, crypto proponents seized on the start of a digital-asset exchange, EDX Markets, as evidence that traditional financial players see a future for the market. EDX Markets is backed by firms including Citadel Securities, Fidelity Digital Assets and Charles Schwab Corp.

The burst of optimism has overshadowed, at least for now, a US crackdown on crypto following last year’s $1.5 trillion rout and blowups like the bankruptcy of the FTX exchange amid allegations of fraud.

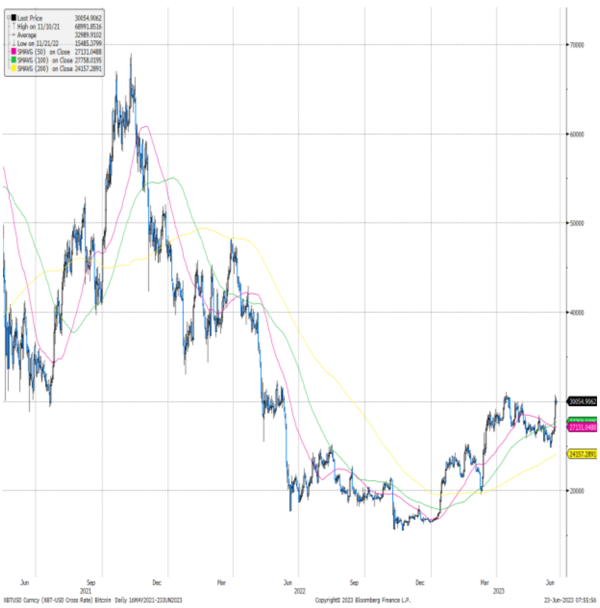
“There’s still probably negative regulatory news out there,” Bitwise Asset Management Inc. Chief Investment Officer Matt Hougan said on Bloomberg Television. “But the long-term outlook is looking exceptionally strong.”

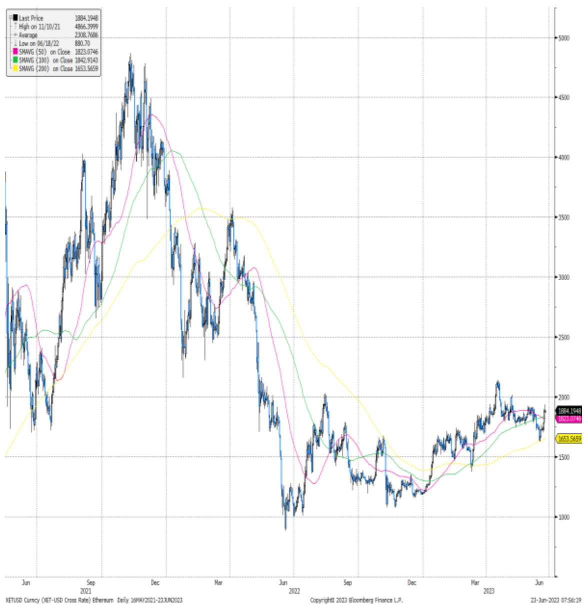
Crypto investors have also shrugged off comments from central bankers that point to higher interest rates and diminished financial-market liquidity in the push to contain inflation.

“We’re looking at a meaningful narrative shift,” wrote Noelle Acheson, author of the Crypto Is Macro Now newsletter. “It’s becoming more crypto-specific, and that is a positive development on many fronts.”

Crypto Market Cap: 1.17T   24h Vol: $39.4B   Dominance: BTC: 49.8 ETH:19.3%

Crypto	Last	1D Change	YTD
Bitcoin	30 053.23	-0.35%	81.71%
Ethereum	1 883.00	-0.26%	57.00%





Source: fxstreet.com / Bloomberg/Coinmarketcap.com

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Commodity Corner

Gold headed for its biggest weekly loss since early February after major central banks signaled, they'd need to stay hawkish for longer to bring down inflation.
Bullion was steady Friday after a run of four daily losses that's pushed it down 2.2% this week. Federal Reserve Chair Jerome Powell reiterated on Thursday that one or two more rate hikes would be needed this year. That pushed the yield on two-year Treasuries to a three-month high, a headwind for gold, which doesn't offer interest.
The Bank of England and its Norwegian counterpart both accelerated their tightening with half-point rate moves on Thursday. That followed the European Central Bank, which raised borrowing costs last week and signaled another hike was probably coming in July.
The precious metal has fallen about 7% since rising to near a record high in late May. As well as the outlook for higher interest rates, it's lost some haven demand as fears of a US regional banking crisis eased. However, the possibility of a Fed-induced recession in the world's largest economy may offer it some support.

Spot gold was steady at $1,914.66 an ounce as of 9:07 a.m. in Singapore, after dropping 1% on Thursday. The Bloomberg Dollar Spot Index was little changed and is up 0.4% for the week. Silver, platinum and palladium all edged lower.

Precious Metals	Last	1D Change	YTD
Gold	1 916.52	**0.13%**	**5.07%**
Silver	22.34	**0.42%**	**-6.72%**
Platinium	923.95	**-0.14%**	**-13.97%**
Palladium	1 293.76	**0.52%**	**-27.84%**

Oil headed for a weekly loss of over 4% after the Federal Reserve signaled that further rate hikes were needed, bruising appetite for risk, aiding the dollar, and raising the prospect of an economic slowdown.
West Texas Intermediate fell below $69 a barrel after tumbling 4.2% on Thursday. In testimony this week, Fed Chair Jerome Powell signaled further monetary tightening was likely in the second half. That's lifted the greenback, dimming the allure of commodities priced in the US currency.
In Asia, traders have been trying to gauge prospects for demand in China, the world's largest crude importer. While Beijing has rolled out some stimulus to aid growth, there's concern the moves so far may not be enough.
Oil is set for a back-to-back quarterly loss as the Fed has lifted rates and traders fret about demand. The drop has come despite production cuts from the Organization of Petroleum Exporting Countries and its allies. At present, key metrics including WTI's prompt spread indicate ample near-term supply.

Wolrd Commodities	Last	1D Change
WTI Crude	68.73	**-1.12%**
Brent Crude	73.36	**-1.05%**
Nat Gas (HH)	2.60	**-0.35%**
Nickel	21 072.50	**-0.21%**
Copper	386.75	**-0.58%**
Corn	653.00	**-1.14%**
Wheat	734.25	**-0.64%**
Soybean	1 487.50	**-0.87%**
Coffee	171.70	**-0.17%**
Cotton	79.30	**0.01%**
Sugar	24.93	**-3.67%**

Source: fxstreet.com / Bloomberg

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FX Corner

EUR/USD is extending the overnight correction from six-week highs above 1.1000, drifting toward 1.0900 early Friday. The Fed's hawkish outlook and the risk-off impulse continue to underpin the safe-haven buck. EU and US PMIs in focus.

GBP/USD has shown a vertical fall to near the round-level support of 1.2700 due to the risk-aversion theme in the early European morning. The pair is looking vulnerable ahead of the UK Retail Sales and Preliminary Manufacturing and Services PMI data.

USD/JPY makes rounds to 143.00 amid a lackluster Friday morning in Europe, after refreshing the yearly top the previous day. In doing so, the Yen pair pauses the previous two-day uptrend amid an overbought RSI (14) line. Adding strength to the quote's latest inaction could be the cautious mood ahead of the US PMIs and fears of the US recession.

AUD/USD is falling toward 0.6700, changing course after the Australian S&P Global PMIs for June came in mixed data early Friday. The pair is losing ground, as the US Dollar is extending its recovery amid intensifying risk-off flows on global economic concerns. Focus on US PMIs, Fedspeak.

World Currencies	Last	1D Change
EURUSD	1.0931	**-0.23%**
EURCHF	0.9808	**-0.05%**
EURGBP	0.8600	**-0.07%**
EURJPY	156.7100	**0.05%**
USDCHF	0.8973	**-0.28%**
USDJPY	143.3600	**-0.17%**
USDCAD	1.3185	**-0.26%**
USDTRY	25.1926	**-1.13%**
GBPUSD	1.2710	**-0.30%**
AUDUSD	0.6700	**-0.83%**
NZDUSD	0.6142	**-0.58%**

Currencies	S3	S2	S1	R1	R2	R3
EURUSD	1.0846	1.0909	1.0933	1.0996	1.1035	1.1098
USDJPY	139.4100	141.0300	142.0700	143.6900	144.2700	145.8900
GBPUSD	1.2548	1.2659	1.2704	1.2815	1.2881	1.2992
USDCAD	1.3076	1.3116	1.3134	1.3174	1.3196	1.3236
AUDUSD	0.6647	0.6708	0.6732	0.6793	0.6830	0.6891
NZDUSD	0.6094	0.6143	0.6160	0.6209	0.6241	0.6290
USDCHF	0.8813	0.8878	0.8913	0.8978	0.9008	0.9073
USDTRY	21.6023	23.0203	23.9639	25.3819	25.8563	27.2743
XAUUSD	1875.610	1898.070	1906.040	1928.500	1942.990	1965.450
XAGUSD	21.2757	21.8299	22.0374	22.5916	22.9383	23.4925

Source: fxstreet.com / Bloomberg

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Event Corner

ECO Economic Calendars

G8 | Browse | 08:32:24 | 06/23/23 - 06/23/23

Economic Releases | All Economic Releases | View Agenda Weekly

Date Time	C	Event	Period	Surv(M)	Actual	Prior	Revised
06/23 01:01	UK	GfK Consumer Confidence	Jun	-26	--	-27	--
06/23 01:30	JN	Natl CPI YoY	May	3.2%	--	3.5%	--
06/23 01:30	JN	Natl CPI Ex Fresh Food YoY	May	3.1%	--	3.4%	--
06/23 01:30	JN	Natl CPI Ex Fresh Food, Energy YoY	May	4.2%	--	4.1%	--
06/23 02:30	JN	Jibun Bank Japan PMI Composite	Jun P	--	--	54.3	--
06/23 02:30	JN	Jibun Bank Japan PMI Mfg	Jun P	--	--	50.6	--
06/23 02:30	JN	Jibun Bank Japan PMI Services	Jun P	--	--	55.9	--
06/23 07:30	JN	Tokyo Dept Store Sales YoY	May	--	--	11.5%	--
06/23 07:30	JN	Nationwide Dept Sales YoY	May	--	--	8.6%	--
06/23 08:00	UK	Retail Sales Inc Auto Fuel MoM	May	-0.2%	--	0.5%	--
06/23 08:00	UK	Retail Sales Inc Auto Fuel YoY	May	-2.5%	--	-3.0%	--
06/23 08:00	UK	Retail Sales Ex Auto Fuel MoM	May	-0.3%	--	0.8%	--
06/23 08:00	UK	Retail Sales Ex Auto Fuel YoY	May	-2.0%	--	-2.6%	--
06/23 09:15	FR	HCOB France Composite PMI	Jun P	51.0	--	51.2	--
06/23 09:15	FR	HCOB France Manufacturing PMI	Jun P	45.3	--	45.7	--
06/23 09:15	FR	HCOB France Services PMI	Jun P	52.1	--	52.5	--
06/23 09:30	GE	HCOB Germany Manufacturing PMI	Jun P	43.5	--	43.2	--
06/23 09:30	GE	HCOB Germany Services PMI	Jun P	56.3	--	57.2	--
06/23 09:30	GE	HCOB Germany Composite PMI	Jun P	53.3	--	53.9	--
06/23 10:00	EC	HCOB Eurozone Manufacturing PMI	Jun P	44.8	--	44.8	--
06/23 10:00	EC	HCOB Eurozone Composite PMI	Jun P	52.5	--	52.8	--
06/23 10:00	EC	HCOB Eurozone Services PMI	Jun P	54.5	--	55.1	--
06/23 10:00	RU	Money Supply Narrow Def	Jun 16	--	--	17.82t	--
06/23 10:30	UK	S&P Global/CIPS UK Manufacturing PMI	Jun P	46.8	--	47.1	--
06/23 10:30	UK	S&P Global/CIPS UK Services PMI	Jun P	54.8	--	55.2	--
06/23 10:30	UK	S&P Global/CIPS UK Composite PMI	Jun P	53.6	--	54.0	--
06/23 15:00	US	Bloomberg June United States Economic Survey					
06/23 15:45	US	S&P Global US Manufacturing PMI	Jun P	48.5	--	48.4	--
06/23 15:45	US	S&P Global US Services PMI	Jun P	54.0	--	54.9	--
06/23 15:45	US	S&P Global US Composite PMI	Jun P	53.5	--	54.3	--
06/23 16:00	CA	Bloomberg June Canada Economic Survey					
06/23 17:00	US	Kansas City Fed Services Activity	Jun	--	--	3	--

Source: Refinitiv