

## Morning Call

Geneva, June 5, 2023

# Market Corner

### Asian equities gained for a third day, led by Japanese stocks, amid broad risk-on sentiment in Asia as concerns of a global recession eased amid the potential for a pause in rate hikes by the Federal Reserve.

The MSCI Asia Pacific Index rose 0.6%, driven by gains in the industrial and financial sectors. Australia and Vietnam were the best performers after Japan, while benchmarks also advanced in Hong Kong. A key gauge of mainland China shares dropped. Malaysia, Thailand and New Zealand were closed for holidays.

The advance in Asia follows a US rally Friday amid bets that a mixed jobs report will encourage the Fed to leave rates on hold next week. Over the weekend, President Joe Biden signed legislation averting a US debt default, averting a catastrophic blow to the world's largest economy.

In Tokyo, the Nikkei 225 climbed as much as 2%, headed for its highest close since July 1990, helped by a sharp weakening of the yen Friday. Japanese stocks are outpacing gains in global peers this year, helped by tailwinds including easy-money policy as other nations raise rates, corporate governance reforms and solid corporate earnings.

### US equities notched their best day in nearly a month on Friday, propelling the S&P 500 Index within striking distance of what investors call a bull market after a solid jobs report and signs of cooling inflation revived hopes that the Federal Reserve will halt interest-rate increases soon.

The benchmark equities gauge climbed 1.5% to finish at 4,282.37, extending its advance from its Oct. 12 low to push the index near the 20% threshold of what's considered a bull market. The S&P 500, which ended the week 1.8% higher, has been on a steady ascent from its March lows, boosted by the prospect of a slower pace of rate increases, the latest batch of stronger-than-expected corporate earnings and a resilient labor market.

Still, analysts don't always share the same definition for when to call the end of a bear market, which they say can only be recognized in hindsight. Going back to the index's prior peak of 4,796.56 reached in January 2022 may take considerable time.

World Indices	Last	1D Change	YTD
Dow Jones	33 762.8	2.12%	1.86%
S&P 500	4 282.4	1.45%	11.53%
Nasdaq	13 240.8	1.07%	26.51%
Eurostoxx 50	4 323.5	1.55%	13.97%
FTSE 100	7 607.3	1.56%	2.09%
CAC 40	7 270.7	1.87%	12.31%
DAX	16 051.2	1.25%	15.28%
SMI	11 443.4	1.30%	6.65%
Nikkei	32 217.4	2.20%	23.46%
Hang Seng	19 028.0	0.41%	-3.82%
CSI 300	3 839.8	-0.57%	-0.80%
VIX Index	14.6	-6.71%	-32.63%

World Bonds	Last	1D Change	YTD
US 10Y	3.7351	0.05	-0.138
EUR 10Y	2.3120	0.06	-0.259
Swiss 10Y	0.8620	-0.02	-0.755
UK 10Y	4.1560	0.04	0.484

Source: Bloomberg



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## Crypto Corner

**Just when markets appear to be moving past the months-long drama around the US debt ceiling, holders of risky assets such as cryptocurrencies are likely facing a fresh challenge while the Treasury looks to rebuild its depleted cash balance with an estimated \$1 trillion Treasury-bill deluge.**

“The impending reserve drawdown, due to the [Treasury General Account] rebuild, may prove to be a headwind,” Citi Research strategists including Alex Saunders wrote in a note.

Citi analyzed the performance of risky assets during drawdowns and found that they were vulnerable to higher volatility and weaker returns. As such, the near-term outlook doesn’t seem too rosy for Bitcoin and Ether. “Both coins average negative returns in these scenarios, and BTC has significantly underperformed in the median case,” the strategists wrote Thursday.

The TGA, which keeps money for the Treasury, ballooned during the pandemic. It expanded again last year and is now about as low as it has ever been. Treasury, as a result, will need to replenish its dwindling cash buffer to maintain its ability to pay its obligations through bill sales, estimated at well over \$1 trillion by the end of the third quarter. This supply burst may drain liquidity from the banking sector and raise short-term funding rates against an economy many say is likely to fall into recession.

This doesn’t bode well for digital-asset investors, who were just recovering from fears of a no-deal scenario for the US debt ceiling. While Bitcoin edged higher on Friday, it’s still hovering around the \$27,000-mark that it has failed to break away from for several weeks.

“Crypto markets were not immune to fears of the US defaulting on its debt, selling off on negative developments and rallying on headlines suggesting progress,” the strategists said. They added that crypto has typically “fared well” amid issues concerning traditional financial institutions, citing the banking turmoil in March, a period in which Bitcoin outperformed. But perhaps risks of an institution such as the US government defaulting “doesn’t paint a favorable outlook for decentralized digital assets.”

To illustrate, the strategists used the Cboe Volatility Index, or VIX, as an indicator of the market’s fear to gauge whether a resolution would be passed before hitting the ceiling. And whenever equity market concerns were eased, that’s when Bitcoin outperformed.

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Crypto Market Cap: 1.13T

24h Vol: **\$26B**

Dominance: **BTC: 45.9% ETH:19.8%**

Crypto	Last	1D Change	YTD
<b>Bitcoin</b>	26 811.33	<b>-1.61%</b>	<b>62.18%</b>
<b>Ethereum</b>	1 870.73	<b>-1.78%</b>	<b>56.03%</b>



Source: [fxstreet.com / Bloomberg/Coinmarketcap.com](https://fxstreet.com/Bloomberg/Coinmarketcap.com)

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# Commodity Corner

**Gold steadied after Friday's decline, as a move toward risk-on assets after the US resolved its debt-default saga quelled appetite for the precious metal.**

Traders on Monday were concentrating on the surge in equities at the expense of bullion, which has slipped more than 5% since approaching a record high a month ago. After hailing the budget agreement that averted the first-ever US debt default, President Joe Biden said the world would not be shaken by doubts about the creditworthiness of the top economy.

On Friday, signs of labor-market slackening in May despite a pickup in hiring bolstered the argument from Federal Reserve Chair Jerome Powell and other officials that they should take more time to assess incoming data and the evolving outlook, lessening the likelihood of further monetary tightening this month. Higher rates are generally negative for non-interest-bearing bullion

**Spot gold** was little changed at \$1,947.10 an ounce as of 9:05 a.m. in Singapore, after closing Friday down 1.5%. The Bloomberg Dollar Spot Index edged up. Silver and palladium fell, while platinum was flat

Precious Metals	Last	1D Change	YTD
Gold	1 942.88	-0.26%	6.51%
Silver	23.47	-0.58%	-2.02%
Platinum	1 008.78	0.08%	-6.11%
Palladium	1 427.23	0.21%	-20.39%

**Oil advanced at the week's open after Saudi Arabia said it will make an extra 1 million barrel-a-day supply cut in July, taking its production to the lowest level for several years following a slide in prices.**

West Texas Intermediate jumped almost 5% early in the session before paring gains to trade below \$73 a barrel, while global benchmark Brent changed hands at about \$77. Saudi Energy Minister Prince Abdulaziz bin Salman said he "will do whatever is necessary to bring stability to this market" following a tense OPEC+ meeting over the weekend.

"The voluntary cut, in my view, is notable more for downside protection" rather than to spur a sustained rally, said Vivek Dhar, director of mining and energy commodities research at Commonwealth Bank of Australia. Markets may return to focus on the broader outlook of macroeconomic weakness, he said.

Oil in New York tumbled 11% last month as demand concerns weighed on the outlook, especially in China. Most market watchers including Goldman Sachs Group Inc. had expected OPEC+ to keep output unchanged, and the rest of the 23-nation coalition offered no additional action.

World Commodities	Last	1D Change
WTI Crude	72.67	1.30%
Brent Crude	77.02	1.17%
Nat Gas (HH)	2.22	2.26%
Nickel	21 126.00	-0.44%
Copper	369.75	-0.80%
Corn	613.00	0.66%
Wheat	627.00	1.29%
Soybean	1 358.75	0.46%
Coffee	180.30	-1.50%
Cotton	85.79	-0.30%
Sugar	24.73	-0.60%

Source: [fxstreet.com](https://fxstreet.com) / Bloomberg

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## FX Corner

**EUR/USD** is battling 1.0700, staying defensive at the start of the week on Monday. The US Dollar is holding post-US NFP gains amid cautious optimism, as investors assess the Fed interest rates outlook ahead of US ISM Services PMI. Eurozone PPI data eyed as well.

**GBP/USD** is falling toward 1.2400 amid a modest US Dollar strength, dragging the major lower for the second successive day on Monday. Markets repricing of the Fed interest rates outlook push the US Treasury bond yields higher. Focus shifts to US ISM Services PMI.

**USD/JPY** has shifted its auction comfortably above the crucial resistance of 140.00 in the Asian session. The major is expected to extend its gains firmly as Friday's upbeat United States Nonfarm Payrolls (NFP) data have accelerated the odds of more interest rate hike announcements by the Federal Reserve (Fed).

**AUD/USD** is recovering ground above 0.6600 after China's Caixin Services PMI met estimates with 57.1 in May. The Aussie snaps the previous day's retreat, despite a firmer US Dollar, mixed Aussie data and a cautious market mood. Focus shifts to US ISM Services PMI and RBA decision.

World Currencies	Last	1D Change	YTD
EURUSD	1.0694	-0.13%	-0.10%
EURCHF	0.9746	-0.15%	1.51%
EURGBP	0.8614	-0.16%	1.51%
EURJPY	150.0100	-0.17%	-6.84%
USDCHF	0.9114	-0.25%	-1.43%
USDJPY	140.2800	-0.26%	-6.99%
USDCAD	1.3443	-0.13%	0.85%
USDTRY	21.1398	-0.99%	-12.98%
GBPUSD	1.2415	-0.31%	2.78%
AUDUSD	0.6598	-0.18%	-3.14%
NZDUSD	0.6057	-0.16%	-4.58%

Currencies	S3	S2	S1	R1	R2	R3
EURUSD	1.0583	1.0657	1.0682	1.0756	1.0805	1.0879
USDJPY	136.6133	138.0733	138.9967	140.4567	140.9933	142.4533
GBPUSD	1.2274	1.2377	1.2415	1.2518	1.2583	1.2686
USDCAD	1.3340	1.3384	1.3404	1.3448	1.3472	1.3516
AUDUSD	0.6463	0.6534	0.6572	0.6643	0.6676	0.6747
NZDUSD	0.5956	0.6016	0.6042	0.6102	0.6136	0.6196
USDCHF	0.8959	0.9016	0.9053	0.9110	0.9130	0.9187
USDTRY	20.6180	20.7542	20.8419	20.9781	21.0266	21.1628
XAUUSD	1888.170	1923.950	1935.960	1971.740	1995.510	2031.290
XAGUSD	22.8602	23.2987	23.4524	23.8909	24.1757	24.6142

Source: [fxstreet.com](https://fxstreet.com) / Bloomberg



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## Event Corner

ECO Economic Calendars										Options							
G8										Browse		07:55:22		06/05/23		06/05/23	
Economic Releases										All Economic Releases		View		Agenda		Weekly	
Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised						
06/05	02:30	JN				Jibun Bank Japan PMI Composite	May F	--	--	54.9	--						
06/05	02:30	JN				Jibun Bank Japan PMI Services	May F	--	--	56.3	--						
06/05	08:00	GE				Trade Balance SA	Apr	--	--	16.7b	14.9b						
06/05	08:00	GE				Exports SA MoM	Apr	--	--	-5.2%	-5.9%						
06/05	08:00	GE				Imports SA MoM	Apr	--	--	-6.4%	-5.3%						
06/05	08:00	RU				S&P Global Russia Services PMI	May	--	--	55.9	--						
06/05	08:00	RU				S&P Global Russia Composite PMI	May	--	--	55.1	--						
06/05	09:45	IT				HCOB Italy Composite PMI	May	--	--	55.3	--						
06/05	09:45	IT				HCOB Italy Services PMI	May	--	--	57.6	--						
06/05	09:50	FR				HCOB France Composite PMI	May F	--	--	51.4	--						
06/05	09:50	FR				HCOB France Services PMI	May F	--	--	52.8	--						
06/05	09:55	GE				HCOB Germany Services PMI	May F	--	--	57.8	--						
06/05	09:55	GE				HCOB Germany Composite PMI	May F	--	--	54.3	--						
06/05	10:00	EC				HCOB Eurozone Composite PMI	May F	--	--	53.3	--						
06/05	10:00	EC				HCOB Eurozone Services PMI	May F	--	--	55.9	--						
06/05	10:00	UK				New Car Registrations YoY	May	--	--	11.6%	--						
06/05	10:30	EC				Sentix Investor Confidence	Jun	--	--	-13.1	--						
06/05	10:30	UK				Official Reserves Changes	May	--	--	\$545m	--						
06/05	10:30	UK				S&P Global/CIPS UK Services PMI	May F	--	--	55.1	--						
06/05	10:30	UK				S&P Global/CIPS UK Composite PMI	May F	--	--	53.9	--						
06/05	11:00	EC				PPI MoM	Apr	--	--	-1.6%	--						
06/05	11:00	EC				PPI YoY	Apr	--	--	5.9%	--						
06/05	15:45	US				S&P Global US Services PMI	May F	55.2	--	55.1	--						
06/05	15:45	US				S&P Global US Composite PMI	May F	--	--	54.5	--						
06/05	16:00	CA				Bloomberg Nanos Confidence	Jun 2	--	--	53.0	--						
06/05	16:00	US				Factory Orders Ex Trans	Apr	--	--	-0.7%	-1.0%						
06/05	16:00	US				Factory Orders	Apr	0.8%	--	0.9%	0.4%						
06/05	16:00	US				Durable Goods Orders	Apr F	--	--	1.1%	--						
06/05	16:00	US				Durables Ex Transportation	Apr F	--	--	-0.2%	--						
06/05	16:00	US				Cap Goods Orders Nondef Ex Air	Apr F	--	--	1.4%	--						
06/05	16:00	US				Cap Goods Ship Nondef Ex Air	Apr F	--	--	0.5%	--						
06/05	16:00	US				ISM Services Index	May	52.5	--	51.9	--						
06/05	16:00	US				ISM Services Prices Paid	May	--	--	59.6	--						
06/05	16:00	US				ISM Services Employment	May	--	--	50.8	--						
06/05	16:00	US				ISM Services New Orders	May	--	--	56.1	--						
06/05-06/10		RU				Wellbeing Fund	May	--	--	\$155.0b	--						

Source: Refinitiv

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