Morning Call
Geneva, July 7, 2023

Market Corner

Asian stocks fell as traders weighed greater US rate-hike expectations and as pressure mounted for China to deliver stimulus to prop up its sinking equity market.
The MSCI Asia Pacific Index was on track for a weekly fall, dropping as much as 0.9% Friday to the lowest in a month on declines in tech and consumer discretionary stocks. Australia's and Korea's gauges led declines, with all markets in the red. The Hang Seng Index dropped, edging closer to a bear market.
Swap contracts signaled a growing likelihood of an additional move up in the Fed funds rate by year-end, after ADP Research Institute data showed US companies added the most jobs in more than a year in June. Stocks across Asia have been losing ground in July after a strong first half of the year as hawkishness from central banks damps hopes of a soft landing for the global economy.
The ADP data "is raising some uncomfortable questions about where terminal policy rates need to get before major cracks in employment show," said Chamath De Silva, a senior portfolio manager at BetaShares Holdings in Sydney. "We're probably starting to see the weakness in bonds that's been apparent for quite some time now filtering across to equities, with payrolls tonight being a key risk event."
Meanwhile, Samsung Electronics was among the major drags on the regional benchmark, sliding in Seoul after reporting its biggest decline in quarterly revenue since at least 2009.

Equities fell Thursday in a broad-based selloff as data showed the pace of job growth unexpectedly accelerated in June, supporting a growing conviction that the Federal Reserve is poised to resume hiking interest rates after last month's pause.
The S&P 500 Index fell 0.8% for its biggest drop since May as every sector in the index declined, led by cyclicals including energy and consumer discretionary. The tech-heavy Nasdaq 100 Index retreated 0.8%, and the Dow Jones Industrial Average lost 1.1%.
Markets traded down for a second day, following Wednesday's selloff after minutes from the Fed's last policy meeting signaled the potential for more rate hikes.
Hotter-than-expected economic data Thursday added to that conviction. US companies added the most jobs in over a year in June. The number of new jobs recorded in the ADP Research Institute survey — 497,000 — was more than twice what Wall Street forecasters expected. At the same time, the purchase managers' index and ISM Services Index readings came in higher than expected.

World Indices	Last	1D Change	YTD
Dow Jones	33 922.3	-1.07%	2.34%
S&P 500	4 411.6	-0.79%	14.90%
Nasdaq	13 679.0	-0.82%	30.69%
Eurostoxx 50	4 223.1	-2.93%	11.32%
FTSE 100	7 280.5	-2.17%	-2.30%
CAC 40	7 082.3	-3.13%	9.40%
DAX	15 528.5	-2.57%	11.53%
SMI	10 986.8	-1.85%	2.40%
Nikkei	32 646.6	-0.39%	25.08%
Hang Seng	18 510.0	-0.12%	-6.43%
CSI 300	3 840.8	-0.05%	-0.77%
VIX Index	15.4	8.89%	-28.75%

World Bonds	Last	1D Change	YTD
US 10Y	4.0336	0.01	0.161
EUR 10Y	2.6260	0.15	0.055
Swiss 10Y	1.0540	0.09	-0.563
UK 10Y	4.6600	0.17	0.988

Source: Bloomberg

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Crypto Corner

<u>The old tech mantra</u> of "move fast and break things" had long been one of the guiding principles of the cryptocurrency movement. The only problem: Too many things broke, leaving a string of high-profile bankruptcies and criminal prosecutions in its wake.

Yet many of the torches lit in the "move fast" phase are now being carried, albeit at a slower pace, by an unlikely group: the same traditional financial firms that crypto was hoping to disrupt. While none of it is as intoxicating as the old "Dogecoin to the moon" days, blockchain innovations are increasingly being appropriated and refined for the more boring — but very important — task of streamlining parts of Wall Street's plumbing. Frequent attendees at crypto conferences have even noticed a sartorial shift: Fewer hoodies, more suits and ties.

JPMorgan Chase & Co. last month expanded its blockchain-based payments platform to allow corporate clients to use euros, and the bank is exploring ways to expand an asset tokenization platform that has already traded more than $785 billion of notional value. Goldman Sachs Group Inc. is looking to increase issuance of tokenized securities through the digital-asset platform it launched in November. Institutional behemoths BlackRock Inc. and Fidelity Investments are among a flurry of firms that have applied for Bitcoin exchange-traded funds in recent weeks, while a crypto exchange recently went live with backing from billionaire Ken Griffin's Citadel Securities as well as Fidelity and Charles Schwab Corp.

"It may seem like everything is happening all of a sudden. But really you are seeing the fruits of many years grinding out of the spotlight, and solving problems we have from the vantage point of a regulated financial institution," Tyrone Lobban, head of blockchain launch and Onyx Digital Assets at JPMorgan, said of the bank's tokenization efforts.

The cascading chaos triggered by the failure of unregulated or lightly regulated crypto players like FTX may have helped create a new opportunity for traditional Wall Street firms. In a recent EY-Partheon survey of institutional investors, "regulatory clarity and oversight," as well as "proven and trusted financial entities to interact with," were ranked as the two most-important factors when making a significant investment in digital assets. "Decentralization," the goal of many crypto projects seeking to eliminate financial middlemen, ranked a distant seventh. And many of Wall Street's efforts at the moment do just the opposite: Rather than do away with financial intermediaries, they're just trying to use blockchain technology to make transactions involving them more efficient.

"Almost every week you see some bank or asset managers saying they're tokenizing this bond or this fund, we're doing this plan," said Prashant Kher, a senior director at EY-Parthenon focused on digital-asset markets. "We're working with a lot of banks and asset managers behind the scenes to support a lot of that."

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Crypto Market Cap: $1.17T 24h Vol: $46.7B Dominance: BTC: 49.9% ETH:19%

Currency	Last	1D Change	YTD
Bitcoin	30 283.85	**-0.11%**	**82.98%**
Ethereum	1 862.57	**-1.11%**	**55.19%**

Source: fxstreet.com / Bloomberg/Coinmarketcap.com

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Commodity Corner

Gold was on track for its fourth consecutive weekly loss, driven lower by increasing market expectations that the Federal Reserve will further tighten monetary policy.
Since climbing to near a record high in early May, bullion has slid about 7% as a raft of US data indicates the central bank has a way to go to cool the economy and get inflation under control. Higher interest rates are typically negative for non-yielding bullion.
The Fed's challenge was underscored on Thursday, with fresh figures from the world's biggest economy showing companies added the most jobs in over a year during June, while announced job cuts by employers fell to an eight-month low. Traders will look to nonfarm payrolls to be released later Friday for a more comprehensive view of the US labor market.
Expectations for further rate increases, backed by recent hawkish comments from Fed policymakers, have triggered outflows from exchange-traded funds backed by bullion, adding to the pressure on gold.
Still, it's found some haven support from central banks increasing holdings as a hedge against economic and geopolitical risks. Data from China later Friday may show the Asian powerhouse has increased its stockpiles of the precious metal for an eighth consecutive month.

Spot gold edged up 0.1% to $1,913.45 an ounce as of 1:19 p.m. in Singapore, on track for a 0.3% weekly decline. The Bloomberg Dollar Spot Index dipped 0.1%. Silver was little changed, while platinum and palladium gained.

Precious Metals	Last	1D Change	YTD
Gold	1 914.16	**0.17%**	**4.96%**
Silver	22.72	**0.02%**	**-5.10%**
Platinium	910.06	**0.43%**	**-15.27%**
Palladium	1 249.32	**0.34%**	**-30.31%**

The oil market is finally starting to show signs of tightening, a relief for traders who have grappled with fading optimism around China's recovery and concerns over the global demand outlook.
A series of supply cuts by OPEC+ and its de facto leader Saudi Arabia over the last few months have failed to dispel the gloom, but there are indications that the latest reductions are having an impact. Across the derivatives market, key gauges have turned more bullish over the past few days.
Swaps contracts tied to physical supplies have been rallying, while in options markets, the premium of bearish puts over bullish calls has narrowed. Prompt spreads for benchmark futures have also climbed out of a contango structure that reflects oversupply, as trading of real-world oil shows some strength.

Wolrd Commodities	Last	1D Change
WTI Crude	72.15	**0.49%**
Brent Crude	76.89	**0.48%**
Nat Gas (HH)	2.64	**1.07%**
Nickel	21 057.00	**-0.09%**
Copper	373.50	**0.40%**
Corn	568.50	**0.31%**
Wheat	647.00	**-2.27%**
Soybean	1 514.00	**-0.77%**
Coffee	162.35	**0.81%**
Cotton	82.88	**0.52%**
Sugar	23.25	**-1.19%**

Source: fxstreet.com / Bloomberg

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FX Corner

EUR/USD is recovering ground to trade close to 1.0900 in the early European morning. The pair looks to extend its rebound, as the US Dollar stays on the back foot amid a pullback in the US Treasury bond yields, as investors turn cautious mood ahead of US NFP data and Lagarde's speech.

GBP/USD takes offers to extend pullback from the highest level in a fortnight. Three-week-old horizontal resistance challenges Cable buyers as US employment report looms. BoE hawks reassess previous optimism amid risk-off mood and weigh on the Pound Sterling price.

USD/JPY renews its intraday low around 143.70, down for the second consecutive day, heading into Friday's European session. The Yen pair justifies the market's positioning for the US employment report for June.

AUD/USD is consolidating the corrective bounce off the weekly low below 0.6650 in early Europe. The Aussie pair is finding demand on the back of a broadly weaker US Dollar, as investors refrain from placing fresh bets on the Greenback ahead of the US NFP report.

World Currencies	Last	1D Change
EURUSD	1.0893	0.04%
EURCHF	0.9754	-0.05%
EURGBP	0.8547	0.02%
EURJPY	156.4500	0.29%
USDCHF	0.8954	-0.02%
USDJPY	143.6200	0.31%
USDCAD	1.3361	0.05%
USDTRY	26.1026	-0.02%
GBPUSD	1.2745	0.04%
AUDUSD	0.6642	0.24%
NZDUSD	0.6174	0.28%

Currencies	S3	S2	S1	R1	R2	R3
EURUSD	1.0742	1.0808	1.0849	1.0915	1.0940	1.1006
USDJPY	141.8967	142.9967	143.5333	144.6333	145.1967	146.2967
GBPUSD	1.2518	1.2625	1.2682	1.2789	1.2839	1.2946
USDCAD	1.3143	1.3241	1.3304	1.3402	1.3437	1.3535
AUDUSD	0.6460	0.6549	0.6587	0.6676	0.6727	0.6816
NZDUSD	0.5998	0.6084	0.6120	0.6206	0.6256	0.6342
USDCHF	0.8873	0.8920	0.8936	0.8983	0.9014	0.9061
USDTRY	25.6950	25.8745	25.9862	26.1657	26.2335	26.4130
XAUUSD	1864.253	1889.013	1899.957	1924.717	1938.533	1963.293
XAGUSD	21.3792	22.1066	22.4133	23.1407	23.5614	24.2888

Source: fxstreet.com / Bloomberg

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Event Corner

ECO Economic Calendars — Options

G8 | Browse | 07:54:01 | 07/07/23 - 07/07/23

Economic Releases | All Economic Releases | View Agenda Weekly

Date Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/07 01:30	JN				Real Cash Earnings YoY	May	-2.7%	--	-3.0%	-3.2%
07/07 01:30	JN				Labor Cash Earnings YoY	May	1.2%	--	1.0%	0.8%
07/07 01:30	JN				Household Spending YoY	May	-2.5%	--	-4.4%	--
07/07 07:00	JN				Leading Index CI	May P	97.6	--	96.8	--
07/07 07:00	JN				Coincident Index	May P	97.2	--	97.3	--
07/07 08:00	GE				Industrial Production SA MoM	May	0.0%	--	0.3%	--
07/07 08:00	GE				Industrial Production WDA YoY	May	0.5%	--	1.6%	--
07/07 08:45	FR				Trade Balance	May	--	--	-9710m	--
07/07 08:45	FR				Current Account Balance	May	--	--	-0.1b	--
07/07 10:00	IT				Retail Sales MoM	May	-0.2%	--	0.2%	--
07/07 10:00	IT				Retail Sales YoY	May	--	--	3.2%	--
07/07 10:00	RU				Money Supply Narrow Def	Jun 30	--	--	17.89t	--
07/07 10:30	UK				Output Per Hour YoY	1Q F	--	--	-0.6%	--
07/07 14:30	US				Two-Month Payroll Net Revision	Jun	--	--	--	--
07/07 14:30	CA				Part Time Employment Change	Jun	--	--	15.5k	--
07/07 14:30	CA				Net Change in Employment	Jun	20.0k	--	-17.3k	--
07/07 14:30	CA				Full Time Employment Change	Jun	--	--	-32.7k	--
07/07 14:30	US				Change in Nonfarm Payrolls	Jun	225k	--	339k	--
07/07 14:30	CA				Unemployment Rate	Jun	5.3%	--	5.2%	--
07/07 14:30	US				Change in Private Payrolls	Jun	200k	--	283k	--
07/07 14:30	CA				Hourly Wage Rate Permanent Employees YoY	Jun	4.6%	--	5.1%	--
07/07 14:30	US				Change in Manufact. Payrolls	Jun	5k	--	-2k	--
07/07 14:30	CA				Participation Rate	Jun	65.5%	--	65.5%	--
07/07 14:30	US				Unemployment Rate	Jun	3.6%	--	3.7%	--
07/07 14:30	US				Average Hourly Earnings MoM	Jun	0.3%	--	0.3%	--
07/07 14:30	US				Average Hourly Earnings YoY	Jun	4.2%	--	4.3%	--
07/07 14:30	US				Average Weekly Hours All Employees	Jun	34.3	--	34.3	--
07/07 14:30	US				Labor Force Participation Rate	Jun	62.6%	--	62.6%	--
07/07 14:30	US				Underemployment Rate	Jun	--	--	6.7%	--
07/07 15:00	RU				Official Reserve Assets	Jun	--	--	584.2b	--
07/07 16:00	CA				Ivey Purchasing Managers Index SA	Jun	--	--	53.5	--
07/07	IT				Bank of Italy Reports on Balance-Sheet Aggregates					

Source: Refinitiv