REUTERS®

Morning Bid Europe

A look at the day ahead in European and global markets

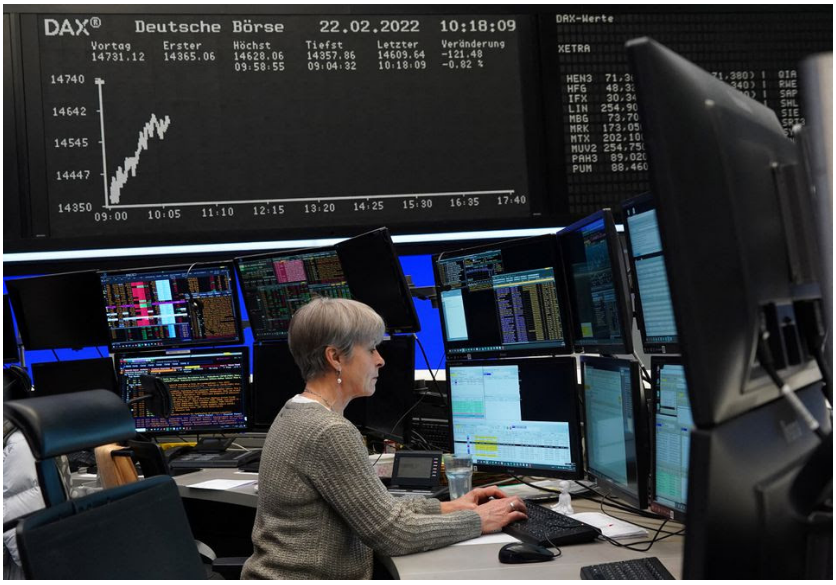
By Ankur Banerjee, Asia Finance & Markets Breaking News Correspondent

Wednesday, April 11, 2023

(The Morning Bid Europe newsletter on April 11 incorrectly stated that First Republic Bank would report earnings later in the day. The bank's earnings announcement has been scheduled for April 24.)

Today marks what has become a monthly routine when investors hold their collective breath for the U.S inflation report, to gauge just how sticky prices are likely to be and the path the Fed will take to tackle inflation.

Also due later in the day are minutes of the Fed's last meeting in March, when the central bank raised rates by 25 basis points and hinted that it may just be at the end of its hiking cycle. Investors will parse through the commentary to better understand the Fed's thinking about the turmoil in the banking sector, which had stoked expectations that the Fed may need to cut rates.



A trader works at the Frankfurt stock exchange in Frankfurt, Germany, February 22, 2022. REUTERS/Timm Reichert

But economic data along with rhetoric from Fed speakers have led markets to price in a two-thirds chance of a 25bp hike in May and standing pat thereafter, according to CME FedWatch tool.

And so, Asian shares are drifting, while gold soars and the dollar stalls.

Philadelphia Federal Reserve Bank President Patrick Harker said he feels the Fed may soon be done raising interest rates as he reiterated that the central bank is committed to bringing inflation down to its 2% target.

The consumer price index is expected to show core inflation rose 0.4% on a monthly basis and 5.6% year-over-year in March, according to a Reuters poll of economists.

Meanwhile, Switzerland's parliament on Tuesday failed to approve the 109 billion Swiss francs ($120.75 billion) of financial guarantees used to rescue embattled lender Credit Suisse last month, in a first-round vote that was largely symbolic given the state had committed the funds.

Switzerland's upper house had approved the rescue earlier on Tuesday, meaning the two chambers of the legislative body will vote again on Wednesday.

In corporate news, investors will watch out for first-quarter earnings from French luxury goods group LVMH that will likely shed light on demand from China after COVID-19 restrictions were lifted in that country late last year.

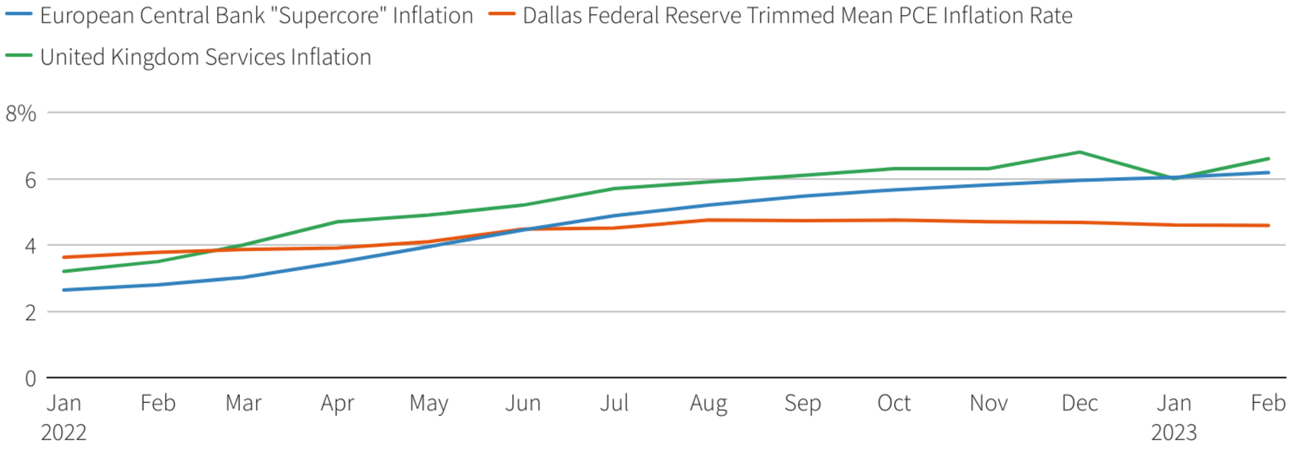
Elsewhere, Newmont Corp laid down a best and final offer for Australia's Newcrest Mining Ltd on Tuesday at A$29.4 billion ($19.5 billion) to close a deal that would extend Newmont's lead as the world's biggest gold producer.

Key developments that could influence markets on Wednesday:

- Economic events: Inflation reports from Serbia, Hungary; Bank of Canada rate decision; U.S. inflation report; Fed minutes
- Speakers: BOE Governor Andrew Bailey, ECB's Luis De Guindos

Sticky prices vex central banks

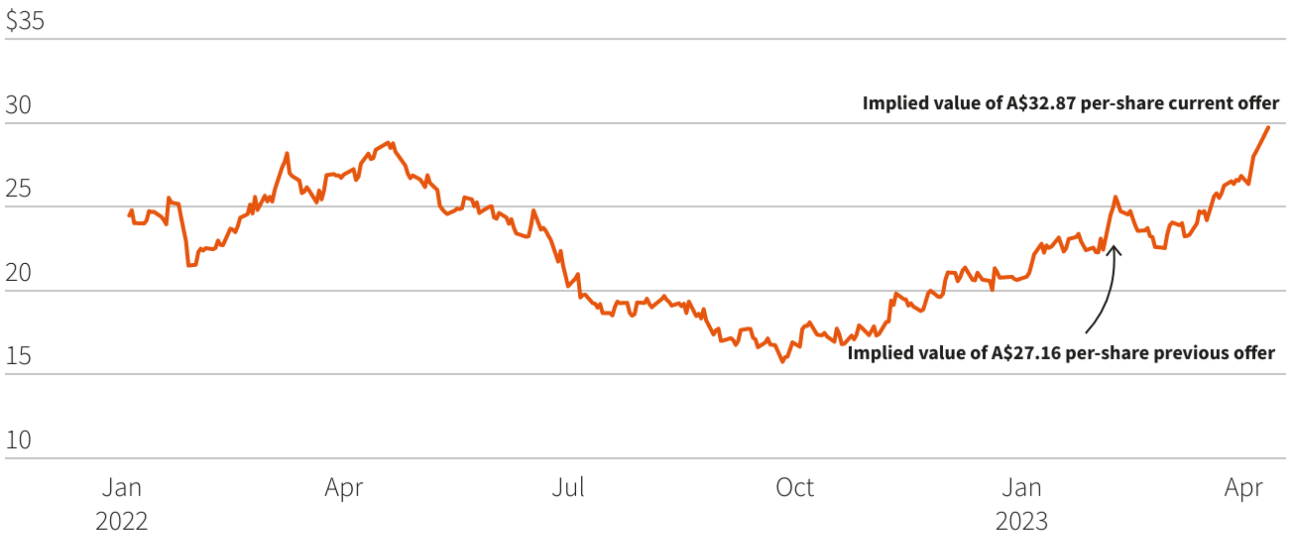
Beyond headline inflation, which can be volatile due to commodity prices, major central banks have developed different ways to gauge underlying inflation. Those measures have not shown much improvement.



Source: European Central Bank, Dallas Federal Reserve, U.K. Office of National Statistics

New approach

Newcrest shares are trading below the implied value of Newmont's bid



Source: Refinitiv | Robyn Mak | Reuters Breakingviews | April 11, 2023

Graphics are produced by Reuters.