

Daily Market Brief

December 28th 2023



FOREIGN EXCHANGE MARKETS

(Sources: Bloomberg / Reuters)

EUR/USD

EUR/USD maintains its winning streak, with the Euro (EUR) gaining ground against the subdued US Dollar (USD). This trend is likely influenced by the anticipated dovish stance of the US Federal Reserve (Fed) on the interest rate trajectory. Traders will keep an eye on the US weekly Jobless Claims, Trade Balance and the November Pending Home Sales report, due on Thursday.

GBP/USD

The GBP/USD pair extends its upside above the 1.2800 mark during the Asian trading hours on Thursday. The decline in inflationary pressure in the US economy and dovish comments from the Federal Reserve (Fed) have dragged the US Dollar (USD) lower and lent some support to GBP/USD. Amidst the holiday season's thin trading, the risk sentiment is likely to continue influencing GBP/USD movements until the New Year.

USD/JPY

USD/JPY continues its losing streak for the second straight session, trading lower around 141.30 during the Asian hours on Thursday. The improved Japanese trade data for November put pressure on the USD/JPY pair. However, the less aggressive remarks from the Bank of Japan (BoJ) Governor Kazuo Ueda could weigh on the Japanese Yen (JPY). BoJ Governor Kazuo Ueda conveyed on Wednesday that there is no rush to unwind the ultra-loose monetary policy.

Fx rates	Last	High	Low	% Daily	% Weekly	% YTD
EUR-USD	1.1112	1.1123	1.1101	0.06	0.92	3.80
GBP-USD	1.2810	1.2816	1.2793	0.09	0.95	6.02
USD-JPY	141.17	141.83	141.08	-0.47	0.67	-7.12
USD-CHF	0.8406	0.8437	0.8394	-0.29	1.86	9.98
Commodities	Last	High	Low	% Daily	% Weekly	% YTD
Gold	2086.00	2088.53	2078.23	0.41	2.69	14.36
Silver	24.37	24.49	24.27	0.42	0.91	1.72
Crude Oil	74.20	74.40	73.77	0.12	-0.03	-2.75
Bitcoin	43132.32	43815.45	43013.76	-0.61	-1.53	160.78
Etherium	2382.90	2446.71	2360.77	0.93	3.99	98.68
Period	1 M		3 M			12 M
EURIBOR	3.87		3.93			3.58
SOFR	5.36		5.35			4.80
Notes/Bonds	2 Y		10 Y			30 Y
US	4.27		3.80			3.95
BTP - BUND	0.52		1.59			1.99
GILTS	3.98		3.44			4.03

INTERNATIONAL EQUITY MARKETS

(Sources: Bloomberg / Reuters)

UNITED STATES OF AMERICA

Stocks finished higher Wednesday as traders kept an eye on the S&P 500's march toward record levels. It has been a strong year for stocks. The Dow and S&P 500 are poised to end 2023 higher by 13% and 24%, respectively. The Nasdaq Composite has jumped 44%, outperforming amid mega-cap technology's rebound and the artificial intelligence craze. The tech-heavy benchmark is also on track for its biggest one-year gain since 2003.

EUROPE

European markets closed higher on Wednesday to kick off the final trading week of 2023, as major indexes around the world hovered near record highs. Energy and technology were the leading sectors, gaining around 0.61% and 0.7% respectively. Stock markets in Europe were closed on Monday and Tuesday in observance of Christmas Day and Boxing Day.

ASIA

China and Hong Kong stocks gained ground Wednesday as video-game shares surged. Aussie stocks have been buoyed by hopes that the Reserve Bank of Australia will no longer be hiking interest rates after the central bank held rates steady at its last meeting of the year, partly driven by the Federal Reserve's more dovish tilt. The Nikkei 225 has gained more than 27% so far this year, making it Asia's top performing index for 2023.

Index	Close	% Daily	% M	YTD	Futures	% Change
DJIA	37656.52	0.30	6.32	13.60	38021.00	0.03
S&P	4781.58	0.14	4.98	24.54	4840.75	0.14
Nasdaq	15099.18	0.16	5.72	44.26	17150.75	0.21
DJ EuroStoxx50	4528.38	0.15	4.15	19.37	4583.00	0.42
FTSE 100	7724.95	0.36	3.62	3.67	7776.50	0.30
CAC 40	7571.82	0.04	4.44	16.96	7588.50	N/A
DAX	16742.07	0.21	4.69	20.24	16973.00	0.33
IBEX 35	10121.80	0.10	1.18	23.00	10121.70	N/A
FTSE MIB	30421.51	0.22	3.56	28.32	30599.00	N/A
Nikkei	33539.62	-0.42	0.39	28.53	33480.00	-0.36
Hang Seng	16624.84	2.58	-1.73	-13.79	16943.00	1.69
DFM General	4038.32	0.20	0.95	21.30	N/A	N/A
MSCI Tadawoul	11889.35	0.14	7.10	13.46	N/A	N/A

Leb. Mrkts	Closing Px	High	Low	% Daily	% Weekly	YTD
Solidere A	89.85	90.00	85.40	1.87	9.57	47.54
Solidere B	90.75	90.75	90.75	0.00	10.81	50.37

MUST READ

(Source: Bloomberg/ Forexlive)

On corporate defaults

Corporate defaults will rise next year in both the US and the eurozone as the impact of tighter central bank policy will continue to work its way through the economy, Fitch Ratings cautioned. The agency expects a much shallower Federal Reserve pivot than what US markets are forecasting. It projects that interest rates will fall by 75 basis points through next year, taking the Fed Funds rate to 4.75%. But despite hopes for a pivot from central banks around the world, high borrowing costs will continue to be a burden on corporations through 2024. "Stressed bond and loan issuers appear increasingly operationally challenged, generate low or negative [free cash flow], and/or cannot organically grow EBITDA to reduce high debt burdens," Fitch said in a report released Wednesday. Through October, the year has been marked by 127 corporate debt defaults, 13% above the five-year average, as borrowing costs have come close to tripling for some firms compared to prior years. But in 2024, defaults could rise to a rate of 3.5%-4.0% for leveraged loans, Fitch estimates. It expects high-yields bond defaults to reach 5.0%-5.5%, over six times the default rate among all such issuers in 2021. "The higher default rate expectations for 2024 reflect ongoing macroeconomic headwinds, including the impact of still high interest rates and a slowdown in the U.S. economy in 2024 relative to 2023," it said. "However, Fitch does not forecast a recession for the U.S. in 2024." Wall Street has long warned of a coming wave of bankruptcies.

MAIN WEEKLY EARNINGS

Company	Ticker	Market Cap	Date	Time	Estimate	Year Ago
Unifirst Corporati	UNF US	\$3.43 B	03-Jan-24	Pre-mkt	2.33	2.21
Walgreens Boots	WBA US	\$22.99 B	04-Jan-24	Pre-mkt	0.66	1.16
ConAgra Brands	CAG US	\$13.65 B	04-Jan-24	Pre-mkt	0.67	0.81
RPM Internationa	RPM US	\$14.52 B	04-Jan-24	Pre-mkt	1.23	1.10
Commercial Metz	CMC US	\$5.99 B	08-Jan-24	Pre-mkt	1.42	2.24

ECONOMIC CALENDAR

(28-12-23) JP - Industrial Production MoM
(28-12-23) US - Initial Jobless Claims
(28-12-23) US - Pending Home Sales MoM
(29-12-23) UK - Nationwide House PX MoM
(29-12-23) US - MNI Chicago PMI
(02-01-23) FR - HCOB France Manufacturing PMI
(02-01-23) EA - M3 Money Supply YoY

CONTACT

Banque BEMO sal
Asset Management Unit

Ashrafieh, Elias Sarkis Ave., BEMO Bldg, 4th Floor
P.O.Box 16-6353 Beirut, Lebanon
Tel: +961 1 325405/6/7/9

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