

Fundamentals:

U.S. stocks ended lower on Wednesday after minutes from the Federal Reserve's March policy meeting revealed concern among several members of the Federal Open Markets Committee (FOMC) regarding the regional bank liquidity crisis.

The minutes followed a cooler-than-expected inflation report which belied stickier underlying data and cemented the likelihood of another policy rate hike when the Fed convenes next month.

All three major U.S. stock indexes seesawed throughout the session to close in negative territory.

The indexes started gyrating as market participants parsed the Labor Department's Consumer Price Index (CPI).

That report, on prices urban consumers pay for a basket of goods and services, came in below analysts' expectations, suggesting that the Fed's efforts to tame inflation is taking effect.

However, core CPI - which strips out volatile food and energy items - hit the consensus bull's eye, and remains well above the Fed's average annual 2% target rate.

At last glance, financial markets have priced in a 70% likelihood of another 25-basis point interest rate hike at the conclusion of the FOMC's policy meeting next month.

The next market-moving catalyst is likely to be first-quarter earnings season, which kicks off on Friday with results from three big banks - Citigroup Inc, JPMorgan Chase & Co and Wells Fargo & Co.

Analysts now expect aggregate first-quarter S&P 500 earnings down 5.2% year-on-year, a stark reversal from the 1.4% annual growth seen at the beginning of the quarter.

The Dow Jones Industrial Average fell 38.29 points, or 0.11%, to 33,646.5; the S&P 500 lost 16.99 points, or 0.41%, at 4,091.95; and the Nasdaq Composite dropped 102.54 points, or 0.85%, to 11,929.34.

Among the 11 major sectors of the S&P 500, seven ended in negative territory, with consumer discretionary suffering the largest percentage loss. Industrials led the gainers.

American Airlines Group Inc slid 9.2% after it forecast a lower-than-expected first-quarter profit.

U.S. Treasury yields eased on Wednesday, after a sharp fall earlier, as data showing cooler-than-expected headline inflation for March but still elevated core consumer prices suggested the Federal Reserve could still raise interest rates at the next policy meeting - but may pause after that.

Minutes from the last Fed meeting had a dovish tone. Several Fed officials last month considered pausing interest rate increases until it was clear the failure of two regional banks would not cause wider financial stress. But those officials ultimately concluded high inflation remained the priority.

The minutes also showed staff projections of a mild recession later this year.

The market, however, hardly moved on the minutes.

The U.S. yield curve lessened its inversion after Wednesday's inflation data, which showed that traders have started to price out rate hikes this year. The spread between the U.S. two-year and 10-year yields narrowed to -55.90 basis points (bps), from about -64 bps before the data.

Data showed the U.S. consumer price index rose 0.1% last month after advancing 0.4% in February. In the 12 months through March, the CPI increased 5.0%, the smallest year-on-year gain since May 2021.

Economists polled by Reuters had forecast the CPI gaining 0.2% last month and advancing 5.2% year-on-year.

Core inflation, however, remained elevated. Excluding the volatile food and energy components, the CPI increased 0.4% last month after rising 0.5% in February. Sticky rents continued to drive core CPI.

Richmond Fed President Thomas Barkin also poured cold water on views that the Fed could hold rates steady next month with headline inflation slowing.

"I'm waiting for inflation to crack. ... It's moving in the right direction ... but, in the absence of a month or two months or three months with inflation at our target, it's hard to make the case that we're compellingly headed there," Barkin said in an interview with broadcaster CNBC on Wednesday.

In afternoon trading, U.S. 10-year yields fell 2.3 bps to 3.411%. U.S. two-year yields also slid, down 9.2 bps at 3.966%.

U.S. rate futures have priced in a roughly 76% chance of a 25-bp rate hike next month.

In the wake of the CPI data, the breakeven inflation rates slid across the curve.

The breakeven rate on two-year U.S. Treasury Inflation-Protected Securities (TIPS) was last at 2.442%, down 10.8 bps, indicating the market sees inflation averaging this percentage over the next two years.

Also on Wednesday, the U.S. Treasury's auction of \$32 billion in 10-year notes was underwhelming. The high yield stopped at 3.455%, higher than what the market expected at the bid deadline and suggesting that investors demanded a higher premium to hold the note.

The bid-to-cover ratio, a gauge of demand, was 2.36, slightly higher than 2.35 last month, but lower than the 2.66 from February and the 2.42 average.

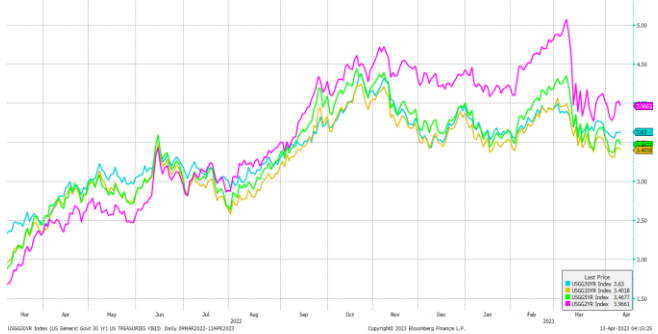
(Source: Reuters)

Economic Releases	Period	Survey	Actual	Prior	Revised	
04/12/2023 19:00	MBA Mortgage Applications	Apr-07	--	5.30%	-4.10%	--
04/12/2023 20:30	CPI MoM	Mar	0.20%	0.10%	0.40%	--
04/12/2023 20:30	CPI Ex Food and Energy MoM	Mar	0.40%	0.40%	0.50%	--
04/12/2023 20:30	CPI YoY	Mar	5.10%	5.00%	6.00%	--
04/12/2023 20:30	CPI Ex Food and Energy YoY	Mar	5.60%	5.60%	5.50%	--
04/12/2023 20:30	CPI Index NSA	Mar	302.241	301.836	300.84	--
04/12/2023 20:30	CPI Core Index SA	Mar	305.364	305.24	304.07	--
04/12/2023 20:30	Real Avg Hourly Earning YoY	Mar	--	-0.70%	-1.30%	--
04/12/2023 20:30	Real Avg Weekly Earnings YoY	Mar	--	-1.60%	-1.90%	--

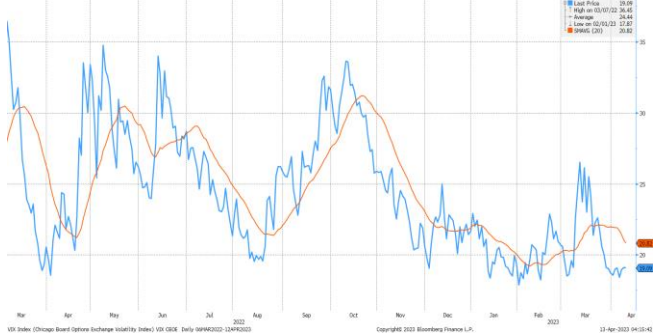
Contract	Close	Change	High	Low
E-Mini Dow JUN 23	33,813.00	-69.00	34,119.00	33,760.00
E-Mini S&P JUN 23	4,119.00	-19.750	4,177.75	4,113.50
E-Mini NASDAQ JUN 23	12,952.25	-122.00	13,241.75	12,937.75
Micro Russell 2K JUN 22	1783.3	-15	1822.1	1782.8
USD Nikkei JUN 23	27,990.0	-110.0	28,285.00	27,960.00
Euro Dollar SEP 23	95.12	0.075	95.18	95.00
US Dollar Index	101.55	-0.652	102.16	101.45
DJIA	33,646.50	-38.290	33,895.43	33,593.32
S&P 500	4,091.95	-16.990	4,134.37	4,086.94
NASDAQ	11,929.34	-102.540	12,134.50	11,916.54
Nikkei 225	28,082.70	159.330	28,121.46	27,983.97
Hang Seng	20,309.86	-175.380	20,494.81	20,236.92
Straits Times	3,286.12	-11.710	3,302.95	3,278.21
DAX	15,703.60	48.430	15,827.28	15,668.20
CAC	7,396.94	6.660	7,463.67	7,379.79
FTSE100	7,824.84	39.120	7,859.67	7,783.40

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	9.21	14.79	13.44	14.49
E-Mini S&P Futures	9.61	16.54	16.11	16.99
E-Mini Nasdaq Futures	11.81	18.19	14.61	15.50

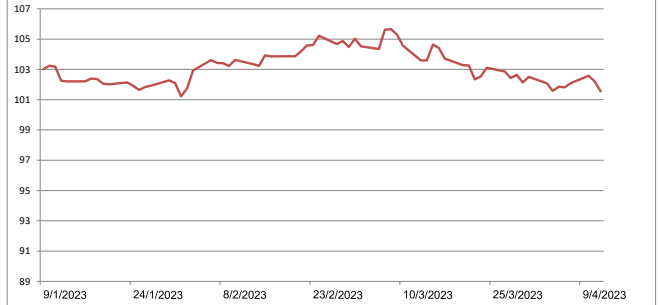
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



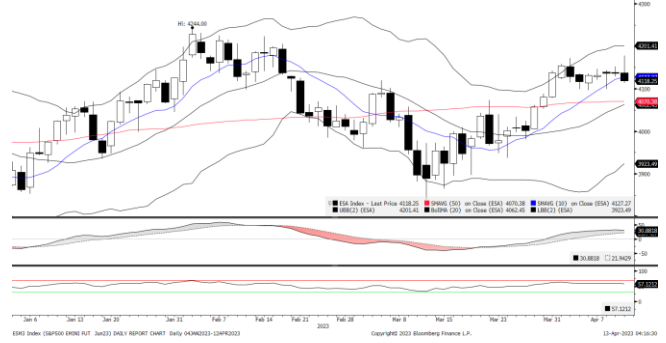
Dollar Index



E-Mini Dow Index Futures Daily Chart



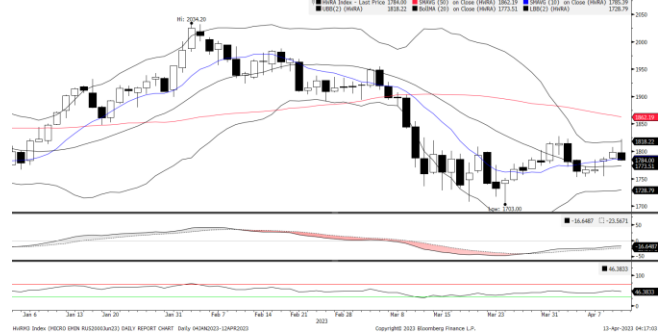
E-Mini S&P 500 Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Technical Analysis

Dow				S&P				Nasdaq				Micro Russell			
1st Resistance:	34320	2nd Resistance:	34827	1st Resistance:	4180.79	2nd Resistance:	4242.57	1st Resistance:	13146.53	2nd Resistance:	13340.82	1st Resistance:	1810.05	2nd Resistance:	1836.80
1st Support:	33306	2nd Resistance:	32799	1st Support:	4057.22	2nd Resistance:	3995.43	1st Support:	12757.97	2nd Resistance:	12563.68	1st Support:	1756.55	2nd Resistance:	1729.80
MACD:	211.230			MACD:	30.764602			MACD:	174.589			MACD:	-16.704		
MACD DIFF:	128.343			MACD DIFF:	8.842019			MACD DIFF:	-19.415			MACD DIFF:	6.873		
RSI:	60.416			RSI:	56.871777			RSI:	53.487			RSI:	46.253		

Strategy

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	33306	33639	33139	32799	33127	32635	34320	33977	34492	34827	34479	35002
S&P	4057.22	4097.79	4036.93	3995.43	4035.38	3975.45	4180.79	4138.98	4201.69	4242.57	4200.14	4263.78
Nasdaq	12757.97	12885.55	12694.18	12563.68	12689.32	12500.86	13146.53	13015.07	13212.27	13340.82	13207.41	13407.52
Micro Russell	1756.55	1774.12	1747.77	1729.80	1747.10	1721.15	1810.05	1791.95	1819.10	1836.799	1818.43	1845.98

Source: Bloomberg

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