# US Market Wrap

## 11th November 2022: Dollar tumble extends post-CPI while stocks keep rising

- **SNAPSHOT**: Equities up, Treasuries closed, Crude up, Dollar down.
- **REAR VIEW**: China to cut quarantine time; SNB's Jordan warns of FX intervention; FTX's files chapter 11, SBF resigns; LME will not ban Russian metal; Disappointing prelim Nov UoM.
- **CENTRAL BANK WEEKLY**: Previewing RBA minutes, reviewing Banxico. To download the report, please click here.
- **WEEK AHEAD PREVIEW**: Highlights include: G20, US retail sales, UK Autumn Statement, China activity data. To download the report, please click here.

## MARKET WRAP

Stocks extended on their post-CPI moonshot on Friday, albeit at a slower pace than Thursday, while the Dollar Index (DXY) continued to tumble to new lows beneath 106.30. The market theme very much remains "peaking inflation", with the rate of change in the data conducive to a less aggressive Fed, albeit officials have looked to push back on the knee-jerk easing in financial conditions in wake of CPI as not to stimulate renewed excess demand. Treasury futures pared modestly from their Thursday peaks, with long-end futures weakest, while cash bonds were closed due to the Veteran's Day holiday. There was a NY morning burst of selling pressure in global bonds after remarks from SNB's Jordan, who alluded to FX intervention, raising questions on whether reserve asset sales could be in store at the central bank. Meanwhile, the weak November preliminary Uni. of Michigan consumer sentiment survey offset the accompanying nudge higher in consumer inflation expectations, seeing two-way flows at the time. Traders now look to next week's retail sales data and earnings from Walmart (WMT) and Home Depot (HD) for a better read on the consumer. In commodities, nat gas futures tumbled with an unverified tweet (since deleted) touting a delay to the Freeport LNG terminal reopening cited as the catalyst; Freeport itself later said the claims were false, but neither did it provide any updates on the restart timeline. Oil prices, however, were firmer amid Saudi jawboning and the weaker Dollar. In crypto, Bitcoin has been sold back down to the USD 16.6k region, while FTX has filed for chapter 11.

## GLOBAL

**CRYPTO**: The FTX demise continued after CEO Sam Bankman-Fried resigned whilst filing for voluntary chapter 11 proceedings in the US. Bloomberg also reported that FTX US employees are exploring the sale of its "prized asset", LedgerX. Nonetheless, FTX maintained efforts to scramble for funds to try and salvage some of the situation and while Tron's (TRX) Justin Sun noted he is still in talks, he needs to do full due diligence but may be ready to provide FTX with billions in aid. Highlighting the extent of the crisis, BlockFi noted it is unable to operate business as usual and is pausing client withdrawals citing a lack of clarity from FTX.com, while Softbank (9984 JT) is reportedly marking down its investments in FTX to zero. Moreover, Reuters reported Coinbase (COIN) will also write off investments its ventures unit made in FTX; said its exposure is not material to its balance sheet. Lastly, Binance CEO Zhao has warned of a cascading crypto crisis and concluded that the full impact of the FTX melt-down has yet to be felt.

**UOM**: Prelim. University of Michigan survey for November disappointed, as the headline fell to 54.7 from 59.9, and way beneath the expected 59.5. Meanwhile, forward-looking expectations dipped to 52.7 (exp. 56.0, prev. 56.2) and current conditions fell to 57.8 (exp. 64.0, prev. 65.6). Looking at inflation expectations, 1yr and 5yr both marginally rose to 5.1% and 3.0%, respectively, from 5.0% and 2.9%. Analysts at Oxford Economics note, “November’s worsening sentiment and rising inflation expectations highlights consumer's precarious position. Consumers remain historically pessimistic as they battle elevated price pressures for food and housing and uncertainty over the economic outlook.” Looking ahead, OxEco notes with a recession expected in 2023, it expects sentiment to remain restrained in the months to come.

## FIXED INCOME

### T-NOTE (Z2) FUTURES SETTLED 6+ TICKS LOWER AT 112-10

**Treasury futures pared modestly from their post-CPI peaks, with long-end futures weakest, while cash bonds were closed.**

**THE DAY**: T-Notes drifted off their late Thursday highs of 112-19 to find support at 112-08 in the Tokyo morning, going on to print new lows of 112-03+ at the London handover, and finally session lows of 112-00 in the NY morning, before drifting higher within ranges into the settlement. Note the troughs were made in wake of some broader global sovereign debt weakness after remarks from SNB's Jordan, who alluded to FX intervention, raising questions on whether reserve asset sales could be in store. Meanwhile, the weak November preliminary Uni. of Michigan consumer sentiment survey offset the accompanying nudge higher in consumer inflation expectations, seeing two-way flows at the time. Traders now look to next week's retail sales data and earnings from Walmart (WMT) and Home Depot (HD) for a better read on the consumer. Otherwise, Treasury traders have an eye on the bond auction.

**REFUNDING**: US to sell USD 15bln in new issue 20yr bonds on Nov. 16th and USD 15bln in 10yr TIPS reopening on Nov. 17th, both to settle on Nov. 30th. To sell USD 57bln of 3-month bills and USD 45bln of 6-month bills on Nov. 14th, both settling on Nov. 17th.

**STIRS**:

- EDZ2 +2bps at 95.015, H3 unch. at 94.835, M3 -3.5bps at 94.85, U3 -5bps at 95.105, Z3 -2.5bps at 95.405, H4 +0.5bps at 95.74, M4 +2.5bps at 96.00, U4 +3.5bps at 96.17, Z4 +4bps at 96.30, Z5 +4bps at 96.54, Z6 +3bps at 96.465.
- Several chunky, ITM SOFR put spreads blocked, likely profit-taking. Comes alongside OTM SOFR call spreads blocked.

## CRUDE

**WTI (Z2) SETTLED USD 2.49 HIGHER AT 88.96/BBL; BRENT (F3) SETTLED USD 2.32 HIGHER AT 95.99/BBL**

**The crude complex ended the week on the front-foot, albeit not erasing the week’s losses, on a couple of supportive factors for oil**. Namely, the continued Dollar selling, reported easing of China’s COVID travel restrictions, and a supportive comment from Saudi’s Energy Minister saw WTI and Brent hit highs of USD 90.10/bbl and 96.92/bbl, respectively. On the latter, the Saudi official noted OPEC+ will remain cautious on production, via Bloomberg, and will not lose sign of what the oil market needs. As such, and as Citi's energy desk alludes to, his remarks suggest OPEC+ producer group will be slow to reverse the 2mln BPD cut in the official production limits for November and December when they meet December 4th to review policy, and as such Citi thinks they are likely to leave limits unchanged for January.

**NOTE**: Reuters reported “several" Chinese refiners will reduce Saudi crude oil term volume loading in December by 50% M/M as fuel demand weakens. Meanwhile, Russia's offline primary oil refining capacity has been revised higher by 6.5% for November to 2.061mln tonnes, while Black Sea CPC blend crude oil exports were set at 5.88mln T for December (prev. 5.42mln T in revised November plan), the highest amount since 5.92mln T in March.

**NATGAS**: Nat gas futures saw pronounced declines in the NY afternoon, c. 50c fall, and seemingly on a lack of fresh catalysts, albeit, some traders pointed towards unsubstantiated Twitter claims of a Freeport LNG terminal reopening delay as a potential catalyst, but those claims were since deleted. Nonetheless, prices remained near lows.

**BAKER HUGHES**: US rig count saw Oil +9 at 622, Nat Gas unch. at 155, and Total +9 at 779.

## EQUITIES

**CLOSES**: SPX +0.93% at 3,993, NDX +1.82% at 11,817, DJIA +0.10% at 33,749, RUT +0.10% at 1,882.

**SECTORS**: Energy +3.08%, Communication Services +2.48%, Consumer Discretionary +2.47%, Technology +1.72%, Materials +1.19%, Financials +0.79%, Industrials -0.1%, Real Estate -0.11%, Consumer Staples -0.14%, Utilities -1.14%, Health -1.28%.

**EUROPEAN CLOSES**: EURO STOXX 50 +0.57% at 3,868, FTSE 100 -0.78% at 7,318, DAX 40 +0.56% at 14,224, CAC 40 +0.58% at 6,594, FTSE MIB +0.25% at 24,455, IBEX 35 -0.43% at 8,098, SMI +0.05% at 11,125.

**STOCK SPECIFICS**: **Intel (INTC)** was resumed with Underweight from Overweight at JPMorgan; said Intel will participate in an overall industry rebound, but at a slower pace due to competitive pressures. For US-listed China names, as well as casino names, such as **Wynn (WYNN), Las Vegas (SANDS), Melco (MLCO)**: China intends to ease some COVID quarantine rules for travellers. **FREYR Battery (FREY)** and Koch said to partner to build one the world's largest battery factories in the state of Georgia, US; to invest USD 2.6bln in two phases, according to WSJ citing sources. **Walgreens (WBA)** upgraded at Deutsche Bank; said following a recent meeting with management, the firm said it is increasingly confident in Walgreens' strategy to transition to a healthcare services company. **Apple's (AAPL)** web search technology chief returns to **Google (GOOGL)**, according to The Information. Unconfirmed reports circulated by traders suggested **Take-Two (TTWO)** is touted to be under consideration by activist investors, which was accompanied by upside in the shares. **Estee Lauder (EL)** reportedly near a USD 2.8bln to buy Tom Ford, according to the FT. **LegalZoom.com (LZ)** topped on EPS and revenue; Q4 and FY22 revenue outlook surpassed street expectations. **Doximity (DOCS)** beat on EPS and revenue alongside the board authorising a new USD 70mln share buyback programme; next quarter revenue guidance was light. **Toast (TOST)** missed on EPS but beat on revenue; Q4 revenue view surpassed consensus alongside lifting FY22 revenue outlook.

## WEEKLY FX WRAP

**Dollar pays an extortionate price for data dependence**

**USD -** It might seem too simplistic or dismissive to say that nothing really mattered in currency markets until Thursday when US CPI data dropped, but in terms of price action and the Greenback's fortunes everything that came before was effectively irrelevant. Indeed, the DXY and Buck more broadly meandered with little sense of clear direction before a swoon into the Midterm elections and partial recovery when it became apparent that the Republican romp to take control of the House predicted in the polls did not pan out, while the close contest for the Senate remained in the balance and could well go down to the wire with Georgia's run-off on December 6. The Dollar index rebounded to 110.990 vs Monday's 111.280 w-t-d peak ahead of the inflation report and then dumped amidst wave upon wave of selling to a 107.710 low on the back of misses in headline and core metrics. However, the manner and sheer size of collapse was probably exacerbated by the pronounced paring back of Fed rate hike expectations and increasingly bearish technical picture as stops were triggered through a host of key chart and other significant levels to force in model sellers. Moreover, several Fed officials were slated to speak post-data and the general tone was in keeping with a slowdown in the pace of tightening given encouraging signs on inflation, albeit caution that one set of softer readings does not necessarily mean that prices have peaked, yet. Hence, following another limited bounce, the Greenback succumbed to more downside pressure as longs continued to liquidate in fire sale fashion at times, and the DXY sank to 106.580 on Friday having already posted its biggest decline for decades the day before.

**CHF/JPY/NZD/EUR/AUD -** In truth, any one or number of the Buck's rivals may lay claim to major gainer at its expense, but based on current standings the Franc heads the pack towards the apex of 0.9987-0.9450 extremes after hawkish SNB commentary and with renewed safe-haven due to and FTX-related rout in cryptos that would probably have masked the Greenback's mauling in different circumstances. Elsewhere, the Yen extended beyond 139.00 from sub-147.50 as Japanese intervention was mentioned, but not substantiated after jawboning in response to the huge drop in Usd/Jpy on Thursday (640 pips or so), so the steeper reversal is more likely to have been positional and premised on perceptions of less Fed/BoJ policy divergence going forward. Similar story down under where the Kiwi and Aussie profited from their US peer's losses, as Nzd/Usd topped 0.6100 from a circa 0.5841 base and Aud/Usd peered over 0.6700 compared to a low just beneath 0.6400, with the latter also getting a boost from China where the Cny and Cnh overcame disappointing Chinese trade data, sub-consensus CPI and a slowdown in new loans as the Covid situation gradually improved. Next on the list of contenders, the Euro was bolstered by ECB rhetoric signalling more hikes irrespective of growing Eurozone recession risk, and Eur/Usd scaled resistance plus chunky option expiries on the way from 0.9900 to reach 1.0338.

**GBP/CAD -** The Pound took advantage of its US counterpart's demise rather than UK specifics, with Cable close to 1.1800 vs 1.1291 approx at worst, but failed to derive any impetus from data, BoE speeches or ongoing media speculation about tax rises and spending cuts that could be in the upcoming Autumn Statement. Meanwhile, the chopped and changed inversely with its NA neighbour and in sync with oil, but lagged between 1.3571-1.3257 parameters on the basis that the BoC has already shifted to slower phase of rate increases and signalled that it is the end of the cycle or time to pause and ponder.

**SCANDI/EM -** Things were looking bleak for the Sek and Nok at the start, not to mention various parts of the week, with the Riksbank and Norges Bank both publishing downbeat FSRs, while stronger than anticipated Norwegian headline and core CPI was countered to some degree by a sharp deceleration in PPI. Nonetheless, the Crowns were reprieved by a general revival in risk appetite that encompassed commodities, like Gold to the good of the Zar on a combination of less

FOMC aggression and China finally easing a few coronavirus restrictions. Conversely, the Try continued to underperform due to Turkey's unorthodox inflation-fighting tactic to name just one issue, but the Brl was hit even harder for a few reasons, including dovish BCB vibes regardless of concerns about high prices and fiscal policy after reports that Brazilian President-in-waiting Lula's Party is considering removing the 'Bolsa Família' social programme from the 'Spending Cap' rule for four years. The Huf was hampered by further Hungary-EU wrangling, this time over aid to Ukraine, the Mxn took Banxico's expected 75 bp hike in stride and only derived brief support from a bumper rise in Mexican Fixed Gross Investment, but the Pln coped well with the NBP maintaining rates instead of hiking 25 bp in line with consensus.