



## US Market Wrap

### 8th June 2023: Tech leads SPX into bull market as yields and Dollar tumble on spike in jobless claims

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Hawkish SNB Chair Jordan; Initial jobless claims spikes to highest since Oct. '21; White House refutes reports of a US/Iran nuclear deal; BoC's Beaudry hints at higher neutral rate; UK/US agree new partnership to boost economic security; Wells Fargo initiates 'Overweight' coverage of AMZN; GME fires CEO.
- **COMING UP: Data:** Chinese CPI, Canadian Jobs **Speakers:** ECB's de Guindos.

## MARKET WRAP

The SPX and NDX were firmer on Thursday with particular outperformance in duration/tech as US yields tumbled on the highest jobless claims print since October 2021. The SPX officially rose 20% off its 2022 low, entering a technical bull market. But, the recessionary fears on the troubling labour market data catalysed a pullback in the Russell 2k small-cap index, which also appeared natural after the massive outperformance (particularly vs the NDX) on Wednesday. There is also likely some position squaring for the week at foot given the extremely quiet calendar for the rest of the week barring Chinese CPI on Friday. Treasuries bull-flattened after the jobless claims data unwound hike pricing out the curve, accentuated by a brief tumble in oil. On which, WTI and Brent hit MTD lows on reports that the US and Iran were nearing a nuclear deal which would bring 1mln BPD of Iranian supply back to the market, but the losses were pared later on as the White House denied such - prices were still lower on the session. In FX, the Dollar was sold pretty broadly on the weak jobless claims data with the Swissy outperforming in G10 after SNB Chair Jordan gave a nod to more tightening in the pipeline, while the Loonie was a clear laggard (flat) after finding some perspective from Thursday's rip higher.

## US

**JOBLESS CLAIMS:** US initial jobless claims for the week ending June 3rd spiked to 261k from 233k, well above the expected 235k and now at the highest weekly level since October 2021, with the 4wk average rising to 237k from 230k. That, of course, has led to a mass interrogation of the figures from economy bulls/bears alike on how likely this upside continues, "I've never seen ever seen such detailed reports about Initial Claims", one trader quips. Some quickly highlight that the non-seasonally adjusted claims, which totalled 219k in the week ending June 3rd, saw a much less acute increase of 11k W/W vs the seasonally adjusted rise of 28k. But Pantheon Macroeconomics' Shepherdson brushes that aside, "I've seen some chat that the spike in jobless claims is partly a Memorial Day effect. Unlikely. Unadjusted claims usually fall when Mem Day is on June 3, with a median dip of 19K. This year: +11K." Pantheon writes, "One week's worth of data is nowhere near enough evidence to conclude that claims are now breaking decisively to the upside, but other indicators have been signalling a jump in claims for some time now, most notably the announced job cuts numbers from Challenger and the NFIB survey's measure of hiring intentions." While Wrightson says the 28k pop in claims "should probably be taken at least partially at face value", adding that while weekly levels are volatile, especially in holiday weeks, "we have no technical basis for trying to explain away the increase altogether." Looking at the state-level NSA figures: Ohio (6K), California (5K), Minnesota (3K) and Pennsylvania (2K), "That's the kind of broad-based increase that we would expect if labor market conditions are finally beginning to soften."

## FIXED INCOME

### T-NOTE (U3) FUTURES SETTLED 16+ TICKS HIGHER AT 113-23+

**Treasuries bull-flattened after the spike in jobless claims piqued recession fears and unwound hike pricing, accentuated by a tumble in oil.** 2s -1.4bps at 4.536%, 3s -2.2bps at 4.185%, 5s -4.7bps at 3.872%, 7s -6.2bps at 3.806%, 10s -6.0bps at 3.724%, 20s -6.6bps at 4.052%, 30s -5.3bps at 3.890%.

**INFLATION BREAKEVENS:** 5yr BEI -1.7bps at 2.181%, 10yr BEI -1.1bps at 2.226%, 30yr BEI -0.5bps at 2.250%.

**TOKYO/LONDON:** Very tight trade through the APAC and European morning on Thursday with no catalysts to dig into, although cash desks noted decent turnover despite the lack of direction. T-Notes hit session lows of 112-30 in the European morning with some extension from the BoC surprise hike on Wednesday; a slither away from 112-29+, which



serves as key support being the double-bottom low from late May and post-SVB low, which was holding firm since prices got near on Wednesday. A hawkish SNB's Jordan caused a stir in FX, with Swiss rallying, but that had had little spillover selling into USTs.

**NEW YORK:** Bulls rejoiced in the 28k jump in US weekly jobless claims to 261k, the highest since last October 2021, with T-Notes spiking from 113-01 to 113-13, extending higher as the dust settled. The corporate issuance calendar was also a lot lighter than earlier in the week, removing a headwind for bulls. Contracts ultimately hit session highs of 113-24 just before midday in NY after the plunge in oil prices on (now refuted) reports that US and Iran were nearing a nuclear deal that would bring more oil supply into the market, closing the BoC gap of 113-23+. On the curve, the front end initially led the bid post-jobless claims, taking 2s10s to June highs of -71.6bps, but the long-end played catch up through the session, aided by the oil plunge and position closing into the weekend, flipping the curve flatter on the day with the spread back beneath -80bps at pixel time. If Dealers are making room for next week's front-loaded 3s, 10s, and 30s, supply, there is little evidence of it in price action so far.

**REFUNDING:** US to sell USD 40bln of 3yr notes and USD 32bln of 10yr notes (reopening) both on June 12th (Monday), and USD 18bln of 30yr bonds (reopening) on June 13th; all to settle on June 15th. In bills, Treasury left its 13-week and 26-week bill sizes unchanged at USD 65bln and 58bln, respectively, sold on June 12th; to sell USD 45bln of the new 6-week CMBs on June 13th; raised its 1yr bill size to USD 38bln (prev. 36bln) for June 13th; all bills to settle on June 15th.

#### STIRS:

- SR3M3 -0.25bps at 94.7425, U3 +0.5bps at 94.785, Z3 +1.5bps at 95.03, H4 +1bps at 95.415, M4 +1.5bps at 95.85, U4 +2bps at 96.235, Z4 +3bps at 96.525, H5 +4bps at 96.71, M5 +5bps at 96.805, M6 +8bps at 96.885.
- SOFR flat at 5.05% as of June 7th, volumes rose to USD 1.429tln from 1.414tln.
- NY Fed RRP op demand falls to USD 2.142tln from 2.162tln across 104 counterparties (prev. 108); decline matches up with the USD 21bln bill settlement; no settlements on Friday.
- US sold USD 61bln of 4-week bills at 5.090%, covered 2.49x, tailed 4.5bps; sold USD 51bln of 8-week bills at 5.120%, covered 2.86x, stops-through 0.3bps.
- EFFR flat at 5.08% as of June 7th, volumes fall to USD 137bln from their record 144bln on June 6th.

## CRUDE

**WTI (N3) SETTLED USD 1.24 LOWER AT 71.29/BBL; BRENT (Q3) SETTLED USD 0.99 LOWER AT 75.96/BBL**

**The crude complex settled in the red, albeit well off lows, which was almost exclusively due to, later refuted, reports that Iran and US are near an interim deal on nuclear enrichment and oil exports (more below).** Prior to this, oil was trading sideways in tight ranges but saw some downside on the spike higher in US jobless claims. Before then it was a quiet newsflow session, with Russian Deputy PM Novak the highlight, who announced Russia is to expand key oil pipeline capacity by 32mln T by 2026 to partners in Asia. In addition, Novak announced Rosneft has confirmed its plans to supply 30mln T (600k BPD) of oil to China via the Skovorodino-Mohe pipeline in 2023. Oil traders will be hesitant of headline risk going into the weekend given the Iran/US fanfare Thursday, but otherwise, Chinese inflation data is due Friday, which will be gauged as a status of the re-opening of the economy, ahead of the Baker Hughes rig count. Looking to next week, there is a slew of risk events with US CPI (Tues), FOMC (Wed), ECB (Thurs), and BoJ (Fri).

**US/IRAN:** WTI and Brent tumbled to session lows of USD 69.03/bbl and 73.58/bbl, respectively, over the course of an hour after reports in Middle Eastern Eye that Iran and US are near an interim deal on nuclear enrichment and oil exports. The report went further and said direct talks between US' Malley and Iran's ambassador to the UN had taken place but remains to be seen whether senior officials back their supposed plan which would bring Iranian supply back into the legal export market. However, the White House came out and said the report was false. As a result, the crude complex continued to pare a chunk of the losses, although oil was already on the way back following scepticism from other sources, such as WSJ's Norman, amongst others.

## EQUITIES

**CLOSES:** SPX +0.62% at 4,293, NDX +1.27% at 14,484, DJIA +0.50% at 33,833, RUT -0.41% at 1,880.

**SECTORS:** Consumer Discretionary +1.56%, Technology +1.2%, Consumer Staples +0.74%, Health +0.65%, Utilities +0.41%, Communication Services +0.27%, Industrials +0.18%, Financials -0.11%, Materials -0.35%, Energy -0.44%, Real Estate -0.62%.



**EUROPEAN CLOSES:** Euro Stoxx 50 +0.13% at 4,297, FTSE 100 -0.32% at 7,599, DAX 40 +0.18% at 15,989, CAC 40 +0.27% at 7,222, FTSE MIB +0.81% at 27,275, IBEX 35 -0.23% at 9,338, SMI -0.35% at 11,308.

**STOCK SPECIFICS:** **GameStop (GME)** fired its CEO, while in earnings, EPS posted a deeper loss per share than expected and missed on revenue. EU's Breton said **Meta's (META)** voluntary child protection appears not to work and calls on the CEO to explain and take immediate action. Breton and Zuckerberg are to meet on June 23rd. After August 25th, META must show measures to comply with EU Online Content Rules or face heavy sanctions. Wells Fargo initiated coverage at **Amazon (AMZN)** with 'Overweight' and said it is a top pick on North American retail margins inflecting ahead of expectations, reaching 2019 levels in 2025, one year ahead of Street expectations. UBS raised PT to USD 150/shr (prev. 130). **Signet (SIG)** cut FY24 outlook citing recent deceleration of trends persisted into Q2 and a softer than expected Mother's Day. Albeit, Co. beat on the top and bottom line. **Adobe (ADBE)** announced a new generative AI offering that brings Adobe Firefly and Adobe Express to enterprises globally. **Lucid Group (LCID)** plans to enter China's auto market, starting with imported cars and potentially considering local production. **Trip.com (TCOM)** beat on the top and bottom line. Exec notes upsurge in both domestic and outbound travel activities in China, remains positive for the outlook of the global travel industry. **Autoliv (ALV)** is accelerating its global structural cost reductions; intends to cut around 8k jobs or around 11% of the total workforce. **Carvana (CVNA)** released improved Q2 '23 guidance, highlighted by raising adj. EBITDA in excess of USD 50m. **T-Mobile (TMUS)** upgraded at Wolfe Research; said the cos. stock could rise more than 20% after underperforming year-to-date. **Las Vegas Sands (LVS)** and **Wynn Resorts (WYNN)** were downgraded at Jefferies; said Macao's recovery is already priced into the stocks. **Tesla (TSLA)** is planning to produce 375k Cybertrucks per year and have release candidates by late August, according to Electrek citing sources - note shares continued their multi-week winning streak. **Bunge (BG)** reportedly nears a cash-and-stock deal to merge with **Glencore's (GLEN LN)** Viterra at a combined valuation of more than USD 30bn, according to Reuters sources.

## US FX WRAP

**The Dollar** was lower on Thursday and the DXY troughed at 103.29, with technicians noting there is now not a lot before the round 103.00 as interim support. Nonetheless, the Greenback fell foul to bouncing US Treasuries post-jobless claims and a hawkish set of remarks from SNB Chair Jordan (more below). Initial jobless claims for the week spiked to 261k from 233k, well above the expected 235k and now at the highest weekly level since October 2021, with the 4wk average rising to 237k from 230k, raising growth fears in the US. To Friday, there is not much to look out for on the calendar, with thin trade and position squaring expected into the weekend as traders await next week's bonanza of US CPI (Tues), FOMC (Wed), ECB (Thurs), and BoJ (Fri).

**The Franc** was the G10 outperformer seeing gains in excess of a percent against the Greenback in the wake of a hawkish set of remarks from SNB Chairman Jordan. He noted inflation is more persistent than the bank had thought, and are seeing second- and third-round effects. Jordan added Swiss rates are relatively low, and it is not a good idea to wait for inflation to rise and then have to hike rates. Reminder, May Swiss CPI print was 2.2% (exp. 2.2%, prev. 2.6%); and as of the March meeting, the SNB projected CPI at 2.7% in Q2 and 2.4% in Q3. Both EUR/CHF and USD/CHF tumbled, and continued, with the crosses hitting lows of 0.9690 and 0.8990, respectively. Money markets have baked in more hiking risk. with a 30% chance for a 50bp hike to 2% at the June 22nd meeting, and 70% for just a 25bp hike, while out the curve, the terminal rate is now priced at 2.06% in March 2024 vs 1.97% before.

**Activity currencies, NZD, AUD, and GBP**, all took advantage of the Dollar's demise to notch up strong gains. Cable topped out at 1.2557, the highest since mid-May, while AUD/USD and NZD/USD hit peaks of 0.6718 and 0.6099, respectively. As mentioned, there was little currency specific just coat-tailing on the Swissy-inspired/jobless claims weakness, although the RBA continues to be helped by its bullish post-RBA momentum. Gains in the SPX and NDX only helped the antipodes.

**The Loonie** was the G10 underperformer, albeit flat, vs the Greenback but most likely lagged on payback grounds having been one of Wednesday's G10 outperformers thanks to the BoC. On that front, Deputy Governor Beaudry spoke and largely echoed the known rhetoric, but interestingly (ahead of the Fed's updated dot plots next Wednesday) added it is unlikely neutral interest rate will fall below pre-pandemic estimates and there is a meaningful risk it could go up. The currency saw a brief plunge, and swift recovery, in the NY session on the reports that US and Iran were nearing a nuclear deal, which saw a large fall in oil prices at the time, before recovering as the reports were proved wrong.

**Scandis**, NOK and SEK, both steadied the ship after their lengthy losing streaks on little obvious in terms of positive factors bar corrective price action and positioning.



**EMFX** was mixed. MXN and BRL were flat, RUB saw losses, while TRY was firmer attempting to recoup some lost ground. CNH, ZAR, and CLP all gained vs the Dollar with the latter seeing tailwinds from the strength in copper. Elsewhere, ZAR continued to rebound with impetus via supportive SA data in the form of stronger-than-forecast manufacturing production and a much narrower-than-expected current account deficit, not to mention the rip higher in gold prices. The CNH trimmed losses pre-Chinese CPI and PPI, though largely courtesy of the general USD downturn. The inflation data will be used as a gauge to see how the Chinese economy continues to fare after re-opening.

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