



US Market Wrap

20th November 2023: Tech outperforms on MSFT reversal and solid 20yr Treasury auction

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down.
- **REAR VIEW:** OpenAI appoints new CEO as Altman to join MSFT; Deepened OPEC+ expectations aiding oil; Fed's Barkin highlights data dependency; Strong US 20yr bond auction; BoE's Bailey notes too early to think about rate cuts; ECB's Villeroy sees rates plateauing for at least the next several meetings; Potential indefinite strike at Peru's Las Bambas mine.
- **COMING UP: Data:** UK PSNB, US National Activity Index, Canadian CPI **Events:** RBA Minutes, NBH Policy Announcement, US Fed Non-Manufacturing Business Outlook Survey, Fed Minutes, Canadian Fall Economic Update, BoE Treasury Select Hearing **Speakers:** ECB's Lagarde & Schnabel **Supply:** Japan, Germany & US **Earnings:** Lowe's, NVIDIA Corp, Analog Devices, Best Buy Co, Autodesk Inc.
- **WEEK AHEAD:** Highlights include PBoC LPR, FOMC Minutes, ECB Minutes, RBA Minutes, UK Autumn Statement, Japanese CPI and more. To download the report, please [click here](#).
- **CENTRAL BANK WEEKLY:** Previewing PBoC LPR, FOMC Minutes, RBA Minutes, ECB Minutes, Riksbank and CBRT Announcement. To download the report, please [click here](#).

MARKET WRAP

Stocks were firmer Monday with a big tech bias underscored by Microsoft's (MSFT) recovery amid the fluid OpenAI situation, which dominated newsflow in an otherwise quiet session. Treasuries saw bull-flattening amid a well-received 20yr auction, alleviating some of the concerns around duration supply after the horrific 30yr offering the other week; note the major stock indices found additional strength after the auction, while the Dollar saw further weakness. On which, the Yen and Antipodeans led G10 strength vs the Dollar amid the lower yield environment and the risk appetite, the CAD lags ahead of CPI despite the higher oil prices. The recovery in the crude benchmarks was a continuation of the rip from Friday amid the source reports of a potential deeper OPEC+ production cut rather than anything incremental on Monday, although the softer Dollar helped. Copper prices were well bid amid the potential indefinite strike at Peru's Las Bambas mine, with the supply risk heightened by First Quantum Minerals reportedly considering putting the Panama copper mine in care/maintenance mode.

FIXED INCOME

T-NOTE (Z3) FUTURES SETTLED 3 TICKS HIGHER AT 108-27

Treasuries bull-flattened into and after the strong 20yr auction in lack of other major catalysts. 2s +0.6bps at 4.913%, 3s -0.3bps at 4.636%, 5s -0.9bps at 4.446%, 7s -1.3bps at 4.465%, 10s -1.3bps at 4.428%, 20s -3.0bps at 4.779%, 30s -2.1bps at 4.576%.

Z3/H4 ROLL TRACKER: According to Quantitative Brokers, the roll from Dec'23 to Mar'24 futures is 8% complete for ZT, 6.6% for ZF, 4.5% for ZN, +9.7% for TN, +7.2% for ZB, and +3.7% for UB ahead of First Intention Day on Nov 29th.

INFLATION BREAKEVENS: 5yr BEI +2.5bps at 2.266%, 10yr BEI +1.8bps at 2.312%, 30yr BEI +1.4bps at 2.392%.

THE DAY: Treasuries entered the NY session Monday in a mild bear-steepener with little catalysts to drive price action ahead of the US supply, with the higher oil prices weighing instead. T-Notes first found support at 108-16 amid a bout of selling in the London morning, before renewed selling into the NY handover saw session lows printed at 108-14, with the cash 10yr brushing up against 4.50%.

The long-end recovered through the NY morning (while the front end hovered near lows) despite the lack of concession seen in recent sessions leading into the 20yr auction and the curve digested a handful of corporate debt deals in its stride. And that bid was ultimately justified given the solid 20yr auction results (details below), seeing the bull-flattening accelerate ahead of the close and taking T-Notes to session highs of 108-29+.



20YR AUCTION: A solid auction for the new issue 20s which has been made all the more respectable given the lack of concession going into it and the concerns around long-end supply on the back of the second consecutive awful 30yr auction the other week, not to mention thinner trading conditions ahead of Thanksgiving. The 4.780% high yield marked a 1bp stop-through the WI, not as strong as last month's 1.2bps but impressive vs the six-auction average stop-through of 0.7bps. The auction was covered 2.58x, a bit beneath the prior 2.59x and average 2.67x. Dealers (forced surplus buyers) were left with a small 9.5% (prev. 11.9%, avg. 10.2%) with both Directs and Indirects taking a step-up M/M in demand, indicative of strong end-user demand.

THIS WEEK'S AUCTIONS: US to sell USD 15bln of 10yr TIPS on Nov 21st; to settle on Nov 30th. To sell USD 26bln of 2yr FRNs (reopening) on Nov 21st, to settle on Nov 24th.

STIRS:

- SR3Z3 -0.5bps at 94.6175, H4 -1bps at 94.75, M4 -1.5bps at 94.985, U4 -2.5bps at 95.265, Z4 -1.5bps at 95.58, H5 -0.5bps at 95.86, M5 +0.5bps at 96.065, U5 +1.5bps at 96.19, Z5 +2.5bps at 96.245, Z6 +3bps at 96.245, Z7 +3.5bps at 96.15.
- SOFR flat at 5.32% as of Nov 17th, volumes fall to USD 1.587tln from 1.640tln.
- NY Fed RRP op demand at USD 0.953tln (prev. 0.936tln) across 95 counterparties (prev. 94).
- EFFR flat at 5.33% as of Nov 17th, volumes fall to USD 98bln from 99bln.
- US sold USD 81bln in 3-month bills at 5.270%, covered 2.90x; sold USD 73bln in 6-month bills at 5.230%, covered 2.55x.

CRUDE

WTI (F4) SETTLED USD 1.79 HIGHER AT 77.83/BBL; BRENT (F4) SETTLED USD 1.71 HIGHER AT 82.32/BBL

Oil prices continued their recovery on Monday with momentum over deepened OPEC+ action providing support. WTI and Brent contracts rallied steadily through the session, peaking at USD 78.46/bbl and 82.94/bbl, respectively, ahead of settlement. As reported in the FT on Friday, the prospect of an additional 1mln BPD production cut at the approaching OPEC+ meeting on Nov. 26th has been incisive in the benchmarks making a swift recovery from the multi-month lows last Thursday of USD 72.16/bbl and 76.60/bbl for WTI and Brent front-month contracts, respectively. There were little fresh energy catalysts on Monday. Meanwhile, Goldman Sachs' latest note says the desk's statistical model of OPEC decisions suggests that deeper cuts should not be ruled out given the fall in speculative positioning, time spreads, and higher-than-expected inventories.

EQUITIES

CLOSES: SPX +0.74% at 4,547, NDX +1.19% at 16,027, DJIA +0.58% at 35,151, RUT +0.52% at 1,807.

SECTORS: Technology +1.5%, Communication Services +1.05%, Real Estate +0.79%, Health +0.52%, Consumer Discretionary +0.52%, Financials +0.33%, Industrials +0.32%, Materials +0.15%, Energy +0.12%, Consumer Staples -0.01%, Utilities -0.31%.

EUROPEAN CLOSES: DAX -0.11% at 15,901.33, FTSE 100 -0.11% at 7,496.36, CAC 40 +0.18% at 7,246.93, Euro Stoxx 50 +0.04% at 4,342.45, IBEX 35 +0.79% at 9,839.00, FTSE MIB +0.15% at 29,541.90, SMI +0.02% at 10,740.00.

STOCK SPECIFICS: **Microsoft (MSFT)** announced former OpenAI executives Sam Altman and Greg Brockman are to join and lead a new advanced AI research team. Although, The Verge later reported that Altman's move isn't a done deal. **General Motors' (GM)** Cruise CEO resigns after apologising for the Co.'s situation following an accident that led to the pause of its self-driving vehicle operations while it conducts a safety review. Later in the session, Cruise unit cofounder and Chief Product Officer Dan Kan also resigned. FDA is to delay the decision on **Bristol Myers (BMY)** and **2seventy bio (TSVT)** cancer therapy. **NRG Energy (NRG)** is in a pact with Elliott and CEO Gutierrez is leaving as a result; affirmed FY23 outlook. **Nikola (NKLA)** CFO Pasterick resigning to pursue other opportunities. **Bayer (BAYRY)** slumped around 17% in European trade after several negative updates regarding a potential fine, stopping a trial, and voluntary recall of VIITRAKVI due to the presence of a microbial contamination. **Uber (UBER)** announced a USD 1.2bln convertible senior notes offering. **Penn (PENN)** was upgraded at Bank of America; thinks ESPN Bet "creates an asymmetric risk-reward," noting that initial download and app activity have been much stronger than anticipated and its initial offers are showing promotional discipline. **Boeing (BA)** was upgraded at Deutsche Bank; cited Boeing's acceleration of aircraft deliveries and believes this improved performance can be sustained. **Chegg (CHGG)** was downgraded at Morgan Stanley; said the outperformance of the stock, which rallied more than 40% since the end of



October, is at odds with recent fundamentals. **Ford (F)** said it is on track to reach full production schedule in the coming days at assembly plants in Michigan, Kentucky, and Illinois that were affected during the strike; said labour deal added significant costs; refreshing around half of US volumes in 2024. **Fisker (FSR)** has lost its second chief accounting officer in less than a month, marking the latest setback for a company that only recently started selling its first model, according to WSJ. Petrobras (PBR) saw downside on Reuters source reports the government was looking to replace the CEO, but the government soon denied the reports, halting the downside.

US FX WRAP

The Dollar was lower to start the week, and printed a trough of 103.370, breaching beneath a key fibo at 103.44. DXY hit the aforementioned low in wake of a solid US 20yr bond auction, in what was a day of thin newsflow in a holiday-shortened week due Thanksgiving. Nonetheless, the US leading index for October fell 0.8%, slightly more than the prior and expected -0.7%. Fed's Barkin (2024 voter) said it is not a big time for offering forward guidance, saying the Fed will be data dependent; said core inflation numbers are "coming down nicely", but a lot of that is for goods. Looking ahead, FOMC Minutes are due Tuesday – a day earlier due to Thanksgiving Weekend.

Yen and the **Antipodeans** were the main beneficiaries from the Buck's continued demise, highlighted by USD/JPY hitting a low of 148.11, against an earlier peak of 149.99. The Aussie was aided by strength in base metals and Yuan, but participants await remarks from RBA Governor Bullock and Schwartz ahead of RBA Minutes. As a reminder, RBA hiked the Cash Rate by 25bps and the accompanying statement was a tad less hawkish. AUD/USD traded between 0.6502-63, while NZD/USD was within 0.5981-6043 ahead of NZ trade data this evening.

GBP and **EUR** saw similar gains against the Greenback, while the **CHF** was flat. Despite little market-moving headline newsflow on Monday, BoE Governor Bailey was on the wires after the London close and said it is far too early to be thinking about rate cuts, saying returning inflation to target is "absolute priority" and will take no chances when inflation is high. The Governor further added that interest rates will have to stay high enough for long enough to make sure the bank gets all the way back to the 2% target, and the BoE must watch for further signs of inflation persistence that may require interest rates to climb again. Cable hit a high of 1.2517, surpassing the 100DMA around 1.2506. Euro secured a firmer grip of the 1.0900 handle and surpassed 1.0950, albeit momentarily, as the cross cleared 1.1bn option expiries extending from the round number to 1.0910 well before the NY cut. Note late comments from ECB's Villeroy who said he sees rates plateauing for at least the next several meetings and the next few quarters, which may get some traction on Europe's return on Tuesday. The Swissy continued to rotate around 0.8850 in the absence of anything Swiss specific aside from weekly sight deposits that were barely changed.

CAD was flat against the Dollar, despite oil prices continuing their recovery on Monday with momentum over deepened OPEC+ action providing support. Nevertheless, USD/CAD rose from 1.3690 to 1.3749 and can only assume on the premise that Tuesday's Canadian inflation report could be cooler than forecast, following in the footsteps of the US last week.

Scandis saw gains, with the NOK aptly supported by the resurgence in Brent prices, while the SEK retained a bid in advance of the Riksbank on Thursday.

EMFX was predominantly firmer across the board, with the TRY underperforming. CLP was supported by the rise in copper prices, following a couple of updates. In the US morning, modest pressure was seen in copper futures after a workers union at Peru's Las Bambas copper mine goes on strike, but the metal later saw further upside after the union said the mine was considering an indefinite strikes from November 28th if demands are not met. Separately, First Quantum Minerals is reportedly considering putting the Panama copper mine in care/maintenance mode. The Yuan was encouraged by latest Chinese stimulus news plus an even stronger PBoC midpoint fix. While in Argentina, Morgan Stanley expects at least an 80% adjustment in Argentina's official FX rate in December following the election win for Melel and the country is to negotiate a new extended fund facility with IMF 'relatively quickly to avoid entering arrears; note that Argentinian stocks surged on Monday. ZAR saw gains as traders await domestic CPI numbers on Wednesday and SARB rate decision on Thursday, with the expectations for unchanged.

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