



# US Market Wrap

## 22nd January 2024: Stocks chop and bonds gain ahead of key risk events

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar flat.
- **REAR VIEW:** PBoC keeps 1yr & 5yr loan prime rate unchanged; Israel proposes 2-month fight pause in Gaza; US leading index better than feared; ADM cut guidance and put CFO on leave; SUN to acquire NS; GILD Phase 3 cancer study fails.
- **COMING UP: Data:** Australian NAB Business Conditions, Japanese Chain Store Sales, UK PSNB, Canadian New Housing Price Index, EZ Consumer Confidence (Flash), US Richmond Fed Index, NZ CPI, Australian PMI, Japanese Trade **Events:** BoJ Policy Announcement; ECB Bank Lending Survey **Supply:** Netherlands, Germany, US **Earnings:** Ericsson, Logitech, Johnson & Johnson, Procter & Gamble, Netflix.
- **WEEK AHEAD:** Highlights include BoJ, ECB, BoC, PBoC, PMIs, US GDP & PCE. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing PBoC, BoJ, BoC, ECB; Reviewing ECB Minutes. To download the report, please click [here](#).
- **WEEKLY US EARNINGS ESTIMATES:** [TUES] GE, JNJ, RTX, PG, VZ, LMT, NFLX, TXN, ISRG; [WED] ASML, ELV, T, ABT, LRCX, TSLA, IBM, NOW; [THURS] BX, CMCSA, NEE, UNP, TMUS, INTC, V; [FRI] AXP. To download the full estimates, please click [here](#).

## MARKET WRAP

It was a quiet start to the week ahead of a slew of key risk events, including BoJ overnight (preview below), BoC, ECB, US GDP, US PCE and a batch of US earnings. Nonetheless, stocks opened firmer with the S&P 500 notching a fresh record high before paring throughout the rest of the session. The majority of sectors were green with Industrials, Real Estate and Technology outperforming, while Consumer Staples, Consumer Discretionary and Utilities were the only sectors closing in the red. Consumer Staples' downside was led by sharp losses in ADM after it cut guidance after announcing an investigation into accounting practices, while Consumer Discretionary was weighed on by losses in both heavyweights AMZN and TSLA. Treasuries were bid across the curve despite Daly's pushback on near-term rate cuts late on Friday with the upside primarily a reversal from the sharp losses seen last week, aided by a call from JPMorgan and Morgan Stanley recommending to buy the 5yr, which helped the belly outperform. Crude prices drifted higher throughout the session with geopolitical tensions still hot in the Middle East although post-settlement Axios reported that Israel has proposed a two-month fighting pause in Gaza for the release of all hostages.

## CENTRAL BANKS

**BOJ PREVIEW:** The BoJ will conclude its 2-day policy meeting on Tuesday where the central bank is expected to maintain its policy settings of negative rates at -0.10% as a recent poll by Reuters showed that all economists surveyed were unanimous in their view that the BoJ will not end negative rates this month. The central bank will also likely maintain QQE with YCC to flexibly target 10yr JGB yields at around 0% with a 1% upper bound reference rate for market operations and it will also release its latest Outlook Report containing board members' median forecasts for real GDP and core CPI. For the full Newsquawk preview, please click [here](#).

## FIXED INCOME

### T-NOTE (H3) FUTURES SETTLED 12 TICKS HIGHER AT 111-16

**Treasuries were bid across the board, particularly in the belly after JPM and MS buy recommendation.** At settlement, 2s -2.5bps at 4.383%, 3s -3.7bps at 4.143%, 5s -5.0bps at 4.022%, 7s -5.1bps at 4.068%, 10s -4.6bps at 4.100%, 20s -3.9bps at 4.441%, 30s -3.5bps at 4.320%.

**INFLATION BREAKEVENS:** 5yr BEI -2.4bps at 2.282%, 10yr BEI -3.3bps at 2.306%, 30yr BEI -3.3bps at 2.319%.

**THE DAY:** T-notes saw two-way price action throughout the APAC session before rising as European trade got underway to see a peak in the US morning at 111-19+ before paring slightly into settlement in quiet newsflow. The belly marginally outperformed and was likely supported by commentary from both Morgan Stanley and JPMorgan who



recommended investors to start buying 5yr notes after their worst decline since May last week. The upside comes despite supply due this week with the 2s, 5s, and 7s auctions due, Tuesday, Wednesday and Thursday, respectively. The geopolitical situation remains rife in the Middle East too with the Houthis claiming responsibility for an attack on a US ship while Israel announced it carried out a raid on a Hezbollah building in south Lebanon, which ultimately saw Hezbollah retaliate. However, on a more positive footing, Israel offered a two-month fighting pause in Gaza for the release of all hostages. On supply, Saudi's PIF launched a USD 5bln bond in 3 parts, and Brazil is reportedly on track for a USD 4.5bln bond sale in two parts. Looking ahead, participants will also be cognizant of the BoJ overnight; Newsquawk preview [available here](#).

**FED PRICING:** With the Fed in blackout now ahead of the 31st Jan. FOMC the upcoming GDP and PCE data this week will be the key driver for market pricing this week. Markets currently assign a 44% probability of a March cut, lower than Friday's 52% with Fed's Daly in late trade attempting to push back prospects for a near-term rate cut. The 2024 voter said that policy is in good place and there is a lot of work left to do on inflation, adding it is premature to think rate cuts are around the corner. Meanwhile, 30bps of easing is priced for May and 135bps of easing is priced throughout the year.

**THIS WEEK'S AUCTIONS:** US to sell USD 60bln of 2yr notes on Tuesday, USD 61bln of 5yr notes and USD 28bln of 2yr FRNs both on Wednesday, followed by USD 41bln of 7yr notes on Thursday; all to settle on Jan 31st.

## STIRS

- SR3H4 -1.0bps at 94.850, M4 +0.0bps at 95.270, U4 +2.0bps at 95.690, Z4 +3.0bps at 96.050, H5 +4.0bps at 96.340, M5 +5.0bps at 96.540, U5 +5.5bps at 96.640, Z5 +6.0bps at 96.670, H6 +6.5bps at 96.655, H7 +6.5bps at 96.550, H8 +6.5bps at 96.415.
- SOFR unchanged at 5.31% as of Jan 19th (prev. 5.31%), volumes fall to USD 1.688tln from 1.746tln. NY Fed RRP op demand at USD 647bln (prev. 625bln) across 84 bidders (prev. 79).
- EFFR unchanged at 5.33% as of Jan 19th, volumes rise to USD 94bln from 87bln.

## CRUDE

**WTI (H4) SETTLED USD 1.51 HIGHER AT 74.76/BBL; BRENT (H4) SETTLED USD 1.50 HIGHER AT 80.06/BBL**

**The crude complex was firmer to start the week, albeit in very thin newsflow ahead of a week littered with pivotal risk events.** Nonetheless, WTI and Brent trundled higher throughout the NY session to hit highs of USD 75.46 /bbl and 80.55/bbl, respectively, unwinding the initial pressure seen in the EU morning given the recommencement of production at Libya's El Sharara oilfield (300k BPD). Elsewhere, Russia is reportedly planning 1.8mln BPD of oil exports from its western ports in February (unch. M/M), while North Dakota oil output is estimated to be down 250-300k BPD due to cold weather. On the M&A footing, Sunoco (SUN) is to acquire NuStar Energy (NS) in a deal valued at USD 7.3bln including debt. As mentioned, the day was exceedingly light on headline newsflow but it will pick up from Tuesday with attention on BoJ (Tues), BoC (Wed), ECB, US Q4 GDP (Thurs), US PCE (Fri) and further US earnings.

## EQUITIES

**CLOSES:** SPX +0.22% at 4,850, NDX +0.09% at 17,330, DJIA +0.36% at 38,001, RUT +2.01% at 1,983.

**SECTORS:** Industrials +0.74%, Real Estate +0.44%, Financials +0.43%, Technology +0.39%, Health +0.38%, Materials +0.3%, Energy +0.29%, Communication Services +0.03%, Consumer Staples -0.46%, Utilities -0.52%, Consumer Discretionary -0.52%.

**EUROPEAN CLOSES:** DAX +0.77% at 16,683.36, FTSE 100 +0.35% at 7,487.71, CAC 40 +0.56% at 7,413.25, Euro Stoxx 50 +0.69% at 4,479.55, IBEX 35 +1.11% at 9,968.10, FTSE MIB -0.33% at 30,182.32, SMI +1.07% at 11,270.00.

## STOCK SPECIFICS:

- **Apple (AAPL)** +1.2%: Notable Apple watcher at TF International Securities, Ming-Chi Kuo, said Vision Pro first-weekend pre-orders were in line with expectations.
- **Sony (SONY)** +0.6%: Terminated merger with Zee Entertainment, ending a two-year agreement to create a USD 10bln entertainment powerhouse in India, according to FT.
- **Boeing (BA)** flat: Faces additional concerns post the Alaska Airlines door-plug incident, with increased inspections and regulatory scrutiny potentially impacting output.
- **Sunoco (SUN)** -4.5% **NuStar Energy (NS)** +18.2%: SUN to acquire NS in deal valued at USD 7.3bln including debt.



- **SolarEdge Technologies (SEDG)** +4%: Announced a restructuring plan and will reduce its workforce by around 16% as it aims to reduce costs.
- **Gilead Sciences (GILD)** -10.2%: Phase 3 lung cancer study failed to meet primary endpoint.
- **ADM (ADM)** -24.2%: Put CFO Luthar on administrative leave amid an investigation into some accounting practices and lowered FY guidance. Withdrew all of its forward-looking outlook for the Nutrition reporting segment and delayed its quarterly earnings release. Following this, was downgraded at GS and Baird.
- **Macy's (M)** +3.5%: Rejected a USD 5.8bn privatisation proposal from Arkhouse Management and Brigade Capital Management citing concerns about deal financing and valuation.
- **B. Riley Financial (RILY)** -2.5%: US SEC is investigating the Cos. deals with a client connected to securities fraud.
- **Home Depot (HD)** -1.5%: Downgraded at Oppenheimer.
- **Rumble (RUM)** +36.2%: Announced a partnership with Barstool Sport.
- **Zion Bancorp (ZION)** +4%: Saw an early release of its quarterly results which missed on EPS but NIM was in line and NII beat expectations.

## US FX WRAP

**The Dollar** was flat and in very tight ranges (103.110-370) amid thin headline newsflow and a light calendar to start the week ahead of the major risk events later in the week. As such, it appeared participants were eager to keep their powder dry ahead of the upcoming BoJ (Tues), BoC (Wed), ECB, US Q4 GDP (Thurs), US PCE (Fri) and US earnings. In terms of levels to the upside, Friday's high of 103.54 is the next level to watch. For the record, US leading index change for December fell 0.1%, vs the prior -0.5% and expectations for a 0.3% decline.

**AUD, CAD, and NZD** were the G10 underperformers, albeit within narrow ranges, as the Antipodeans were weighed on by broader China exposure after the broad-based selling seen overnight. In addition, AUD/USD and NZD/USD are currently sat at the bottom of session ranges of 0.6567-6613 and 0.6076-6139, respectively, as the Dollar hits a fresh intra-day peak.

**EUR and CHF** saw marginal losses, while the GBP and JPY were flat against the Dollar. For the Yen, ahead of BoJ tonight ([Newsquawk preview available here](#)) Japanese PM Kishida said wage growth outpacing prices is a requirement for a virtuous cycle, and requests firms provide larger pay rises this year. Kishida further added wage hikes at small /medium firms are seen as essential. As a reminder, most Japanese wage negotiations occur around April. The outcome of such talks is seen as key for the timing of the BoJ's policy normalisation. Highlighting the narrow ranges seen on Monday, Cable traded between 1.2688-2732, while EUR/USD saw a trough of 1.0881 and a peak of 1.0909 ahead of the aforementioned ECB on Thursday.

**EMFX** was largely weaker vs. the Greenback. ZAR was weighed on by weaker bullion prices, while the BRL was hit by a Valor piece. The article said Brazil's government announced a plan called "New Industry Brazil" and is developed to guide the country until 2033; will make BRL 300bln available for financing aimed at the new industrial policy. CNH was eventually flat, and managed to unwind some of its weakness seen overnight. On this, markets remain concerned over lack of "big stimulus" from China and Chinese banks were seen selling USD in the onshore FX market, according to Reuters. Overnight, China's loan prime rate for 1year and 5year were left unchanged, as expected, at 3.45% and 4.20% respectively.

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