



## US Market Wrap

### 26th February 2024: Stocks wobble and bonds dip ahead of month-end's risk events

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** Soft US New Home Sales; ECB's Lagarde says ECB is not there yet on inflation; Hamas disappointed with hostage deal framework; Chunky corporate debt supply; Soft 2yr and 5yr auctions; CHTR mulls purchase of ATUS; MU ramps AI memory production; GOOGL Gemini relaunch "weeks" away.
- **COMING UP: Data:** German GfK, EZ M3, US Durable Goods, Richmond Fed **Events:** NBH, Fed Discount Rate Minutes **Speakers:** Fed's Barr, BoE's Ramsden, ECB's Elderson **Supply:** Japan, Netherlands, UK, Germany & US **Earnings:** Smith & Nephew, ABRN; Puma, Campari, Banco BPM; Lowe's.
- **WEEK AHEAD:** Highlights include US PCE, ISM Manufacturing PMI, RBNZ policy announcement, EZ, Australia and Japan CPI. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing RBNZ policy announcement; Reviewing PBoC and minutes from FOMC, ECB and RBA. To download the report, please click [here](#).

## MARKET WRAP

The S&P 500 and Nasdaq 100 were little changed on Monday while the Russell 2k saw gains in what was a quiet session from a catalyst perspective. Tech was mixed with the mega-cap names, including Nvidia (NVDA), generally struggling/flat-lining, specifically GOOGL, although there was notable strength elsewhere in the sector (PANW, SMCI, MU...). New home sales, which came in beneath expectations, were the only major US data point on Monday, although consumer confidence and durable goods orders will be in focus on Tuesday. Treasuries unwound Friday's long end squeeze in the face of fresh Treasury and corporate supply; the 2yr and 5r auctions were underwhelming ahead of the 7yr on Tuesday. The Dollar was slightly lower on the session, however, with the Euro outperforming amid EGBs seeing a greater relative magnitude of loss than USTs despite a lack of fresh drivers, with the tape for Bunds still vulnerable after last week's heavy losses. Sell side models are also pointing to Dollar selling for month end too. Bitcoin surged further, coming within touching distance of USD 55k. Oil prices rallied through the NY session, bouncing off multi-week lows, in lack of an obvious catalyst as desks point to supply risk from ongoing geopolitical events.

## US

**NEW HOME SALES:** New Home Sales in January rose 1.5% to 661k (prev. 651k) but was shy of the expected 680k, while the supply of new homes was unchanged at 8.3 months' worth. Oxford Economics states that the smaller-than-expected rise is not concerning as weather likely dampened sales, particularly in the South. Meanwhile, OxEco adds, "the outlook remains cautiously optimistic as the 30-year fixed mortgage rate is off its recent peak, job growth is strong, and inventories are not problematic for the new-home market." Nonetheless, the consultancy adds that the positive news is that January new-home sales are above their Q4 average, a positive for GDP growth in the first three months of this year.

**FED SPEAK:** There is plenty of Fed Speak this week ([Newsquawk primer here](#)) with Schmid on Monday, Barr on Tuesday, Williams, Bostic, and Collins on Wednesday, Williams, Bostic, Goolsbee, and Mester on Thursday, and Bostic, Daly, and Kugler on Friday. It's unlikely we will get much deviation from the party line of expressing caution on cutting rates too soon whilst also noting it's likely we will get cuts this year, similar to the December SEPs (three cuts, which is now similar to market pricing).

## FIXED INCOME

### T-NOTE (H4) FUTURES SETTLE 8+ TICKS LOWER AT 109-19+

Treasuries unwind Friday's long end squeeze in the face of Treasury and corporate supply; underwhelming 2yr and 5r auctions ahead of the 7yr. 2s +5.2bps at 4.742%, 3s +5.1bps at 4.505%, 5s +4.3bps at 4.328%, 7s +4.1bps at 4.330%, 10s +3.9bps at 4.299%, 20s +2.6bps at 4.550%, 30s +3.1bps at 4.412%.



**INFLATION BREAKEVENS:** 5yr BEI +4bps at 2.344%, 10yr BEI +2.6bps at 2.334%, 30yr BEI +2.1bps at 2.281%.

**THE DAY:** T-Notes (H4) opened for the week at 109-26+ (vs Friday's close/high of 109-28+/109-31 after the long end squeeze). Contracts extended higher again to 110-02+ in the APAC morning on Monday before squeezing to session peaks of 110-04 at the London handover, where all contracts made new peaks beyond their respective Friday highs. T-Notes then pared somewhat through the European morning to support at 109-29, which held initially as stateside trade got underway with no fresh catalysts to drive trade until then.

Another slew of corporate Dollar issuance to kick off the week managed to see new lows made for T-Notes, particularly with eyes towards the ramped size Treasury auctions. However, it is worth noting that the weakness stemmed from the long end in what appeared to be some mean reversion after Friday's squeeze higher. The mixed 2yr auction saw little immediate reaction, and T-Notes continued to track the long end lower, although the 0.8bp tail later on at the 5yr saw T-Notes hit their session lows of 109-16, which held into the settlement. Traders now look to the Japanese CPI and Fed's Schmid (non-voter) later on Monday ahead of the 7yr auction, durable goods, and consumer confidence all on Tuesday.

**2YR AUCTION:** An underwhelming 2yr auction with the ramped size USD 63bln offering sold at a high yield of 4.691%, tailing the When Issued yield by 0.2bps, a bit worse than the prior and six-auction avg. of on the screws. The bid/cover ratio of 2.49x was beneath both the prior 2.57x and avg. 2.67x. Dealers were left with 14.7%, smaller than the prior 14.8% and avg. 17.1%, with Directs stepping up to 20.1% from 19.9% and Indirects dipping to 65.1% from 65.3%.

**5YR AUCTION:** Another lacklustre auction from the Treasury, with USD 64bln of 5yr notes sold at 4.320%, marking a 0.8 bp tail of the When Issued yield, better than the prior month's 2bp tail but worse than the six-auction avg. 0.3bps. The bid/cover ratio rose to 2.41x from January's 2.31x, but that is still beneath the avg. 2.45x. Dealers were left with 16.8%, a bit above the avg. but a better showing than last month's 20.4%, with a step up in both Directs and Indirects participation. Traders now look to the 7yr auction on Tuesday.

#### STIRS:

- SR3H4 -1.75bps at 94.67, M4 -4bps at 94.86, U4 -5bps at 95.145, Z4 -5.5bps at 95.455, H5 -5.5bps at 95.735, M5 -5.5bps at 95.96, U5 -5bps at 96.13, Z5 -5.5bps at 96.225, H6 -4.5bps at 96.275, H7 -2bps at 96.315, H8 -1bps at 96.29.
- SOFR rises to 5.31% as of Feb 23rd from 5.30%; volumes rise to USD 1.736tln from 1.620tln.
- NY Fed RRP op demand at USD 0.525tln (prev. 0.520tln) across 81 counterparties (prev. 79).
- EFFR flat at 5.33% as of Feb 23rd; volumes flat at USD 103bln.
- US sold USD 84bln of 3-month bills at 5.255%, covered 2.93x; sold USD 75bln of 6-month bills at 5.130%, covered 2.92x.

## CRUDE

**WTI (J4) SETTLES USD 1.09 HIGHER AT 77.58/BBL; BRENT (K4) SETTLES USD 0.87 HIGHER AT 81.67/BBL**

**Oil prices rallied through the NY session on Monday in lack of an obvious catalyst as desks point to supply risk from ongoing geopolitical events.** Technicals may be a factor too, where the crude benchmarks managed to bounce off the bottom of their multi-week ranges, where WTI (J4) and Brent (K4) hit lows of USD 75.84/bbl and 80.19/bbl in the European morning before bouncing higher in stateside trade. Contracts have settled slightly off their session peaks, with the Dollar only slightly softer on the day. In terms of newsflow, Israel struck Lebanon's Baalbek, which Hezbollah said would not go without a response. The latest report from the IAEA, cited by Reuters, showed Iran continued to build its stock of enriched uranium with no progress in resolving outstanding safeguards issues, including uranium traces at undeclared sites. A Ukraine escalation may also be on the cards if we are to put much weight in the Slovak PM Fico's comments Monday that some EU and NATO countries are mulling sending troops to Ukraine on a bilateral basis, where the option was discussed at the Paris leaders' meeting. Meanwhile, S&P reported Libyan production and exports have resumed at the after guards' protest at oil field and gas pipeline was called off.

## EQUITIES

**CLOSES:** SPX -0.38% at 5,070, NDX -0.02% at 17,933, DJI -0.16% at 39,069, RUT +0.61% at 2,029.

**SECTORS:** Energy +0.32%, Consumer Discretionary +0.23%, Technology +0.03%, Industrials -0.11%, Consumer Staples -0.29%, Financials -0.46%, Health -0.5%, Materials -0.59%, Real Estate -1.14%, Communication Services -2.09%, Utilities -2.1%.



**EUROPEAN CLOSES:** DAX: +0.02% at 17,423.23, FTSE 100: -0.29% at 7,684.30, CAC 40: -0.46% at 7,929.82, Euro Stoxx 50: -0.17% at 4,864.15, IBEX 35: +0.08% at 10,138.40, FTSE MIB: -0.44% at 32,557.81, SMI: -0.37% at 11,454.50.

## STOCK SPECIFICS

- **Berkshire Hathaway (BRK.B)** -1.7%: Operating earnings rose, almost 30% Y/Y, driven by gains in its insurance units. In his letter, Buffett cautioned about limited future growth prospects, citing scarce transformative deals.
- **Google (GOOG)** -4.5%: Is to pause Gemini image generation of people following issues, aims to relaunch in a few weeks.
- **Broadcom (AVGO)** +1%: Sold its end-user computing unit to KKR for approx. USD 4bln.
- **Fidelity (FIS)** +5%: Profit beat and it added USD 500mln to share repurchase programme. Note, revenue missed with FY profit guidance light of expectations.
- **Micron Technologies (MU)** +4%: Begins volume production of its HBM3E (high bandwidth memory 3E) solution; 24GB 8H HBM3E will be part of NVIDIA (NVDA) H200 Tensor Core GPUs, which will begin shipping in Q2 '24.
- **Alcoa (AA)** -4.5%: Agreed to acquire Australia's Alumina for USD 2.2bln, as it solidifies its position as a major bauxite and alumina producer, WSJ reports.
- **Li Auto (LI)** +18.5%: EPS, revenue, gross margin, and vehicles sales beat. Looking ahead, Q1 guidance was light.
- **Domino's Pizza (DPZ)** +5.5%: EPS topped expectations, approved an additional USD 1bln share buyback and lifted dividend +25% to USD 1.51/shr.
- **Agility (AGTI)** +29%: Set to be taken private by THL Partners for USD 10.00/shr. Note, AGTI closed Friday at USD 7.64/shr.
- **R1 (RCM)** +25%: New Mountain submitted a proposal to acquire Co. for USD 13.75/shr in cash.
- **Moderna (MRNA)** -2.5%: Downgraded at HSBC as it is "skeptical" of the company's two Phase 3 data readouts.
- **Amazon (AMZN)** flat: AWS is to invest in excess of USD 5bln in Mexico for a cluster of data centers.
- **Kroger (KR)** -2%, **Albertsons (ACI)** +0.5%: As expected, US FTC said nine states are joining commission in challenging KR's acquisition of ACI; confirmed it is suing to block the USD 24.6bln merger.
- **Charter Communications (CHTR)** -2.2%, **Altice USA (ATUS)** +35%: CHTR is reportedly weighing a takeover of ATUS, according to Bloomberg.
- **JPMorgan (JPM)** -0.3%: CEO Dimon said confidence is up in markets and there are things ahead that are concerning, as they continue to remain cautious. If rates go up and there is a recession there'll be real estate problems. Defaults going up now is part of the normalisation process.
- **Wells Fargo (WFC)** +0.5%: CFO noted consumer continues to be resilient but expecting some deterioration in credit going ahead, while he is very optimistic about the commercial bank. Still very comfortable with 2024 NII guidance (prev. down 7-9% Y/Y, exp. -7.0%).

## US FX WRAP

**The Dollar** sold off on Monday with DXY failing to hold above 104 trading between 103.70-104.20. The softness came despite a move higher in UST yields, paring the move seen on Friday in the face of fresh corporate and sovereign supply, although note weakness in foreign govies was also strong, dimming the Dollar's appeal from a rate differential perspective. The data highlight was the New Home Sales January report which missed expectations while Building Permits data were revised up. Attention turns to a plethora of Fed speak this week ([Newsquawk primer here](#)), as well as the 2nd estimate of GDP and the crucial January PCE report after hot CPI and PPI prints earlier in the month.

**The Euro** was supported by the weaker buck helping EUR/USD rise above its 100dma at 1.0814, the 200dma at 1.0826 and briefly above 1.0850, a level it hovers just shy of heading into APAC trade. There was little fresh impetus from the Euro although ECB President Lagarde spoke on several occasions, where she stated the ECB is not there yet on inflation, noting wage pressures remain strong. It's worth flagging that EGBs saw greater losses than their US counterparts, boosting the currency's appeal.

**The Yen** was softer vs the Dollar keeping USD/JPY north of 150 with the aforementioned move in UST yields supporting the price action with the pair testing resistance at the YTD peak of 150.8. Attention turns to Japanese inflation data on Tuesday.

**Cyclical currencies** were mixed with both CAD and GBP flat vs the Dollar. Antipodes however saw weakness and were the G10 laggards perhaps with NZD downside profit-taking after the gains seen last week ahead of the RBNZ rate decision on Wednesday. AUD/USD sold off to find support around the 21dma at 0.6534, a level it hovers around heading into APAC trade.



**EMFX** was mixed with RUB surging alongside a climb in crude prices while analysts at Reuters highlight the Rouble should be buttressed by month-end tax payments that usually see exports convert FX revenues to meet local liabilities, however, that support will soon fade. In LatAm, BRL, MXN and COP only saw marginal gains but CLP saw continued pressure on weaker prices. ILS was softer vs the Dollar after the Bol rate decision which left rates unchanged against a split consensus for either a 25bp cut or maintaining rates.

## Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited ("**Newsquawk**") on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.