



US Market Wrap

4th March 2024: Stocks subdued as mega caps struggle in the face of Bitcoin and Gold euphoria

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar flat.
- **REAR VIEW:** Bostic does not expect rate cuts to be "back-to-back"; AAPL faces EUR 1.8bn fine; EQT to cut gas production; Slew of corporate issuance; SMCI joining S&P 500.
- **COMING UP: Data:** UK BRC Retail Sales, Japanese, Chinese, EZ, UK & US PMI, EZ Producer Prices, US IBD /TIPP Economic Optimism, Durable Goods, ISM **Events:** US Primary "Super Tuesday" **Speakers:** BoJ's Ueda; Fed's Barr **Supply:** Japan, UK, Germany **Earnings:** Volvo, Bayer, Thales, Target, CrowdStrike.
- **WEEK AHEAD:** Highlights include US NFP, ECB & BoC rate decisions, Japan wage data. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing BoC and ECB; Reviewing RBNZ. To download the report, please click [here](#).

MARKET WRAP

Stocks were choppy on Monday and ultimately lower in a very quiet session as far as macro newsflow is concerned. Nonetheless, price action was the story with Gold (> 2,100/oz) and Bitcoin (> 67k) both surging to new recent peaks as momentum/euphoria takes over. Tech was mixed with AI names rallying, including a surge in Nvidia (NVDA), while other mega-cap names struggled. Tesla (TSLA) saw big losses on weak China sales figures, while Google (GOOGL) joined the automaker and Apple (AAPL) in falling beneath its 200d MA. Super Micro (SMCI) supported the AI bid with the company set to join the S&P 500, rallying c. 20%. The Russell 2k, before dipping with other major indices into the close, had initially outperformed, with SMCI and bitcoin-affiliated names providing tailwinds, while regional banks (KRE) held up well despite another dip in NYCB shares. Cross asset, USTs were lower with another slew of corporate Dollar debt deals weighing in the lack of other catalysts. Fed's Bostic (voter) gave even more comments, saying once the Fed starts cuts (he still sees two 25bp cuts in the back half of this year) it's unlikely to be back-to-back cuts. The Dollar was flat with Sterling firmer ahead of Wednesday's budget, Yen sold with higher US yields, and the Swissy slightly lower after some fleeting strength on the hotter-than-expected Swiss CPI. Yuan was flat amid the ongoing Two Sessions in China. Oil prices were lower with the extension of OPEC+ cuts into Q2 very much expected, meanwhile, Gaza ceasefire negotiations continue. Nat gas prices surged after EQT cut production.

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FED'S BOSTIC (2024 voter) said he would not anticipate that cuts, when they start, would be "back-to-back". The Atlanta Fed President noted a third quarter cut will likely be followed by a pause but he still expects two 25bps rate cuts this year (current market pricing has 84bps of cuts in 2024, vs the 75bp suggested in the Fed December Dot Plots). On the economy, Bostic added the strength of the economy and job market means the Fed has the "luxury" of proceeding without "urgency". In addition, on inflation, Bostic declared "pent-up exuberance" in the economy is an upside risk to inflation that "bears scrutiny".

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 9 TICKS LOWER AT 110-24

Treasuries bear-flattened in a catalyst-light session ahead of this week's risk events. 2s +7.1bps at 4.604%, 3s +6.0bps at 4.387%, 5s +4.9bps at 4.208%, 7s +3.8bps at 4.229%, 10s +3.7bps at 4.219%, 20s +2.9bps at 4.481%, 30s +2.8bps at 4.355%.

INFLATION BREAKEVENS: 5yr BEI +1.9bps at 2.389%, 10yr BEI +2.2bps at 2.358%, 30yr BEI +2.3bps at 2.308%.

THE DAY: Treasuries were already drifting lower on Monday ahead of stateside trade from the peaks made last Friday in what was and remained a catalyst-lite session. After peaking at 111-02 on Friday, T-Notes found support at 110-24+ in the London morning but went on to print session lows in the NY morning at 110-21 with more corporate Dollar debt



supply weighing in quiet trade. Note the front end led the selling in the NY session. T-Notes then hovered near lows for the remainder of the session with activity reminiscent of holiday trade. Traders are very much looking to this week's risk events with ISM Services on Tuesday, JOLTS and Powell on Wednesday, Powell again on Thursday, and the NFP report on Friday. Globally, China's Two Sessions is occurring across Monday and Tuesday, while the ECB on Thursday will be the central bank highlight of the week.

SUPPLY CALENDAR: There are no US coupon auctions this week ahead of next week's 3s, 10s, and 30s. But globally, Germany is selling EUR 4bln 5yr notes on Tuesday, UK is selling 3yr notes on Tuesday, Spain and France are both active across Thursday, and Japan is selling JPY 2.7tln 10yr notes on Tuesday and JPY 0.9bln 30yr bonds on Thursday. IFR reports that European scheduled sovereign supply is set to come in around EUR 30bln vs EUR 21bln last week. Meanwhile, Dollar corporate supply may also be thinning as we head through March after a record pipeline YTD, JPMorgan notes, "some deals getting pulled forward from March given market strength/resilience earlier this month... Average 4yr March supply has been ~175bn but we are expecting ~130bn for March this year." However, there has been no sign of a slowdown so far on Monday with another chunky slew of issuers tapping the debt markets.

FED SPEAK: The scheduled speaker list this week so far has Harker on Monday, Powell (testifying in House), Daly, and Kashkari on Wednesday, Powell (testifying in Senate) and Mester on Thursday, and Williams on Friday.

STIRS:

- SR3H4 -1.75bps at 94.6875, M4 -5.5bps at 94.905, N4 -4.5bps at 95.015, U4 -8bps at 95.20, Z4 -8.5bps at 95.52, H5 -9bps at 95.805, M5 -8.5bps at 96.045, U5 -8bps at 96.22, Z5 -7bps at 96.325, H6 -5.5bps at 96.38, H7 -3.5bps at 96.405, H8 -2.5bps at 96.355.
- SOFR falls to 5.31% from 5.32%, volumes fall to USD 1.783tln from 1.951tln.
- NY Fed RRP op demand at USD 0.440tln (prev. 0.441tln) across 75 counterparties (prev. 73).
- EFFF flat at 5.33%, volumes fall to USD 84bln from 96bln.
- US sold USD 79bln of 3-month bills at 5.240%, covered 2.65x; sold USD 70bln of 6-month bills at 5.105%, covered 2.59x.

CRUDE

WTI (J4) SETTLED USD 1.23 LOWER AT 78.74/BBL; BRENT (K4) SETTLED USD 0.75 LOWER AT 82.80/BBL

Oil prices were lower on Monday after last week's breakout higher failed to extend despite OPEC+ extending its production cuts. OPEC+ extended their voluntary output cuts of 2.2mln BPD into Q2, in line with reporting and expectations built last week, and therefore, likely a "sell the news" event. Nonetheless, there was some surprise given Russia announced it would deepen its production and export cuts by a further 471k BPD. Meanwhile, there may be some geopolitical risk premia being unwound with Gaza ceasefire discussions ongoing, albeit Israel is not present at the discussions. Elsewhere, Iran is opening a new phase at its southern oilfields with output set to rise to 100k BPD from 40k BPD as soon as the second phase of the oilfields is operational, according to IRNA.

NAT GAS: Nat gas futures surged after EQT announced it would curtail nearly 1 BCF/D of production through March in response to the low price environment amid warm winter weather and elevated storage inventories; expects to maintain curtailment through the month of March and will reassess market conditions thereafter.

EQUITIES

CLOSES: SPX -0.12% at 5,131, NDX -0.42% at 18,226, DJI -0.25% at 38,990, RUT -0.1% at 2,074.

SECTORS: Utilities +1.64%, Real Estate +1.07%, Materials +0.7%, Industrials +0.38%, Financials +0.23%, Technology +0.21%, Consumer Staples +0.11%, Health -0.13%, Energy -1.08%, Consumer Discretionary -1.27%, Communication Services -1.51%.

EUROPEAN CLOSES: DAX: -0.03% at 17,710.45, FTSE 100: -0.55% at 7,640.33, CAC 40: +0.28% at 7,956.41, Euro Stoxx 50: +0.32% at 4,910.65, IBEX 35: +0.05% at 10,069.80, FTSE MIB: -0.07% at 32,912.34, SMI: -0.24% at 11,466.00.

STOCK SPECIFICS

- **Super Micro (SMCI) +19%, Deckers Outdoor (DECK) +2.5%:** To replace **Whirlpool (WHR)** and **Zions Bancorp (ZION)**, respectively, in the S&P 500 at open on March 18th.



- **Macy's (M)** +13.5%: Arkhouse Management and Brigade Capital increase offer to acquire Macy's to USD 24/shr.
- **Apple (AAPL)** -2.5%: Is to face an EU fine in excess of EUR 1.8bln regarding the **Spotify (SPOT)** complaint. In other news, Evercore removed Apple from its 'Tactical Outperform' list. Lastly, Apple (AAPL) unveiled the new 13- and 15-inch MacBook Air with the powerful M3 chip.
- Crypto exposed stocks, such as **MicroStrategy (MSTR)**, **Coinbase (COIN)**, **Marathon Digital (MARA)**, benefitted from the gains seen in Bitcoin.
- **DoorDash (DASH)** +4% and **Lyft (LYFT)** +7%: Upgraded at RBC Capital.
- **Sea Limited (SE)** +5.5%: Posted a shallower loss per share than expected and beat on revenue.
- **Tesla (TSLA)** -7%: Shipments of China-made vehicles fell 19% Y/Y in February.
- **Spirit AeroSystems (SPR)** +4%: **Boeing (BA)** confirmed they have been prelim discussions about making SPR part of the Co. again.
- **JetBlue (JBLU)** +5%, **Spirit Airlines (SAVE)** -11%: JBLU announced the termination of its merger with SAVE.
- **Akero Therapeutics (AKRO)** +11%: Announces statistically significant histological improvements at week 96 in Phase 2b HARMONY Study.
- **Applied Materials (AMAT)** -0.4%: Exec stated it benefitted from being allowed to ship some technologies to China from DRAM customers in current quarters that weren't allowed in 2023.
- **American Airlines (AAL)** -5.5%: Ordered 85 Airbus (AIR FP) A321NEO jets, 85 **Boeing (BA)** 737 MAX 10 and 90 **Embraer (ERJ)** E175 aircrafts. Expects to remain within previous guidance for capacity and CapEx inclusive of aircraft orders. Orders also include options and purchase rights for further 193 aircrafts. Forecasts 2024 FCF of roughly USD 2bln; 2024 adj. EBITDAR margin of about 14%; 2025 adj. EBITDAR margin about 14-16%.

US FX WRAP

The Dollar was ultimately flat on Monday with no US data released in what was a very quiet session, with DXY trading between 103.72 and 103.96. The "highlight" was remarks from Fed's Bostic (voter), who said when rate cuts start they would not be back to back, but likely followed by a pause, noting he still sees two rate cuts this year, with the first cut taking place in Q3.

The Euro saw slight gains vs the Dollar and currently hovers around 1.0850 despite earlier rising above Friday's high of 1.0856 briefly to a peak of 1.0866. EUR/USD currently sits between the 50dma at 1.0867 and 20dma at 1.0828. The EU data highlight was the March Sentix Index, which saw a marginal beat but still in negative territory, seeing the fifth increase in a row, although it cautioned it would probably be an exaggeration to speak of a Spring revival.

The Yen was softer vs the Dollar, primarily due to rising UST yields ahead of Tokyo CPI data while the Franc was softer vs both the Euro and the Dollar, despite a hotter-than-expected inflation report, which did see some short-lived Swiss strength.

Gold, however, was a notable outperformer despite the upside in UST yields with gold rallying alongside silver prices on little fresh fundamental news. Although the Crypto bid has also been cited, tailwinds from the back-end of last week also helped the precious metal continue its ascent to see four consecutive days of gains to test the record peaks seen in December 2023 of 2,135/oz (according to Refinitiv data).

Antipodes were lower vs the buck with AUD/USD testing 0.6500 into the APAC session while NZD/USD fell sub 0.6100. CAD was also softer on account of the crude weakness but GBP saw decent gains and was the G10 outperformer ahead of the UK budget on Wednesday; [Newsquawk UK Budget Preview available here](#).

Scandis were the G10 laggards, particularly the SEK, despite little fresh headlines although attention lies on remarks from Riksbank's Bunge on Tuesday.

EMFX was more mixed, the TRY saw notable downside while CNH was flat as China's two sessions gets underway this week. The Lira weakness was seen despite an above expected inflation print, which saw JPMorgan revise its CBRT forecasts, where it now expects another 500bp rate hike in April, taking its headline rate to 50%. ZAR saw gains vs the buck as gold prices soared. In LatAm, MXN saw marginal gains while BRL and COP were flat but CLP sold off.

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