



US Market Wrap

5th March 2024: Big Tech losses extend as Bitcoin and Gold hit new ATHs

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar flat.
- **REAR VIEW:** Deeper than expected ISM Services fall; Concerns around the achievability of China's new GDP target; Hot Tokyo CPI data; iPhone sales plunge 24% Y/Y in first 6 weeks of '24; Fire at TSLA Berlin plant; TGT earnings impress; AMD faces China setback; Bitcoin & Spot gold hit record highs.
- **COMING UP: Data:** Australian Real GDP, German Trade, EZ Retail Sales, US ADP National Employment, Wholesale Inventory, JOLTS **Events:** BoC and NBP Policy Announcement; Fed Beige Book; UK Budget **Speakers:** Fed Chair Powell, Daly, Kashkari **Supply:** Australia **Earnings:** Deutsche Post, Legal & General, Dassault Systems.

MARKET WRAP

Stocks saw sizeable losses on Tuesday with the losses in Big Tech extending, seeing Nasdaq underperform. The malaise was heightened with Apple (AAPL) weighed on by reports of poor China iPhone metrics, Tesla (TSLA) extending losses amid a fire and resulting production halt at its Berlin plant, and AMD (AMD) facing US restrictions on its chip sales to China. The Big Tech weakness obfuscated the better performance seen elsewhere with the equal-weight S&P holding up much better than the market cap-weighted benchmark. Target (TGT) was a standout outperformer after its strong earnings report. The indices did manage to close off the lows with thanks to a strong recovery in names such as SMCI and NVDA. However, the reverse was true for Bitcoin and related stocks, after the crypto currency managed to eclipse its prior record highs to make new peaks above USD 69k earlier in the session only to tumble into the close back beneath the USD 60k mark. Spot Gold also hit new ATHs above USD 2,140/oz, but faded somewhat into the close. Elsewhere, Treasuries rallied to multi-week highs after a deeper fall than expected in ISM Services, which included a fall in the prices paid component but also the employment sub-index ahead of Friday's NFP, attention now on Wednesday's ADP employment and JOLTS. Ahead of Powell in Congress on Wednesday, Fed pricing now sees 90bps of cuts across 2024 vs 85bps before the ISM Services. There were even greater gains in Gilts and EGBs ahead of the UK budget (Wednesday) and ECB (Thursday). FX was more muted, with the Dollar Index flat on the session, while the Yen saw standout gains thanks to the lower RoW yield environment, not to mention the hotter-than-expected Tokyo CPI figures ahead of Japanese wage figures on Thursday. The Yuan was flat after China announced its 5% GDP growth target after the Two Sessions, although there is some disappointment over the degree of fiscal stimulus that has been offered, with those concerns weighing on oil prices.

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ISM SERVICES: ISM Services fell to 52.6 in February from 53.4 and beneath the expected 53.0. Internally, prices paid encouragingly fell to 58.6 from 64.0 and business activity lifted to 57.2 (prev. 55.8). Employment dipped back into contractionary territory (48.0 from 50.5) while new orders rose to 56.1 (prev. 55.0). Supplier deliveries slipped back below 50.0, while inventories delved deeper into contracting territory. The backlog of orders remained above 50, albeit just, at 50.3 (pre. 51.4) and new export orders and imports declined to 51.6 (prev. 56.1) and 54.3 (prev. 59.9), respectively. As the report notes, "the past relationship between the Services PMI and the overall economy indicates that the Services PMI corresponds to a 1.2% increase in real GDP on an annualized basis." Overall, Pantheon Macroeconomics expects a gradual slowdown in services sector activity over the coming quarters as the Fed's rate hikes start to weigh more heavily, particularly now that the excess savings built up by consumers during the pandemic have mostly been spent.

RCM/TIPP ECONOMIC OPTIMISM: US RCM/TIPP economic optimism index fell to 43.5 in March from 44.0. Within the report, personal financial outlook slightly rose to 53.8 (prev. 53.4) while confidence in federal economic policies fell to 37.9 from 39.0. Looking ahead, the six-month economic outlook declined to 38.9 from 39.6. Within the report, it notes "reflecting the recent stock market gains, optimism among investors gained 2.8% from 49.3 in February to 50.7 in March, while it dropped by 2.9% among non-investors, from 41.3 in February to 40.1 in March."

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 17+ TICKS HIGHER AT 111-09+



Treasuries rallied to multi-week highs after a deeper fall than expected in ISM Services. 2s -5.8bps at 4.55%, 3s -6bps at 4.333%, 5s -7.5bps at 4.136%, 7s -8.1bps at 4.151%, 10s -8.4bps at 4.135%, 20s -8.4bps at 4.397%, 30s -8.2bps at 4.273%.

INFLATION BREAKEVENS: 5yr BEI -1.9bps at 2.371%, 10yr BEI -1.9bps at 2.338%, 30yr BEI -1.3bps at 2.296%.

THE DAY: After Monday's bear-flattening in quiet trade, USTs began recovering with momentum during the European session on Tuesday. In APAC, Post-Two Sessions, China set its GDP growth target at 5% but disappointed investors who were expecting a larger spending boost. Meanwhile, Tokyo Core CPI remained at 3.1% Y/Y in Feb as expected, applying some pressure on JGBs but losses were pared after a decent 10yr JGB auction. T-Notes hit resistance at 111-00 at the London handover before the upward revisions to EU PMIs with some concerned commentary around a wage-price spiral ignited a bit of a pullback lower. That came before EU produce prices saw a tumble of 0.9% in Jan, much deeper than expected -0.1%.

Entering stateside trade, new highs were being printed. T-Notes hit an interim peak of 111-07 ahead of the ISM Services print, breaching through last week's peak from Friday of 111-02 (post-ISM mfg.) with the long end leading the strength despite another big slew of corporate issuance; strength in EGBs and Gilts was even more pronounced at the time. The larger fall than expected in the ISM Services saw T-Notes spike further to session peaks of 111-15, but failed to extend any higher into the afternoon. 111-05 served as support ahead of settlement. Attention now on [Wednesday's UK budget](#), ADP Employment, [BoC rate decision](#), JOLTS, and Fed Chair Powell [in Congress](#).

SUPPLY CALENDAR: There are no US coupon auctions this week ahead of next week's 3s, 10s, and 30s. But globally, Spain and France are both active across Thursday, and Japan is also selling JPY 0.9bln 30yr bonds on Thursday. 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 and Tuesday with another chunky slew of issuers tapping the debt markets.

FED SPEAK: The scheduled speaker list this week has Powell (testifying in House), Daly, and Kashkari on Wednesday, Powell (testifying in Senate) and Mester on Thursday, and Williams on Friday ahead of the March 19th/20th FOMC blackout.

STIRS:

- SR3H4 +0.75bps at 94.695, M4 +2.5bps at 94.93, U4 +4.5bps at 95.25, Z4 +6bps at 95.58, H5 +6.5bps at 95.875, M5 +7bps at 96.12, U5 +7.5bps at 96.30, Z5 +8bps at 96.41, H6 +8bps at 96.46, H7 +8.5bps at 96.495, H8 +8.5bps at 96.44.
- SOFR flat at 5.31%, volumes rise to USD 1.858tln from 1.783tln.
- NY Fed RRP op demand at USD 0.444tln (prev. 0.440tln) across 74 counterparties (prev. 75).
- EFFF flat at 5.33%, volumes rise to USD 91bln from 84bln.
- US sold USD 80bln of 42-day CMBs at 5.285%, covered 2.88x.
- Treasury left 4-, 8-, and 17-week bill auction sizes unchanged at USD 95bln, 90bln, and 60bln, respectively; 4- and 8-week to be sold on March 7th and 17-week bills on March 6th; all to settle on March 12th.

CRUDE

WTI (J4) SETTLED USD 0.59 LOWER AT 78.15/BBL; BRENT (K4) SETTLED USD 0.76 LOWER AT 82.04/BBL

Oil prices were lower on Tuesday with concerns around the achievability of China's new GDP target, tracking the move lower in stocks too. China's new 5% GDP target was not met with the amount of fiscal stimulus that many deem required to make it achievable, which has weighed on the demand outlook for oil prices. Other data, such as the upward revisions to the European PMIs, failed to provide much support. In geopolitics, negotiations on a Gaza ceasefire continue but to no avail yet. Energy newsflow was on the light side, with many traders looking ahead to the weekly US inventory data. Crude stocks are expected to build +2.1mln bbls, Gasoline to draw 1.6mln bbls, and Distillates to draw 0.7mln bbls.

EQUITIES

CLOSES: SPX -1.02% at 5,078, NDX -1.80% at 17,897, DJIA -1.04% at 38,585, RUT -0.99% at 2,053.



SECTORS: Technology -2.19%, Consumer Discretionary -1.31%, Real Estate -1.24%, Industrials -0.83%, Health -0.8%, Communication Services -0.77%, Materials -0.53%, Utilities -0.26%, Financials +0.13%, Consumer Staples +0.34%, Energy +0.75%.

EUROPEAN CLOSES: DAX: -0.03% at 17,693.45, FTSE 100: +0.08% at 7,646.16, CAC 40: -0.30% at 7,932.82, Euro Stoxx 50: -0.43% at 4,891.75, IBEX 35: +0.47% at 10,117.10, FTSE MIB: +0.71% at 33,146.16, SMI: -0.11% at 11,465.60.

STOCK SPECIFICS:

- **Apple (AAPL)** -3%: iPhone sales in China plunged 24% Y/Y in the first six weeks of 2024, according to Counterpoint Research cited by Bloomberg. Huawei Sales were +64%, while total China smartphone sales were -7%. Separately, according to Ming Chi Kuo, the market consensus for iPhone shipments in 2024 has started to ease to closer to 200mln units from 220-225mln units initially.
- **Advanced Micro Devices (AMD)** flat: Faced a setback in selling an AI chip to China due to US export restrictions. The chip, designed to meet regulations, didn't receive clearance. In other news, at the MS conference, the CFO said AI accelerator market crossed USD 40bln in 2023 and will more than double in 2024. Expecting customers to pick up their investments in servers in 2024.
- **Tesla (TSLA)** -4%: Had a fire at a Berlin plant, and the boss expects power to be down for several days and do not expect production to resume this week.
- **Target (TGT)** +12%: EPS and revenue beat, with SSS declining less than forecast. FY adj. EPS view surpassed Wall St. consensus.
- **MicroStrategy (MSTR)** -21%: Plans a USD 600mln convertible senior notes offering.
- **Paymentus Holdings (PAY)** +19%: Stellar earnings with strong EBITDA guidance.
- **AeroVironment (AVAV)** +28%: EPS and revenue topped expectations, alongside lifting FY24 outlook.
- **Albemarle (ALB)** -19.5%: Has begun a USD 1.75bln depository shares offering.
- **GitLab (GTLB)** -21%: Forecasts a surprise next quarter loss per share, with FY25 outlook also weak.
- **Disney (DIS)** -0.5%: CEO Iger is "extremely confident" DTC (streaming) will be profitable by Q4 2024 (as previously guided); sees exceeding prior FCF guidance for FY24 of USD 8bln (exp. 8.27bln).
- **Citi (C)** +0.5%: CEO expects Q1 results to be slightly better than expected and expects IB revenue to grow by a low-teens percentage in Q1. Sticking to FY expense guidance and anticipates markets revenue to decline 8-12% in Q1 2024 Y/Y after a strong Q1 in 2023.

US FX WRAP

The Dollar was flat on Tuesday, and within narrow parameters, but fell to lows of 103.570 after the ISM Services miss. On the data set, the headline dipped to 52.6 (exp. 53.0, prev. 53.4) while prices paid declined and business activity rose. Nonetheless, fresh fundamental newsflow for the Dollar was fairly sparse as participants await Fed Chair Powell testifying before the House and Senate on Wednesday and Thursday, respectively ([preview here](#)). Wednesday's ADP and JOLTS data is also looming ahead of Friday's NFP. In terms of levels, the Dollar Index breached both beneath the 200DMA of 103.737, and above the 100DMA of 103.911 at the highs, but remained capped by 104.00 to the upside and 103.50 to the downside.

JPY was the G10 outperformer and saw slight gains against the Greenback following hot Tokyo inflation numbers overnight, which was later followed up by Japan's Top Currency Diplomat Kanda saying that markets must brace for higher interest rates environment. As such, USD/JPY managed to eke out a low of 149.71 against an earlier peak of 150.61.

GBP and **EUR** were flat against the Greenback. For the single-currency, there was little direction with the tumble in EU PPI (Jan) and the upward revisions to the PMIs with traders awaiting the pivotal ECB meeting on Thursday ([preview here](#)), while the UK Budget on Wednesday ([preview here](#)) looms for the Pound. GBP and EUR hit highs of 1.2734 and 1.0876, respectively, in wake of the aforementioned ISM as part of the broader Dollar weakness.

Antipodeans saw marginal losses with the Kiwi ever-so-slightly underperforming its Aussie counterpart. Initially, both currencies were softer against the Greenback amid disappointment out of China which weighed on sentiment before fading losses on previously mentioned risk events. As such, AUD/USD lost 0.65 status and went as low as 0.6478 and if losses resume, the YTD trough at 0.6442 could come into focus. NZD/USD edged below last week's RBNZ-led low and 200DMA at 0.6076 to make a low at 0.6072, before paring losses and hovers around 0.6100 at pixel time. The high beta currencies appear to have avoided the strong losses seen in US stocks.



CAD and **CHF** were either side of flat against the Buck, with the Swissy eking out gains and the Loonie failing to prevent marginal losses. There was little currency specific for either of the two, but once again traders will await BoC on Wednesday. In a brief summary, BoC is widely expected to leave rates on hold at 5.00%, with analysts expecting the first rate cut in June, in fitting with money market pricing where a full 25bp cut is priced by the June meeting. There will be no MPR at this meeting, but the focus will be on the guidance the BoC provides and the following press conference.

In **EMFX**, the Yuan was in focus, but ultimately flat, after China's Two sessions. China's Official Work Report revealed it is targeting 2024 GDP growth of "around 5%," as expected. It sees 2024 CPI at around 3% (exp. 3%). China will continue to implement proactive fiscal policy and prudent monetary policy, will move faster to foster a new development model for real estate. Newsquawk analysis is [here](#). Elsewhere, ZAR benefitted off of spot gold hitting an ATH rather than the Q4 GDP data printing +0.1% Q/Q, missing the expected +0.2% and narrowly avoiding a technical recession. CLP was weighed on by weakness in copper. For the COP watchers, the Finance Minister said the Central Bank should cut rates by at least 50bps. Lastly, the Venezuelan Presidential election will take place on July 28th.

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