



## US Market Wrap

### 18th March 2024: Nasdaq leads stock bid as bonds fall further ahead of key risk events

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** BoJ to end NIRP, YCC and ETF purchases (via Nikkei); Strong China activity data; AAPL to integrate GOOGL's Gemini AI into iPhone; Biden to implement strict pollution limits to boost EV sales
- **COMING UP: Data:** EZ Labour Costs, German ZEW, Canadian CPI **Events:** RBA Policy Announcement, BoJ Policy Announcement **Speakers:** BoJ's Ueda, RBA Press Conference, ECB's de Guindos **Supply:** UK & US
- **WEEK AHEAD:** Highlights include: FOMC, BoJ, RBA, BoE, SNB, China activity data, PBoC LPR & Nvidia GTC. To download the report, please [click here](#).
- **CENTRAL BANK WEEKLY:** Previewing FOMC, BoJ, RBA, BoE, PBoC, SNB, Norges, BCB & CBRT. To download the report, please [click here](#).

## MARKET WRAP

Stocks rallied on Monday in a relatively quiet newsflow session (from a macro perspective) with the Nasdaq leading the charge ahead of the Nvidia (NVDA) GTC event after the close. However, both the index and Nvidia closed well off best levels as participants positioned into the event. There was additional bullish momentum behind big tech stocks after Bloomberg reported Apple (AAPL) is to integrate Google's (GOOGL) Gemini AI app. Tesla (TSLA) and EV names also did well amid Biden's latest environmental endeavour. The Russell 2k saw notable weakness, however, while the equal weighted S&P was slightly lower. There was no major US data, although we did get a surprise rise in the NAHB housing market index. Treasuries continued to tumble with little catalysts ahead of the BoJ and FOMC, and on the former, note a new Nikkei sources article that the BoJ set to end yield curve control, ETF purchases, and end NIRP on Tuesday. That Nikkei article saw some fleeting strength in the Yen in an otherwise muted session for FX volatility. Even the solid Chinese industrial production and retail sales figures couldn't sustain any strength in the Yuan, nor the antipodeans, albeit it did support oil's continued breakout higher.

## CENTRAL BANKS

**FED PREVIEW:** The FOMC is set to keep rates unchanged at 5.25-5.50% on Wednesday. The market's focus will be on the accompanying Dot Plot with risks the 2024 median forecast may nudge higher to two cuts from December's three cuts to reflect the recent upside surprises in inflation and growth data. Money markets have pulled back hawkishly this year to align with the Fed's December forecast of three cuts in 2024 and now do not have a rate cut fully priced in until July, although a June cut is implied at 60%, where the majority of analysts expect. There is also a risk the neutral rate forecast moves higher. Given the "bumpy" progress on inflation, Chair Powell is likely to remain coy on specifics of rate cut timing after he said the Fed was "not far" from nearing the confidence to begin rate cuts before the hot February inflation data. We also expect to get a more formal acknowledgement that discussions have begun, but not a decision, on the tapering of the balance sheet runoff. [Please click here for the full Newsquawk Preview.](#)

**BOJ PREVIEW:** The BoJ will announce the outcome of its crucial two-day policy meeting on Tuesday in which participants will be eyeing whether the central bank exits its negative interest rate policy as money markets are pricing a near coin flip between the central bank maintaining its rate at the current level of -0.10% or if it hikes this by 10bps to 0%. Furthermore, a recent Reuters poll showed that 35% of economists expect the BoJ to end negative rates in March and 62% think April, while participants will also await the central bank's decision regarding its QQE with YCC and if there are any adjustments to its other measures such as ETF purchases with 31% of economists expecting the BoJ to end YCC in March and 62% think April. [Please click here for the full Newsquawk Preview.](#) Note, a Nikkei article published during the US session suggested the BoJ are set to end NIRP, end ETF purchases and also end YCC. For a recap of all recent Japanese headlines ahead of the BoJ, [please click here](#).

**RBA PREVIEW:** The RBA will announce the conclusion of its 2-day policy meeting on Tuesday with the central bank expected to keep rates unchanged at 4.35% as the ASX 30 Day Interbank Cash Rate Futures indicates a 95% expectation for rates to be maintained at the current level and just a 5% expectation for a 25bps cut to 4.10%. Furthermore, a recent Reuters poll showed all 40 economists surveyed were unanimous in their forecasts that the RBA will keep the cash rate unchanged. [Please click here for the full Newsquawk Preview.](#)



## FIXED INCOME

### T-NOTE (M4) FUTURES SETTLE 8+ TICKS LOWER AT 109-26

**Treasuries continued to tumble on Monday with little catalysts ahead of BoJ and FOMC.** 2s +1.1bps at 4.734%, 3s +2.3bps at 4.524%, 5s +3.0bps at 4.354%, 7s +3.3bps at 4.358%, 10s +3.2bps at 4.336%, 20s +2.6bps at 4.574%, 30s +3.4bps at 4.462%.

**INFLATION BREAKEVENS:** 5yr BEI -0.2bps at 2.370%, 10yr BEI -0.3bps at 2.326%, 30yr BEI -0.3bps at 2.276%.

**THE DAY:** Treasuries saw a light bid off the lows printed at the globex reopen through the APAC session on Monday with little major catalysts for govies aside from the hot Chinese activity data. T-Notes hit session highs of 110-05+ at the London handover before the long end led a pullback into the NY handover.

The selling picked up further through the NY morning with the front end playing some catch up. There was little fresh data to drive price action, barring a surprise rise in the NAHB housing market index, although we did get some fresh corporate Dollar debt supply. T-Notes broke through their globex lows of 109-30+ and ultimately troughed for the session at 109-24+ in the afternoon. That came on the back of a Nikkei article that noted the BoJ will end its yield curve control, ETF purchases, and NIRP. Traders now await the BoJ and RBA during APAC Tuesday trade before shifting attention to the 20yr auction in the US session, followed by the FOMC on Wednesday.

**THIS WEEK'S AUCTIONS:** US to sell USD 13bln of 20yr bonds on Tuesday, to settle on April 1st; to sell USD 16bln of 10yr TIPS (reopening) on Thursday, to settle on March 28th. UK is selling 20yr paper on Tuesday. In Europe, Germany is selling 20yr and 30yr paper on Wednesday, while Spain and France are expected to be active selling paper on Thursday, followed by Italy on Friday. Japan is tapping some 10yr, 20yr, and 30yr issues on Thursday.

### STIRS:

- SR3H4 -0.25bps at 94.6625, M4 -1bp at 94.84, U4 -2bps at 95.10, Z4 -2bps at 95.385, H5 -2.5bps at 95.63, M5 -2.5bps at 95.84, U5 -2.5bps at 96.00, Z5 -2.5bps at 96.105, H6 -2.5bps at 96.17, H7 -3bps at 96.26, H8 -3.5bps at 96.235.
- SOFR flat at 5.31%, volumes rise to USD 1.803tln from 1.782tln.
- NY Fed RRP op demand at USD 0.441tln (prev. 0.414tln) across 70 counterparties (prev. 68)
- EFFR flat at 5.33%, volumes fall to USD 90bln from 95bln.
- US sold USD 76bln of 3-month bills at 5.245%, covered 2.81x; sold USD 70bln of 6-month bills at 5.130%, covered 2.76x.

## CRUDE

### WTI (J4) SETTLES USD 1.68 HIGHER AT 82.72/BBL; BRENT (K4) SETTLES USD 1.55 HIGHER AT 86.89/BBL

**Oil prices rallied on Monday with strong Chinese activity data providing the latest push to new multi-month highs.** The latest Chinese industrial output and retail sales figures for the January to February period came in comfortably above expectations, providing support for commodities. At the same time, Eurozone trade data for January saw the goods trade surplus hit its highest level since 2002. On the supply side, Iraq's oil minister said the country is committed to voluntary cuts agreed to within the OPEC+ group and will reduce exports to 3.3mln BPD in the coming months to compensate for exceeding its quota in January and February. We also heard familiar rhetoric from the Saudi Aramco CEO, who said that peak oil and gas is unlikely anytime soon, and that he sees global oil demand hitting a record in H2 2024. In the US, the EIA said US oil output from the top shale-producing regions is due to climb marginally in April to the highest since December 2023.

## EQUITIES

**CLOSES:** SPX +0.63% at 5,149; NDX +0.99% at 17,985, DJI +0.2% at 38,790, RUT -0.72% at 2,025.

**SECTORS:** Communication Services +2.95%, Consumer Staples +0.82%, Consumer Discretionary +0.62%, Technology +0.51%, Financials +0.5%, Utilities +0.46%, Energy +0.43%, Materials +0.17%, Industrials +0.17%, Real Estate -0.02%, Health -0.02%.



**EUROPEAN CLOSES:** Euro Stoxx 50 -0.09% at 4,984.25, SMI -0.42% at 11,626.70, FTSE 100 -0.06% at 7,722.55, IBEX 35 -0.01% at 10,596.70, FTSE MIB unchanged at 33,940.96, FTSE 250 -0.14% at 19,486.53, DAX +0.01% at 17,939.21, CAC 40 -0.20% at 8,148.14.

## STOCK SPECIFICS:

- **Apple (AAPL) +0.9%, Google (GOOG) +4%:** AAPL is discussing integrating Google's (GOOGL) Gemini AI engine into the iPhone, according to Bloomberg.
- **TSMC (TSM) +0.4%:** TSMC is considering establishing advanced packaging capacity in Japan, potentially boosting Japan's semiconductor industry, Reuters reported.
- **Cloudflare (NET) +3%:** Stephanie Cohen, a senior exec at Goldman Sachs (GS), is leaving GS to join NET.
- **Tesla (TSLA) +6%:** To raise US prices for Model Y by USD 1,000 on 1st April (see autos section below for more).
- **Boeing (BA) -1.5%:** Federal prosecutors are investigating the mid-air blowout of a Boeing Co. door plug on an Alaska Airlines flight, using subpoenas and a grand jury in Seattle, Bloomberg reports.
- **US Steel (X) flat:** Said the acquisition by Nippon Steel is expected to close later this year. Meanwhile, X provided a Q1 guidance update, it sees adj. EBITDA at 425mln (exp. 468mln) and EPS between 0.80-0.84 (exp. 0.89).
- **Shift4Payments (FOUR) -6.5%, Fiserv (FI) +1.5%:** The FOUR CEO said bids from potential contenders have failed to sufficiently value the co., via Bloomberg. Note, Fiserv (FI) had been one of the bidders for the co.
- **Nuvei (NVEI) +32%:** Close to a buyout by PE firm Advent.
- **Rivian (RIVN) +3.2%:** Rivian vehicles are now compatible with the supercharger network.
- **Soho House (SHCO) +21%:** CC Capital is one of the parties in discussions to takeover Soho House (SHCO), according to Reuters sources.
- **IPO's:** Reddit's IPO is currently between 4-5x oversubscribed, making it more likely the social media platform will attain the USD 6.5bln valuation it seeks; the company is poised to at least reach its targeted price range of USD 31-34/shr when it prices on Wednesday.
- **Autos:** The Biden administration is poised to implement the strictest pollution limits for cars and light trucks, aiming to significantly boost electric vehicle sales, Bloomberg reports. Meanwhile, India announced a significant reduction in import duties on specific electric vehicles, targeting manufacturers investing at least USD 500mln in local production within three years, WSJ reports.

## US FX WRAP

FX trade was relatively quiet on Monday with a plethora of central banking activity due this week (BoJ, RBA, FOMC, BCB, PBoC, Norges, SNB, BoE, CBRT).

**The DXY** saw slight gains rising from lows of 103.33 to highs of 103.65, with the index heading into APAC trade at highs with yields higher across the curve ahead of key risk events this week.

**The Euro** saw marginal weakness despite an earlier attempt at rising above 1.09. EUR/USD peaked at 1.0905 but swiftly pared beneath the round level to lows of 1.0866 in the tail part of the US session.

**The Yen** was ultimately flat vs the Dollar hovering around 149 ahead of the BoJ rate decision on Tuesday. There were several sources over the weekend but the latest from Nikkei suggests the BoJ is set to end NIRP, end YCC and also end ETF purchases at the upcoming meeting. The report saw the Yen strengthen to lows of 148.92 but the move swiftly pared with plenty of articles already suggesting the BoJ is to hike at the March meeting. Do note that a poll released on Friday saw analysts lean towards an April hike instead.

**The Franc** was weaker vs the Dollar and the Euro (200dma 0.8816). USD/CHF meandered throughout the European morning but a slight sell off as US players arrived saw the cross test the 200dma at 0.8816, before rebounding strongly throughout the rest of the session to a peak of 0.8883. All eyes turn to the SNB rate decision on Thursday.

**Antipodes** were flat vs the Dollar with the AUD/NZD cross also flat despite an upbeat risk environment and strong China data.

**The Yuan** was also flat vs the Dollar (both onshore and offshore) despite very strong Chinese Industrial output data while retail sales were also above expectations, which did provide some fleeting strength to the Yuan.

**Sterling and Loonie** were both flat vs the Dollar with eyes turning to Canadian CPI on Tuesday and the BoE policy announcement on Thursday.



**Scandis** were both weaker, particularly the SEK which underperformed vs the NOK with the latter somewhat supported at least by rising crude prices ahead of the Norges Bank rate decision on Thursday.

In **EMs**, BRL, MXN, COP and CLP all saw losses vs the Dollar with stronger than expected growth metrics from Chile and Brazil doing little to support the LatAm currencies. Elsewhere, ZAR saw notable weakness despite upside in gold prices with attention turning to SA inflation figures on Wednesday. TRY was also softer vs the Dollar.

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