



US Market Wrap

22nd March 2024: Stocks post largest W/W gain of the year as Dollar rips

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar up.
- **REAR VIEW:** Dovish ECB commentary; NKE & LULU hit on earnings; FDX surges; TSLA curbs China output; Soft Japan inflation, wage tally eased slightly; German Ifo beats; Russia/Ukraine in focus.
- **WEEK AHEAD:** Highlights include US PCE, Aus CPI, Riksbank. To download the report, [please click here](#).
- **CENTRAL BANK WEEKLY:** **Previewing** Riksbank, BoJ SOO; **reviewing** FOMC, BoJ, SNB, BoE, RBA, PBoC, BCB, Banxico, CBRT, Norges Bank. To download the report, [please click here](#).

MARKET WRAP

Stocks were choppy on Friday with a lack of tier 1 US data to go off, while question marks were raised on the state of the consumer on the back of poor reports from Nike (NKE) and Lululemon (LULU). Large cap tech was an outperformer, with Apple (AAPL) paring some of Thursday's big losses post-DoJ lawsuit; Tesla (TSLA) pared its earlier large losses after BBG reports it had trimmed its Chinese output amid slow sales. Small caps (Russell 2k), on the other hand, saw large losses that were sustained. Treasuries bull-flattened amid dovish ECB momentum (EGBs outperformed, weighing on the Euro) and suspected month-end flows, with geopolitics simmering. On the latter, the Russia/Ukraine situation is deteriorating after Russian officials described to domestic press on Friday that the invasion of Ukraine was a "war" for the first time, more pointed than its usual description of it being a "special military operation". That was followed by what has been reported as a terrorist attack in Moscow (with 50+ reported dead currently), leading to speculation that the attack could preface a retaliation from Russia for whoever it deems responsible. The Dollar saw strong gains, with many central banks seemingly on a path to beating the Fed to the first rate cut. Yuan saw notable weakness after a big change in the fix as the currency breached 7.20 to the upside in what is being considered as appetite by Chinese officials to let the currency devalue.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLE 11+ TICKS HIGHER AT 110-24

Treasuries bull-flattened Friday amid dovish ECB momentum and suspected month-end flows, with geopolitics simmering. At settlement, 2s -3bps at 4.602%, 3s -4bps at 4.371%, 5s -5bps at 4.203%, 7s -5.3bps at 4.223%, 10s -5.1bps at 4.220%, 20s -5.4bps at 4.483%, 30s -4.7bps at 4.395%.

INFLATION BREAKEVENS: 5yr BEI -1.2bps at 2.398%, 10yr BEI -1.2bps at 2.352%, 30yr BEI -1.2bps at 2.296%.

THE DAY: Treasuries entered stateside trade already with a bid. Japanese CPI came in on the soft side during APAC trade, while BoJ's Ueda said the bank would like to decrease its JGB buying eventually, but for the time being, it will take a wait-and-see stance. During London trade, Gilts led strength with BoE Governor Bailey in the FT saying rate cuts are in play at future BoE meetings amid signs tighter policy has quelled the risk of a wage-price spiral. UK retail sales came in hotter than expected on the headline, however. Meanwhile, the German Ifo survey came in on the hot side, which capped the govvie strength at the time.

A more notable bid arrived in the NY morning, with EGBs leading the charge on the back of some dovish ECB remarks. Many desks were also pointing to some early month/quarter-end buying, with stocks also under pressure at the time. But it's also worth considering there may have been an element of haven demand with the tenor of news on Ukraine deteriorating (Russia calls invasion of Ukraine a 'war' for the first time - FT), with oil, TTF, and gold all seeing some upside at the time. T-Notes hit session peaks of 110-26+ in the morning, hovering near highs for the rest of the session with no major data or notable comments from Powell at the Fed Listens events.

NEXT WEEK'S AUCTIONS: US to sell USD 66bln of 2yr notes on Monday, USD 67bln of 5yr notes on Tuesday, and USD 43bln of 7yr notes and USD 28bln of 2yr FRNs (reopening) both on Wednesday; all to settle on April 1st. In Europe, the Netherlands (5yr), UK (4yr), and Germany (1yr, 9yr) are all selling paper on Tuesday, with Germany (7yr) again on Wednesday alongside Portugal and Italy. Japan is tapping maturities in the 1-5yr sector on Monday, selling 40yr bonds on Wednesday, and 2yr notes on Friday.



STIRS:

- SR3M4 +2bps at 94.91, U4 +2bps at 95.215, Z4 +2.5bps at 95.515, H5 +3bps at 95.78, M5 +4bps at 96.00, U5 +5bps at 96.17, Z5 +5.5bps at 96.28, H6 +6bps at 96.34, M6 +6.5bps at 96.37, M7 +6bps at 96.39, M8 +6bps at 96.32.
- SOFR flat at 5.31% as of March 21st; volumes rise to USD 1.849tln from 1.736tln.
- NY Fed RRP op demand at USD 0.479tln (prev. 0.461tln) across 72 counterparties (prev. 74)
- EFFR flat at 5.33% as of March 21st, volumes rise to USD 93bln from 91bln.

CRUDE

WTI (K4) SETTLES USD 0.44 LOWER AT 80.63/BBL; BRENT (K4) SETTLES USD 0.35 LOWER AT 85.43/BBL

Oil prices were ultimately lower, just about clutching a consecutive W/W gain, with strength out of Europe faded through the NY session. WTI and Brent (K4) futures hit peaks of USD 81.45/bbl and 86.15/bbl, respectively, at the NY handover, before gradually unwinding from there, weighed on by the strong Dollar. The deteriorating Ukraine/Russia situation was in focus Friday, with the FT reporting the US has urged Ukraine to halt strikes against Russian oil refineries, with concerns Russia may retaliate, including striking the CPC pipeline. Russian officials also declared to domestic press on Friday that the invasion of Ukraine was a "war" for the first time, more pointed than its usual description of it being a "special military operation". Meanwhile, Russia and China blocked a US resolution for a Gaza ceasefire at the UN, although the resolution was significant in that it marked a notable breach between the US and Israel. Energy newsflow was otherwise on the light side for the session, although in the US, the Baker Hughes US rig count (w/e March 22nd) saw oil rigs down one at 509 and Nat Gas down four at 112.

EQUITIES

CLOSES: SPX -0.14% at 5,234, NDX +0.10% at 18,339, DJI -0.77% at 39,476, RUT -1.27% at 2,072.

SECTORS: Communication Services +0.85%, Technology +0.45%, Utilities +0.15%, Health -0.14%, Energy -0.2%, Industrials -0.34%, Consumer Staples -0.56%, Materials -0.59%, Consumer Discretionary -0.63%, Financials -1.21%, Real Estate -1.24%.

EUROPEAN CLOSES: DAX: +0.18% at 18,213, CAC 40: -0.34% at 8,152, FTSE 100: +0.61% at 7,931, IBEX 35: +0.70% at 10,943, FTSE MIB: +0.05% at 34,344, Euro Stoxx 50: -0.43% at 5,030, SMI: -0.44% at 11,652.

STOCK SPECIFICS:

- **Nike (NKE) -7%:** Although shares initially rallied after its earnings report was published, they slipped into the red during the conference call. The quarter was strong although margins disappointed. On the call, execs acknowledged that the apparel maker had lost share in its running shoes category, sending shares into the red and announced it was to cut back on inventories of "classic" shoes to focus on upcoming launches and new product development.
- **FedEx (FDX) +7%:** Shares surged post-earnings after a strong EPS beat alongside strong margins while it also announced a new USD 5bln buyback programme; revenue missed, however. Note, co. exec said that DRIVE was having a real impact, supporting both operating income growth and margin expansion
- **Lululemon Athletica (LULU) -16%:** Shares tumbled over 11% in after hours trade on soft comps and weak FY guidance.
- **Tesla (TSLA) -1%:** Is reportedly trimming Chinese output amid slow EV sales, according to Bloomberg.
- **Apple (AAPL) +0.5%:** The Co. has reportedly held talks with Baidu (BIDU) over AI for its devices; Apple talks with Baidu are still exploratory, according to WSJ.
- **Booking Holdings (BKNG) -0.6%:** Italy's antitrust regulator is to probe Booking.com (BKNG) for potential abuse of its dominant position.
- **Amazon (AMZN) +0.4%:** Competitive focus at Amazon (AMZN) has reportedly shifted to Chinese e-commerce players Temu (PDD) and Shein instead of Walmart (WMT) and Target (TGT), according to WSJ.
- **MorphoSys (MOR) +0.8%:** Announced US antitrust clearance of its proposed acquisition by Novartis; MorphoSys continues to expect the sale to close in H1.
- **Adobe (ADBE) -2.3%:** OpenAI (MSFT) is reportedly meeting with Hollywood (CMCSA, DIS) to pitch an AI video generator, according to Bloomberg.
- **Joby (JOBY) -0.7%:** Co. targets commercial service in Dubai as soon as late 2025; notes air taxi services likely to start in Dubai before US, according to Bloomberg.



US FX WRAP

The Dollar Index continued its bid north of 104.00 on Friday to finish the week at the highest level since February 16th. There was a lack of US data/Fed developments on Friday with upside buoyed by weakness in the Euro and Yuan.

The Yuan saw notable weakness and rose above 7.20 during APAC trade with the PBoC setting a weak fix overnight, albeit not as weak as expected. Citigroup highlights that with FX markets heavily manicured, the break above 7.20 has sent a signal to markets that authorities are willing to tolerate some CNY depreciation.

Euro tested 1.08 to the downside with the single currency pressured most during APAC trade. German data was stronger than expected and it briefly halted the slide throughout the European session before selling resumed in the US session aided by some dovish ECB remarks. Nagel said the probability is rising that rates will be lowered ahead of the Summer break, Lagarde was optimistic on inflation and growth, while Scicluna, speaking to Econostream, refused to rule out a cut in April. Holzmann the hawk was on the flip side however, suggesting investors should consider the risk that the ECB does not lower rates this year but noted a rate cut is in preparation, although timing is unclear.

The Yen strengthened vs the buck but USD/JPY found support at 151.00. The dovish ECB commentary and upside in bonds had given some support to the Yen which benefited from rate differentials with Yen strength seen despite softer than expected inflation numbers while the 2nd tally of the RENGO wage talks eased marginally. Earlier on, remarks from BoJ Governor Ueda repeated that their JGB holdings will remain at current levels for the time being, but refused to comment on the recent FX moves.

The Pound was weaker vs the Dollar after BoE governor Bailey said rate cuts are in play at future BoE meetings amid signs that tighter policy quelled the risk of a wage-price spiral, via FT. Meanwhile, UK retail sales were stronger than expected in February, but still flat M/M. Cable fell from peaks of 1.2675 to lows of 1.2576. Technicians are eying 1.2550 as support; the February 16th low.

The Franc was flat vs the strong Dollar on Friday after the notable underperformance on Thursday in wake of the surprise SNB cut, but it did see some gains vs the Euro.

Gold prices were hit on account of the rising Dollar while Bitcoin prices also sold off.

Antipodes saw notable weakness vs the Stronger buck with AUD/USD falling towards 0.6500 while NZD/USD dipped beneath 0.6000. The CAD was also softer vs the buck despite stronger than expected retail sales with USD/CAD rising above 1.3600 in the US session.

EMFX was mixed. BRL was soft. MXN was flat after relatively inline inflation figures but weak growth numbers. ZAR saw notable weakness with gold prices weighing. CLP tumbled. COP was bid after the 50bps rate cut to 12.25% in line with consensus but note that some forecasters looked for a smaller 25bp cut, and some a larger 75bp rate cut. The Lira was flat a day after the surprise 500bp rate hike.

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