



US Market Wrap

25th March 2024: Bonds fall and stocks chop ahead of key risk events into month-end

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** Japan's top currency diplomat Kanda jawbones; Bostic only sees 1 rate cut this year while Goolsbee sees 3; 2yr auction was more-or-less average; BA CEO intends to step down; China blocks use of INTC & AMD in govt tech; AAPL ends plans to develop microLED displays; New Home Sales slides marginally lower; Russia tells oil companies to cut output to 9mln BPD by the end of June; China reportedly selling USD to support CNY
- **COMING UP: Data:** Spanish GDP (F), US Durable Goods, Philly Fed Nonmanufacturing Business Outlook, Richmond Fed Survey **Speakers:** RBNZ's Conway; BoC's Rogers; ECB's Lane **Supply:** Netherlands, UK, Germany, US **Earnings:** Flutter, Ocado.
- **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 ultimately red on Monday, although well off the morning lows. The RUT closed green on account of energy sector outperformance with crude prices rising. Lows were seen in the futures pre-market with tech downside leading on several key reports, chip names AMD and INTC were initially hit on China phasing out US microprocessors from government PCs and servers. Nvidia was lower pre-market after GOOG, INTC and QCOM announced they were planning to battle NVDA's dominance in AI. Meanwhile, the EU is also opening investigations into big tech names. Nonetheless, a lot of these stocks pared earlier weakness which helped the Nasdaq recover to finish only slightly lower. Treasuries were lower across the curve ahead of supply this week as well as some key data & Fed speakers, including Waller on Wednesday, while Powell speaks on Good Friday, after the PCE data. There was a slew of Fed speakers, Bostic after-hours on Friday was hawkish noting he now only sees one cut this year (prev. two), while Goolsbee echoed Powell by noting the inflation reports do not change the overall picture. Cook stuck to the script, noting risks between meeting the dual mandate are coming back into better balance. Data saw US existing home sales marginally miss expectations while the US 2yr treasury auction was in line with recent averages. In FX, the Dollar was sold while Yuan was bid after a firmer PBoC fixing overnight and on reports of State-owned banks selling Dollars after the notable weakness seen at the tail end of last week. The Aussie also prospered on the Yuan strength while the Yen was ultimately flat despite officials jawboning overnight; Japan's top currency diplomat Kanda says have been closely watching FX moves with a high sense of urgency and will take appropriate steps to respond to excessive weakness of yen without excluding any measures. Crude prices were bid on rising geopolitical tensions after the Moscow terrorist attack and also on supply updates after Reuters reported that Russia has told oil companies to cut output to 9mln BPD by the end of June, in line with OPEC+ pledges.

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BOSTIC: After hours on Friday, Bostic revealed he only expects one rate cut in 2024 (prev. two) after the hot inflation metrics seen in January and February. Bostic also acknowledged that inflation data has likely pushed back the start date of rate cuts; he had previously expected rate cuts to start "as soon as the summer" while money markets are pricing in a June cut with an 80% probability, with the first 25bp cut fully priced by July. Bostic said that while he feels that inflation is on an arc lower, it may be moving slower. Therefore, the balance of risks has shifted towards waiting longer before easing policy.

GOOLSBEE: He revealed he was in line with the Fed median view for three 25bp rate cuts this year (prev. said his dot was not the lowest, but nearer the median), in line with the Fed median forecast. Goolsbee said he agreed with Fed Chair Powell that the latest inflation reports have not changed the inflation view too much, but the February report was a bit hotter than what Goolsbee would have liked to have seen and he wants to see more progress on inflation, repeating the main puzzle for him is about housing inflation. When asked if a June cut is on or off the table, the Chicago Fed President said that everything is always on or off the table, stressing data dependence. On the balance sheet, he wants to keep discussions around the balance sheet and rate cuts separate.



COOK: Said that a careful approach to easing policy over time can ensure that inflation sustainably returns to target whilst maintaining a strong labor market. Risks between meeting the dual mandate are coming better into balance, noting there is a risk of easing too soon or too late. Cook stated that the labour market has remained strong but the path of disinflation has been bumpy, as expected. She also acknowledged that comprehensive wage growth measures are showing a gradual sign of cooling.

NEW HOME SALES: New home sales in February printed 662k, marginally down from the prior, revised lower, 664k and beneath the expected 675k. New home supply slightly rose to 8.4 months' worth (prev. 8.3 months' worth) with the median sale price declining 7.6% M/M to USD 400.5k in part due to homebuilder price cuts, although Oxford Economics note the share of builders offering price reductions is fading and that a decline in the average size of new homes is also contributing to weakening new home prices. In addition, Oxford Economics expects the pace of new home sales to trend higher over the balance of 2024, with sales supported by lower mortgage rates, increased supply, and a relative scarcity of existing homes for sale.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 7+ TICKS LOWER AT 110-16+

Treasuries were lower across the curve ahead of front-loaded supply, PCE and Fed Chair Powell on Good Friday. At settlement, 2s +2.8bps at 4.628%, 3s +2.8bps at 4.394%, 5s +3.3bps at 4.233%, 7s +3.3bps at 4.255%, 10s +3.5bps at 4.253%, 20s +3.3bps at 4.515%, 30s +3.4bps at 4.426%.

INFLATION BREAKEVENS: 5yr BEI -0.4bps at 2.393%, 10yr BEI -0.8bps at 2.347%, 30yr BEI -1.7bps at 2.281%.

THE DAY: T-Notes meandered through the APAC session before selling arrived in the European morning ahead of US supply and as eyes turn to Fed speakers throughout the week. Powell will be speaking on Friday but markets (aside from FX) will be closed on account of Good Friday, while the February PCE data will also be released on the same day. In the meantime, Fed Governor Waller is due on Wednesday and will be particularly of note to see if he matches the hawkish tone from 2024 voter Bostic seen after hours on Friday. Goolsbee, in a Yahoo Finance interview on Monday, agreed with Fed Chair Powell that the inflation picture has not fundamentally changed, while he also said his rate view is in line with the median projection. T-Notes had briefly moved higher ahead of Goolsbee's interview with Yahoo Finance, albeit his remarks had little impact given he largely echoed commentary from Powell. The bond slide resumed lower in apparent concession for the auction, which was ultimately in line with recent averages.

2YR: Overall, the 2yr auction was more-or-less average on most metrics but it was a relatively chunky tail of 0.5bps to see a high yield of 4.595% vs the WI of 4.590%. The tail is larger than the prior 0.2bps tail and six-auction average of 0.1bps. The B/C of 2.62x was just above the average of 2.59x and better than February's B/C of 2.49x. The breakdown saw Dealers take a slightly lower proportion than the prior and average thanks to a marginal increase of uptake from both Direct and Indirect bidders. The Direct bidders took 20.9% vs. the 20.1% prior and 20.7% average, while Indirects took 65.8% of the supply against the previous 65.2% and the average of 62.3%.

THIS WEEK'S AUCTIONS: US to sell 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 -2.0bps at 94.890, U4 -3.5bps at 95.180, Z4 -4.0bps at 95.475, H5 -3.5bps at 95.745, M5 -3.5bps at 95.965, U5 -3.5bps at 96.135, Z5 -4.0bps at 96.240, H6 -3.5bps at 96.305, M6 -3.5bps at 96.335, M7 -3.5bps at 96.350, M8 -4.0bps at 96.280.
- US sells USD 70bln of 6-month bills at 5.105%, covered 2.72x; sells USD 73bln of 8-month bills at 5.230%, covered 2.88x.
- NY Fed RRP op demand at USD 0.473bln (prev. 0.479tln) across 74 counterparties (prev. 72)
- SOFR flat at 5.31% as of March 22nd; volumes fell to USD 1.796tln from 1.849tln.
- EFFR flat at 5.33% as of March 22nd, volumes fell to USD 91bln from 93bln.

CRUDE

WTI (K4) SETTLED USD 1.32 HIGHER AT 81.95/BBL; BRENT (K4) SETTLED USD 1.32 HIGHER AT 86.75/BBL



The crude complex was firmer on rising geopolitical tensions while highs were seen after Reuters reported that Russia told oil companies to cut output to 9mln BPD by the end of June. The report added that this is in line with its OPEC+ pledges and the move is also to facilitate a seasonal peak in maintenance at refineries. In the wake of the news breaking WTI and Brent hit highs of USD 82.48/bbl and 87.17/bbl, respectively, albeit now sit off best levels. Elsewhere, newsflow was thin to start the week with participants cognizant of the several ongoing global geopolitical situations ahead of the macro risk events later in the week. On the Russia terrorist attack, Russian President Putin claimed that the Moscow attackers were helped by Ukraine and he recently suggested that the attack by radical Islamists is also part of the Kiev regime's attacks on Russia, noting Russia wants to figure out who ordered the crime.

EQUITIES

CLOSES: SPX -0.31% at 5,218, NDX -0.34% at 18,227, DJIA -0.14% at 39,313, RUT +0.10% at 2,074.

SECTORS: Industrials -0.68%, Technology -0.52%, Real Estate -0.42%, Communication Services -0.35%, Financials -0.29%, Consumer Staples -0.27%, Consumer Discretionary -0.21%, Health -0.16%, Materials +0.03%, Utilities +0.46%, Energy +0.92%.

EUROPEAN CLOSES: DAX: +0.34% at 18,268, FTSE 100: -0.17% at 7,918, CAC 40: 0.00% at 8,152, Euro Stoxx 50: +0.26% at 5,044, IBEX 35: +0.08% at 10,952, FTSE MIB: +0.86% at 34,639, SMI: -0.13% at 11,637.

STOCKS SPECIFICS:

- **Boeing (BA)** +1.5%: CEO Calhoun intends to step down at end-2024. CEO said hopefully they will see a deal soon with **Spirit AeroSystems (SPR)** +1.3%.
- **Apple (AAPL)** -1%: Ended its project to develop microLED displays.
- **Intel (INTC)** -1.5% **AMD (AMD)** -0.5%: China implements new guidelines to phase out US microprocessors like Intel and AMD from government PCs and servers.
- **United Airlines (UAL)** -3.5%: US aviation regulators mull severe measures to limit United Airlines' expansion.
- **Nvidia (NVDA)** +1%: Google (GOOGL), Intel (INTC), Qualcomm (QCOM) execs say they plan to battle Nvidia AI dominance through the UXL Foundation.
- **Regeneron (REGN)** -0.5%: US FDA declines to approve Cos. blood cancer therapy.
- **Vista Outdoor (VSTO)** +3%: MNC Capital has reportedly lifted its bid for the Co. to USD 37.50/shr (prev. USD 35 /shr) or USD 3bln, according to the New York Times.
- **Masimo (MASI)** +3.5%: To evaluate a spin-off of its consumer business.
- **Cleveland-Cliffs (CLF)** +1%: To receive up to USD 575mln in DoE investments.
- **Foot Locker (FL)** +6%: Upgraded at Evercore after meeting with the Cos. management team last week.
- **Lucid (LCID)** +5.5%: Saudi PIF affiliate Ayar has agreed to buy USD 1.0bln of newly created series of convertible preferred stock of Lucid.

US FX WRAP

The Dollar was slightly lower on Monday and hit a low of 104.140, but failed to test 104 to the downside and the Friday trough of 103.92. Newsflow to start the week was fairly sparse to start the week, while Fed speak from Bostic, Goolsbee, and Cook failed to alter the dial, despite a hawkish Bostic. Bostic spoke after hours on Friday and again on Monday where he reiterated his desire of just one rate cut in 2024 (prev. saw two cuts), while Goolsbee said that the median dot plot (three cuts in 2024) was in line with his thinking. For the record, New Home Sales slightly declined in February to 662k from 664k, beneath the expected 675k. In the week ahead, Richmond Fed Mfg. survey and Consumer Confidence (Tues), Waller (Wed), UoM (Thurs) are due ahead of PCE and Powell on Friday, but it is Good Friday so all markets except FX are closed.

AUD, NZD, EUR, and CAD all saw gains to differing degrees against the Dollar with the Aussie outperforming. Antipodeans garnered support from the firmer Yuan after news Chinese banks are said to be selling Dollars and a firmer fix from the PBoC. AUD/USD initially tested Friday's low at 0.6510, before reversing course as risk sentiment improved and etched out a high of 0.6546. The Loonie was supported by rising oil prices in the wake of Reuters reporting that Russia told oil companies to cut output to 9mln BPD by the end of June. USD/CAD traded between 1.3571-3614. There was little new for the Euro, although ECB's Panetta and Chief Economist Lane spoke, with the latter confident that wage growth is slowing as expected and confident the wage normalisation process is on track.

CHF and GBP saw marginal weakness vs. the Greenback, while the JPY was flat. For the Yen, top currency diplomat Kanda was jawboning overnight and said they have been closely watching FX moves with a high sense of urgency and



will take appropriate steps to respond to excessive weakness of the Yen without excluding any measures. Meanwhile, Bank of America desk notes that intervention is seen as a 'realistic option' to support the Yen, especially if the USD/JPY cross rises to the 152-155 zone.

EMFX was mixed, but broadly speaking LatAm FX gained on Monday amid the weaker Dollar and strengthening prices of key commodities. Nonetheless, currency-specific newsflow was light to start the week although elsewhere, for the RUB, President Putin said the terrorist attack was committed by radical Islamists, "we know who committed the crime, now we want to know who ordered it" and the terrorist attack in Moscow is also part of Kiev regime's attacks on Russia.

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