



US Market Wrap

26th March 2024: Stocks and bonds chop while bitcoin drops

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar flat.
- **REAR VIEW:** Durable Goods beat; Consumer Confidence misses; Firmer than expected PBoC fixing; Further Japanese jawboning; Israel said hostage talks at dead-end; JNJ mulls bid for SWAV; Feb. iPhone shipments tumble in China; Strong 5yr auction; MCD to sell DNUT's; MKC earnings beat.
- **COMING UP: Data:** Australian CPI, Spanish CPI, Retail Sales, EZ Business Sentiment **Events:** Riksbank & SARB Policy Announcement; BoJ SOO **Speakers:** ECB's Cipollone, Elderson; Fed's Waller **Supply:** Japan, Italy, Germany, **US Earnings:** Carnival.

MARKET WRAP

Stocks ultimately finished the session in the red with a late session sell off, which saw sectors primarily in negative territory with only Health Care, Financials and Consumer Staples in the green. Utilities, Energy and Tech underperformed. T-Notes were choppy with initial weakness seen in response to the stronger than expected Durable Goods data before a gradual reversal into settlement, aided by a strong 5yr auction. Crude prices slid lower with ongoing geopolitics in the limelight ahead of OPEC JMMC next week, although sources on Tuesday suggested no change to policy. In FX, the Dollar was flat despite a hefty bid into the London fix as we approach month/quarter end while the Swissy was the G10 laggard with little action seen elsewhere. Bitcoin was sold and gold saw slight upside.

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DURABLE GOODS: Headline durable goods rose 1.4% in February, above the 1.1% forecast and rising from the downwardly revised -6.9% (initially -6.2%). Ex-Defense durables led the upside, rising 2.2% from the prior -7.9% while ex-transport rose 0.5%, above the 0.4% forecast and above the prior revised up -0.3% (initially -0.4%). Meanwhile, transportation equipment rose 3.3% after two consecutive monthly decreases. Shipments rose 1.2% after a 0.8% decrease. The nondefense capital goods orders ex aircraft rose 0.7%, above the 0.1% forecast and prior -0.4%. A rebound in volatile aircraft orders helped support the headline figure but there may be worries ahead with ongoing issues at Boeing with the CFO recently noting they do not know when the 737 production rates will ramp up, noting they have made the decision to keep production below 38/mth. Since then, the Boeing (BA) CEO Calhoun announced he is to step down at the end of the year. Pantheon Macroeconomics highlights that "The only input from the durable goods report into the business equipment investment component of the GDP accounts is nondefense capital goods shipments ex-aircraft, aka core capex shipments". This component fell by 0.4%, easing from the prior 0.7% gain in January. Pantheon adds that they expect "a further drop of about 0.5% in March, given that shipments continued to run ahead of orders in February, and the ISM manufacturing survey continues to point to weak underlying demand". This suggests to the consultancy that real core goods shipments are on course for a 2% Q/Q annualized drop in Q1. Nonetheless, PM note a rebound in heavy truck sales points to a 2.5% gain in overall equipment investment in Q1, despite the likely fall in core capex shipments. The desk continued to expect a 1% drop in real equipment investment this year, contributing to the slowdown in GDP growth.

CONSUMER CONFIDENCE: Consumer Confidence for March trivially fell to 104.7 from the prior, revised lower, 104.8 but was short of the expected 107.0. The Present Situation index rose to 151.0 (prev. 147.6), but Expectations declined to 73.8 from 76.3, and as a reminder a reading below 80 often signals a forthcoming recession. Looking at the labour market, 43.1% of consumers said jobs were "plentiful" (prev. 42.8% in Feb.), while 10.9% said jobs were "hard to get" (prev. 12.7%). In the short-term, 13.9% of consumers expect more jobs to be available (prev. 14.1%) and 18.2% anticipate fewer jobs (prev. 17.5%). The Chief Economist at the Conference Board noted "Consumers remained concerned with elevated price levels, and write-in responses showed an uptick in concerns about food and gas prices, but in general complaints about gas prices have been trending downward." Average 12-month inflation expectations printed 5.3%, barely changed from February's four-year low of 5.2%. The report further added that "recession fears continued to trend downward both in write-in responses and as measured by consumers' Perceived Likelihood of a US Recession over the Next 12 Months. Meanwhile, consumers expressed more concern about the US political environment compared to prior months."

FIXED INCOME



T-NOTE (M4) FUTURES SETTLED 4 TICKS HIGHER AT 110-20+

Treasuries were choppy in response to strong Durable Goods and a solid 5yr auction. At settlement, 2s +0.0bps at 4.587%, 3s -1.4bps at 4.383%, 5s -1.5bps at 4.218%, 7s -2.4bps at 4.231%, 10s -2.1bps at 4.232%, 20s -2.0bps at 4.495%, 30s -2.9bps at 4.397%

INFLATION BREAKEVENS: 5yr BEI -2.8bps at 2.362%, 10yr BEI -1.8bps at 2.328%, 30yr BEI -0.8bps at 2.273%.

THE DAY: T-Notes saw some upside as the APAC session got underway before trending sideways overnight. As European players arrived, upside resumed with T-Notes tracking Bunds and Gilts higher after decent auctions. The bid was capped, however, ahead of US Durable Goods, with corporate supply preventing T-Notes from grinding higher; Glencore launched a USD 3bln 5-parter, Marathon (MRO) launched at 1.2bln 2-parter and SMBC Aviation launched a USD 1.5bln 2-parter. Selling was seen in wake of the better than expected Durable Goods data, with the super core capital goods also beating forecasts. Meanwhile, on housing, the Case Shiller data came in beneath expectations and FHFA monthly home price increase had eased which may have helped prevent a deeper slide. However, lows were seen later after the Consumer Confidence data showed 1yr inflation expectations rose to 5.3% from 5.2%. T-Notes recovered somewhat into the auction which saw a strong 5yr reception to take T-Notes back to pre-Durable goods levels.

AUCTION: Overall, a strong 5yr auction with the high yield of 4.235% stopping through the when issued by 1bps, vs the prior 0.8bps tail and six-auction average of a tail of 0.5bps. The Bid-to-Cover was in line with the prior and averages at 2.41x. Dealers, forced surplus buyers, took a lower than average proportion at 12.7% vs. the prior 16.8%. The low dealer takedown was due to an uptick in indirect demand, which took 70.5% (prev. 63.5%, average 65.5%) of the auction while direct bidders took 16.8%, slightly less than the prior 19.7% and 18% average.

STIRS:

- SR3M4 +0.0bps at 94.890, U4 -1.0bps at 95.175, Z4 -1.0bps at 95.470, H5 -1.0bps at 95.735, M5 +0.5bps at 95.970, U5 +0.5bps at 96.140, Z5 +1.5bps at 96.255, H6 +2.5bps at 96.325, M6 +2.5bps at 96.355, M7 +2.5bps at 96.375, M8 +2.5bps at 96.305.
- US to sell USD 60bln of 17wk bills on March 27th, and USD 75bln of 4-wk bills and USD 80bln of 8-wk bills on March 28th; all to settle on April 2nd.
- US sold USD 70bln of 42-day CMBs at 5.280%, covered 3.01x
- NY Fed RRP op demand at USD 496bln (prev. 474bln) across 73 counterparties (prev. 74)
- SOFR flat at 5.31% as of March 23rd; volumes rose to USD 1.820tln from 1.796tln.
- EFFR flat at 5.33% as of March 23rd, volumes fell to USD 85bln from 91bln.

CRUDE

WTI (K4) SETTLED USD 0.33 LOWER AT 81.62/BBL; BRENT (K4) SETTLED USD 0.50 LOWER AT 86.25/BBL

The crude complex was mildly softer on Tuesday with little oil-specific catalysts. However, Reuters sources noted OPEC+ is unlikely to change output policy before June meeting and no policy recommendation is expected at next week's JMMC meeting, although it had no impact on crude prices. Separately, geopolitical updates continue to be rife and suspected Israeli air strikes hit Northeast Lebanon in the furthest bombardment from the border so far in the conflict. Meanwhile, an Israel Official said hostage talks with Hamas are at a dead end, and Israel negotiators packed up and left Doha, although the White House later said National Security Advisor Sullivan and Israel's Minister of Defense Gallant had a productive meeting. Regarding the ranges, WTI and Brent traded between USD 81.43-82.36/bbl and 86.02-87.06 /bbl, respectively, both relatively thin when compared with Monday's rally. Looking ahead, focus turns to the weekly private inventory data after-hours before the EIA figures on Wednesday. Current expectations are (bbls): Crude -1.3mln, Distillate +0.5mln, Gasoline -1.7mln.

EQUITIES

CLOSES: SPX -0.28% at 5,203, NDX -0.36% at 18,210, DJIA -0.08% at 39,282, RUT -0.19% at 2,070.

SECTORS: Utilities -1.14%, Energy -0.76%, Technology -0.76%, Real Estate -0.45%, Industrials -0.36%, Communication Services -0.21%, Materials -0.11%, Consumer Discretionary -0.05%, Consumer Staples +0.06%, Financials +0.2%, Health +0.34%.

EUROPEAN CLOSES: DAX: +0.76% at 18,399, FTSE 100: +0.17% at 7,931, CAC 40: +0.41% at 8,185, Euro Stoxx 50: +0.42% at 5,065, IBEX 35: +0.36% at 10,992, FTSE MIB: +0.14% at 34,688, SMI: +0.37% at 11,680.



STOCK SPECIFICS:

- **Apple (AAPL)** -0.5%: China iPhone shipments fell about 33% in February, but it was previously flagged it would be affected by the later timing of the Lunar New Year. Note, earlier it was reported shipments of total smartphones within China -31.3% Y/Y
- **Krispy Kreme (DNUT)** +39.5%: McDonalds (MCD) is to sell Krispy Kreme donuts in their US restaurants.
- **McCormick & Company (MKC)** +10.5%: EPS and revenue beat while it reaffirmed the FY24 outlook.
- **Dell Technologies (DELL)** +1.5%: Said despite near-term challenges, expects demand environment to improve in fiscal 2025 enabling net revenue growth for full fiscal year.
- **Baidu (BIDU)** -2%: Some sources deny Apple & Baidu have reached an AI cooperation deal, according to AppleInsider citing Chinese media.
- **Viking Therapeutics (VKTX)** +17%: Positive results from Phase 1 clinical trial of oral tablet formulation of dual GLP-1/GIP receptor agonist VK2735; Phase 2 trial in obesity planned for H2 '24.
- **Seagate (STX)** +7.5%: Upgraded at Morgan Stanley
- **Spotify (SPOT)** +0.5%: Added to BofA Securities US 1 list, replacing Netflix (NFLX).
- **Tesla (TSLA)** +3%: Offers one-month trials for its Full Self-Driving (FSD) to US customers. In other news, Il Sole 24 Ore reports officials at Italy's Industry Ministry have contacted Tesla about possibly producing electric trucks in the country.
- **Ford (F)** -3.5%: CFO says Baltimore Bridge collapse is to affect supply chain; Co. is looking to re-route car parts to other east coast ports.
- **Shockwave Medical (SWAV)** +10%: **Johnson & Johnson (JNJ)** considering deal for SWAV, according to WSJ; adds a deal could be finalized in the coming weeks, assuming talks don't fall apart, and it is also possible another suitor could emerge.
- **Trump Media (DJT)** +16%: Shares surged in its first trading day on the Nasdaq.

US FX WRAP

The Dollar Index was flat on Tuesday, but hit earlier peaks of 104.330 as it saw notable strength into the London fix heading into month and quarter-end. Prior to this, the data docket garnered little market reaction, although Durable Goods for February was stronger than expected, but March Consumer Confidence underwhelmed as the headline printed 104.7 (prev. 104.8) shy of the expected 107.0. Elsewhere, newsflow was light with no Fed speak as participants await Waller after-hours on Wednesday ahead of PCE on Friday, despite it being Good Friday. In addition, BofA analysts declared the USD bulls are back in a note, revealing that both hedge funds and real money are buying the dollar. While hedge funds are long the greenback, BofA said, "real money positioning [is] light."

G10 FX was all more-or-less flat against the Dollar, aside from the CHF which was clear underperformer amid expectations the SNB will cut rates a further two to three times before year-end. CHF/USD hit a high of 0.9043 vs. a trough of 0.8989. NOK saw weakness on softer crude prices.

Elsewhere, there was a slew of central bank speak with the highlight arguably BoE's Mann who reasserted her hawkish position on the MPC, despite voting unchanged last week, as she said markets are pricing in too many rate cuts. For the Euro, ECB's Muller said the bank is closer to the point of cutting rates while Stournaras noted it appears that there is a consensus for a June rate reduction. Lastly, BoC Senior Deputy Governor Rogers did not mention a potential time line for rate cuts, reiterating that inflation has come a long way down and that the BoC "need to finish the job".

Over in Asia, the BoJ said three indicators for Japan's core price trend come in lower in February than the prior month. Meanwhile, more jawboning from officials was seen, Japan's Business Lobby Chief said via Kyodo that USD/JPY beyond 150.00 is excessive (USD/JPY currently at 151.53). Meanwhile, for the Yuan, VP Han Zheng said it is important to promote economic globalisation, smooth global industrial and supply chains, and will accelerate the development of new productive forces, provide stability and security for global economy. The PBoC also issued a firmer than expected fixing overnight.

EMFX was mixed. HUF, COP, and RUB firmed, while TRY, ZAR, BRL, and CLP saw losses. For the Real, IPCA-15 Mid-Month CPI was hotter-than-expected on both M/M and Y/Y metrics, while Treasury Secretary Ceron said executive order on FX hedging solutions is expected to be release this week, along with credit measures. Hungary cut rates, as expected, by 75bps and said in the coming months, decisions on any further reductions in the base rate and their optimal pace will be made on the basis of this information, in a data-driven manner.



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