



# US Market Wrap

## 1st April 2024: Hot ISM data sees market trim rate cut bets

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** US Manufacturing PMI returns to expansion, Prices Paid rise; Strong China PMI; Iran vows response to Israel strike on IRGC commander; Nippon Steel makes pledge to union in push for US Steel (X).
- **COMING UP: Data:** EZ and UK Manufacturing PMI, German CPI, US Durable Goods, JOLTS Job Openings  
**Events:** RBA Minutes; ECB Survey of Consumer Expectations **Speakers:** Fed's Bowman, Williams, Mester, Daly  
**Supply:** Australia, German.
- **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 largely sold on Monday with the rate-sensitive sectors of the market underperforming after the hot ISM manufacturing survey unwound Fed cut expectations. The market is now priced for c. 65bps of Fed cuts this year vs 70bp+ before the data, while the first fully priced cut has been pushed back to September from July. Treasuries saw heavy selling (2s +9bps at 4.71%, 10s +13bps at 4.33%) amid the hot ISM data and the passing of month-end buying, with a healthy slew of corporate debt deals adding additional selling pressure. The Dollar saw a strong bid amid the hot US data with Euro on watch ahead of the region's return on Tuesday, with German inflation figures due. Oil prices continued their breakout to the upside with the hot US and China PMI data providing tailwinds. China stocks surged, with the Yuan flat against the strong Dollar.

## US

**ISM MANUFACTURING:** Headline ISM Manufacturing PMI rose to 50.3 from February's 47.8, above the 48.4 forecast, moving back into expansionary territory. Within the report, the Prices metric was hotter than forecast at 55.8 from 52.5 (exp. 52.7), showing an acceleration of prices in March from February ahead of the March CPI data due March 10th, with the upside stemming from commodity inflation. The March employment component, ahead of Friday's February NFP, rose to 47.4 from 45.9, but remained in contractionary territory. The Production Index saw a notable 6.2 climb to 54.6 while New Orders rose to 51.4 from 49.2. Overall, the jump to 50.3 was the first time the manufacturing sector had been in expansion for the first time since September 2022. ISM highlighted that "Demand was positive, output strengthened and inputs remained accommodative". ISM noted the demand improvements were observed by New Orders back in expansionary territory with respondents giving fewer comments regarding "softening", while the backlog was similar to February and the Customers' Inventories Index contracted for the fourth consecutive month, remaining at a level accommodative for future production. On outputs, "Panelists' companies notably increased their production levels month over month. Head-count reductions continued in March, with sizable layoff activity reported." Meanwhile, inputs continued to accommodate future demand growth and showed signs of stiffening.

## FIXED INCOME

### T-NOTE (M4) FUTURES SETTLE 28 TICKS LOWER AT 109-29+

**Treasuries saw heavy selling on Monday amid hot ISM data and the passing of month-end buying.** 2s +9.2bps at 4.712%, 3s +11.5bps at 4.518%, 5s +12.9bps at 4.334%, 7s +13.0bps at 4.334%, 10s +13.3bps at 4.327%, 20s +13.2bps at 4.577%, 30s +13.2bps at 4.469%.

**INFLATION BRAKEEVENS:** 5yr BEI +1.4bps at 2.380%, 10yr BEI +2.4bps at 2.356%, 30yr BEI +2.4bps at 2.301%.

**THE DAY:** Treasuries opened in a mild twist steepener on the futures reopen following the mixed PCE data on Friday followed by Fed's Powell, who was a bit more on the dovish side vs Waller earlier in the week. T-Notes hit session peaks of 110-29 during the European morning, albeit activity was light at the time with the region still on Easter holiday.



The return of US participants is when the selling really got going. It appeared to be more of a "sell on arrival" rather than any specific fresh newsflow at first, with strong bear-steepening seen in the runup into the ISM manufacturing, accentuated by the removal of month-end buying flows and a relatively busy corporate debt issuance pipeline. T-Notes had already broken beneath the prior week's 110-11+ low before the ISM manufacturing (strong headline index which included a big rise in Prices Paid) saw a fresh wave of selling pressure, but this time led by the front-end, unwinding some of the earlier curve steepening. Contracts hit session lows of 109-27+, hovering not far above into the settlement.

Attention is now on how Europe will react on its return on Tuesday following the soft French and Italian inflation data on Friday. We get the German inflation figures on Tuesday too. Otherwise, eyes to JOLTS job openings later in the US session with Fed's Bowman, Williams, Mester, and Daly all on the calendar Tuesday in the run-up to the NFP data on Friday.

## STIRS:

- SR3M4 -4bps at 94.825, U4 -8bps at 95.055, Z4 -9.5bps at 95.335, H5 -11bps at 95.59, M5 -12.5bps at 95.81, U5 -13bps at 95.99, Z5 -13.5bps at 96.11, H6 -14.5bps at 96.18, M6 -15bps at 96.225, M7 -15bps at 96.28, M8 -14bps at 96.23.
- SOFR rises to 5.34% from 5.33% on month-end, volumes rise to USD 1.911tn from 1.807tn.
- NY Fed RRP op demand at USD 0.442tn (prev. 0.594tn) across 74 counterparties (prev. 90).
- EFFR flat at 5.33% on month-end, volumes rise to USD 62bln from 53bln.
- US sold USD 75bln 6-month bills at 5.125%, covered 2.85x; sold USD 75bln 3-month bills at 5.230%, covered 2.83x

## CRUDE

**WTI (K4) SETTLES USD 0.54 HIGHER AT 83.71/BBL; BRENT (M4) SETTLES USD 0.42 HIGHER AT 87.42/BBL**

**Oil prices continued their breakout to the upside on Monday with hot US and China survey data providing tailwinds.** WTI (K4) and Brent (M4) futures hit peaks of USD 84.49/bbl and 87.98/bbl during the US session after the strong ISM manufacturing data. During APAC trade, prices were supported from the Chinese manufacturing PMI rising into expansionary territory for the first time in six months. Meanwhile, and reflective of the bullish momentum in energy right now, Reuters source reports suggest Saudi Arabia may raise its OSPs for May. Geopolitical risk remains rife too after reports that Senior Iranian Revolutionary Guards Commander Reza Zahedi was killed in an Israeli strike in Damascus, with Iranian officials warning of a response.

## EQUITIES

**CLOSES:** SPX -0.20% at 5,244, NDX +0.21% at 18,293, DJI -0.60% at 39,567, RUT -1.02% at 2,103.

**SECTORS:** Communication Services +1.45%, Energy +0.79%, Technology +0.23%, Materials -0.25%, Consumer Discretionary -0.61%, Financials -0.63%, Utilities -0.64%, Consumer Staples -0.77%, Industrials -0.79%, Health -0.88%, Real Estate -1.77%.

## STOCK SPECIFICS:

- **Micron (MU) +5.5%:** DRAM spot prices are now reversing their steady upward trend that was seen since H2 2023, according DigiTimes citing sources. In other news, BofA increased its PT forecasting high-bandwidth memory technology demand will grow to more than USD 20bln by 2027.
- **Liberty Media (FWONA) -0.2%:** Announced an agreement to acquire commercial rights of MotoGP, for a EUR 4.2bln enterprise value (equity value of EUR 3.5bln). In fitting with FT reports last Wednesday.
- **AT&T (T) -0.6%:** Investigating a data leak that resulted in excess of 7mln customers' information being published on the dark web.
- **Tesla (TSLA) -0.3%:** Raised prices for all Model Y cars in the US by USD 1k.
- **UPS (UPS) -0.7%, FedEx (FDX) -3.3%:** UPS has replaced FedEx to become the USPS's primary air cargo provider.
- **Disney (DIS) -0.7%:** Pension Fund CalPERS (0.36% owner, 28th largest) votes to elect Triam Fund Management's candidates Nelson Peltz and Jay Rasulo to Walt Disney's board, believing fresh perspectives will benefit the Co.
- **Meta Platforms (META) +1.2%:** Cannot delay the FTC from reopening a probe into alleged privacy failures at Facebook while it pursues a lawsuit challenging the agency's authority.



- **Microsoft (MSFT)** +0.9%: Will now sell its Teams chat and video app separately from its Office product worldwide.
- **3M (MMM)** +6%: Completed its spinoff of health-care company Solventum and announced a USD 10bln settlement with public water suppliers in a chemicals lawsuit had received final approval.
- **US Steel (X)** +2.5%: Nippon Steel (5401 JT) reportedly makes formal pledge to union in push for US Steel.
- **Nuvei (NVEI)** +2.5%: Enters into agreement to be taken private by Advent International for USD 34/shr.

## US FX WRAP

**The Dollar** was bid on Friday with the rally accelerating in wake of the stronger-than-expected Manufacturing PMI data which also saw an acceleration of prices. Reminder, on Good Friday (bank holiday but FX markets were open), the Core PCE data was in line with expectations while headline M/M was slightly softer. Fed Chair Powell also spoke on Friday, noting the PCE data was along the lines of what the Fed wants to see, noting "you won't see us overreacting" - a similar message to his March FOMC press conference. In wake of the ISM and Construction Spending Data, the Atlanta Fed GDPNow estimate rose to 2.8% from the 2.3% seen after PCE. DXY briefly rose above 105 at the peaks but failed to hold on to the level for too long.

**The Euro** was softer on account of the rising greenback while European markets were shut for Easter Monday. EUR/USD fell from peaks of 1.0798 to lows of 1.0732. There was little of note out of the Eurozone given the bank holiday. However, following the soft French and Italian inflation figures on Friday, it will be interesting to see if the German figures follow suit on Tuesday with rates markets reopening from the long weekend.

**The Yen** saw slight weakness vs the buck with USD/JPY trading between 151.23 and 151.77, hovering just above 151.50 heading into APAC trade. Note the Japanese Tankan surveys for both manufacturing and services came in above expectations.

**The Yuan** was only marginally weaker vs the Dollar with Chinese Caixin Manufacturing PMI being revised up in March to 51.1 from 50.9. Meanwhile, the PBoC set the USD/CNY mid-point at 7.0938, a firmer fixing than the prior 7.0950.

**CAD** was softer vs the buck with the rise in oil prices doing little to offset the Dollar gains while the latest Canadian S&P Global Manufacturing PMI saw a marginal revision higher. Meanwhile, the BoC Q1 Business Survey Outlook shows firms reported business conditions improved slightly. Meanwhile, less firms expect Canada to be in a recession over the next year than in Q4 while business inflation expectations eased. However, wage growth remains high but most expect it to slow.

**Cyclical currencies** - AUD, NZD and GBP - were the relative underperformers in response to the Dollar strength with weakness in equity markets also weighing on a reignition of hawkish Fed expectations after the Manufacturing PMI print. Cable lost hold of 1.2600 and 1.2550, while AUD/USD fell sub 0.6500 and NZD/USD fell sub 0.5950. The Antipodes failed to sustain strength after the bounce in the China data.

**Scandis** (NOK, SEK) saw notable weakness vs both the Dollar and Euro but SEK underperformed the NOK. USD/SEK rose above 10.80 and EUR/SEK rose above 11.60 the first time since November 2023. The pronounced SEK weakness saw the Viking cross (NOK/SEK) rise to a peak of 0.9867 from lows of 0.9658. Note that the Riksbank has been vocal lately in saying earlier rate cut plans could be thwarted by currency weakening.

**EMFX** was generally softer vs the Dollar with BRL lagging in LatAm FX while MXN and CLP also saw weakness. COP was flat vs the firmer buck however as oil prices supported the petro-currency. In Mexico, Banxico's rate cut dissenter Espinosa said there are headwinds for inflation that did not exist a year ago, noting core inflation shows very strong persistence. The ZAR also saw weakness although the Lira was the standout outperformer, rising vs the buck after local elections saw a large win for the opposition in a snub to President Erdogan.

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