



US Market Wrap

8th April 2024: Markets tread water ahead of major risk events

- **SNAPSHOT:** Equities flat, Treasuries down, Crude down, Dollar down.
- **REAR VIEW:** Hamas rejects Israel's ceasefire proposal; Israel has set a date for Rafah invasion; Mixed NY Fed SCE; TSM awarded US govt. support; BABA cuts cloud prices; TSLA sets date for 'Robotaxi' unveiling.
- **COMING UP: Speakers:** Fed's Kashkari **Supply:** Japan, UK, German & US **Earnings:** Imperial Brands & OMV.
- **WEEK AHEAD:** Highlights include US CPI, ECB, FOMC Minutes, BoC, RBNZ, China inflation. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing FOMC minutes, ECB, BoC, RBNZ, BoK; Reviewing RBI, minutes from ECB and RBA. To download the report, please click [here](#).

MARKET WRAP

It was calm before the storm on Monday as participants await key risk events, namely US CPI on Wednesday, but also several Central Bank decisions, including from the ECB, BoC and RBNZ, while the FOMC Minutes will also be released post-CPI. Earnings season also starts at the tail end of this week. Stocks finished little changed but the Russell 2000 outperformed. In FX, the Dollar was sold and the Euro bid but Antipodes outperformed and Swissy lagged. JPY was ultimately little changed but it did test 152.00 to the upside with traders cognizant of any intervention on a move above this level, particularly with CPI on Wednesday which could have a large sway in the pair. Crude prices saw choppy price action on mixed geopolitics report regarding a ceasefire which was ultimately rejected by Hamas while Iran was punchy on retaliatory language against Israel following the attack on its consulate, it also was pointing responsibility towards the US. Elsewhere, modest pressure was seen in oil on the Reuters report that Iraq has completed the first stage of repairing oil export pipeline to Turkey. Treasuries were firmer across the curve ahead of supply and the aforementioned risk events.

US

NY FED SCE: Short-term consumer inflation expectations remained low in March's NY Fed survey, whilst the longer-term gauges were mixed. One-year-ahead inflation expectations were unchanged at 3%, which remains the lowest since January 2021 and is nearing the series' pre-2020 average of 2.8% (inception in 2014); the gauge never rose above 3% between August 2014 and February 2021. However, the three-year-ahead figure jumped again from 2.7% to 2.9%, which is now back to the pre-2020 series average. The five-year-ahead expectations, which were introduced in January 2022, fell back down to 2.6% from 2.9%, in the middle of the series range of 2.00-3.00%. Elsewhere in the survey, year-ahead expected home price increases were unchanged at 3%. Participants saw larger year-ahead increases expected for food, gas, rent, and medical costs. Year-ahead expected earnings growth was steady at 2.8%. Labour market expectations were mixed. Fear of missing debt payments rose to the highest in four years but household view on personal finances improved modestly in March.

FIXED INCOME

T-NOTE (H4) FUTURES SETTLED 12+ TICKS LOWER AT 109-08+

Treasuries extend Friday's post-NFP sell-off in the run-up to supply and CPI. 2s +5.5bps at 4.787%, 3s +6.1bps at 4.600%, 5s +6.1bps at 4.429%, 7s +5.2bps at 4.430%, 10s +4.2bps at 4.420%, 20s +1.9bps at 4.656%, 30s +1.9bps at 4.551%

INFLATION BRAKEEVENS: 5yr BEI +1.0bps at 2.442%, 10yr BEI +1.3bps at 2.396%, 30yr BEI +0.9bps at 2.333%

THE DAY: Treasuries opened lower at the futures reopen for the week in a continuation of the post-NFP sell-off and hawkish Fed Speak, in addition to some weekend hedges being unwound amid lingering geopolitical risk as participants await a response from Iran. T-Notes were capped to the upside at 109-13+ during APAC trade, failing to reclaim the Friday close of 109-14+ before the gradual selling extended into the European session, with above-forecast German IP data adding some fresh pressure out of EGBs.



T-Notes bottomed at 109-02 at the NY handover with the belly weakest on the curve and little catalysts to go off, although we did have JPM's Dimon annual letter release where he said the bank was preparing for a broad range of interest rates from 2% up to 8%. The cash 10yr yield managed to peak above 4.45%, with the key 4.50% support level coming into focus. However, stateside traders lifted the offer as the session got going, and T-Notes recovered to interim peaks of 109-13 later in the NY morning, remaining rangebound from there, with little reaction to the mixed NY Fed consumer inflation expectations. Note that the front end underperformed into the afternoon, with short-end yields at highs.

Looking ahead, set up for this week's 3s, 10s, and 30s auctions will be in focus, albeit auctions have been "fine" for the large part lately. Otherwise, all focus is honing in on Wednesday's CPI, with the core seen falling to +0.3% M/M in March from +0.4% in April, with a forecast range of +0.2% to +0.3%, according to Reuters' analyst survey. Fed minutes (Wednesday post-CPI), as always, remain a tail risk, where the large split between two and three rate cut forecasts in the Dot Plot will have opened up some interesting debate amongst policymakers.

THIS WEEK'S AUCTIONS: US to sell USD 58bln of 3yr notes on April 9th, USD 39bln of 10yr notes (reopening) on April 10th, and USD 22bln of 30yr bonds (reopening) on April 11th; all to settle on April 15th.

STIRS:

- SR3M4 -2.0bps at 94.815, U4 -3.5bps at 95.040, Z4 -4.5bps at 95.290, H5 -6.0bps at 95.510, M5 -7.0bps at 95.700, U5 -8.5bps at 95.850, Z5 -9.0bps at 95.960, H6 -9.0bps at 96.035, M6 -9.0bps at 96.085, M8 -5.0bps at 96.140
- SOFR flat at 5.32%, volumes at USD 1.898tln (prev. 1.974tln).
- NY Fed RRP op demand at USD 0.449tln (prev. 0.438tln) across 74 counterparties (prev. 67).
- EFFR flat at 5.33%, volumes at USD 88bln (prev. 93bln).
- US sold USD 74bln of 3-month bills at 5.225%, covered 2.79x; sold USD 74bln of 6-month bills at 5.120%, covered 3.00x.

CRUDE

WTI (K4) SETTLED USD 0.48 LOWER AT 86.43/BBL; BRENT (M4) SETTLED USD 0.79 LOWER AT 90.38/BBL

The crude complex was ultimately lower to start the week, albeit well off earlier troughs, as over the weekend there was no escalation in geopolitical tensions and initial progress was reported in ceasefire talks. However, since then it has been made clear that gaps remain with the latest update from Hamas noting they reject Israel's latest ceasefire proposal. Meanwhile, Israeli PM Netanyahu said that a date has been set for a Rafah invasion in Gaza. For the record, and in somewhat conflicting reports, the White House said that Israeli assured them that there would be no major military operation in Rafah before holding a meeting about it to exchange ideas. As such, WTI and Brent saw initial lows of USD 84.69/bbl and 88.78/bbl, respectively, before bouncing back. Elsewhere, modest pressure was seen in oil on the Reuters report that Iraq has completed the first stage of repairing oil export pipeline to Turkey.

EQUITIES

CLOSES: SPX -0.04% at 5,202, NDX -0.05% at 18,100, DJIA -0.03% at 38,892, RUT +0.50% at 2,073.

SECTORS: Real Estate +0.82%, Consumer Discretionary +0.75%, Utilities +0.64%, Financials +0.39%, Materials +0.03%, Communication Services -0.02%, Consumer Staples -0.18%, Industrials -0.21%, Technology -0.32%, Health -0.38%, Energy -0.63%.

EUROPEAN CLOSES: DAX: +0.77% at 18,314, FTSE 100: +0.41% at 7,943, CAC 40: +0.72% at 8,119, Euro Stoxx 50: +0.37% at 5,045, IBEX 35: -0.04% at 10,912, FTSE MIB: +0.90% at 34,316, SMI: +0.47% at 11,549.

STOCK SPECIFICS:

- **Alibaba (BABA)** flat: Alibaba Cloud announces price cuts.
- **United Airlines (UAL)** +0.5%: Postponed its investor day planned for next month due to a US FAA review following safety incidents.
- **Tesla (TSLA)** +5%: CEO Musk said the EV-maker would unveil its "Robotaxi" on August 8th.
- **TSMC (TSM)** +1%: Has agreed to a USD 6.6bln subsidy for TSMC Arizona chip production; and up to USD 5bln in low-cost government loans.
- **Perion Network (PERI)** -41%: Cuts FY24 revenue and adj. EBITDA outlook citing Microsoft Bing modifications.



- **Boeing (BA)** -1%: FAA to investigate the loss of engine cover on Southwest Boeing 737-800.
- **Apartment Income REIT (AIRC)** +22.5%: Agreed to be acquired by Blackstone (BX) for about USD 10bln or USD 39.12/shr. Note, AIRC closed Friday at USD 31.35/shr.
- **Model N (MODN)** +10%: To be acquired by Vista Equity Partners for USD 1.25bln or USD 30/shr. Note, MODN closed Friday at USD 27.09/shr.
- **Micron (MU)** -0.5%: Intends to sequentially increase its DRAM module and SSD prices by more than 25% during Q2, according to DigiTimes citing sources.
- **Global Foundries (GFS)** -0.5%: Downgraded at Cantor amid 2024 fundamentals.

US FX WRAP

The Dollar saw marginal downside on Monday with the sell-off occurring as US players arrived at their desks. The data highlight was the NY Fed SCE which saw one-year inflation expectations at 3%, unchanged from Feb, while the 3yr expectations rose to 2.9% from 2.7%, and the 5yr eased to 2.6% from 2.9%. Aside from that Geopolitics was a theme, Israel PM Netanyahu vowed to carry out a Rafah invasion, stating "there is a date". Meanwhile, there had been some mixed reporting about the progress of a ceasefire deal. Iran was also quite punchy in its language about the Israeli attack on its consulate, noting Washington also bears responsibility for the attack. All eyes are turning to US CPI on Wednesday.

The Euro saw mild gains as the Dollar sold off. There was more data out of Germany, although this time it was strong. Industrial Output surged 2.1%, well above the 0.3% forecast, but ultimately had little impact on the Euro. EUR/USD technicians are eyeing resistance at 1.0873 (100dma) and last week's peak of 1.0876. Eyes turn to ECB on Thursday; [Newsquawk Preview here](#).

The Yen was relatively flat and held above 151.50 throughout the session with the upside in the pair topping out at 151.94 with participants wary of any move above 152.00 could spark some intervention from officials, whether that be through verbal, official or stealth means. The US CPI data will be key for Yen watchers on Wednesday as a hot print may see an acceleration higher in the cross but a soft print will be welcomed by Japanese officials.

The Franc underperformed on Monday after an uptick in the unemployment rate to 2.3% while an increase in sight deposit data could suggest SNB intervention to weaken the Franc but the CHF has taken a hit in 2024, EUR/CHF has risen from 0.8450 at the end of December to now above 0.90 with the early April peak/YTD peak at 0.9095. Of course, the SNB is now the most dovish developed market central bank after their surprise rate cut, but since then soft CPI and a rise in unemployment have only confirmed they were correct to cut rates.

The Pound saw marginal weakness against the Dollar and was flat vs. the Euro in quiet trade but Cable did breach above Friday's high of 1.2649 with a fresh peak of 1.2664.

The Loonie was flat vs. the Dollar with eyes turning to the BoC rate decision on Wednesday; [Newsquawk Preview here](#).

Antipodes were both bid and relative outperformers with AUD benefiting from higher iron ore prices helping the Aussie pop its head above 0.6600 and the 100dma at 0.6602, a level it resides around at pixel time. NZD also saw gains in sympathy with its Aussie counterpart but AUD was the marginal outperformer with Kiwi traders eyeing the RBNZ rate decision on Wednesday.

EMFX was generally supported vs. the softer dollar with BRL and MXN notching notable gains while CLP saw slight gains as copper prices rose although soft inflation data likely capped the upside. For the Real, Brazil Finance Minister Executive Secretary Durigan acknowledged the recent currency instability and said he expects FX to return to normality. Elsewhere, ZAR was also bid, likely supported by a rise in gold prices as well as the weaker Buck.

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