



US Market Wrap

9th April 2024: Stocks see two-way action as all eyes turn to CPI

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat.
- **REAR VIEW:** Fed's Bostic said if disinflation process resumes, Fed could pull cuts forward; Brainard expects steady progress on inflation; INTC reveals new AI chip; FAA investigates claims by BA whistleblower; BoJ said to consider raising its inflation forecast; GOOG expands in-house chip efforts and announces slew of Cloud deals; Poor 3yr note auction.
- **COMING UP: Data:** Norwegian CPI, US CPI **Events:** RBNZ & BoC Policy Announcements, FOMC Minutes **Speakers:** Fed's Bowman, Barkin, Goolsbee **Supply:** Japan, UK, German & US **Earnings:** Delta, Tesco.

MARKET WRAP

Stocks ultimately saw slight gains despite a choppy session. Strength in the futures was seen pre-market after reports Google (GOOGL) is expanding its in-house chip efforts and a slew of cloud deals amid the start of the Google Cloud event. Nonetheless, a sharp-sell off in Nvidia (NVDA) hit sentiment after the open through to the European close before a late trade reversal in stocks was observed. The upside was supported by commentary from Fed's Bostic who suggested it would be good news for the Fed if US CPI is in line with expectations on Wednesday, noting if the disinflation progress continues, the Fed could bring forward rate cuts. Elsewhere, Treasuries were bid across the curve in a lack of catalysts ahead of CPI on Wednesday while the weak 3yr auction did little to prevent the upside. Crude prices slid on a lack of geopolitical escalation while Israel Defence Minister appeared to contradict PM Netanyahu noting there is still no date for the Rafah operation. FX was largely flat ahead of key risk events but the NZD outperformed ahead of the RBNZ rate decision tonight. All eyes on US CPI on Wednesday.

NORTH AMERICA

BOSTIC: Fed's Bostic (2024 voter, hawk) reiterated that he expects a slow pace of disinflation in 2024, but said that CPI coming in at consensus would be a welcome development. Although Bostic said you cannot eliminate the possibility that rate cuts move even further out, he added if the disinflation pace resumes, the Fed could pull cuts forward - a notable line from the Fed hawk. Bostic stated it is always possible Fed's growth forecast could rise, noting demand for services is still quite high. The Atlanta Fed President also noted that right now, businesses do not expect much damage to the labour market as demand slows. However, if it seems like there is a looming cliff coming, he would then think about when it is appropriate to reduce rates.

BoC PREVIEW: All 38 economists surveyed by Reuters expect the BoC to keep rates on hold at 5% on Wednesday. The BoC will also release its latest Monetary Policy Report with updated forecasts and Governor Macklem will also give a speech. Any clues/signals within the releases of when the BoC will start easing will be of note. Many analysts are expecting the first BoC rate cut in June to 4.75%, although there is a risk it would be later than that. To see the full Newsquawk preview, please click [here](#).

US CPI PREVIEW: US headline CPI is seen rising +0.3% M/M in March (prev. 0.4%), and the annual rate is seen rising to 3.4% Y/Y (prev. 3.2%). Core CPI is expected to rise by +0.3% M/M in March (prev. +0.4%), though the annual rate of core CPI is seen easing to 3.7% Y/Y (prev. 3.8%). "Headline CPI inflation probably continued to rebound in March, but we expect the details to show that the downward trend in core inflation is getting back on track," Capital Economics said. The upside in January and February CPI readings was underpinned by a rise in owners' equivalent rent and core goods prices, but CapEco thinks they were one-offs, and adds that there is not much to suggest that recent disruptions in global shipping were having any significant macro impact, so CapEco expects core goods prices to continue falling. Analysts will also be watching the sub-components; in February, the Services less rent of shelter prices rose +0.6% M/M (matching the rate seen in January). To see the full Newsquawk preview, please click [here](#).

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 12 TICKS HIGHER AT 109-20+



Treasuries rallied across the curve on Tuesday in set up for CPI with catalysts light; 3yr auction was poor. At settlement, 2s -4.6bps at 4.743%, 3s -4.6bps at 4.560%, 5s -6.0bps at 4.374%, 7s -6.0bps at 4.375%, 10s -6.2bps at 4.362%, 20s -6.2bps at 4.598%, 30s -5.6bps at 4.497%

INFLATION BREAKEVENS: 5yr BEI -2.9bps at 2.418%, 10yr BEI -2.0bps at 2.380%, 30yr BEI -1.7bps at 2.320%.

THE DAY: After T-Notes closed at 109-08+ on Monday, contracts drifted to a low of 109-06+ early in APAC Tuesday trade with Kashkari (nv, hawk) on wires reaffirming that the inflation fight is not over. Better duration buying developed through the APAC morning, highlighted by a block 8.8k ZT/5.1k ZN flattener, with 109-13 serving as resistance until later in the European morning; a decent 5yr JGB auction had little follow-through demand. The bid caught momentum during European trade despite no major data to go off. However, there was another 8.8k ZT/5.1k ZN flattener, underscoring the duration bid, while the 20yr UK Gilt auction and 5yr German auctions both saw strong demand.

Treasuries kept climbing as stateside trade got underway with any set-up for this week's Treasury auctions being offset by steeper unwinds/flatteners into CPI; the early downside in US stocks may have seen some rotation into USTs too. Do note the NFIB index came in on the soft side to little reaction at the time. Otherwise, catalysts remained light during the rest of the NY morning unless barring White House's Brainard on CNBC, who said she expects steady progress on inflation in the coming months. There was some heavy front-end buying flow with a 24k July Fed Funds block that was followed by a massive 75k SOFR Dec block, where the latter was accompanied by strong buying flow across the whole Treasury curve. T-Notes climbed into the afternoon where contracts peaked at 109-22+ ahead of settlement, with the poor 3yr auction (details below) seeing little sustained selling pressure.

3YR AUCTION: A poor USD 58bln 3yr auction from the Treasury, where despite the 25bp+ of cheapening since last month, the 4.548% high yield still marked a 2bp tail of the When Issued yield, worse than the March 1.3bp stop-through and six-auction avg. of on the screws. The 2.50x bid/cover ratio was worse than the prior 2.60x and avg. 2.58x. Dealers (forced surplus buyers) were left with 19.3%, above the prior 14.4% and avg. 18.8%, with a 4.8ppts increase in Directs participation more than offset than the tumble in Indirects participation to 60.3% from 70.0%. The proximity of the March US CPI data on Wednesday will have reduced the allure to step in and buy the front end.

THIS WEEK'S AUCTIONS: US to sell 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 94.835, U4 +3.0bps at 95.070, Z4 +4.0bps at 95.330, H5 +5.0bps at 95.560, M5 +5.0bps at 95.745, U5 +5.0bps at 95.895, Z5 +5.0bps at 96.005, H6 +5.0bps at 96.080, M6 +5.5bps at 96.135, M7 +6.0bps at 96.235, M8 +6.5bps at 96.200.
- SOFR at 5.31% (prev. 5.32%), volumes at USD 1.807tln (prev. 1.898tln).
- NY Fed RRP op demand at USD 0.442tln (prev. 0.449tln) across 73 counterparties (prev. 74).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 82bln (prev. 88bln).
- US sold USD 65bln of 6-week bills at 5.275%, covered 2.93x.
- US leaves 4-, 8-, and 17-week bill auction sizes unchanged at USD 70bln, 75bln, and 60bln, respectively; 4- and 8-week to be sold on April 11th and 17-week bills on April 10th; all to settle on April 16th.

CRUDE

WTI (K4) SETTLED USD 1.20 LOWER AT 85.23/BBL; BRENT (M4) SETTLED USD 0.96 LOWER AT 89.42/BBL

The crude complex was lower on Tuesday and settled at session lows as there was no material escalation in Middle East tensions as ceasefire talks seemingly continue, albeit with little progress. The latest update via Axios said that Israeli Defence Minister Galant told US Secretary of Defence Austin that Israel has not yet set a date for Rafah operation, seemingly a contradiction to what PM Netanyahu said on Monday. Elsewhere, oil giant BP (BP/ LN) said upstream production in Q1 is expected to be higher Q/Q, while the [EIA STEO](#) saw 2024 world oil demand growth cut by 480k BPD to a 0.95mln BPD Y/Y increase; 2025 cut by 30k BPD to a 1.35mln BPD. Ahead, the weekly private inventory data will be released after-hours (expectations below) before the weekly EIA data on Wednesday. Crude (exp. +2.4mln), Gasoline (exp. -1.3mln), Distillate (exp. -1.2mln).

EQUITIES

CLOSES: SPX +0.14% at 5,209, NDX +0.39% at 18,169, DJIA -0.02% at 38,883, RUT +0.34% at 2,080.



SECTORS: Real Estate +1.29%, Utilities +0.55%, Consumer Staples +0.51%, Consumer Discretionary +0.46%, Health +0.39%, Materials +0.27%, Technology +0.16%, Communication Services +0.11%, Energy +0.06%, Industrials -0.22%, Financials -0.5%.

EUROPEAN CLOSES: DAX: -1.32% at 18,078, FTSE 100: -0.11% at 7,935, CAC 40: -0.86% at 8,049, Euro Stoxx 50: -0.76% at 4,989, IBEX 35: -0.88% at 10,816, FTSE MIB: -1.08% at 33,946, SMI: -0.36% at 11,506.

STOCK SPECIFICS:

- **Google (GOOGL)** +1%: Expands in-house chip efforts and is to roll out new hardware in costly AI battle. In addition, with Google's Cloud event over the coming days, there has been a slew of deals announced. One of the highlights, **Broadcom (AVGO)** is to migrate VMware workloads to Google Cloud.
- **NetEase (NTES)** +4%: Reportedly to revive partnership with Microsoft's Blizzard.
- **Netflix (NFLX)** -1.5%: Initiated a significant restructure in its film department.
- **General Motors (GM)** +1%: Self-driving car unit, Cruise, plans to resume testing robotaxis.
- **Microsoft (MSFT)** +0.5%: To reportedly invest USD 2.9bln in Japanese data centres amid AI boom.
- **Pfizer (PFE)** +0.5%: Abrysvo meets primary Phase 3 endpoint in RSV disease.
- **InMode (INMD)** -7%: Lowers Q1 and FY24 revenue outlook.
- **BP ADR (BP)** +1%: Sees higher oil and gas production.
- **Freeport-McMoRan (FCX)** +2.5%: Upgraded at BofA saying it has "blue chip copper exposure."
- **Nvidia (NVDA)** -2%: UBS analyst note was doing the rounds, and it had some cautious comments on Nvidia's (NVDA) October/Q3 report, also saying sentiment on semis is as optimistic as "I can ever remember".
- **Intel (INTC)** +1%: Reveals details of new AI chip to fight Nvidia (NVDA) dominance.
- **Boeing (BA)** -2%: FAA investigates claims by Boeing (BA) whistle-blower about flaws in the 787 Dreamliner, according to New York Times.

US FX WRAP

The Dollar was choppy on Tuesday with DXY trading either side of 104.00, between 103.87 and 104.21, with all eyes turning to the US CPI report on Wednesday to help determine whether the hot January and February inflation reports were more than just a bump in the road. Attention will also be on the FOMC minutes released after CPI.

The Euro was flat vs. the Buck hovering around 1.0850 with participants awaiting key risk events such as the aforementioned US CPI and the ECB policy announcement on Thursday.

The Yen was also ultimately flat but there was some volatility on Bloomberg source reports that the BoJ is said to be considering raising its inflation forecast after the surprisingly strong results from the annual wage negotiations with participants cognizant to add any direction with conviction given CPI on Wednesday.

The Franc saw slight gains vs. the Dollar and the Euro after its underperformance on Monday. SNB's Schlegel said that FX interventions support the goal of achieving price stability, noting without FX sales, SNB would have had to raise rates higher. Schlegel also echoed the SNB line that they only use FX intervention when necessary.

Antipodes saw mild gains vs. the Dollar continuing their outperformance from Monday with AUD/USD holding above 0.6600 while NZD/USD hovers around 0.6050. AUD/NZD saw narrow trade with the RBNZ taking focus overnight.

The Pound was flat vs. the Dollar but marginally firmer against the Euro with local traders awaiting GDP numbers on Friday, alongside the other major macro events throughout the week (US CPI, FOMC Minutes, BoC, ECB, RBNZ).

The Loonie was also flat vs. the Dollar with weaker oil prices doing little to hamper the CAD with US CPI and BoC rate decision due Wednesday.

EMFX was mixed. BRL saw gains but MXN was softer after cooler than expected inflation data. ZAR saw notable strength with gold prices rising. CLP also saw marginal gains with copper prices supporting the currency.

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