



US Market Wrap

19th April 2024: Tech woes hit stocks while bonds & oil chop to geopolitics

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar flat.
- **REAR VIEW:** Israel/Iran tensions ease after overnight strikes; Goolsbee leans hawkish ahead of blackout; NFLX next quarter revenue guide disappoints & to stop reporting subscriber count; Soft UK retail sales, Dovish Ramsden; Deluge of ECB speak
- **WEEK AHEAD:** Highlights include US PCE & GDP, BoJ, PMI data. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing PBoC LPR, CBRT and BoJ. To download the report, please click [here](#).
- **WEEKLY US EARNINGS ESTIMATES:** Mega-cap earnings come in aplenty with highlights from the likes of TSLA, BA, META, GOOGL, INTC, MSFT. To download the report, please click [here](#).

MARKET WRAP

Stocks were sold with losses largely led by the Nasdaq with notable downside in Nvidia (NVDA) and Netflix (NFLX) shares. The latter was hit on a slightly disappointing next quarter revenue guidance and stopping to report subscriber count, while NVDA weakness was seemingly a continuation of the weak ASML earning report reaction earlier in the week, in addition to a collapse in Super Micro (SMCI) shares on a lack of upside pre-announcement also hit the chip space. Weakness was also observed overnight as Israel retaliated against Iran which led to upside in Treasuries and oil, but the moves in the latter two assets had pared the majority of the move as it came to fruition not too much damage was dealt and neither side intend to retaliate again. The tech weakness kept stocks pressured, however. There was a lack of US data on Friday, but Fed's Goolsbee sounded a bit more hawkish than his normal dovish self, noting progress on inflation has stalled, and it makes sense to wait for more clarity before moving. The Dollar was flat on Friday but GBP lagged on some dovish Ramsden commentary, who said the risks to UK inflation outlook are tilted to the downside vs February forecasts. There were also soft UK retail sales this morning. Attention next week turns to a plethora of earnings, as well as US GDP and US PCE.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 6+ TICKS HIGHER AT 107-29

Overnight bid faded as Iran/Israel tensions ease with hawkish leaning Goolsbee adding to the pressure. At settlement, 2s -1.7bps at 4.973%, 3s -1.9bps at 4.810%, 5s -2.7bps at 4.659%, 7s -2.8bps at 4.646%, 10s -3.0bps at 4.617%, 20s -2.9bps at 4.842%, 30s -3.2bps at 4.713%.

INFLATION BREAKEVENS: 5yr BEI -0.5bps at 2.473%, 10yr BEI +0.1bps at 2.414%, 30yr BEI +0.5bps at 2.357%.

THE DAY: T-Notes were bid overnight in a flight to quality trade as Israel retaliated against Iran to see T-Notes peak at 108-22+. However, once reports started to suggest that the attack was more of a warning and that little damage was caused the strength started to fade, also supported by reports neither Iran or Israel are looking to retaliate again. T-Notes sold off throughout the European session and eventually breached 108-00 to the downside, a level it attempted to reclaim in US trade. However, the move above the psychological level was rejected with some hawkish commentary from Goolsbee helped keep T-Notes sub 108. There was no US data released on Friday, but commentary from Fed's Goolsbee (2025 voter) echoed his colleagues by noting it makes sense to wait for more clarity before moving, noting the progress on inflation has stalled. When quizzed about a potential rate hike, he said "don't think anything is not on the table", while he also acknowledged the Fed has to recalibrate and wait and see.

NEXT WEEK'S AUCTIONS: US to sell USD 69bln of 2yr notes on April 23rd, USD 70bln of 5yr notes on April 24th, and USD 44bln of 7yr notes on April 25th.

STIRS:

- SR3M4 +1.5bps at 94.745, U4 +2.0bps at 94.890, Z4 +2.0bps at 95.060, H5 +2.0bps at 95.240, M5 +2.5bps at 95.415, U5 +2.0bps at 95.565, Z5 +2.0bps at 95.675, H6 +2.5bps at 95.755, M6 +2.0bps at 95.805, M7 +2.5bps at 95.940, M8 +2.5bps at 95.945.
- SOFR at 5.30% (prev. 5.31%), volumes at USD 1.764tln (prev. 1.731tln).



- NY Fed RRP op demand at USD 0.397bln (prev. 0.433tln) across 68 counterparties (prev. 75).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 82bln (prev. 80bln).

CRUDE

WTI (M4) SETTLED USD 0.12 HIGHER AT 82.22/BBL; BRENT (M4) SETTLED USD 0.18 HIGHER AT 87.29/BBL

Oil ended the day with mild gains as the complex steadied after Iran played down the reported Israeli attack and both sides are unlikely to escalate the matter further. Nonetheless, WTI and Brent (M4) surged to highs of USD 85.64/bbl and 90.75/bbl, respectively, in the APAC session on fears nuclear sites in Iran had been targeted, although as details emerged, the event proved to be much milder than initially reported, and therefore crude future backtracked all those gains and more with the "escalation" actually seen as a "de-escalation" of that part of the conflict. Iran said they have no plans for an immediate retaliation. The Biden Administration later confirmed that it considers the confrontation between Israel and Iran to have ended. As such, WTI and Brent printed session lows of USD 81.13/bbl and 86.19/bbl, as attention turns to further Middle East rhetoric over the weekend. Elsewhere, in the weekly Baker Hughes Rig Count, Oil rose 5 to 511, Nat Gas dipped 3 to 106, leaving the Total lifting 2 to 619.

EQUITIES

CLOSES: SPX -0.88% at 4,967, NDX -2.05% at 17,037, DJIA +0.56% at 37,986, RUT +0.24% at 1,947.

SECTORS: Technology -3.08%, Communication Services -2.03%, Consumer Discretionary -1.19%, Industrials -0.19%, Materials -0.11%, Health +0.31%, Real Estate +0.40%, Consumer Staples +0.94%, Energy +1.12%, Financials +1.34%, Utilities +1.47%.

EUROPEAN CLOSES: DAX: -0.53% at 17,626.90, FTSE 100: +0.24% at 7,809.68, CAC 40: -0.01% at 7,946.84, Euro Stoxx 50: -0.39% at 4,883.25, IBEX 35: -0.33% at 10,611.90, FTSE MIB: +0.12% at 33,460.81, SMI: +0.43% at 11,122.20.

STOCK SPECIFICS:

- **Netflix (NFLX)** -9%: Posted light Q2 revenue guidance and announced it is to stop reporting subscriber counts. Although, EPS, revenue, subscriber additions, and operating margin all topped expectations.
- **SLB (SLB)** -2.5%: Top and bottom line were more-or-less in line, although revenue declined due to seasonality; it remains confident in the FY outlook.
- **Procter & Gamble (PG)** +0.5%: EPS beat and raised FY core EPS growth view.
- **American Express (AXP)** +6%: Top and bottom line beat.
- **Regions Financial (RF)** -1%: EPS light of forecasts.
- **Tesla (TSLA)** -2%: Recalling certain 2024 Cybertruck vehicles over unintended acceleration from a trapped pedal, according to NHTSA.
- **KB Home (KBH)** +1%: Board authorised a USD 1bln share buyback and raised quarterly dividend 25% to USD 0.25/shr.
- **Paramount (PARA)** +13.5%: Sony and Apollo are in talks to jointly bid for Paramount, potentially offering an all-cash deal to take the Co. private, NYT reports.
- **Super Micro (SMCI)** -23%: Desks cited a lack of a positive pre-announcement for earnings after the Co. announced its post-earnings call on April 30th. As such, **Nvidia (NVDA)** closed down 9% with the semiconductor ETF **SOXX** falling 4%.

US FX WRAP

The Dollar was flat to end the week in a day which was dominated by geopolitics, where otherwise newsflow was sparse with no tier 1 data of the US. Ahead of the blackout beginning, Goolsbee (2025 voter) was the only speaker on the wires and he noted inflation on progress has stalled, and makes sense to wait for more clarity before moving. Looking ahead, highlights include US PCE and GDP next week, in addition to some macro earnings from the likes of Tesla, Meta, Alphabet, Intel, and Microsoft.

GBP was the G10 underperformer to end the week, as it seemed to be hit by risk-off sentiment as well as some dovish Ramsden commentary. Sterling initially regained the geopolitical-induced overnight weakness, but then resumed towards the downside as stocks saw heavy selling led by the Nasdaq-100 as semiconductor got hit, highlighted by Nvidia down 8.5%. As such, Cable hit a low of 1.2368 with the dovish comment from Ramsden adding to the weakness.



In the morning, UK retail sales were soft while BoE's Ramsden later said that the "balance of domestic risks to the outlook for UK inflation, relative to the February MPR forecasts, is now tilted to the downside".

Antipodeans saw slight losses, but both were able to scale back some of the risk-averse losses. AUD/USD printed a fresh YTD trough at 0.6363 before recovering to gain a firmer footing on a 0.6400 handle.

CHF was the clear outperformer of the geopolitical turmoil and was a beneficiary of its safe-haven properties, albeit the Swissy is now well-off strongest levels as the geopolitical worries abated. Highlighting this, USD/CHF slumped to a low of 0.9010 in the APAC session but now trades at circa. 0.9100 while EUR/CHF cratered lower to 0.9567 at one stage with EUR vulnerable to any spike in energy costs. However, as some of the risk-aversion faded, EUR/CHF was able to recover some downside.

CAD, EUR, and JPY were all more-or-less flat against the Dollar. The single-currency and the Loonie recovered the aforementioned oil-induced losses, while USD/JPY continues to hover around the 154.50 mark. Overnight, Japanese CPI was softer-than-expected. For the EUR, there has been a plethora of ECB speakers (Kazaks, Simkus, Lagarde, Wunsch, Nagel, and Muller), whereby they very much toed the line of the most recent ECB gathering.

EMFX was largely firmer against the Greenback. CLP and ZAR benefitted from stronger copper and gold prices, respectively, with the latter on the potential Middle Eastern escalation. For the MXN, retail sales were hotter than forecast with M/M rising 0.4% (prev. -0.6%, exp. +0.2%) and Y/Y lifting 3.0% (exp. 1.4%, prev. -0.8%). Elsewhere for the Peso, Banxico Deputy Governor Heath said Mexican rates will likely remain on hold for longer than markets expect and think rates will be held in May but June will be more data dependent. In further remarks, Heath noted Banxico is not going to discuss the possibility of a cut in May.

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