



US Market Wrap

22nd April 2024: Tech revival boosts stocks, lack of geopolitical escalation hits gold and oil

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar flat
- **REAR VIEW:** Lack of geopolitical escalation; PBoC leaves LPR rates unchanged; ECB Centeno suggests rate cuts could exceed 100bps this year; Mixed VZ earnings; TSLA cuts China prices
- **COMING UP: Data:** Australian, French, EZ, UK, US PMIs, US Richmond Fed Index, NZ Trade **Speakers:** BoE's Pill; ECB's Nagel **Supply:** Japan, Germany, Italy, US **Earnings:** ASM, Kering, Associated British Foods, Novartis, Spotify, General Motors, Philip Morris, PepsiCo, RTX, Fiserv, UPS, Visa, Lockheed Martin, Tesla.
- **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

US stocks managed to claw back some of the prior week's losses, with a rebound in Nvidia (NVDA) shares and in semis supportive of the move, underpinning technology outperformance. Elsewhere gold and oil prices were lower on a lack of geopolitical escalation seen over the weekend which also weighed on Treasuries overnight. T-notes eventually settled flat, paring the overnight losses as it tracked the bund higher ahead of a plethora of key risk events. In FX, the Dollar was flat while the Yen hit a 34-year low vs the buck ahead of the BoJ later this week. Antipodes and CAD meanwhile outperformed on the risk revival. Focus this week lies on a plethora of earnings, Tier 1 US data, including GDP and PCE, as well as the BoJ rate decision.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLE 1+ TICKS LOWER AT 107-27+

Overnight Treasury weakness on lack of geopolitical escalation pears ahead of key risk events: supply, GDP, PCE and earnings. At settlement, 2s +0.2bps at 4.971%, 3s -0.3bps at 4.804%, 5s +0.3bps at 4.660%, 7s +0.4bps at 4.646%, 10s +0.4bps at 4.619%, 20s +0.7bps at 4.849%, 30s +1.0bps at 4.721%

INFLATION BREAKEVENS: 5yr BEI -0.4bps at 2.470%, 10yr BEI +0.3bps at 2.416%, 30yr BEI +0.2bps at 2.357%.

THE DAY: T-notes sold off overnight with a lack of geopolitical escalation supporting the move (oil and gold were also lower). T-Notes had pared throughout the US session, however, to see the 10yr relatively flat by settlement. The bounce back was led by the Bund, with Treasuries following in their German counterpart's footsteps, while the weakness in crude prices also gave the bid some help. Perhaps some dip buying ensued once the 2yr rose above 5% too. There was little other news to digest on Monday, with no geopolitical escalation being the highlight, in a day of no tier 1 data releases, and with the FOMC in blackout ahead of its May 1st meeting (statement and press conference only). Things do start to kick off on Tuesday, with a plethora of US earnings due, US supply (2s, 5s, 7s on on Tuesday, Wednesday and Thursday, respectively), US GDP due Thursday, and US PCE on Friday.

THIS 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:

- SOFR at 5.31% (prev. 5.30%), volumes at USD 1.780tln (prev. 1.764tln).
- NY Fed RRP op demand at USD 0.410tln (prev. 0.397tln) across 73 counterparties (prev. 68)
- EFFR at 5.33% (prev. 5.33%), volumes at USD 85bln (prev. 82bln).
- US sold USD 75bln of 3-month bills at 5.255%, covered 2.78x; sold USD 74bln of 6-month bills at 5.160%, covered 2.80x



CRUDE

WTI (M4) SETTLES USD 0.32 LOWER AT 81.90/BBL; BRENT (M4) FUTURES SETTLE USD 0.29 LOWER AT 87.00 /BBL

The crude complex was lower throughout the session on Monday due to a lack of major geopolitical escalation which saw an unwind of the geopolitical risk premium. As such, WTI and Brent hit lows of USD 80.70/bbl and 85.79/bbl, respectively, in the EZ morning but currently sit off those levels in what has been a day with light headline newsflow as participants await the next risk events. For the record, the latest Middle East update was Israeli PM Netanyahu noting " Hamas rejected all proposals related to the release of the hostages and our determination is firm to free them", according to Sky News Arabia. Note, Israel is currently observing Passover which concludes on April 30th.

EQUITIES

CLOSES: SPX +0.87% at 5,010, NDX +1.02% at 17,211, DJI +0.67% at 38,240, RUT +1.02% at 1,967

SECTORS: Technology +1.28%, Financials +1.20%, Utilities +0.96%, Consumer Staples +0.94%, Real Estate +0.77%, Industrials +0.75%, Consumer Discretionary +0.66%, Energy +0.65%, Communication Services +0.42%, Health +0.39%, Materials +0.10%.

EUROPEAN CLOSES: DAX: +0.64% at 17,738.04, FTSE 100: +1.62% at 7,895.85, CAC 40: +0.22% at 8,007.45, Euro Stoxx 50: +0.39% at 4,913.05, IBEX 35: +1.50% at 10,783.90, FTSE MIB: -0.58% at 33,423.38, SMI: +0.28% at 11,256.20.

- **Informatica (INFA)** -10.5%: Confirmed it is not engaged in acquisition discussions; reaffirms FY24 outlook.
- **Tesla (TSLA)** -2%: Cut prices across its entire line-up in China, as well as some in other markets.
- **Li Auto (LI)** -5.5%: Has slashed prices by roughly 5% on four of its five models.
- **Vista Outdoor (VSTO)** +6.5%: It is engaged in talks with MNC Capital, although adds that it anticipates MNC will bump its prior bid.
- **Quanex (NX)** -3%: To acquire Tyman in a USD 1.1bln transaction.
- **CNH Industrial (CNHI)** -7%: Appoints Gerrit Marx to replace Scott Wine as CEO, after the latter surprisingly left to pursue other interests.
- **Alcoa (AA)** +2%: Upgraded at Morgan Stanley.
- **Cardinal Health (CAH)** -5%: Will not renew its pharmaceutical distribution contracts with UnitedHealth's (UNH) OptumRx unit, which expires at the end of June 2024.
- **Paramount (PARA)** -0.5%: CNBC's Faber says no bid from Apollo (APO) and Sony (SONY) has been submitted for Paramount (PARA).
- **Verizon (VZ)** -4.5%: Posted a mixed report; revenue missed while profit beat.
- **Boeing (BA)** +0.4%: Expects a slower increase in the rate of the 787 production and deliveries due to supplier shortages on "a few key parts"; Boeing (BA) said it still plans to steadily increase its rate to meet strong demand.
- **Wolfspeed (WOLF)** +8%: Jana partners urges co. to consider a potential sale, and other strategic alternatives, to boost its share price, Reuters reported.

US FX WRAP

The Dollar was ultimately flat on Monday; DXY briefly dipped beneath 106.00 before paring losses in quiet trade, with focus on this week's plethora of US corporate earnings, US GDP and US PCE data ahead of the Fed rate decision next week, while the FOMC in blackout.

The Euro was flat vs the buck trading on either side of 1.0650. The latest ECB survey from Reuters sees the vast majority of those surveyed expecting the central bank to cut rates in June, though a minority look for the first rate cut to occur in Q3. Looking ahead, 59/97 analysts see 75bps or less of easing this year, while 38 expect 100bps or more of easing throughout 2024. Elsewhere, there were remarks from ECB's Patsalides who stressed data dependence, while ECB's Centeno suggested that rate cuts this year could exceed 100bps, though the ECB would still be in restrictive territory even after 100bps of cuts.

The Yen was marginally weaker vs the Dollar, with USD/JPY printing a fresh 34-year peak of 154.84, but fell short of 155.00, a level largely seen as the line in the sand for Japanese officials. Attention now turns to the BoJ confab, on Friday, which will contain updated economic forecasts.



Gold tumbled, seeing its largest drop since March 2022, with the lack of geopolitical escalation over the weekend hitting the precious metal from a peak of around USD 2,390 today to lows of USD 2,325/oz.

Antipodes and **CAD** outperformed on Monday tracking the positive risk sentiment as stocks rallied to help pare the sharp downside last week. For the CAD, Rabobank highlights that USD/CAD has broken out of the 1.33-1.37 range and it suspects a move back down below 1.37, but say that 1.35 will be a floor for the pair. Note, NZD/USD traded either side of 0.5900 while AUD/USD traded between 0.6411 and 0.6455.

GBP was sold throughout the European session in a continuation of the weakness on Friday in wake of a dovish-sounding BoE's Ramsden, which saw Cable test 1.2300. The cross hit 1.23 on the nose before paring back above 1.2350, likely also supported by the upside in equities to see GBP relatively flat vs both the Dollar and Euro.

EMFX was mixed despite the optimistic risk environment. BRL saw gains with more commentary from BCB Chief Neto stating that BCB cannot give guidance due to significant uncertainty, keeping the door open to a slower pace of easing after a string of 50bps cuts from the BCB. Meanwhile, the Brazilian government gave the BCB permission to offer swaps in longer terms. Elsewhere, MXN was softer, CLP was bid and COP was sold. ZAR was also weaker but primarily as a function of softer gold prices.

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