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# US Market Wrap

## 24th April 2024: Stocks chop as yields climb ahead of key tech earnings

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude down, Dollar up.
- **REAR VIEW**: Mixed durable goods data; USD/JPY rises above 155; Hot Aussie CPI; Israel to move ahead with Rafah op.; Chunky crude draw; BA earnings beat, Moody's cut credit rating; T earnings beat; TSLA shares rally on affordable car hopes; Lacklustre 5yr auction.
- **COMING UP**: **Data**: German GfK, French Business Climate, US GDP Advance, PCE Advance, Initial Jobless Claims **Speakers**: ECB’s Schnabel **Supply**: US **Earnings**: Barclays, Unilever, AstraZeneca, Vinci, STMicroelectronics, Airbus, BNP Paribas, Schneider Electric, Hermes, Pernod Ricard, Equinor, BE Semiconductor, Merck, Microsoft, Gilead Sciences, Caterpillar, S&P Global, Intel, T-Mobile US, Alphabet.

## MARKET WRAP

Stocks were choppy on Wednesday with Nasdaq outperformance after a short squeeze on TSLA (+11%) post-earnings as investors await more big tech earnings reports (META due later Wednesday). Macro newsflow was on the light side, durable goods orders were more or less as expected, stoking little reaction, while the German Ifo survey came in on the hot side, contributing to a Bund-led sell-off in fixed income. Treasuries bear-steepened themselves, although the losses were seen mainly during the European session, while the lacklustre 5yr auction failed to lead to any meaningful reaction. Dollar Index saw marginal strength, although that was largely a function of the Yen slipping past 155, to little sign of intervention, whilst other currencies held up better; Aussie was bid after its hot inflation figures. Oil prices were lower despite bullish inventory data and the firmer economic data. Gold was little changed.

## US

**DURABLE GOODS**: Durable Goods in March rose 2.6% from the prior, revised lower, 0.7% and marginally above the expected 2.5%. Ex-Transport rose 0.2% (prev. 0.1%) but was slightly short of the forecasted 0.3%, while Nondefense Cap Ex-Air was in line at 0.2% (prev. 0.4%). Ex-Defense rose to 2.3% from 1.5%. The headline was largely boosted by a 47% surge in the aircraft component, as orders at Boeing rebounded after a weak February. Core capital goods orders, a useful gauge of the underlying trend in capital spending, rose in line with expectations, albeit at a slower pace than in the preceding month. Within core orders, and as Oxford Economics points out, orders for computers and electronics, fabricated metal products, and other durable goods were up. The consultancy further adds “the baseline forecast calls for real equipment spending to decline by 2.7% annualized in Q1, but odds are this weakness will be even greater.” As such, Oxford says their real-time estimate of real equipment spending, based on durable goods shipments and other source data, is pointing to a 5.5% annualized drop in Q1 due in large part to a reacceleration in inflation tied to capital equipment.

## FIXED INCOME

**T-NOTE (M4) FUTURES SETTLE 11 TICKS LOWER AT 107-23+**

**Treasuries bear-steepened gradually through the session, unwinding the Tuesday spike amid stronger economic data**. 2s +2.4bps at 4.929%, 3s +2.6bps at 4.787%, 5s +3.8bps at 4.660%, 7s +4.8bps at 4.663%, 10s +4.8bps at 4.646%, 20s +5.2bps at 4.894%, 30s +5.6bps at 4.779%.

**INFLATION BREAKEVENS**: 5yr BEI +0.1bps at 2.468%, 10yr BEI +0.2bps at 2.411%, 30yr BEI +1.1bps at 2.362%.

**THE DAY**: Treasuries gradually pared Tuesday's PMI-induced spike through the Wednesday session. In APAC trade, Australian CPI came in on the hot side, applying pressure out of AGBs. While in Europe, the German Ifo survey came in hot whilst ECB's Nagel pushed back on some of the dovish commentary from his colleagues. A solid German Bund auction failed to lead to any recovery strength.

T-Notes, which peaked on Tuesday at 108-08, troughed in the NY morning at 107-20, just beneath the Tuesday low of 107-20+, with Bonds and Ultra Bonds already having breached past their Tuesday lows by a comfortable margin. Durable Goods orders came in more or less in line with expectations, with no notable immediate reaction at the time.

There was some mild support off the lows into the NY afternoon. The lacklustre 5yr auction (details below) saw little immediate reaction, with contracts rangebound into settlement. Attention now on META earnings later on Wednesday.

Looking to the rest of the week, we have the 7s auction on Thursday, while for data, we have Q1 GDP advance (Thurs) and PCE (Fri), with the Fed in its blackout period. Note that we are entering the month-end period too, so related buying flows will become a topic of conversation heading into Tuesday after the strong sell-off earlier this month.

**5YR AUCTION**: A lacklustre, ramped size 5yr auction from the Treasury, with USD 70bln sold at 4.659%, where despite the sell off from March's 4.235% stop, the auction tailed the When Issued yield by 0.4bps, worse than March's 1bp stop-through, but close to the six-auction average tail of 0.5bps, and offsetting the 0.6bp stop-through at Tuesday's 2yr offering. The auction was covered 2.39x, less than the prior and avg. 2.41x. Dealers were left with 15%, more than the prior 12.7% but beneath avg. 16.7%, with a fall in Indirects participation to 65.7% from 70.5% last month offsetting the rise in Directs to 19.2% from 16.8%. Attention now on Thursday's 7yr, which will be the last coupon auction and duration demand litmus test before the QRA next Wednesday, where expectations are for unchanged coupon sizes for the quarter ahead.

**STIRS**:

- SR3M4 -0.5bps at 94.74, U4 -1.5bps at 94.905, Z4 -2bps at 95.09, H5 -3bps at 95.275, M5 -3.5bps at 95.45, U5 -4bps at 95.595, Z5 -4bps at 95.70, H6 -4bps at 95.77, M6 -4.5bps at 95.815, M7 -6bps at 95.91, M8 -7bps at 95.895.
- SOFR at 5.31% (prev. 5.31%), volumes at USD 1.757tln (prev. 1.746tln).
- NY Fed RRP op demand at USD 0.441tln (prev. 0.436tln) across 82 counterparties (prev. 71).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 74bln (prev. 79bln).
- US sold USD 30bln of 2yr FRNs at high discount margin of 0.150%, covered 3.33x, Dealers take 36.3%.

## CRUDE

**WTI (M4) SETTLES USD 0.55 LOWER AT 82.81/BBL; BRENT (M4) SETTLES USD 0.40 LOWER AT 88.02/BBL**

**Crude futures were lower on Wednesday despite bullish inventory data and strong economic data**. The downside began during the European morning in absence of an obvious catalyst, that's despite a decent German Ifo report, before some support was found during the NY morning amid reports Israel is poised to launch a Rafah operation immediately. The 6.4mln bbl US crude stock draw reported in the weekly EIA data, which more than offset the 1mln net build in the products, also led to some fleeting strength in the crude benchmarks. However, new lows were printed soon after into the NY afternoon, with WTI and Brent front-month futures hitting session lows of USD 82.44/bbl and 87.65/bbl, respectively, before recovering somewhat into settlement.

## EQUITIES

**CLOSES**: SPX +0.02% at 5,071, NDX +0.32% at 17,527, DJI -0.11% at 38,461, RUT -0.36% at 1,995.

**SECTORS**: Consumer Staples +0.93%, Utilities +0.59%, Consumer Discretionary +0.5%, Real Estate +0.41%, Energy +0.1%, Materials +0.07%, Technology +0.03%, Communication Services -0.06%, Financials -0.13%, Health -0.25%, Industrials -0.79%.

**EUROPEAN CLOSES**: DAX: -0.35% at 18,073.62, FTSE 100: -0.06% at 8,040.38, CAC 40: -0.17% at 8,091.86, Euro Stoxx 50: -0.39% at 4,988.85, IBEX 35: -0.43% at 11,027.80, FTSE MIB: -0.27% at 34,271.12, SMI: -0.80% at 11,377.81

**EARNINGS**:

- **Tesla (TSLA)** +12%: Metrics disappointed but CEO Musk's promise of 'more affordable' cars seemingly eases growth fears as he said production plans to begin by early 2025.
- **Texas Instruments (TXN)** +6%: Profit and revenue topped expectations.
- **TE Connectivity (TEL)** -2%: Next quarter outlook was poor.
- **Enphase Energy (ENPH)** -5.5% and **Teledyne (TDY)** -11%: Q1 metrics underwhelmed, with outlook short of expectations.
- **AT&T (T)** +2%: Wireless postpaid phone net additions and FCF topped Wall St. consensus.
- **Boeing (BA)** -2.5%: Shallower loss per share, beat on revenue, and negative FCF was not as bad as feared. Boeing's credit rating was later cut to Baa3 from Baa2 by Moody's; outlook negative.
- **Visa (V)** +0.5%: Major metrics surpassed Wall St. expectations.

- **Humana (HUM)** -3%: Q1 metrics exceeded St. expectations but revised FY24 EPS view lower.
- **Thermo Fisher Scientific (TMO)** +0.5% and Biogen (BIIB) +5%: Profit beat with the former raising FY outlook to reflect stronger operational performance.
- **Boston Scientific (BSX)** +6%: Impressed as EPS and revenue beat as did Q2 guidance.

**STOCK SPECIFICS**:

- **Nvidia (NVDA)** -3.5%: Set to acquire AI infrastructure orchestration and management platform Run:ai for around USD 700mln in the coming days, according to Calcalist. NVDA later confirmed the news.
- **Social Media (SNAP -2.5%, META-0.5%)**: Senate approved a bill that could see TikTok banned in the US.
- **UnitedHealth's (UNH)** +0.5%Optum ending virtual care is a positive for **Teladoc (TDOC)** +0.5%, according to BofA
- **IBM (IBM)** +0.8% is said to offer about USD 35/shr for **HashiCorp (HCP)** +7.5%, according to Bloomberg
- David Einhorn Greenlight Capital Letter: New buys in **HPQ, PENN** and **ROIV**, reduced stake in **TECK**.
- UK CMA reportedly seeks views on **Microsoft (MSFT)** and **Amazon's (AMZN)** AI partnerships, according to Bloomberg.

## US FX WRAP

**The Dollar** was slightly bid on Wednesday amid mixed durable goods data, which beat on the headline while the ex-transport measure was soft. Yields rose throughout the session also supporting the buck but it was not enough to see DXY rise above 106.00. Attention turns to US GDP on Thursday and PCE on Friday, ahead of the FOMC next Wednesday.

**The Euro** was a touch softer on the session amid the Dollar upside, seeing EUR/USD fall sub 1.0700. The German Ifo data beat forecasts, perhaps limiting the losses in the Euro alongside commentary from ECB's Nagel, who said a June cut is not necessarily followed by a series of rate cuts.

**The Yen** was sold vs the Dollar to print fresh multi-decade lows with USD/JPY peaking at 155.37. Before then, a Senior Japan Ruling Party Exec said although the party is not yet in active discussion on what Yen levels would be deemed worth intervening in the market, the slide towards 160 vs the Dollar could trigger action.

**The Aussie** was bid after hotter-than-expected CPI and was the relative outperformer out of the G10s but it still only saw marginal gains vs the Dollar with gains a bit more pronounced vs the Kiwi with AUD/NZD rising above 1.0950.

**The Looney** was a laggard with oil prices sliding and retail sales disappointing. The BoC minutes saw little reaction but it noted the governing council agreed that rates would most likely only come down gradually, given the risks to the inflation outlook, while also noting the council was split on the timing of a possible cut.

**The Franc** was also a laggard as a function of higher UST yields while USD/CHF tested the earlier April high of 0.9150, a level it has struggled to breach throughout the month.

**Scandis** were the G10 laggards with SEK and NOK posting notable losses vs the Euro. The Viking cross (NOK/SEK) saw upside however, reclaiming 0.9900.

**GBP** was flat vs the Dollar and saw slight gains vs the Euro with Cable hovering beneath 1.2470 and EUR/GBP sitting sub 0.8600.

**EMFX** was mixed. ZAR was sold while TRY only saw marginal weakness. COP was the clear laggard but MXN was sold despite a hotter 1st half month inflation report from Mexico while BRL was also sold despite commentary from President Lula that the House will not do anything to harm the fiscal position. CLP was bid as copper rallied throughout the APAC session.