



# US Market Wrap

## 4th April 2024: Yen tumbles as BoJ shows its hand

- **SNAPSHOT:** Equities flat, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Yen rips on BoJ touted intervention; German and Spanish inflation data comes in soft; Treasury financing estimates come in above expectations; TSLA wins FSD approval in China; AAPL upgrade ahead of earnings.
- **COMING UP: Data:** Japanese Unemployment Rate, Retail Sales, NZ ANZ Business Outlook, Chinese Manufacturing PMI, Australian Retail Sales, French CPI, GDP, German Unemployment Rate, Import Prices, Retail Sales, Spanish GDP, Italian GDP, EZ CPI, US Employment Cost Index, Chicago PMI, Consumer Confidence. **Events:** RBNZ FSR. **Supply:** UK, Germany, Netherlands. **Earnings:** Logitech, Lufthansa, Adidas, Mercedes, Volkswagen, MTU Aero, Vonovia, Stellantis, UniCredit, Amazon, McDonald's, Advanced Micro Devices, Eli Lilly, Mondelez, Air Products and Chemicals, Coca-Cola, 3M, PayPal, Marathon, Starbucks.

## MARKET WRAP

Stocks were flat in choppy trade on Monday as indices took pause from their recovery with a lack of major macro catalysts except for Yen intervention. While there was no tier 1 data, we did get the US quarterly financing estimates ahead of the quarterly refunding announcement on Wednesday, which came in above estimates and led to some downside in stocks and bonds in late trade, although that faded into the close. TSLA (+15%) and AAPL (+2.4%) were standout outperformers, with the former seeing a further short squeeze on reports it has received approval for FSD in China, while AAPL benefitted from an upgrade at Bernstein ahead of its earnings on Thursday. Treasuries rallied after soft European inflation data kicked the bid into month-end, while the Boeing jumbo IG deal capped strength. The Dollar Index was lower amid the Yen surging higher after the BoJ was touted to intervene. Oil prices were lower with positive noise around the Israel/Hamas peace talks taking some geopolitical risk premium out of the market.

## FIXED INCOME

### T-NOTE (M4) FUTURES SETTLE UP 12 TICKS AT 107-30+

**Treasuries rallied after soft European inflation data kicked the bid into month-end, while the Boeing jumbo IG deal capped strength.** 2s -1.9bps at 4.981%, 3s -2.6bps at 4.814%, 5s -3.7bps at 4.655%, 7s -4.5bps at 4.645%, 10s -4.1bps at 4.628%, 20s -3.6bps at 4.864%, 30s -3.3bps at 4.749%.

**INFLATION BREAKEVENS:** 5yr BEI -1.5bps at 2.442%, 10yr BEI -1.9bps at 2.417%, 30yr BEI -1.3bps at 2.386%.

**THE DAY:** Treasuries extended to the upside to start the week after Friday's bid in the wake of the March core PCE data. 107-23+ served as resistance during APAC trade for T-Notes before the soft-sided German and Spanish core inflation figures saw the bid extend out of EGBs during the European morning.

T-Notes hit resistance at 107-29 in the NY morning before pulling back to support at 107-22+ amid Boeing (BA) announcing a jumbo USD 10bln six-parter. However, renewed strength kicked in later in the morning with month-end buying on the radar. T-Notes hit peaks of 107-31 which were held through into the settlement. Note there was post-settlement selling after the latest financing estimates (details below) from the Treasury came in above analyst expectations ahead of the QRA on Wednesday.

Looking ahead, attention is on Wednesday's Quarterly Refunding Announcement (no changes in coupons expected) and the FOMC with Powell expected to tow a more hawkish line given the data, followed by NFP on Friday. We also get ECI on Tuesday, JOLTS, ADP, and ISM mfg. on Wednesday, and ISM Services on Friday. Note we are in the month-end period too, so related buying flows will remain a topic of conversation heading into Tuesday after the strong sell-off earlier this month. Elsewhere, Tuesday sees the release of German retail sales (March) and unemployment numbers (April), with final manufacturing PMIs on Thursday.



**FINANCING ESTIMATES:** The US Treasury expects to borrow USD 847bln in Jul-Sep, assumes end-Sep cash balance of USD 850bln. Expects to borrow USD 243bln in Apr-Jun (+41bln vs estimate in Jan), assumes end-Jun cash balance at USD 750bln. In Jan-Mar quarter, Treasury borrowed USD 748bln, and ended the quarter with a cash balance of USD 775bln.

#### STIRS:

- SR3M4 -0.5bps at 94.705, U4 flat at 94.845, Z4 +1bp at 95.01, H5 +2bps at 95.195, M5 +2bps at 95.37, U5 +2.5bps at 95.53, Z5 +3bps at 95.655, H6 +3.5bps at 95.745, M6 +4bps at 95.805, M7 +5bps at 95.94, M8 +5.5bps at 95.94.
- SOFR at 5.32% (prev. 5.31%), volumes at USD 1.795tln (prev. 1.774tln).
- NY Fed RRP op demand at USD 0.506tln (prev. 0.465tln) across 75 counterparties (prev. 78).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 94bln (prev. 94bln).
- US sold USD 78bln of 3-month bills at 5.250%, covered 2.67x; sold USD 78bln of 6-month bills at 5.165%, covered 2.98x.

## CRUDE

**WTI (M4) SETTLED USD 1.22 LOWER AT 82.63/BBL; BRENT (N4) SETTLED USD 1.01 LOWER AT 87.20**

**Oil prices were lower on Monday in choppy trade, with positive noise around the Israel/Hamas peace talks taking some geopolitical risk premium out of the market.** WTI and Brent futures settled at session lows, proving Friday's breakout to the upside to be a head-fake. The move lower has been gradual, and in the absence of material energy market catalysts, desks have been pointing to some of the optimism expressed in reporting around a ceasefire agreement being in the works for Israel/Hamas as a bearish energy catalyst today. However, we have previously had several instances of optimism, but ultimately nothing coming material; whether this time is different remains to be seen. Elsewhere, Reuters reports North Sea daily oil output in May is set to fall 6.2% from April's level to average 1.72mln BPD, while supply of the five North Sea crude oil grades underpinning dated Brent benchmark will average 537k BPD in June, down from 654k BPD in May.

## EQUITIES

**CLOSES:** SPX +0.32% at 5,147, NDX +0.36% at 17,878, DJIA +0.38% at 38,596, RUT +0.66% at 2,053.

**TSLA +15%, BIDU +5.6%**, after Tesla had its FSD tentatively approved in China in a Baidu tie-up. **AAPL +2.5%** upgraded to Outperform from Market Perform at Bernstein ahead of Q2 results due Thursday AMC. **PARA +2.9%** expected to fire CEO Bob Bakish amid disagreements on the Skydance Media potential merger. **DPZ +5.6%** beating on EPS and in line Revenue. **ON +4%** after Q1 EPS and Revenue beat, but its Q2 EPS and revenue guidance was on the light side. **ALB +7.6%** was mentioned positively in Barron's as a play on a rebound in lithium prices. **DJT +12.4%** after highlighting actions DJT shareholders can take to prevent the lending of their shares by brokerage firms for the purpose of short selling. **UMBF -6.5%, HTLF +15%**, UMBF to buy HTLF in an all-stock transaction; UMBF share offering. **DCPH +73%** to be acquired by ONO Pharmaceutical (4528 JT).

## US FX WRAP

**USD:** There were no tier one releases, and the Dollar Index was lower, largely due to suspected Japanese intervention in the USDJPY pair (see JPY section, below). The Dollar will be contending with many key risk events this week, with the FOMC rate decision (Weds; rates seen unchanged, but balance sheet updates and Powell's tone are key), ECI (Tues), JOLTS and ADP (weds), ISM data (Weds and Fri), and the US jobs report (Fri; slowdown in the rate of payrolls growth expected).

**JPY:** The Yen surged against the USD, with USDJPY overnight falling from 160.25 to 154.40; Dow Jones later reported that Japanese authorities carried out intervention in the market. Analysts are looking to whether the intervention was a one-off, or the start of a campaign. In the US afternoon, there was another bout of strong Yen strength, taking the pair from around 156.50 to just above 155.00, adding to the case for the latter.



**EUR:** The single currency bounced back from lows around 1.0690 as the Dollar weakened, and the risk mood saw equities supported in European trade. Tuesday sees the release of the Eurozone-wide inflation data; analysts said the data from Spain and Germany (out already) augur well for a decline in inflation, with any upside likely to be a function of food and energy prices, while the core inflation rate is expected to fall (as they did in Spain and Germany).

**GBP:** The Pound rose to fresh two-week highs just shy of 1.2575, and sending cable above its 200dma (around 1.2555) largely as a function of the USD weakening due to suspected Japanese FX intervention to prop up the Yen. The GBP rebound may be at the mercy of USD factors, with Fed Chair Powell unlikely to sound too dovish at his post-meeting presser on Wednesday. Next week's BoE meeting is coming into focus; while no rate cut is expected next week, money markets are pricing around 44bps of easing into the end of the year - many argue that there is scope for that dovish pricing to move more dovishly ahead.

**AUD, NZD, CAD:** The impact of JPY intervention was also echoing in the Antipodes, with the NZD outperforming in G10. Both currencies are patrolling decade+ highs, and the NZD outperformance is likely over a more hawkish outlook at the RBNZ than at the RBA. That said, given that the AUD has in particular been a beneficiary of carry (selling JPY to buy AUD), any further volatility in the Japanese currency could hit the currency, strategists said. Meanwhile, the CAD could not fully take advantage of the USD weakness, as oil prices fell, which many were attributing to a pricing out of geopolitical premium with no escalation between Israel-Hamas yet.

**CNY, CNH:** After falling near five-month lows against the USD overnight, following a weaker fixing by the PBoC, the yuan bounced back as the USD weakened. Barclays analysts are attentive to any further yuan downside, noting that the Chinese currency acts as an anchor for other EM-Asia FX, and any further yuan declines could exacerbate pressures in EMFX. Overnight, analysts will be looking to the factory activity data.

## Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited ("Newsquawk") on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.