



US Market Wrap

8th May 2024: Markets meander in search of the next catalyst

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** Larger than expected EIA crude draw; Average 10yr US auction; Riksbank cut by 25bps, as majority expected; AAPL China iPhone shipments rise; SHOP & UBER outlook disappoints; INTC alters Q2 guidance after US imposes restrictions; A couple of negative TSLA headlines.
- **COMING UP: Holiday:** EZ Ascension Day (closures across Nasdaq Nordic) **Data:** Japanese Overtime Pay, US IJC, NZ Manufacturing PMI; Chinese Trade Data **Events:** BoJ SOO; BoE Policy Announcement; BoE DMP; Banxico Policy Announcement **Speakers:** BoE's Bailey, Pill; ECB's Cipollone; ECB's de Guindos; Fed's Daly **Supply:** Spain, US **Earnings:** Enel, Pirelli, Ferrovial, Telefonica, ACS, Flutter, Constellation Energy.

MARKET WRAP

Stocks ultimately were mixed with the SPX and NDX little changed while the Dow was bid and RTY was hit. Futures were hit in the pre-market however after some cautious earnings from Uber (UBER), soft Intel (INTC) guidance and weak China EV sales from Tesla (TSLA). Yields were also higher, weighing on the risk appetite and limiting any reversal in the S&P and Nasdaq. T-Notes had gradually moved lower throughout the APAC, EU and US sessions while an average 10yr auction had little impact. Markets are largely awaiting the next key catalyst in a data-light week with earnings quietening down and as eyes turn to next week's US CPI data, as well as commentary from Fed Chair Powell on Tuesday. This week meanwhile, Jobless Claims on Thursday and Friday's initial May UoM survey take the limelight. In FX, Aussie and Yen underperformed with AUD still reacting to the less hawkish than feared RBA earlier in the week while Yen faced its usual selling pressures. The Yen weakness came despite commentary from BoJ Governor Ueda overnight, who suggested the BoJ may need to respond via monetary policy if such impact from yen moves affects trend inflation. Ueda later added he does not see it as having a big impact so far, but there is a risk it could become more significant in the future. SEK was also weighed on after the Riksbank rate decision. Elsewhere, crude prices were bid after a larger-than-expected crude draw while we await Israel's response on the hostage deal/ceasefire, with some reports suggesting progress has been made on the major gaps, although high-level Israeli officials still appear displeased with the proposal.

GLOBAL

FED'S COLLINS (2025 voter) acknowledged there are risks to cutting too soon but she is optimistic the Fed can get to 2% inflation in a reasonable time frame. She does expect demand will have to slow however, but said the Fed was well positioned for the current outlook, and although current policy should slow the economy, it is too soon to tell just how restrictive policy is. On data, she noted firms are well positioned to absorb faster wage growth and that the recent inflation setbacks are not a surprise noting the economy is robust and job market is coming into better balance. She said the very strong jobs market has bolstered consumer spending but she does expect some factors underpinning economic resilience to wane.

BOE PREVIEW: Analysts are unanimous in their view that the MPC will keep the Bank Rate unchanged at 5.25%, with markets assigning a circa 93% chance of such an outcome. The vote split is once again expected to be 8-1 with Dhingra the lone dovish dissenter. Since the March announcement, Governor Bailey noted that the UK is "on track" to quell inflation. However, Chief Economist Pill, said that in his baseline scenario, "the time for cutting Bank Rate remains some way off." Attention will also fall on the policy statement, and whether the MPC opts to provide a dovish tweak to, or scraps, its existing guidance that "policy will need to remain restrictive for sufficiently long." Beyond the upcoming meeting, the first 25bps cut is not fully priced until August's meeting, and a total of 53bps of loosening is being priced by year-end. For the accompanying MPR, focus will be on medium-term inflation expectations, which could be revised as low as 1.5%, according to NatWest Markets. To download the full Newsquawk preview, please click [here](#).

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 6 TICKS LOWER AT 108-26+



Treasuries saw modest selling on Wednesday in light trade with contracts pinned in post-NFP ranges; 10yr auction was average. At settlement, 2s +1.7bps at 4.845%, 3s +2.5bps at 4.658%, 5s +3.3bps at 4.504%, 7s +3.5bps at 4.497%, 10s +3.7bps at 4.498%, 20s +3.5bps at 4.739%, 30s +3.6bps at 4.641%.

INFLATION BREAKEVENS: 5yr BEI +1.9bps at 2.337%, 10yr BEI +1.3bps at 2.333%, 30yr BEI +1.2bps at 2.335%.

THE DAY: T-Notes drifted to a session peak of 109-03 at the APAC handover before better selling kicked in. There was a weak 10yr JGB auction in addition to BoJ's Ueda indicating the weak Yen could result in a BoJ policy response having previously said otherwise. 108-28+ served as support at first before renewed selling in the European morning saw new lows, with contracts ultimately hitting troughs for the session at 108-25+ in the NY morning with catalysts on the light side ahead of supply; there were a few more corporate debt deals too. Contracts traded in tight ranges for the rest of the US session with little reaction to the average 10yr auction.

Looking ahead, the week is on the light side for data with Thursday's jobless claims and Friday's initial Michigan survey the US highlights, although traders are casting more attention to next week's inflation data (PPI Tuesday and CPI Wednesday). This Thursday's 30yr offering remains the last auction hurdle of the week with no US coupon supply next week. On Fed Speak: [Thurs] Daly (v), [Fri] Bowman (v), Logan (nv), Goolsbee (v), Barr (v), [Mon] Jefferson (v), Mester (v), [Tues] Powell. Globally, Thursday's BoE will be the focus this week.

10YR AUCTION: An average 10yr new issue auction from the Treasury but perhaps a bit flat vs some of the bullish enthusiasm post-Powell and NFP. USD 42bln of notes were sold at 4.483%, more expensive than last month's 4.56%, but still closer to the highs of the year (4.74%) than the lows (3.82%). The auction tailed the When Issued yield by 1bp, which is in line with the six-auction average and much better than last month's 3.1bp tail, but hardly indicative of exuberant demand. Dealers were left with 15.7%, much less than the prior 24% and beneath the average 16.9%, with both Directs and Indirects seeing a step up in takedown from last month. The USD 25bln 30yr auction on Thursday remains the last auction hurdle for a while with no US coupon auctions next week.

STIRS:

- SR3M4 +0.0bps at 94.705, U4 +0.0bps at 94.890, Z4 -0.5bps at 95.120, H5 -2.0bps at 95.360, M5 -3.0bps at 95.565, U5 -3.5bps at 95.735, Z5 -3.5bps at 95.855, H6 -4.0bps at 95.935, M6 -4.0bps at 95.985, M7 -4.5bps at 96.095, M8 -4.5bps at 96.085.
- SOFR at 5.31% (prev. 5.31%), volumes at USD 1.864tln (prev. 1.855tln).
- NY Fed RRP op demand at USD 0.493tln (prev. 0.475tln) across 74 counterparties (prev. 73).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 78bln (prev. 75bln).
- US sold USD 60bln of 17-week bills at 5.240%, covered 3.04x.

CRUDE

WTI (M4) SETTLED USD 0.61 HIGHER AT 78.99/BBL; BRENT (N4) SETTLED USD 0.42 HIGHER AT 83.58/BBL

The crude complex saw gains on Wednesday amid tailwinds from crude stocks drawing more than anticipated. WTI and Brent hit lows of USD 76.89/bbl and 81.71/bbl, respectively, in the overall downbeat European session, and although oil was already paring off worst levels, the weekly EIA data gave the complex the needed impetus to wipe out losses and extend higher to peaks of USD 79.15 and 83.82/bbl. In terms of the metrics, crude drew 1.362mln (exp. -1.066mln), while distillates and gasoline both saw surprise builds, in fitting with the private inventory numbers on Tuesday night. Whilst participants are awaiting a significant Middle East development/breakthrough, the latest update came via Alsharq News citing official Egyptian media, who said discussions continue in Cairo from ten in the morning, amid notable agreement on some controversial points.

EQUITIES

CLOSES: SPX +0.00% at 5,187, NDX -0.04% at 18,085, DJIA +0.44% at 39,056, RUT -0.46% at 2,055.

SECTORS: Utilities +1.05%, Financials +0.4%, Technology +0.23%, Industrials +0.03%, Energy -0.12%, Communication Services -0.17%, Consumer Staples -0.27%, Health -0.33%, Consumer Discretionary -0.41%, Materials -0.44%, Real Estate -0.9%.



EUROPEAN CLOSES: DAX: +0.31% at 18,488.07, FTSE 100: +0.49% at 8,354.05, CAC 40: +0.69% at 8,131.41, Euro Stoxx 50: +0.46% at 5,039.15, IBEX 35: +0.65% at 11,153.00, FTSE MIB: -0.27% at 34,151.41, SMI: +0.73% at 11,597.41.

EARNINGS:

- **Shopify (SHOP)** -18.5%: Gave a disappointing 2024 outlook, noting it will be impacted by the sales of its logistics businesses.
- **Electronic Arts (EA)** -4%: Bottom line missed expectations with light next quarter and FY guidance.
- **Uber Technologies (UBER)** -5.5%: Posted a surprise loss per share and gross bookings missed, with the Q2 outlook for gross bookings short.
- **Lyft (LYFT)** +7%: EPS, revenue, gross bookings, and active riders topped accompanied by strong guidance.
- **Arista Networks (ANET)** +6.5%: Q1 headline metrics beat and authorised an additional share buyback of up to USD 1.2bln.
- **DoubleVerify (DV)** -38.5%: Cut next quarter and FY guidance due to uneven spending patterns among select large advertisers.
- **Reddit (RDDT)** +4%: Shallower loss per shr. than expected, revenue beat, with Q2 guidance topping expectations.

STOCK SPECIFICS:

- **Apple (AAPL)** flat: iPhone shipments in China rebounded with 12% growth in March after price cuts.
- **Tesla (TSLA)** -1.5%: China-made EVs in April fell 18% Y/Y or 30.2% M/M. Separately, US prosecutors are reportedly examining whether Tesla committed securities and wire fraud in a criminal probe of self-driving claims.
- **New York Community Bancorp (NYCB)** -2.5%: Downgraded at Fitch
- **Intel (INTC)** -2%: Adjusts next quarter revenue outlook after US informed Co. it was revoking certain licenses for exports of consumer-related items to a customer in China.
- **Teva Pharmaceutical Industries (TEVA)** +13%: Teva and MedinCell report 'positive' results from Phase 3 trial of TEV-749.
- **Trip Advisor (TRIP)** -28.5%: Announced its special committee had not found any potential deals with third parties that are in the best interest of shareholders.
- **LyondellBasell (LYB)** +0.5%: Is weighing strategic options for its European assets; formal launch of strategic review of its Olefins and Polyolefins and intermediates and derivatives business units.
- **Warner Bros. Discovery (WBD)** +0.5%: Plans fresh cost cuts and hike in Max price.

US FX WRAP

The Dollar saw a slight bid on Wednesday with DXY trading either side of 105.50 with the only data being March Wholesale Sales which fell 1.3% after rising 2.0% in the prior month, while wholesale inventory revisions declined 0.4%, as expected. The Atlanta Fed GDPNow Model (Q2) was also updated to incorporate last week's jobs report, ISM non-manufacturing index, auto sales and wholesale trade data to lift the tracker to 4.2% from 3.3%. There were remarks from Fed's Collins who gave a set of neutral remarks, noting policy is well positioned and there are risks to cutting too soon. Governor Cook meanwhile focused on Financial Stability.

The Euro was relatively flat vs. the Dollar with EUR/USD trading each side of 1.0750; EUR/GBP was also flat. There were several ECB speakers who all largely sang from the same hymn sheet with a June cut seen as a certain. Wunsch does note there is a path for rate cuts this year and suggests there is room for at least two 25bp rate cuts this year (market currently prices in nearly 3 rate cuts). Holzmann noted that if the time comes in June, further steps will certainly follow, but he does not see a reason to lower rates too quickly. On data, German industrial output data fell 0.4% in March, a touch better than the -0.6% forecast but down from the prior, revised lower, 1.7% gain.

The Yen saw further weakness and was the G10 laggard against the Buck with USD/JPY rising back above 155 to a peak of 155.67 on Wednesday. Note, BoJ Governor Ueda spoke overnight, largely reiterating recent commentary although he did add that the BoJ may need to respond via monetary policy if such an impact from Yen moves affects trend inflation. He also noted, however, that he does not see the Yen moves having a large impact on this so far, but there is a risk the impact could become more significant in the future. Ueda also noted that the central bank will not necessarily wait until inflation achieves their forecasts in 1.5-2 years to raise interest rates.

The Swedish Krona was softer vs. the Euro and the Dollar once the dust settled from the Riksbank rate decision. The Riksbank cut rates by 25bps as was expected by the majority of survey respondents, while it also noted that if the



outlook for inflation still holds, the policy rate is expected to be cut two more times during the second half of the year, in line with the forecast in March. SEK saw initial weakness to the decision with hawkish bets being unwound, but given further rate cuts are expected in H2 (i.e. not June), SEK weakness did pare from lows as it implies the Riksbank will pause for now but it ultimately was still marginally softer vs. both currencies on the session.

Cyclical Currencies were generally flat against the Dollar but AUD was the laggard with the post-RBA weakness continuing while NZD, GBP and CAD saw little gains or losses with US equities rather flat. Pound traders await the BOE Rate decision, minutes and MPR due on Thursday; Newsquawk preview [available here](#).

EMFX was mixed. BRL sold off ahead of the BCB rate decision after hours ([primer here](#)) where expectations are for either a 25 or 50bp cut. Meanwhile, retail sales data was above expectations while the April IGP-DI Inflation index was in line with expectations at 0.72%, accelerating from the prior -0.3%. CLP was flat vs. the Dollar with the hotter-than-expected Chile inflation data offsetting any commodity-induced weakness from softer copper prices.

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