



US Market Wrap

20th May 2024: Tech outperforms amid NVDA tailwinds in thin trade ahead of pivotal risk events

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude down, Dollar flat.
- **REAR VIEW:** JPM won't engage in buybacks at these prices; AAPL slashes iPhone prices in China; NVDA PT raised by Baird, Barclays, and Stifel; Lots of Fed speak, incl. Jefferson noting it's too early to say April CPI is the start of a new trend, but is a good sign.
- **COMING UP: Data:** German Produce Prices, Canadian CPI, US Philadelphia Fed Nonmanufacturing Business Outlook Survey **Events:** RBA Minutes; ECB Governing Council Retreat; NBH Policy Announcement **Speakers:** Fed's Bostic, Barkin, Waller, Williams, Barr; BoE's Bailey **Supply:** Germany, UK **Earnings:** Generali, Kingfisher, SSP, Smiths, Lowe's Companies, Macys, AutoZone.
- **WEEK AHEAD:** Highlights include FOMC minutes; ECB retreat; PBoC, RBNZ, CBRT rate decisions; UK, NZ CPI. To download the report, please click [here](#).
- **CENTRAL BANK WEEKLY:** FOMC and RBA minutes; PBoC, RBNZ, CBRT; ECB retreat. To download the report, please click [here](#).
- **WEEKLY US EARNINGS ESTIMATES:** [MON] PANW; [TUES] LOW, AZO; [WED] TGT, ADI, TJX, SNOW, SNPS, NVDA; [THURS] NTES, MDT, INTU, WDAY. To download the report, please click [here](#).

MARKET WRAP

Markets have been choppy to start the week, albeit in very thin newsflow, as participants await the key risk events such as FOMC Minutes, Nvidia (NVDA) earnings, and UK inflation data on Wednesday followed by US PMIs on Thursday. US indices ended the day mixed (SPX flat, RUT +0.4%, DJIA -0.5%) with the Nasdaq 100 (+0.7%) outperforming and seeing tailwinds from Nvidia (+2.5%) ahead of earnings on Wednesday, whereby it had a couple of PT raises at different brokerages. Sectors are mixed – Tech is outperforming and Financials are the laggard, weighed on by JPMorgan (JPM) (-4.5%) after CEO Dimon said the bank is not going to engage in buybacks at these prices, and also noted the succession timetable is no longer five years anymore, indicating it could be less. The Dollar is flat and within tight parameters as Antipodeans and the Yen lag, with the latter's cross hitting a peak of 156.30. The crude complex was choppy, but settled lower amid no geopolitical escalation and no indication of any foul play in Iranian President death. Spot gold and copper hit ATHs, although now sit of best levels. Treasuries were lower and curve steepened in catalyst light trade ahead of the week's aforementioned major risk event.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 3 TICKS LOWER 109-03

Treasuries were lower and curve steepened in catalyst light trade ahead of the week's major risk events. At settlement, 2s +1.6bps at 4.841%, 3s +1.7bps at 4.624%, 5s +2.2bps at 4.463%, 7s +2.0bps at 4.449%, 10s +2.1bps at 4.441%, 20s +1.6bps at 4.679%, 30s +1.7bps at 4.578%.

INFLATION BREAKEVENS: 5yr BEI +0.7bps at 2.343%, 10yr BEI +0.7bps at 2.341%, 30yr BEI +1.0bps at 2.346%.

THE DAY: After the tail end of last week saw profit taking in wake of CPI/Retail Sales, T-Notes were horizontal overnight and through the EZ morning, to hit a high of 109-08, before hitting lows of 108-30+ amid Dollar strength as US participants entered for the week. Thereafter, T-Notes pared roughly half of the move, albeit with little headline newsflow. Nonetheless, the losses in USTs were very contained and the calendar was light, aside from a few Fed speakers, as participants await FOMC Minutes, Nvidia earnings (Wed), and US 20yr auction (Wed). On Fed speakers, little new was said, with highlights including Jefferson (voter) noting policy rate is in restrictive territory, and continue to see labour market come into better balance and inflation decline, though nowhere near as quickly as would have liked. In addition, Mester (voter, retires in June) thinks monetary policy is restrictive, and said they are well positioned to raise rates or cut rates, but her base case is not to raise rates.

THIS WEEK'S AUCTIONS: US Treasury to sell USD 16bln 20yr bonds on 22nd May, and USD 16bln of 10yr TIPS on 23rd May; both settling on 31st May.



STIRS:

- SR3M4 +0.0bps at 94.750, U4 +0.0bps at 94.940, Z4 -1.5bps at 95.090, H5 -1.5bps at 95.335, M5 -1.5bps at 95.560, U5 -1.0bps at 95.745, Z5 -0.5bps at 95.885, H6 -0.5bps at 95.985, M6 -0.5bps at 96.050, M7 -0.5bps at 96.175, M8 -1.5bps at 96.145.
- US sells USD 76bln of 3-month bills at 5.245%, covered 2.89x; sells USD 76bln of 6-month bills at 5.160%, covered 2.92x.
- NY Fed RRP op demand at USD 0.489tln (prev. 0.449tln) across 75 counterparties (prev. 73).
- SOFR at 5.31% (prev. 5.31%), volumes at USD 1.964tln (prev. 2.001tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 77bln (prev. 78bln).

CRUDE

WTI (N4) SETTLED USD 0.26 LOWER AT 79.80/BBL; BRENT (N4) SETTLED USD 0.27 LOWER AT USD 83.71/BBL

The crude complex was choppy, albeit slightly lower at settlement, in a day of light newsflow to start the week amid no geopolitical escalation. Despite this, according to Sky News Arabia, Israeli National Defence Minister proposed Israel invade Lebanon to completely destroy Hezbollah. In addition, focus was on Iran the death of the Iranian president and foreign minister following their helicopter crash on Sunday, although this was quickly labelled as a weather-related accident whilst Israel also denied any involvement. In other news, Interfax reports that Russian President Putin said Russian oil output has declined year to date to 195.7mln tonnes, and that is due to OPEC+ deal; elsewhere, the Volgograd oil refinery (300k BPD) last week restarted its CDU-1 unit which was damaged by a drone.

EQUITIES

CLOSES: SPX +0.09% at 5,308, NDX +0.69% at 18,674, DJIA -0.50% at 39,807, RUT +0.32% at 2,102.

SECTORS: Technology +1.32%, Communication Services +0.34%, Industrials +0.17%, Materials +0.15%, Utilities -0.21%, Health -0.3%, Energy -0.64%, Real Estate -0.68%, Consumer Staples -0.68%, Consumer Discretionary -0.72%, Financials -1.21%.

EUROPEAN CLOSES: DAX: +0.36% at 18,773.75, FTSE 100: +0.04% at 8,423.44, CAC 40: +0.35% at 8,195.97, Euro Stoxx 50: +0.21% at 5,074.85, IBEX 35: +0.08% at 11,336.69, FTSE MIB: -1.62% at 34,826.00.

STOCK SPECIFICS:

- **JPMorgan (JPM)** -4.5%: Pared all pre-market gains as ahead of its investor day, it lifted FY NII guidance; CEO Dimon said they're not going to engage in buybacks at these prices and noted the succession timetable is not five years anymore, indicating it could be less.
- **Apple (AAPL)** +0.5%: Reportedly slashed iPhone prices in China amid Huawei competition.
- **Nvidia (NVDA)** +2.5%: Ahead of earnings on Wednesday, Baird, Barclays, and Stifel raised PT of the Co.
- **Microsoft (MSFT)** +1%: Announced new category of AI-focused computers; CEO said it has introduced copilot plus PCs.
- **Paramount (PARA)** flat: Sony and Apollo have taken a key step in bid for Paramount's assets, according to NY Times. Two Cos. have signed NDA with Paramount, allowing them to look at Paramount's nonpublic financial information.
- **Li Auto (LI)** -13%: Revenue and vehicle deliveries missed, with Q2 guidance light.
- **Target (TGT)** -2%: Will lower prices on approx. 5,000 frequently shopped items
- **Johnson Controls (JCI)** +2.5%: Activist investor Elliott has built a position with the stake worth more than USD 1bln.
- **Micron (MU)** +3%: Upgraded at Morgan Stanley; said it overestimated how much significant 2023 losses would weigh on the stock's valuation, and underestimated both the economic and narrative elements of AI memory.
- **Norwegian Cruise Line (NCLH)** +7.5%: Boosts FY adj. EPS guidance on strong demand and bookings.
- **Hims & Hers (HIMS)** +27.5%: Announced the addition of GLP-1 injections to its comprehensive weight loss portfolio, giving customers an affordable way to consistently access safe, high-quality weight loss treatment.

US FX WRAP



The Dollar was flat within tight parameters, 104.390-650, in a day with light catalyst driven newsflow as participants await pivotal risk events (FOMC Minutes, Nvidia earnings). Whilst headline newsflow was thin, there was a slew of Fed speak (Mester, Daly, Jefferson, Barr, Bostic), albeit little new was said, with plenty more scheduled on Tuesday.

Antipodeans and the JPY were the relative G10 underperformer in a relatively quiet session for the Yen, given recent standards, with USD/JPY hitting a high of 156.26 vs. an earlier low of 155.50. As such, wider US-Japan rate differential is likely to keep the cross bid, barring any Yen intervention talk. On a quiet day, AUD/USD began the session off holding just above the 0.67 mark before a pick-up in the USD during quiet trade dragged the pair to a low of 0.6663 but managed to hold above Friday's 0.6648 low. NZD/USD was briefly dragged below the 0.61 mark to print a 0.6097 low before reclaiming 0.61 status.

GBP, EUR, and CAD were all more-or-less flat against the Greenback, with desks noting the Pound bulls were paying no heed to higher UST yields or the underlying dovish tone by the BoE, put in after the recent dovish hold by the MPC. Looking ahead, a further move lower in UK inflation on Wednesday may increase betting on a June rate cut as well as a second-rate reduction in August. Moreover, a resurgence in dovish expectations would undermine the current bullish GBP tone and put April lows at 1.2299 in sharper focus. For the EUR, ECB's Kazaks said the rate-cutting process must be cautious and gradual, they will look at the data again after June's meeting, and the meeting is quite likely to be the start of ECB rate cuts.

EMFX was mixed. COP, HUF, MXN, and CLP all saw slight vs. the Dollar as the latter benefitted from copper hitting a record high. On data, Mexican retail sales surprisingly declined 0.2% in March against the prior 0.4%. BRL and ZAR were flat, with the Yuan seeing losses. For the Brazilian Real, economists see year-end 2024 interest rate Selic at 10.00% (prev. 9.75%), according to the latest weekly survey, and also see BRL at 5.04 per dollar by year-end 2024 (prev. 5.00). Regarding the Yuan, China's 1yr and 5yr loan prime rates were left unchanged, as expected, after the central bank kept its 1-year Medium-term Lending Facility rate at 2.50% last week which serves as fairly accurate leading signal regarding for China's benchmark LPRs. In the week ahead, there is PBoC and CBRT rate decisions.

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