



## US Market Wrap

### 21st May 2024: SPX, NDX close at fresh records as AI-darling NVDA awaits

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat.
- **REAR VIEW:** Waller needs to see several more months of good inflation data, and does not think the Fed will need to raise rates; AMZN halts order of NVDA 'superchip'; Cool Canadian inflation data; MU raised FY CapEx view; BoE's Bailey expects quite a drop in April inflation data.
- **COMING UP: Data:** Japanese Trade, UK CPI/PPI, NZ Retail Sales **Events:** RBNZ Policy Announcement; Fed Minutes **Speakers:** Fed's Bostic, Mester, Collins, Goolsbee; ECB's Lagarde; BoE's Breeden **Supply:** Australia, Japan, UK, Germany, US **Earnings:** SSE, Marks & Spencer, Nvidia, Analog Devices, TJX, Synopsys, Target.

## MARKET WRAP

US indices were little changed on Tuesday (SPX +0.2%, NDX +0.1%, DJIA +0.2%, RUT -0.2%) with sectors mixed; Nvidia (NVDA) (+0.4%) saw marginal upside ahead of earnings of Wednesday. In FX, the Dollar Index was flat and within very tight ranges as CAD and NZD underperforming, with the former after cooler-than-expected inflation data, with the latter awaiting RBNZ overnight. The crude complex was slightly lower, albeit off session lows, amid little geopolitical escalation and ahead of private inventory data after-hours. Treasuries were slightly firmer in choppy trade, as initially saw some spillover strength from Canadian CPI, before two-way action on Fed's Waller. Waller stuck to his line from March that "several more months of good inflation data" is still needed to support an easing in policy despite the recent CPI data, while he noted a further increases in policy rate probably unnecessary. While markets have been trading water in the first couple of days this week, the risk events come thick and fast on Wednesday, beginning with UK inflation and concluding with Nvidia earnings, with FOMC Minutes and US 20yr auction sandwiched in the middle.

## US

**FED's WALLER (voter)** stuck to his line from March that "several more months of good inflation data" is still needed to support an easing in policy despite the recent CPI data, while he noted a further increases in policy rate probably unnecessary. Within this, unlike some of his colleagues, he is not flagging the potential for hikes if it required, and additionally, his views may be more reflective of what we may see in the FOMC Minutes on Wednesday. In later remarks, Waller noted the data is not looking like the Fed need to raise rates.

**FED's BOSTIC (voter)** repeated his recent remarks noting he is "not in a hurry" to cut rates and businesses are confident in underlying strength of the economy and next year or two should forecast continued solid performance.

**FED's BARR (voter)** adds to Monday's remarks, reiterating the higher for longer theme, "need to sit gather for longer than we previously thought".

## FIXED INCOME

### T-NOTE (M4) SETTLED 4+ TICKS HIGHER AT 109-07+

Treasuries were slightly firmer in choppy trade, as initially saw some spillover strength from Canadian CPI, before two-way action on Fed's Waller. At settlement, 2s -0.6bps at 4.831%, 3s -1.6bps at 4.606%, 5s -2.5bps at 4.432%, 7s -2.5bps at 4.419%, 10s -2.5bps at 4.412%, 20s -2.2bps at 4.653%, 30s -2.1bps at 4.552%.

**INFLATION BREAKEVENS:** 5yr BEI -0.5bps at 2.344%, 10yr BEI -0.2bps at 2.341%, 30yr BEI -0.6bps at 2.341%.

**THE DAY:** T-Notes saw gradual upside through the European morning, albeit within Monday's ranges, before inching higher as some attributed spillover buying from the aforementioned Canadian CPI. In wake of this, T-Notes saw initial weakness after Waller repeated the view (from March) that he needs to see several more months of good inflation data before being comfortable to support an easing in policy. However, as he seemingly ruled out rate hikes, and noted inflation is not accelerating, Treasuries saw upside to hit session highs of 109.10+, just eclipsing Monday's peak of



109.09; analysts suggested that his views may be more reflective of what we could see in the FOMC minutes on Wednesday. Following this, Treasuries were rangebound in the US afternoon in thin conditions as participants await the pivotal risk events, such as FOMC Minutes, Nvidia earnings, US 20yr auction, and UK inflation, all on Wednesday.

**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 94.740, U4 +0.0bps at 94.925, Z4 +1.5bps at 95.100, H5 +1.5bps at 95.345, M5 +1.0bps at 95.565, U5 +1.0bps at 95.750, Z5 +1.5bps at 95.895, H6 +1.5bps at 96.000, H7 +2.0bps at 96.180, H8 +3.0bps at 96.195.
- US sells USD 75bln 43-day CMB at 4.27%, covered 3.04x.
- NY Fed RRP op demand at USD 0.491tln (prev. 0.489tln) across 81 counterparties (prev. 75).
- SOFR at 5.31% (prev. 5.31%), volumes at USD 1.866tln (prev. 1.964tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 75bln (prev. 77bln).

## CRUDE

**WTI FUTURES (N4) SETTLED USD 0.54 LOWER AT USD 79.26/; BRENT FUTURES (N4) SETTLED USD 0.83 LOWER AT USD 82.88**

**The crude complex was lower on Tuesday, with newsflow light, amid little geopolitical escalation.** On the latter, the Middle East highlight was arguably in the EZ morning, where Times of Israel citing WaPo said Israel has decided to shelve plans for a major offensive in the Gaza Strip's southern city of Rafah and will act in a more limited manner in the city, after discussions with the US on the matter. Nonetheless, oil-specific catalysts were light on Tuesday as WTI and Brent hit lows of 77.65 and 82.04, respectively, as US players entered for the day before paring some of the losses to settle well off lows. Elsewhere, the Biden admin will release 1mln bbls of gasoline from reserves held in the Northeast to reduce prices at the pump ahead of the July 4th holiday. Looking ahead, traders await private inventory data after-hours (expectations below), ahead of the main macro risk events such as Nvidia earnings and FOMC Minutes. US Energy Inventory Data Expectations (bbls): Crude (exp. -2.5mln), Gasoline (exp. -0.7mln), Distillate (exp. -0.4mln).

## EQUITIES

**CLOSES:** SPX +0.25% at 5,321, NDX +0.21% at 18,713, DJIA +0.17% at 39,873, RUT -0.20% at 2,098.

**SECTORS:** Utilities +0.97%, Consumer Staples +0.6%, Financials +0.57%, Consumer Discretionary +0.49%, Technology +0.31%, Health +0.18%, Communication Services +0.05%, Materials -0.01%, Real Estate -0.05%, Industrials -0.33%, Energy -0.51%.

**EUROPEAN CLOSES:** DAX: -0.23% at 18,726.36, FTSE 100: -0.09% at 8,416.45, CAC 40: -0.67% at 8,141.46, Euro Stoxx 50: -0.56% at 5,045.85, AEX: -0.38% at 911.51, IBEX 35: -0.04% at 11,334.90, FTSE MIB: -0.64% at 34,603.61, SMI: -0.23% at 11,996.70.

## STOCK SPECIFICS:

- **Zoom (ZM)** -0.4%: Next quarter profit guidance was light.
- **Keysight Technologies (KEYS)** -8.4%: Next quarter outlook disappointed.
- **Lam Research (LRCX)** +2.4%: Announced 10-for-1 stock split and a USD 10bln share repurchase plan.
- **Xpeng (XPEV)** +5.9%: Shallower loss per share and revenue beat; sees next quarter deliveries rising 25-37.9% Y/Y.
- **JD.Com (JD)** -4.2%: Announced proposed offering of USD 1.5bln convertible senior notes.
- **Macy's (M)** +5.1%: Profit beat, with outlook for both Q2 and FY impressing. Revenue missed and SSS surprisingly declined.
- **AutoZone (AZO)** -3.6%: Revenue and comp. sales fell short.
- **Nordson (NDSN)** -8.4%: Disappointing next quarter outlook and cut FY24 profit view.
- **Micron (MU)** -1.2%: Raised FY24 CapEx view to around USD 8bln from 7bln.
- **Eli Lilly (LLY)** +2.6%: Positive Crohn's disease data and China approved its GLP-1 drug to treat diabetes.
- **Amazon (AMZN)** -0.2%, **Nvidia (NVDA)** +0.6%: AMZN halted orders of NVDA 'superchip' to await updated model, according to the FT. NVDA's earnings are to be released after close on Wednesday.



- **Intel (INTC)** -1.1%: In collaboration with Microsoft (MSFT) to enable several PHI-3 models across its data centre platforms and its AI PCs and edge solutions
- **GE Aerospace (GE)** +1.1%: Announced it will hire 900 engineers this year.

## US FX WRAP

**The Dollar** was flat in a quiet day, as participants await the pivotal risk events on Wednesday (NVDA earnings, FOMC Minutes), with Fed's Waller (voter) comments arguably the highlight. On this, he repeated his view from March that he needs to see several more months of good inflation data before being comfortable to support an easing in policy, which is noteworthy given the recent CPI report. In addition, the influential Waller said inflation is not accelerating, and also wants to see several more inflation reports, and unlike some of his colleagues, he is not flagging the potential for hikes if required. Some analysts said that his views may be more reflective of what we may see in the aforementioned FOMC mins on Wednesday. Highlighting the quiet day, the Dollar Index saw a low of 104.470 vs. a high of 104.760.

**G10 FX** was more-or-less flat against the Buck, and without sounding like a broken record, in a day of quiet newsflow and thin trading conditions. Despite saying this, NZD and CAD lag with the latter weighed on by cooler-than-expected inflation data. Highlighting this, the BoC Core Measures Average 2.7% and therefore fall within the 1-3% inflation target band. Money markets are now pricing in 14bps of rate cuts for the BoC meeting in June vs. 10bps before the release, and 30bps of easing by July vs 25bps prior to the release. For the Kiwi, traders await RBNZ overnight whereby it is unanimously expected to keep the OCR unchanged at 5.50%.

Elsewhere in G10 FX, RBA Minutes overnight from the May 6th-7th meeting stated they considered whether to raise rates but judged the case for steady policy was the stronger one and board agreed it was difficult to either rule in or rule out future changes in the Cash Rate. Cable was within narrow parameters (1.2687-1.2726) as traders await UK inflation metrics on Wednesday, which could sway pricing for the June meeting, with a cut currently priced at ~51%. For the Pound, BoE Governor Bailey said he expects quite a drop in April inflation data and thinks next move on rates will be a cut. In terms of other central bank speakers, the EUR saw a slew of central bank speakers, with President Lagarde the highlight, but she did not add much new.

**EMFX** was mixed, with ZAR outperforming and BRL and MXN underperforming. HUF was flat, as the NBH cut its base rate by 50bps, as expected, to 7.25%. Following the decision, the NBH said it will take decisions on any further reductions in the base rate in a cautious and data-driven manner. The Bank added the pace of price increases will temporarily rise in the middle of the year. On the decision, ING said "the outlook for monetary policy after June remains clouded, although the cautious and patient approach suggests a narrow margin of manoeuvre".

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