



US Market Wrap

10th June 2024: Stocks post marginal gains in pre Fed/CPI trade

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Far right make significant gains in EU elections, Macron calls for snap election; ECB Lagarde says it is possible ECB will hold for more than one meeting; AAPL confirms partnership with OpenAI; Mixed NY Fed consumer inflation expectations; Soft 3yr auction; LLY drug recommended for mild dementia
- **COMING UP: Data:** Japanese Money Supply, Australian Business Confidence, UK Employment Data, US NFIB Business Optimism Index, **Events:** EIA STEO; OPEC MOMR, **Speakers:** ECB's Lane; Elderson **Supply:** Netherlands, **US Earnings:** Oracle
- **WEEK AHEAD:** Highlights include US CPI, FOMC, BoJ and China inflation. To download the report, please see [Newsquawk](#).
- **CENTRAL BANK WEEKLY:** Previewing FOMC, BoJ; Reviewing ECB, BoC, RBI. To download the report, please see [Newsquawk](#).

MARKET WRAP

Stocks ultimately largely traded in the green despite risk-off in Europe following the EU Parliamentary elections over the weekend which saw the Far-Right parties make notable gains, with French President Macron ultimately calling a snap election. US Equities clawed back earlier losses once cash trade got underway in quiet trade with attention turning to the Apple (AAPL) WWDC event, which ultimately confirmed its partnership with OpenAI, but only briefly supported AAPL stock which sold off over 2% on Monday. T-notes bear steepened with weakness following on from JGB and EGB pressure overnight and in the European morning but lows in T-notes were seen in the wake of the weak 3yr auction before paring slightly into settlement. There was little reaction to the mixed NY Fed Survey of Consumer Inflation expectations, which saw the 1yr ease, 3yr unchanged, and 5yr rise. Crude prices were bid throughout the session on geopolitics and optimism around Summer fuel demand while gold and silver attempted to recover some of the steep losses incurred on Friday in the wake of the hot NFP. Attention now turns to the US CPI and FOMC on Wednesday.

FIXED INCOME

T-NOTE FUTURES (U4) SETTLE 7 TICKS LOWER AT 109-03

T-notes see marginal pressure from JGBs and EGBS overnight and early morning while a soft 3yr auction pushes T-notes to lows. At settlement, 2s +1.3bps at 4.883%, 3s +1.6bps at 4.674%, 5s +2.8bps at 4.480%, 7s +3.0bps at 4.472%, 10s +3.9bps at 4.467%, 20s +4.6bps at 4.686%, 30s +4.6bps at 4.594%

INFLATION BREAKEVENS: 5yr BEI +0.7bps at 2.298%, 10yr BEI +1.0bps at 2.318%, 30yr BEI +0.9bps at 2.324%.

THE DAY: T-notes saw very quiet trade on Monday, tracking global peers in the aftermath of the hot NFP on Friday with attention turning to US CPI and the FOMC with accompanying dot plots later in the week. T-notes were marginally lower to start the week with downside ensuing out of Asia as the nation reacted to the NFP report with JGBs sold at the open ahead of the BoJ later this week. Further pressure was seen in the European morning after EGBs were hit in the wake of EU parliament elections that saw the far-right make significant gains, which saw French President Macron announce a snap election. The US highlights meanwhile was the NY Fed Survey of Consumer Inflation expectations and the 3yr auction. The NY Fed Survey saw 1yr ahead expectations ease to 3.2% from 3.3%, the 3yr ahead unchanged at 2.8%, with the 5yr at 3.0%, up from 2.8%. Meanwhile, the 3yr T-Note auction was soft, seeing a chunky tail, beneath average B/C and a larger dealer uptake than usual. The weak auction adds to the slew of soft front-end belly supply seen recently in the 2yr, 5yr, and 7yr.

3YR: The US sold USD 53bln of 3yr notes at a high yield of 4.559%, tailing the When Issued by 1.1bps, much larger than the six auction average of a tail of 0.1bps and prior stop-through of 0.3bps. The B/C was also weak at 2.43x, beneath the 2.63x prior and 2.57 six auction average. The soft reception was led by a drop in direct demand which came in beneath the prior average, but indirect demand was relatively stable at 64%, albeit not enough to offset the drop in



direct demand, seeing dealers take a chunky 20% of the auction. The soft 3yr auction added to the soft 2yr, 5yr, and 7yr supply recently, with participants perhaps sitting on the sidelines ahead of key risk events like the US CPI and FOMC on Wednesday.

THIS WEEK'S SUPPLY: US to sell USD 39bln of 10yr notes (vs. exp. USD 39bln) on Tuesday, USD 22bln 30yr (vs. exp. USD 22bln) on Thursday, all to settle on June 17th.

STIRS

- Market Implied Fed Rate Cut Pricing: September 13bps (prev. 14bps D/D), November 21bps (prev. 31bps), December 37bps (prev. 38bps).
- NY Fed RRP op demand at USD 0.416tln (prev. 0.396tln) across 73 counterparties (prev. 69)
- SOFR at 5.33% (prev. 5.33%), volumes at USD 1.934tln (prev. 2.008tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 100bln (prev. 105bln).**

CRUDE

WTI (N4) FUTURES SETTLE USD 2.21 HIGHER AT 77.74/BBL: BRENT (Q4) FUTURES SETTLE USD 2.01 HIGHER AT 81.63/BBL

WTI and Brent settled well in the black on a mix of geopolitics and upcoming summer fuel demand. Geopolitical tensions remain rife with Russia/Ukraine after a Ukrainian warplane struck targets in Russia for the first time (they had previously used drones). This saw a response from a Russian Senior Lawmaker, who noted that F-16 jets and their bases beyond Ukraine will be legitimate goals for Russian forces if they take part in combat missions. Meanwhile, Israel rescued four hostages from Gaza in a military operation. Do note that some analysts were suggesting the crude gains were due to higher summer fuel demand hopes, PVM stated there is growing conviction that demand will be buoyant as the Summer driving season approaches, leading to considerable stock draws. The early crude poll for the private inventory data this week has crude stocks expected to draw by 1.8mln bbls. Other stories of note in the crude space, Reuters reported the Iraq Oil Minister reporting progress in talks with Kurdish officials on a deal to resume oil exports via a pipeline to the Turkish port of Ceyhan.

Elsewhere, nat gas prices were choppy but ultimately lower on the session, with losses advancing once Europe left for the day. Reports via Bloomberg also suggested that European officials are reportedly in talks to keep gas flowing through a key Russia-Ukraine pipeline. Meanwhile, in the US, Mountain Valley confirmed that project facilities are mechanically complete. The MVP project is a nat gas pipeline system from Northwestern West Virginia to Southern Virginia and is expected to provide up to 2 bcf/day of firm transmission capacity to markets in the mid-and South Atlantic regions of the US.

EQUITIES

CLOSES: SPX +0.26% at 5,361, NDX +0.39% at 19,075, DJI +0.218% at 38,868, RUT +0.25% at 2,032.

SECTORS: Utilities +1.28%, Materials -0.11%, Real Estate +0.45%, Communication Services +0.61%, Consumer Staples -0.22%, Energy +0.71%, Consumer Discretionary +0.51%, Industrials +0.29%, Health +0.3%, Technology +0.29%, Financials -0.39%.

EUROPEAN CLOSES: DAX: -0.37% at 18,488, CAC 40: -1.35% at 7,894, PSI: -0.11% at 6,729, FTSE 100: -0.20% at 8,228, IBEX 35: -0.42% at 11,357, FTSE MIB: -0.34% at 34,542, SMI: -1.03% at 12,128, Euro Stoxx 50: -0.71% at 5,015.

STOCK SPECIFICS

- **Microsoft (MSFT)** announced a new all-digital version of its Xbox Series X and S consoles, as well as new game releases including Call of Duty and Doom, in its annual Xbox Games Showcase.
- **Southwest Airlines (LUV):** Elliott Management has taken a USD 2bln stake in Southwest Airlines (LUV) and plans to engage with management. Barclays maintains its equal weight rating on LUV, but added that potential activism could "bring a fresh air for the storied, once low-cost airline"
- **Apple (AAPL)** announced Vision OS2, and the expansion of Apple Vision Pro to eight new countries including China, and Japan. Introduced tap to pay, such that, users can send money to other iPhone users by tapping the phones together. In addition, Apple confirmed its partnership with OpenAI, integrating ChatGPT.
- KKR & Co. (KKR), CrowdStrike Holdings (CRWD), and GoDaddy (GDDY) will replace Robert Half International (RHI), Comerica (CMA), and Illumina (ILMN) in the S&P 500, respectively, on June 24th.



- **Vista Outdoor (VSTO)** received a USD 2bln plus offer from an alternative party for the Kinetic Group. It also separately announced the rejection of MNC Capital's latest indication of interest
- **Cognizant Technology Solutions (CTSH)** will purchase Belcan for c. USD 1.3bln in cash and stock.
- **Tesla (TSLA)** CEO Elon Musk says on X, "No Model Y refresh" is coming out this year.
- **Moderna (MRNA)** announced that its Phase 3 trial of MRNA-1083, a vaccine against influenza and COVID-19, has met its primary endpoints, resulting in higher immune responses than the licensed comparator vaccines used in the trial.
- **Biogen (BIIB)** announced that the FDA has accepted SBLA for monthly LEQEMBI IV maintenance dosing, which is intended for the treatment of Alzheimer's disease in patients with mild cognitive impairment or mild dementia stage of disease.
- **Huntington Bancshares (HBAN)** expects modest NII growth in Q2 and accelerating expansion in 2H24 and 2025.
- **Morgan Stanley (MS)** CEO says changes in rates environment is lasting, and higher for longer interest rates are good for business.
- **Eli Lilly (LLY)**: US FDA Advisory panel unanimously vote in favour that available data shows LLY's Donanemab is effective for treating Alzheimer's disease with mild cognitive impairment and mild dementia.
- **FedEx (FDX)** raised its quarterly dividend by 10% to USD 1.37/shr.
- **Intel (INTC)** halted construction of a new factory in Israel, according to the Israeli Press Calcalist.
- **Uber (UBER)** lost its appeal to overturn California's gig worker status law.
- **Boeing (BA)**: Israel's El Al chose BA's 737 MAX to renew its short-haul fleet, and will buy 30 BA 737max aircrafts in a deal valued at USD 2-2.5bln, with deliveries to start in 2027.
- **Apollo (APO)** and **Kyndryl Holdings (KD)** are reportedly in a joint bid for **DXC Technology (DXC)**, according to Reuters citing sources

US FX WRAP

The Dollar initially continued to strengthen in Monday's session following its surge on Friday in the wake of the hot NFP report. The Euro weakness, driven by growing political uncertainty within France, helped to support the DXY move upwards amid a lack of fresh US data releases aside from a mixed NY Fed Survey of consumer inflation expectations. Attention turns toward Wednesday's US CPI release, the Fed rate decision, and SEPs. Note, DXY did pare its initial strength once Europe had left for the day and is heading into the APAC session flat.

The Euro is the biggest decliner within the G10FX space as President Macron called for a snap election on Sunday (scheduled for June 30th) in response to performing poorly in the European parliamentary elections, that is, Macron's party obtained just 15% of the vote. Markets fear possible shifting of support for Ukraine from the opposition Le Pen's party. The Euro gapped lower as the week started, below its 200DMA (1.0787) with losses extending throughout the European session. However, weakness pared just after the European close, with gains somewhat supported by comments from ECB's Lagarde saying "it is possible the ECB will hold rates for longer than a single meeting".

Cyclical currencies mainly perform to the upside against the buck in Monday's session, tracking US equities higher. The Aussie and Kiwi both outperformed in the space; the Pound started the session weak like the Euro but reversed losses ahead of Tuesday's April Jobs data; CAD is flat.

Haven currencies (Yen and Franc) performance against the buck was mixed with the Yen underperforming while CHF was flat. The US CPI and FOMC will be key for the funding currencies on Wednesday, ahead of the BoJ rate decision on Friday.

The NOK and SEK appreciated against the greenback and Euro following fresh data releases in the region. The NOK strengthened slowly throughout the session, with EUR/NOK below its 200 DMA (11.5437) after a hotter Core Inflation print on both a monthly and yearly basis and a hot PPI; money markets continue to forecast a c. 95% chance that the Norges Bank holds rates in June. The upside in crude prices was also supportive of NOK gains. Meanwhile, the EUR/SEK still managed to make new 3-monthly lows despite sluggish data, which revealed the Swedish economy contracted 0.7%, its second consecutive month of negative GDP growth; also New Orders declined 15.4% Y/Y, the largest amount since August 2009, furthering growth concerns within the country. The movement in EUR/SEK was predominantly Euro-based, however, while the Viking Cross (NOK/SEK) saw notable upside.

EM currencies performance was mixed against the dollar, as HUF underperforms following softer CPI Y/Y although NBH's Virag did state that "service sector inflation and high wage dynamics pose a challenge"; ZAR outperforms in the green, buoyed by firmer gold prices; MXN trades choppy, ultimately finished stronger, ahead of current President Obrador and President-elect Sheinbaum's meeting on Monday to discuss the transition; CZK was flat ahead of Czech Republic's Inflation print on Tuesday (exp. 2.8% Y/Y).



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