



US Market Wrap

11th June 2024: Stocks mixed but NDX leads while bonds rally after strong 10yr auction

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar flat/up
- **REAR VIEW:** AAPL upgrade; More French election uncertainty; Stellar 10yr auction; Soft UK labour data; EIA raises 2024 and 2025 world oil demand growth forecast, OPEC leaves forecasts unchanged; PARA hit on reports Shari Redstone is to end talks with Sky Dance; GM announces buyback programme
- **COMING UP: Data:** Japanese Corporate Goods, Chinese CPI/PPI, German HICP (F), UK GDP Estimate, US CPI **Events:** Fed Policy Announcement; IEA OMR **Speakers:** ECB's Schnabel, de Guindos; Fed Chair Powell; BoC Governor Macklem **Supply:** UK & Germany **Earnings:** Broadcom

MARKET WRAP

Stocks were ultimately mixed on Tuesday with outperformance in the Nasdaq with the index buoyed by Apple (AAPL) (+7%) after an upgrade from DA Davidson in the wake of the WWDC event on Monday. Meanwhile, morning weakness around French election uncertainty had unwound once Europe had left for the day while a slump in UST yields took US indices to session highs. Treasuries were bid across the curve with notable upside seen after the stellar 10yr auction which saw a 2bp stop through and a jump in indirect demand. The Euro continued to underperform in FX on political uncertainties while moves elsewhere were rather contained with all eyes turning to key risk events on Wednesday; Fed and CPI. Crude prices saw marginal gains on Wednesday while OPEC left world oil demand forecasts unchanged but the EIA raised forecasts for both 2024 and 2025, with attention after hours on private inventory data.

FED PREVIEW: The Fed is widely expected to leave rates on hold at 5.25-5.50%, the statement will likely also largely be reiterated after slight tweaks in the May statement. Attention will lie on the Summary of Economic projections, or Dot Plots. After a string of hot inflation reports in Q1, the Fed has been stressing that the luxury of a strong economy gives the Fed time to be patient before acting, and the hot NFP released last week only gives the Fed more time. Therefore, it is likely the 2024 median FFR will be revised up from the 4.6% pencilled in at the March meeting. Money markets currently look for between one or two rate cuts this year, with WSJ's Timiraos highlighting that "Most sell-side economists and other professional Fed watchers now anticipate one or two rate cuts this year in either September or December". It is worth noting that the May US CPI report will be released on the morning of the FOMC, which could impact expectations of the dot plot going into the rate decision. Fed Chair Powell has previously said that the Fed is allowed and encouraged to update their forecasts until late morning of the meeting, therefore the data will likely be incorporated into the Fed's decision-making and forecasts. Once the rate decision, statement and SEPs are released, attention will turn to Fed Chair Powell's Press conference at 19:30 BST / 14:30 EDT. [Please click here to download the full report](#)

US CPI PREVIEW: Headline CPI is expected to rise just 0.1% in May, down from 0.3% in April, with the range of analyst forecasts between just 0.1-0.2%. The Y/Y is expected to maintain the prior month's pace at 3.4%, with forecasts between 3.3-3.5%. The core metrics are expected to see the M/M match April's 0.3% pace, with analyst forecasts ranging between 0.1-0.3%. The Y/Y is expected at 3.5%, down from the 3.6% in April, with forecasts between 3.4-3.6%. [Please click here to download the full report.](#)

FIXED INCOME

T-NOTE FUTURES (U4) SETTLE 14+ TICKS HIGHER AT 109-17+

T-Notes chopped through the European session before rallying after a stellar 10-year auction. At settlement, 2s -5.3bps at 4.832%, 3s -5.8bps at 4.595%, 5s -6.6bps at 4.418%, 7s -6.6bps at 4.409%, 10s -6.5bps at 4.404%, 20s -5.7bps at 4.628%, 30s -5.8bps at 4.537%

INFLATION BREAKEVENS: 5yr BEI -2.9bps at 2.267%, 10yr BEI -2.3bps at 2.292%, 30yr BEI -1.7bps at 2.303%.

THE DAY: T-Notes grinded higher throughout the session with the morning upside tracking Gilts higher after a softer UK labour market report in April. Elsewhere, French bonds were weighed on throughout most of the European session as a



result of more political concerns with the far-right parties weighing an alliance. However, OATs did catch a bid towards the end of European trade. T-notes were knocked off highs in the US afternoon, perhaps led by dealers in preparation for the 10yr auction. The auction was very strong, stopping through by 2bps with a surge in indirect demand which saw T-notes rally into settlement at session highs (see below for auction review). Attention turns to US CPI and the FOMC rate decision with accompanying dot plots on Wednesday.

10-YEAR REVIEW: A very strong 10-year note auction. The US sold USD 39bln of 10yr notes at a high yield of 4.438%, stopping through the 4.458% WI by 2bps vs the prior and six auction averages of a tail of 1.1bps, also showing the largest stop-through since February 2023. The B/C of 2.67x was also stronger than the prior and six auction average of c. 2.50x. The breakdown of bidders saw a huge increase in indirect demand, rising to 74.6% from 65.5%, well above the 65.4% average. Direct demand dipped to 13.8% from 18.7%, falling beneath the 17.53% average but the huge Indirect takedown saw dealers (forced surplus buyers) left with just 11.6% of the auction, beneath the 15.7% prior and 17.03% average. The strong 10-year note auction is on the heels of a slew of disappointing short-end and belly auctions, perhaps with uncertainty around the Fed/inflation keeping participants on the sidelines in the more Fed-exposed part of the curve and opting for longer-dated supply instead. The strong demand comes despite the huge event risk on Wednesday - which tends to see buyers take a step back - with both US CPI and the FOMC rate decision with accompanying Dot Plots due. There is the 30-year Bond auction on Thursday too, post Fed and CPI. Note, that analysts also highlight with bond volatility at the low end of multi-year ranges, it is likely that supported some buyers to step in.

THIS WEEK'S SUPPLY: US to sell USD 22bln 30yr bonds (vs. exp. USD 22bln) on Thursday, to settle on June 17th.

STIRS

- Market Implied Fed Rate Cut Pricing: September 14bps (prev. 13bps D/D), November 22bps (prev. 21bps), December 40bps (prev. 37bps).
- NY Fed RRP op demand at USD 410bln (prev. 416bln) across 75 counterparties (prev. 73).
- SOFR at 5.32% (prev. 5.33%), volumes at USD 1.847tln (prev. 1.934tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 93bln (prev. 100bln).

CRUDE

WTI (N4) FUTURES SETTLE USD 0.16 HIGHER AT 77.90/BBL; BRENT (Q4) FUTURES SETTLE USD 0.29 HIGHER AT 81.92/BBL

Crude prices saw marginal upside on Tuesday ahead of inventory data, US CPI, the Fed rate decision, and accompanying dot plots. The gains were slim vs the Monday rally but it is telling that crude managed to hold the bid despite some dollar strength. The OPEC MOMR saw 2024 and 2025 world oil demand forecasts left broadly unchanged although the EIA STEO raised both the 2024 and 2025 world oil demand growth forecasts. Focus turns to the private inventory data overnight (expectations below), ahead of the DoE Inventory data on Wednesday. Meanwhile, US CPI, the FOMC rate decision (and dot plots), also on Wednesday, will be the macro focus this week. China inflation data will also be in focus overnight. Elsewhere, it is worth noting that Reuters sources reported Saudi crude exports to China are expected to fall once again to 36mln bbls in July, down from the 39mln bbls in June, possibly to the lowest levels for the year, sources said. The drop in exports comes amid plant maintenance while some refiners look for cheaper sources of oil, the sources added.

Expectations: Private Inventory Data (bbls): Crude (exp. -1.05mln), Distillate (exp. +1.6mln), Gasoline (exp. +0.9mln).

EQUITIES

CLOSES: SPX +0.27% at 5,375, NDX +0.71% at 19,210, DJI -0.31% at 38,747, RUT -0.36% at 2,024.

SECTORS: Utilities -0.64%, Materials flat, Real Estate -0.27%, Communication Services +0.53%, Consumer Staples -0.1%, Energy -0.24%, Consumer Discretionary -0.22%, Industrials -0.54%, Health -0.35%, Technology +1.66%, Financials -1.21%.

EUROPEAN CLOSES: DAX: -0.66% at 18,372, CAC 40: -1.33% at 7,789, PSI: -1.41% at 6,635, FTSE 100: -0.98% at 8,148, IBEX 35: -1.6% at 11,176, FTSE MIB: -1.93% at 33,874, SMI: -0.57% at 12,069, Euro Stoxx 50: -1.04% at 4,964.

STOCK SPECIFICS

- **Autodesk (ADSK) Q1 (USD):** earnings, revenue and margins beat expectations.



- **Nextera Energy (NEE)** reaffirms its adj. EPS for 2024, 2025, 2026; now expects 2027 EPS to be in the range of USD 3.85-4.32
- **Crown Castle (CCI)** implements operational changes and updates FY24 guidance; FY adj. FFO USD 6.91-7.02 (exp. 6.92), adj. EBITDA 4.134-4.193bln (exp. 4.165bln). Is reducing staffing levels from its fibre segment by over 10% of current levels.
- **Apple (AAPL)** plans to integrate other AI models, such as **Google (GOOG)** Gemini, in the future - as was alluded to in the WWDC.
- **Zscaler (ZS)** announced a collaboration with **Nvidia (NVDA)** to accelerate AI-powered co-pilot technologies, is to deliver gen-ai powered zero trust security innovations with NVDA; also strengthened its partnership with **Google (GOOGL)**.
- **Tesla (TSLA)** CEO Musk said on X he will ban Apple (AAPL) devices at his company if Apple integrates Microsoft-backed (MSFT) Open AI at the OS level. Separately, TSLA's bid to dismiss claims that it was overstating its vehicle's self-driving capabilities was dismissed by a Californian judge.
- **General Motors (GM)** board approved a new USD 6bln share repurchase authorisation and increased its common stock dividend from USD 0.09 to 0.12/shr. Expects Q2 earnings to be better than Q1, but cuts 2024 top-end goal for Ultium production to 250k from 300k
- **Rio Tinto Plc (RIO)** said it will buy Mitsubishi's 11.65% stake in Boyne Smelters (BSL) for an undisclosed sum.
- **Spotify (SPOT)** is to introduce a more expensive subscription tier; which will cost at least USD 5 more per month, according to Bloomberg.
- **Regeneron (REGN)** expects data from its obesity drug trial in 2025.
- **Axsome Therapeutics (AXSM)** is a new short Culper Research.
- **Apple (AAPL)** announced **Affirm (AFRM)** payment products are expected to be available to Apple Pay users in the US later this year
- **Fortinet (FTNT)**: Chinese hackers breached 20k FortiGate systems worldwide, much larger than previously known, according to BleepingComputer.
- **Johnson & Johnson (JNJ)** reached a USD 700mln settlement with most US states for alleged deceptive marketing of Talc-containing products.
- **Boeing (BA)** to open a location in Daytona Beach; plans to start hiring for about 200 high-paying engineering jobs this year and expects to nearly double that total over the next few years.
- **Apple (AAPL)**: US Justice Department says four additional states join the Justice Department suit against AAPL for monopolising smartphone markets.
- **Paramount (PARA)**: Shari Redstone NAI decides to stop discussions with Skydance, according to WSJ.
- **GameStop (GME)** Chair Cohen won a USD 16bln lawsuit re. his Bed Bath and Beyond investment, via social media - unconfirmed.

US FX WRAP

The Dollar was initially firmer in Tuesday's session, driven largely by Euro weakness rather than fresh US headlines. The DXY peaked at 104.459, and similar to the May 14th trading session, the DXY failed to break this resistance level, seeing DXY pare earlier gains. The move lower was somewhat supported by a very strong US 10yr auction, which saw yields sell off across the curve. Note, on US data, the NFIB Business Optimism In rose to 90.5 (exp. 89.8), its highest level in five months, stimulated by a rise in new orders, but the buck saw little reaction. Attention for the Dollar lies on US CPI, the Fed's rate decision, and Fed SEPs on Wednesday. Money markets are currently pricing in a c. 60% probability of a 25bp rate cut in September, an 88% chance of a cut in November, and is fully pricing in a cut by December, with a c. 56% probability of a second.

The Euro's recent decline was enlarged as concerns continued to grow over the upcoming French snap election; OATs have slumped over the past 3 sessions, although they did bounce off session lows on Tuesday, and eventually settled flat. Some of the Euro downside was observed on concerns re. a far-right alliance. Meanwhile, multiple ECB speakers commented in Wednesday's session, with no change in that narrative to not pre-commit on further easing plans. Chief Economist Lane said "There is a high level of uncertainty" and the ECB is some distance from the neutral rate. ECB's Makhlouf stated he is not uncomfortable with the market pricing a little more than one rate cut this year, and 90bps of easing by the end of 2025. The Euro bounced off session lows once Europe had left for the day with the Dollar weakness post 10yr auction supporting the move as US yields slumped.

Cyclical currencies' performance was very mixed. The Aussie was flat trading in a tight parameter around 0.6600. Data saw a mixed NAB Business Confidence Index, which saw the index fall to its lowest level in six months as business conditions were below average, capex dropped, and sales fell; although labour cost growth, purchase cost growth, and retail price growth all rose, perhaps offsetting the softer headline. The pound initially fell in reaction to the unexpected



uptick in the unemployment rate and the larger-than-expected decline in employment change. That said, losses have pared vs the buck but the Pound remains firmer vs the Euro; money markets now price the first full 25bps cut from the BoE in November (prev. December). CAD is flat, and NZD outperforms its cyclical peers.

The Yen and Franc both trade flat against the buck as their recent weakness takes a pause ahead of US CPI and the Fed's interest rate decision on Wednesday. The Yen saw marginal gains vs the Euro although the Swissy was rather flat.

EMFX: CZK underperforms against the Euro following a cooler-than-expected inflation print; ZAR saw gains against the buck on Tuesday with political parties continuing talks to try and form a government. USD/TRY is flat following a second consecutive month of declining retail sales in Turkey; MXN weakness against the greenback resumes above its 100-WMA after Mexico's President-elect, Sheinbaum, said that judiciary reform would be among the first topics addressed when the new Congress convenes in September.

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.