



# US Market Wrap

## 17th June 2024: Stocks and oil bid as Dollar slips ahead of a deluge of Fed speak

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** Empire Fed better than feared, with prices paid & received falling; Netanyahu disbands war cabinet; Fed's Harker thinks one cut is appropriate this year, if his economic forecast plays out; Mixed Chinese data; BofA & Susquehanna raise MU PT; FDIC to vote on Thursday to downgrade its rating on C data-management systems to a deficiency
- **COMING UP: Data:** German ZEW, EZ HICP (F), US Retail Sales, Industrial Production, **Events:** RBA Policy Announcement; NBH Policy Announcement, **Speakers:** RBA's Bullock; ECB's Cipollone, de Guindos; Fed's Barkin, Collins, Logan, Kugler, Musalem, Goolsbee; RBNZ's Conway, **Supply:** UK, Germany, US
- **WEEK AHEAD:** Highlights include PBoC MLF/LPR, Chinese Activity Data, RBA, US Retail Sales, UK Inflation, BoE, SNB, Norges, Japanese CPI, Flash PMIs. To download the full document, please click [here](#).
- **CENTRAL BANK WEEKLY:** Previewing PBoC MLF/LPR, RBA, BoE, SNB, Norges; Reviewing FOMC, BoJ. To download the full document, please click [here](#).

## MARKET WRAP

US indices were firmer to start the week (SPX +0.8%, NDX +0.9%, RUT +0.8%) with outperformance in the large-cap sectors of Consumer Discretionary and Technology as the latter was buoyed by Micron (MU) (+4.5%) after BofA and Susquehanna raised PT's of the stock ahead of earnings next week. Utilities, Real Estate, and Health were the only ones in the red. Indices were buoyed by the turnaround in risk sentiment, albeit off no headline driver, as the Dollar saw slight losses and reversed from earlier highs of 105.640 to lows of 105.30. As such, the crude complex was also firmer and buoyed by the aforementioned softer Dollar after initial geopolitical tailwinds, as Israeli PM Netanyahu dissolved his war cabinet. Despite saying this, precious metals (XAU, XAG) saw slight losses and Treasuries began the week on the backfoot, after last weeks strength, amid consolidation ahead of Fed Speak. On Fed speak, Harker (2026 voter) said if his economic forecast plays out, he thinks one rate cut would be appropriate by years end, meanwhile two cuts or none are also quite possible, but it depends on data. For the record, NY Fed Manufacturing was better than feared, with the inflationary gauges of prices paid and received encouragingly dipping, although little market reaction was seen. Looking ahead, there is a plethora of Fed Speak ahead, with US Retail Sales also on Tuesday, with RBA rate decision overnight.

## GLOBAL

**NY FED MANUFACTURING:** NY Fed Manufacturing came in better-than-feared at -6 (exp. -9); its highest print in four months. That said, current indicators were mixed, the inflationary gauge components of prices paid and prices received fell to +24.5 (prev. +28.3) and +7.1 (prev. +14.1), Unemployment dipped to -8.7 (prev. -6.4), new orders notably improved to -1 (prev. -16.5) while shipments ticked higher to +3.3 (prev. -1.2); inventories were little changed at 1 (prev. 2). Meanwhile, forward-looking indicators for 6-months ahead saw the headline improve to 30.1 (prev. 14.5), new orders to 30 (prev. 17.7) and shipments to 28.7 (prev. 12.6). On the inflation footing, prices paid and received encouragingly ticked lower to 37.8 (prev. 41.4) and 22.4 (prev. 24.2), respectively. In addition, the NY Fed Economic research advisor noted in the report "Manufacturing conditions remained weak in New York State in June. Employment continued contracting, and capital spending plans remained flat." He further added, "Despite lackluster conditions, optimism about the six-month outlook rose to its highest level in over two years."

**FED: HARKER (2026 voter)** said if his economic forecast plays out, he thinks one rate cut would be appropriate by years end, meanwhile two cuts or none are also quite possible, but it depends on data. Continuing to highlight the data dependant approach, he said more data is essential to come to a decision on rate cuts given the choppiness so far this year. Further on rates, Harker added keeping rates where they are for a bit longer will help get inflation down and mitigate upside risks. On inflation, the Philadelphia President said the latest inflation data is quite promising, but falls short of the confidence needed, and has not quite dissipated uncertainty. Lastly, he noted last week's CPI data was very welcome, but overall progress on inflation in recent months has been modest. Ahead of Core PCE next week (28th June), **WSJ's Timiroas** posted on X "With the PPI and import price data in hand for May, the inflation modelers who map the CPI/PPI into the PCE now expect the core PCE index rose around 0.08%-0.13% in May and that would translate to a 2.6% Y/Y core PCE inflation rate, down from 2.8% in April." Timiroas further noted, that would hold the 6-



month annualized core PCE rate around 3.2% (or 3.3%) in May, with the 3-month annualized rate would drop back below 3% for the first time since January.

**RBA PREVIEW:** The RBA is expected to keep the Cash Rate unchanged with all 47 economists surveyed by Reuters unanimously forecasting it to remain at 4.35%; for reference, money markets have just an 8% probability of a 25bps cut. Recent rhetoric from the RBA and data out of Australia supports the unanimous call for rates to be maintained. To see the full Newsquawk preview, please click [here](#).

## FIXED INCOME

### T-NOTE (U4) FUTURES SETTLED 14 TICKS LOWER AT 110-13

**Treasuries were lower on Monday and began the week on the backfoot, after last weeks strength, amid consolidation ahead of Fed Speak.** At settlement, 2s +7.6bps at 4.761%, 3s +7.4bps at 4.498%, 5s +7.2bps at 4.298%, 7s +6.4bps at 4.272%, 10s +6.0bps at 4.273%, 20s +4.9bps at 4.516%, 30s +5.1bps at 4.402%

**INFLATION BREAKEVENS:** 5yr BEI +4.6bps at 2.181%, 10yr BEI +3.5bps at 2.223%, 30yr BEI +2.8bps at 2.261%.

**THE DAY:** Treasuries slid lower throughout the European morning, before eventually hitting lows around the European cash equity close of 110-09. Thereafter, Tsys bounced off the troughs, but still reside firmly in the red and hovering off lows, as the 2yr out to 30yr Treasury yields managed to claw back some of last weeks losses as it finished the week with four consecutive days of losses. On the day, Treasuries were unreactive to the latest Empire Fed Survey, whereby the headline was not as bad as feared and the inflationary gauge of prices paid saw a further moderation which serves as another welcome signal after CPI and PPI before next week's PCE. On that, WSJ's Timiroas posts on X "the inflation modelers who map the CPI/PPI into the PCE now expect the core PCE index rose around 0.08%-0.13% in May". Moreover, in light newsflow participants seemingly consolidated positions ahead of a plethora of Fed Speak this week who could offer further insight into their expectations for the first rate cut this year. Lastly, Home Depot (HD) announced a new 9-part senior unsecured notes that contains a 1.5-year, 1.5-year FRN, 2yr, 3yr, 5yr, 7yr, 10yr 30yr and 40yr. Looking ahead, the highlights on Tuesday include US retail sales, 20yr bond auction, and the first deluge of appearances.

### STIRS:

- Market Implied Fed Rate Cut Pricing: September 17bps (prev. 20bps D/D), November 26bps (prev. 30bps), December 45bps (prev. 51bps).
- US sells USD 70bln of 3-month bills at 5.250%, covered 2.93x; sells USD 70bln of 6-month bills at 5.150%, covered 2.82x.
- US sells USD 60bln in 42-day CMBs at 5.270%, covered 3.18x.
- NY Fed RRP op demand at USD 333bln (prev. 386bln) across 66 counterparties (prev. 68).
- SOFR at 5.31% (prev. 5.31%), volumes at USD 1.855tln (prev. 2.035tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 87bln (prev. 99bln).

## CRUDE

### WTI (Q4) SETTLED USD 1.67 HIGHER AT 79.72/BBL; BRENT (Q4) SETTLED USD 1.63 HIGHER AT 84.25/BBL

**The crude complex was firmer to start the week and buoyed by the softer Dollar after initial geopolitical tailwinds.** On the day, WTI and Brent were grinding higher through the European session with the focus on Israel, after PM Netanyahu disbanded his war cabinet which seemingly added another layer of risk to the ongoing situation. Thereafter, oil has been further supported by the improvement in risk sentiment (DXY at lows, Stocks at highs), albeit in thin headline newsflow, which has seen WTI and Brent settle at peaks. In addition to this, Saxo Bank noted "The outlook for strong fuel demand into the coming quarter and Saudi reassurance about the October hike being subject to prevailing conditions and added focus on quota breakers to bring production down and into line all seems to be supporting". Looking ahead, attention is on US Retail Sales (Tues) amid a slew of Fed's speakers, in addition to the usual weekly energy data such as private inventory and EIA's.

## EQUITIES

**CLOSES:** SPX +0.77% at 5,473, NDX +1.24% at 19,903, DJIA +0.49% at 38,778, RUT -0.79% at 2,022.



**SECTORS:** Utilities -1.14%, Real Estate -0.7%, Health -0.2%, Energy +0.23%, Communication Services +0.39%, Materials +0.7%, Financials +0.81%, Consumer Staples +0.99%, Industrials +1.08%, Technology +1.18%, Consumer Discretionary +1.43%.

**EUROPEAN CLOSES:** DAX: +0.4% at 18,074, CAC 40: +0.91% at 7,572, PSI: -0.28% at 6,520, FTSE 100: flat at 8,142, IBEX 35: -0.30% at 10,960, FTSE MIB: +0.74% at 32,908, SMI: -0.28% at 12,010, Euro Stoxx 50: +0.84% at 4,880.

## STOCK SPECIFICS

- **Autodesk (ADSK):** Starboard Value said it has a current stake in the Co., valued at more than USD 500mln.
- **TSMC (TSM):** Planning to raise prices for 3nm manufacturing by 5% and advanced packaging by 10%-20% starting next year, amid a capacity shortage expected to last through 2026.
- **Disney (DIS):** 'Inside Out' sees strong debut.
- **Tesla (TSLA):** Reduced the price of its Model 3 Long-Range AWD vehicles.
- **Micron (MU):** Ahead of earnings next week, BofA and Susquehanna raised its PT of the stock.
- **Steel Dynamics (STLD):** Q2 guidance short of expectations.
- **BioNTech (BNTX):** US FDA placed partial clinical hold on multicenter and first-in-human phase 1 clinical trial sponsored by Medilink.
- **Amazon (AMZN):** Prime Video has disrupted the streaming ad market, prompting **Netflix (NFLX)** to lower ad rates and adopt product placement to sustain its ad business amidst rising competition, WSJ reports.
- **Adobe (ADBE):** FTC said it has taken action against ADBE and executives for hiding fees and preventing consumers from easily cancelling software subscriptions. ADBE said in a statement that it will refute the FTC's claims in court.
- **Citigroup (C):** FDIC is to vote on Thursday to downgrade C's rating on its data-management systems to a deficiency, according to the WSJ.
- **Apple (AAPL):** To end in-house Apply Pay Later installment service, according to Bloomberg. AAPL announced Affirm (AFRM) installment integration last week, and will no longer offer new Apple Pay-later loans to users.
- **Qualcomm (QCOM):** Could be the exclusive SoC supplier of Samsung Galaxy S25 (vs. S24 accounts for about 40%), according to TF International Securities analyst Ming-Chi Kuo.#

## US FX WRAP

**The Dollar Index** ended the day lower, despite being flat for the majority of the session, as risk sentiment improved through the NY afternoon. Nonetheless, DXY was in a narrow range, highlighted by peak of 105.647, and finishing near session lows of 105.30. Headline NY Fed Manufacturing was better-than-feared at -6 (exp. -9), while looking ahead the six-month outlook for the headline rose to its highest level in over two years. That said, the state endured its seventh consecutive contractionary reading with the NY Fed Economic Research advisor pointing out "Manufacturing conditions remained weak in New York State in June"; Buck showed little reaction. In Fed'speak, Harker (nv) noted the "latest inflation data is quite promising, but falls short of the confidence needed, and has not quite dissipated uncertainty". Looking ahead, eyes will be on Tuesday for US Retail sales and remarks from Fed's Barkin, Collins, Kugler, Logan, Musalem, and Goolsbee.

**The Euro** was firmer as fresh headlines regarding the upcoming France's snap election or commentary regarding its financial consequences took a pause. The Euro was slightly stronger throughout the session, starting the session at 1.0701, climbing to highs of 1.0732, albeit, short of Friday's open of 1.0737, with fears of France's political uncertainty seemingly taking a back seat on Monday in the wake of ECB sources postulating the Bank is in no rush to discuss a French bond rescue. EZ Wages Y/Y rose 5.3% (prev. 3.2%); its biggest rise going back to Q4 2022, driven by accelerations in construction and financial/insurance activities wage growth. There were remarks from multiple ECB speakers, most noticeably, Chief Economist Lane remarks about France as he said "Need to distinguish between markets repricing fundamentals and disorderly dynamics; the current situation is not disorderly". Markets look towards the EZ's Final Inflation data for May on Tuesday, as well as the ZEW Economic Sentiment Index for June.

**Cyclical currencies'** performance was mixed. The Pound is in the green, while the CAD, Aussie, and Kiwi are flat. The Aussie saw little reaction to the stronger-than-expected China Retail Sales Y/Y print, though, has pared losses as the session has progressed ahead of the RBA rate decision on Tuesday, where the Central Bank is expected to hold rates at 4.35% for the fifth consecutive meeting. Elsewhere, Sterling watchers set their attention on the upcoming BoE rate decision on Thursday, where the policymakers are expected to hold rates at 5.25%, with money markets pricing in the first full 25 bps cut by November.



**The Yuan** is flat following mixed economic data releases. China's Industrial Production Y/Y was softer-than-expected at 5.6% (exp. 6%, prev 6.7%), driven by slowing output growth in manufacturing and utilities. Meanwhile, China Retail Sales Y/Y were higher than market expectations at 3.7% (exp. 3.0%, prev. 2.3%), with sales growth turning positive for clothing and office supplies; home appliances growth surged the most.

**Haven currencies are mixed**, with the Franc flat and the Yen lagging in the red. The Franc climbed higher earlier in the session, peaking at 0.8932, though, gains pared, with the Franc hovering around its 200DMA (0.8896) ahead of the SNB rate decision on Thursday, where the SNB is expected to hold rates at 1.50% after cutting its policy rate by 25bps in March.

**In EMFX**, BRL underperforms against the greenback, as the USD/BRL looks to make new monthly highs. On the day, saw a lower-than-expected IGP-10 Inflation Index, and a hawkish BCB poll that saw economists raise their Selic 2024 and 2025 year-end target by 25bps to 10.5% and 9.5%, respectively; CLP is weaker ahead of the Chilean Central Bank rate decision who are expected to cut rates 25bps to 5.75% on Tuesday. HUF strengthened against the Euro before the MNB June meeting where they are expected to cut interest rates to 7% from 7.25%; Meanwhile, the CZK is flat post comments from CNB's Zamrazilova that 'they will decide between a 25bps and 50bps cut at the June 27th meeting'.

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