



# US Market Wrap

## 21st June 2024: Markets chop on quad witching and Flash PMI day

- **SNAPSHOT:** Equities mixed, Treasuries flat, Crude down, Dollar up.
- **REAR VIEW:** Hot US PMIs, but encouraging inflation commentary; Soft EU PMIs; BA close to acquiring SPR; AAPL will not roll out AI features in EU this year; Strong UK retail sales; Soft Japan inflation.
- **WEEK AHEAD:** Highlights include US PCE, BoJ SOO, Canadian and Australian CPI, Riksbank and CBRT previews and the Biden/Trump debate. [To download the report, please click here](#)
- **CENTRAL BANK WEEKLY:** Previewing BoJ SOO, Riksbank, and CBRT; Reviewing PBoC, RBA, BCB, BoE, SNB, Norges. [To download the report, please click here](#)

## MARKET WRAP

Stocks ultimately finished with a downside bias on quad witching with some notable chop into the closing bell, particularly in AAPL and AMZN shares while NVDA were lower throughout the majority of the session, adding to the losses seen Thursday. The main macroeconomic highlight was the flash PMI data from the US which came in hotter than expectations but alongside some optimistic commentary on inflation. The European PMI data however was largely disappointing across the board. Fixed income settled flat across the curve with morning upside in wake of the European PMIs offset by the downside seen after the hot US data. Crude prices were lower throughout the session with the hot PMI data weighing. The Dollar saw mild gains, while the Yen lagged to see USD/JPY back above 159.00 with participants cautious of intervention c. 160. Attention next week turns to Treasury supply as well as US PCE and GDP data.

## US DATA

**FLASH PMIS:** Flash PMIs for June were hot across the board, highlighted by manufacturing rising to 51.7 (prev. 51.3, exp. 51.0), and services to 55.1 (prev. 54.8, exp. 53.7), leaving the composite lifting to 54.6 from 54.5. Within the report, it notes "Historical comparisons indicate that the latest decline brings the survey's price gauge into line with the Fed's 2% inflation target." Elsewhere within the report, it added that the early PMI data signals the fastest economic expansion for over two years in June, hinting at an encouragingly robust finish to Q2 while at the same time inflation pressures have cooled. In addition, the report said that the PMI is running at a level broadly consistent with the economy growing at an annualised rate of just under 2.5%. Encouragingly, the report quips that the survey also brings welcome news in terms of job gains, with a renewed appetite to hire being driven by improved business optimism about the outlook. Lastly, and on the inflation footing, selling price inflation has meanwhile cooled again after ticking higher in May, down to one of the lowest levels seen over the past four years.

**EXISTING HOME SALES:** Existing home sales for May marginally dipped 0.7% to 4.11mln from 4.14mln, and more-or-less in line with the expected 4.10mln. Looking at the details, the national median home price for existing homes rose 5.8% Y/Y to USD 419,300, while the supply of homes for sale rose 6.7% M/M in May, its highest since August 2022, but Oxford Economics does slightly caveat that increases in inventory during the spring selling season are common. Further on inventory, OxEco declares the rise in supply will support sales as mortgage rates move lower, but inventory remains relatively tight, though, and the shortage of supply continues to prop up home prices. Back to the headline, it slightly slipped reflecting the backup in mortgage rates a month or two earlier, but Oxford adds the more recent decline in mortgage rates, which they expect to gain steam as interest-rate cuts by the Fed get underway, will support a modest rebound in home sales later in the year.

## FIXED INCOME

### T-NOTE (U4) FUTURES SETTLED 1+ TICKS LOWER AT 110-16

**Treasuries were ultimately rather flat across the curve with soft EU PMI gains offset by hot US PMI data and as attention turns to supply and US PCE next week.** At settlement, 2s -0.1bps at 4.728%, 3s -0.1bps at 4.460%, 5s -0.1bps at 4.265%, 7s +0.3bps at 4.253%, 10s -0.1bps at 4.254%, 20s -0.4bps at 4.497%, 30s +0.0bps at 4.394%.

**INFLATION BREAKEVENS:** 5yr BEI -3.3bps at 2.205%, 10yr BEI -2.1bps at 2.237%, 30yr BEI -2.4bps at 2.252%



**THE DAY:** T-Notes had been grinding higher throughout the European morning to test the Thursday high of 110-23 with weak French and German PMI data supporting the move. T-Notes meandered once US players arrived before ultimately hitting a high of 110-25+ with some chop ahead of the US S&P Global Flash PMI data. The data ultimately came in hot (very at odds with what was seen in Europe) which saw T-Notes pare from highs with the move extending while an in-line Existing Home sales print had little impact to see T-Notes hit a low of 110-11+ with likely hedging/concession taking place ahead of next week's supply. Elsewhere, there was little Fed speak to digest with Barkin due post settlement. There was little block trade activity, aside from a 5k block in the 2-year T-Note September future ahead of the PMI data. Aside from supply next week, plenty of focus will be on the US Core PCE print; WSJ's Timiraos highlights that modelers who map CPI and PPI into the PCE data, now expect Core PCE rose around 0.08-0.13% in May, which of course would be a welcome sign.

## STIRS:

- Market Implied Fed Rate Cut Pricing: September 18bps (prev. 18bps D/D), November 27bps (prev. 28bps), December 46bps (prev. 47bps).
- NY Fed RRP op demand at USD 421bln (prev. 389bln) across 74 counterparties (prev. 74).
- SOFR at 5.32% (prev. 5.33%), volumes at USD 2.052tln (prev. 2.021tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 85bln (prev. 83bln).

## CRUDE

**WTI (Q4) SETTLED USD 0.56 LOWER AT 80.73/BBL; BRENT (Q4) SETTLED USD 0.47 LOWER AT 85.24/BBL**

**The crude complex ended the day in the red and sold off into the close to settle at lows, albeit in thin conditions and little headline newsflow.** Despite the sell-off on Friday, WTI and Brent still ended the week firmly in the green and notching up notable gains. On the day, energy was choppy through the EZ morning, before being slightly hit by the hotter-than-expected US Flash PMIs, which thereon after it never recovered from. In terms of crude-specific headlines, according to Reuters sources, Production on the gasoline-producing FCC was cut back at Marathon Galveston Bay Texas refinery (631k BPD), while in LatAm PetroEcuador declared a force majeure over Napo crude exports following shutdown of pipeline and wells. Meanwhile, the weekly Baker Hughes Rig Count saw Oil down 3 at 485, Nat gas unch. at 98, with the total declining 2 to 588.

**On the geopolitical footing,** nothing major/concrete to report from the Middle East, aside from that, Ukraine's military says it struck four oil refineries and military objects in Russia, and China warned that the EU could trigger a trade war.

## EQUITIES

**CLOSES:** SPX -0.16% at 5,465, NDX -0.26% at 19,700, DJI +0.04% at 39,150, RUT +0.23% at 2,022.

**SECTORS:** Consumer Discretionary +1.02%, Communication Services +0.66%, Health +0.3%, Real Estate +0.27%, Materials +0.08%, Consumer Staples +0.02%, Industrials -0.14%, Financials -0.31%, Utilities -0.54%, Energy -0.68%, Technology -0.84%.

**EUROPEAN CLOSES:** DAX: -0.38% at 18,185, CAC 40: -0.56% at 7,628, FTSE 100: -0.42% at 8,237, IBEX 35: -1.15% at 11,032, FTSE MIB: -1.09% at 33,308, SMI: -0.84% at 12,026, Euro Stoxx 50: -1.04% at 4,896.

## STOCK SPECIFICS:

- **Spirit AeroSystems (SPR): Boeing (BA)** is close to a deal to buy back the Co, as BA aims to stabilise its supply chain after its 737 MAX woes.
- **Boeing (BA):** DoJ expected to allow Boeing to escape criminal prosecution for violating terms of 2021 settlement related to problems with 737 MAX 8, according to the New York Times. However, DoJ later said they have not made a decision.
- **Apple (AAPL):** Will not roll out AI features in the EU this year because of the Digital Marketing Act (DMA), according to Bloomberg.
- **Amazon (AMZN):** Mulling a USD 5-10/month fee for Alexa with revamped AI, according to Reuters sources.
- **Sarepta Therapeutics (SRPT):** FDA approved the expansion of Elevidys' indication for Duchenne muscular dystrophy to include patients aged 4 and older with confirmed DMD gene mutations.
- **Visa (V), Mastercard (MA):** China is urging Visa and Mastercard to reduce bank card transaction fees for foreign visitors to facilitate payments, Bloomberg reported.



- **Chevron (CVX), Hess (HES), Exxon Mobil (XOM):** Arbitration panel deciding on Chevron's USD 53bn purchase of Hess remains incomplete, stalling a decision on whether Exxon has a right of first refusal over Hess' Guyana operations.
- **Nike (NKE):** Upgraded at Oppenheimer. **Asana (ASAN):** Announced a USD 150mln share buyback, and affirmed Q2 and FY25 guidance.
- **Delta Air Lines (DAL):** Raised quarterly dividend by 50% to USD 0.15/shr (prev. 0.10/shr).
- **Eli Lilly (LLY):** Cos. tirzepatide reduced obstructive sleep apnea (OSA) severity, with up to 51.5% of participants meeting the criteria for disease resolution. LLY submitted tirzepatide for the treatment of moderate-to-severe OSA and obesity to the US FDA and will initiate submissions for other global regulatory agencies in the coming weeks. In both studies, tirzepatide achieved all primary and secondary endpoints.
- **Tesla (TSLA):** Downsized by at least 14% this year after CEO Musk said layoffs would exceed 10%, according to CNBC.

## US FX WRAP

**The Dollar** is slightly firmer following the S&P Global PMI's coming in hotter than expected. All 3 components of the index rose from the prior, with all components remaining in expansionary territory. The manufacturing PMI hit a three-month high of 51.7 (exp. 51.0, prev. 51.3) and Services rose to 55.1 (exp. 53.7, prev. 54.8), seeing the composite tick up to 54.6 from 54.5. The dollar initially reacted to the upside following the release, with modest strength following. The DXY reached sessions of highs of 105.91 and is set for its third week of consecutive days ahead of the anticipated US Core PCE on Friday next week, as well as the final estimate of Q1 GDP.

**The Euro** was flat heading into Flash PMIs for France and Germany, with weakness emerging once the countries reported misses on all fronts. France saw the biggest drop in its Manufacturing component to 45.3 (exp. 46.8, prev. 46.4) while Germany's Manufacturing was well below market expectations at 43.4 (exp. 46.4, prev. 45.4), driven by production declining the most in three months. EUR/USD looks set to finish the week marginally sub 1.07, the level it started the week at. For the week ahead, the European calendar is quite light, though, France and Italy report early estimates for Inflation for June.

**Cyclical currencies** performance was mixed against the greenback, with the Aussie the clear laggard while the Kiwi was flat. Cable saw a slight upside in reaction to UK Retail Sales increasing much more than thought to 2.9% M/M in May (exp. 1.5%), supported by sales at non-food stores reversing its 3% slump in April to a 3.5% increase; the surge in sales was fuelled by improved weather. Nonetheless, some gains were offset by a soft UK Flash Services PMI, which fell to 51.2 (prev. 52.9, exp. 53), though these losses were shortlived, perhaps influenced by a slight beat on Manufacturing, which rose to 51.4 (prev. 51.2, exp. 51.3) while the earlier Retail Sales strength helped limit losses in the Pound vs the buck, while the Pound was flat vs the Euro.

**The Yen and Franc** both fell in Friday's session, with the Havens among the worst performers in the G10FX space, with the Yen underperforming. Yen saw some brief weakness overnight after Japan reported a slightly softer-than-expected CPI for May at 2.5% (prev. 2.2%, exp. 2.6%) while a fall M/M in the JibunBK PMI Flash data for June did little to help. Nonetheless, the main driver was the strong US data, which took USD/JPY back above 159.00 after the overnight weakness was pared. USD/JPY peaked at 159.62. Yen watchers' eye the nearby 160 level as a possible entry point for the BoJ to intervene, and the BoJ SOO next Monday.

**EMFX:** MXN extends its strength from yesterday's strength filled by stronger Retail sales and President-elect Sheinbaum naming her cabinet members. USD/MXN declined for the first time in 5 weeks, ahead of the Mexico Central Bank Rate decision on Thursday. TRY is flat in advance of the CBRT Overnight Rate Decision on Thursday next week. HUF is flat vs the Euro after Gross Wages Y/Y ease from the prior month. BRL was flat vs the buck but saw some weakness after some punchy commentary from President Lula, calling BCB Chief Neto an "opponent" and that a weak BRL is not a worry for the government.

## 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.

