



US Market Wrap

24th June 2024: Dollar sold amid month end as NVDA weighs on Tech

- **SNAPSHOT:** Equities mixed, Treasuries flat, Crude up, Dollar down
- **REAR VIEW:** Fed speak toed usual Chair Powell line; Poor German Ifo; Airbus cuts guidance; Fed floats a weaker version of the bank-capital overhaul; EU to act against AAPL; NVDA slides again
- **COMING UP: Data:** Japanese Services PPI, Australia Consumer Sentiment, UK GDP (Q1), US Philly Fed Nonmanufacturing Business Outlook Survey, Canadian CPI, US Richmond Fed Index **Speakers:** Fed's Cook; Bowman **Supply:** Japan, UK, Italy, Germany, US **Earnings:** Carnival, FedEx.
- **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

In a day of quiet newsflow, US indices were mixed with clear divergence seen (SPX -0.2%, DJIA +0.8%) as the small-cap Russell 2000 (+0.6%) outperformed and the tech-heavy Nasdaq 100 (-0.9%) notably lagged amid headwinds from AI-darling Nvidia (NVDA) (-6.5%) who saw a third consecutive day of losses, which saw Technology reside as the distinct sectorial laggard, with almost all others in firmer territory. In FX, the Dollar Index was seemingly weighed on by month-end/quarter flows; Barclays' model shows strong Dollar selling, with Citi also estimating month-end USD selling slightly above the historical norm. As such, the EUR benefitted and was the G10 outperformer, despite the poor German Ifo in the European morning, weighed on by forward-looking expectations. WTI and Brent profited off the weaker Dollar and extended on last week's gains, in lack of any fresh crude-specific impulses aside from some punchy geopolitical rhetoric. Treasuries were little changed across the curve ahead of supply and PCE data although a rally was seen on the closing bell, perhaps related to unconfirmed reports of a US drone being shot down in the Black Sea (emphasis on unconfirmed). Fed speak came via Goolsbee, Daly, and Mester but little new was said with no market reaction although Mester did suggest she would be open to active MBS sales at one point, however, she is retiring soon. Amid no tier 1 data releases on Monday, participants await them later in the week with the highlight coming on Friday via core PCE, with a raft of Fed speak filling the space in between. The Q1 final estimate of GDP and May Durable Goods data is also due on Thursday. Note, US banks (JPM, C, WFC, BAC, MS, GS etc.) saw some upside on a Bloomberg sources report that the Fed is floating a weaker version of the bank-capital overhaul.

FED

Mester (voter, retiring in June) said that the Fed should keep an open mind to active mortgage bond sales as part of its effort to reduce the size of its balance sheet. While any action is not imminent, she said at some point she would be open for the FOMC to sell MBS.

Goolsbee (2025 voter), speaking on CNBC, noted Fed policy is restrictive and reiterated the familiar line that slowing inflation data would open the door to easing policy. Further on this, Goolsbee is optimistic they'll see improvement in inflation data and is hopeful the Fed will get more confidence in inflation heading back to 2%. Lastly, the Chicago Fed President toed the known line that data will determine policy.

Daly (2024 voter) said the Fed has made a lot of progress on inflation but there is still work to do, inflation is not the only risk although they are nearer to a point where a benign outcome on the labour market could be less likely. Furthermore, in her text release she said that if inflation falls more slowly than expected, the policy rate must stay higher for longer. On the flip side, she said that if inflation falls rapidly or the labour market softens more than expected, lowering the policy rate would be necessary. In the Q&A, the San Fran President noted at this point the risks to inflation and employment mandate are in better balance, and she added it is very clear monetary policy is restrictive. In addition, Daly stated they must be thoughtful about not loosening too early, or holding too long, and that pre-emptive cutting is something you do when you see risks, but right now the labour market is good. Overall, Daly did little to change the tone of recent Fed speak with all eyes to core PCE on Friday.

FIXED INCOME



T-NOTE (U4) FUTURES SETTLED 1 TICK HIGHER AT 110-17

T-Notes little changed across the curve ahead of supply and PCE data. At settlement, 2s +0.6bps at 4.736%, 3s +0.4bps at 4.467%, 5s +0.1bps at 4.272%, 7s -0.4bps at 4.253%, 10s -0.7bps at 4.250%, 20s -1.7bps at 4.484%, 30s -1.7bps at 4.380%.

INFLATION BREAKEVENS: 5yr BEI -0.3bps at 2.202%, 10yr BEI -0.6bps at 2.232%, 30yr BEI -0.7bps at 2.245%.

THE DAY: It was a quiet day in the Treasury space with the focus this week on supply and US Core PCE data. Nonetheless, T-Notes peaked in the morning at 110-19+ in the wake of a soft German Ifo print before heading lower, once US players started arriving, to a trough of 110-11+ before paring half the move and meandering into the settlement. There was no tier 1 data from the US on Monday, but the Dallas Fed Manufacturing business index rose to -15.1 from -19.4, while prices of finished goods surged, and prices of raw materials saw a slight increase, as did wages and benefits. There were several Fed speakers too, Mester (voter, retiring in June) said that the Fed should keep an open mind to active mortgage bond sales as part of its effort to reduce the size of its balance sheet. While any action is not imminent, she said at some point she would be open for the FOMC to sell MBS. Meanwhile, both Goolsbee (non-voter) and Daly (voter) stated that policy is restrictive with both noting that data will dictate policy, echoing Powell. It is also worth noting that Bloomberg reported via sources that the Fed is floating a weaker version of the bank-capital overhaul, supporting large US banks into the close.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 19bps (prev. 18bps D/D), November 28bps (prev. 27bps), December 49bps (prev. 46bps).
- NY Fed RRP op demand at USD 436bln (prev. 421bln) across 71 counterparties (prev. 74).
- US sold USD 71bln of 3-month bills at 5.235%, covered 2.85x; sold USD 71bln of 6-month bills at 5.140%, covered 3.16x.
- SOFR at 5.31% (prev. 5.32%), volumes at USD 1.991tln (prev. 2.052tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 78bln (prev. 85bln).

CRUDE

WTI (Q4) SETTLED USD 0.90 HIGHER AT 81.63/BBL; BRENT (Q4) SETTLED USD 0.77 HIGHER AT 86.01/BBL

The crude complex started the week on the front-foot tracking the broader risk sentiment and Dollar weakness. As such, WTI and Brent edged higher throughout the duration of the NY session to settle at highs. While energy-specific newsflow was light in thin trade, the standout headline was that Mexico's new Pemex refinery still needs important work and is far from ready, according to Reuters citing sources, and they will not follow through with crude export cuts due to delays of the new refinery and it is likely to be delayed until early next year. Note, the refinery is expected to have a capacity of around 340k BPD.

On the geopolitical footing, Ukraine's Energy Ministry said a Russian air strike on Saturday attacked a Ukrainian infrastructure facility in the west and that Ukraine planned record-high electricity imports following Russia's air strikes, according to Reuters. In the Middle East, Israeli PM Netanyahu said the phase of intense fighting against Hamas is coming to an end but added it does not mean an end to the war in Gaza, while according to Al Arabiya citing an Egyptian source "Cairo will not restart the Rafah crossing in the presence of Israel". Regarding Iran, Israeli PM Netanyahu said Iran is working on multiple fronts to destroy Israel, but "we will thwart Iran's intentions to destroy us at any cost and in any way," via Iran International.

EQUITIES

CLOSES: SPX -0.31% at 5,448, NDX -1.15% at 19,475, DJI +0.67% at 39,411, RUT +0.43% at 2,031.

SECTORS: Technology -2.07%, Consumer Discretionary -0.74%, Communication Services +0.19%, Industrials +0.36%, Health +0.55%, Materials +0.56%, Real Estate +0.7%, Financials +0.95%, Consumer Staples +1.0%, Utilities +1.25%, Energy +2.73%.

EUROPEAN CLOSES: DAX: +0.99% at 18,343, CAC 40: +1.03% at 7,707, PSI: +0.31% at 6,591, FTSE 100: +0.53% at 8,282, IBEX 35: +1.27% at 11,172, FTSE MIB: +1.58% at 33,835, SMI: +1.23% at 12,161, Euro Stoxx 50: +0.84% at 4,948.



STOCK SPECIFICS

- **Apple (AAPL):** EU said it will take further action against Apple to ensure compliance with the Digital Markets Act. Elsewhere, WSJ reports Apple and Meta (META) have discussed an AI partnership.
- **Broadcom (AVGO):** ByteDance is reportedly collaborating with Broadcom to develop a 5nm AI processor to obtain high-end chip supply, with manufacturing outsourced to **TSMC (TSM)**.
- **Eli Lilly (LLY):** Detailed results from its Phase 3 SURMOUNT-OSA trial; following this, **ResMed (RMD)** and **Inspire Medical Systems (INSP)** saw notable weakness in the sleep apnea sector.
- **Boeing (BA):** US prosecutors recommend criminal charges against BA for violating a 2021 settlement related to two fatal 737 MAX crashes.
- **Micron (MU):** PT raised at Baird and Citi ahead of earnings on Wednesday.
- **Alnylam (ALNY):** Reports positive results for heart drug in pivotal study, likely clearing path to approval.
- **RXO (RXO):** **UPS (UPS)** announced plans to sell its Coyote Logistics business unit to RXO for c. USD 1bln.
- **Vista Outdoor (VSTO):** Expected to announce it has accepted sweetened USD 2bln takeover proposal for its Ammo business from Czechoslovak group, according to NYT.
- **Sonoco Products (SON):** Entered into an agreement to acquire Eviosys for ~USD 3.9bln.
- **IBM (IBM):** GS initiated coverage with a 'Buy' rating; said IBM is on track to sustain long-term revenue and FCF low growth, driven by growth in AI productions and services.
- **Chevron (CVX):** Reaffirmed FY CapEx guidance, in line with expectations. Sees FY production (inc. asset sales) of 3.245-3.338mln BOEPD; estimates Q2 '24 upstream turnarounds and downtime of about 65mln BOEPD, mostly driven by TCO and several Gulf of Mexico assets. In addition, Q2 '24 buybacks seen between USD 2.5-3bln.
- **Eltura, Upstart (UPST):** Eltura entered into a USD 1.2bln forward flow in a second-year transaction to purchase consumer installment loans originated on Upstart's platform.
- **Paramount Global (PARA):** Announced it's raising prices for its streaming service, according to CNBC.
- **Amazon (AMZN):** Working on an AI chatbot assistant, according to Business Insider.
- **Novo Nordisk (NVO):** Submitted a label extension application for Ozempic, which has been accepted for review by the FDA. Elsewhere, will spend USD 4.1bln to build a US facility to fill injection pens for Wegovy and Ozempic.
- **Airbus (EADSY):** Cut FY guidance and commercial aircraft deliveries as it is facing persistent specific supply chain issues mainly in engines, aero structures, and cabin equipment.
- **Financial names:** Fed reportedly floated a weaker version of the bank-capital overhaul, according to Bloomberg, citing sources.

US FX WRAP

The Dollar saw weakness throughout the session, with the DXY troughing at 105.370, removing all of last week's gains, perhaps driven by month/quarter-end selling. Citi's prelim estimate of month-end FX hedge rebalancing needs point to a net USD selling against all major currencies, with the signal strength slightly above the historical norm. Citi add that there has been little or no early rebalancing signs this month, suggesting there is still potential for the USD to move lower before Friday (this was likely written in advance of the notable downside today, bear in mind). On the data front, the US Dallas Manufacturing Index improved from May, but there was little reaction. In Fedspeak, Daly said it "is clear that monetary policy is restrictive" and "they will not take preemptive action when it's not necessary". Focus for the Dollar this week turns towards the upcoming Durable Goods Orders M/M and Final GDP Q1 Growth rate on Thursday and, the more widely anticipated, US Core PCE on Friday.

The Euro was the best performer against the greenback in the G10FX space as the Dollar weakness supported the single currency. Germany's Ifo was lower than expected on all fronts, with the Ifo Business Climate coming in at 88.6 (exp. 89.7), down from the prior 89.3, led by a drop in the forward looking expectations. The Euro endured initial modest pressure, but managed to shrug this off as the Dollar selling advanced. ECB's Villeroy attempted to alleviate some of the growing fears of the French snap election, saying the French Bank's liquidity and capital are very solid and neither have been affected by market moves due to political uncertainty. EURUSD breached the 1.07 level to the upside, peaking at session highs of 1.0746.

Cyclical currencies all perform to the upside against the buck, with the Pound leading the charge, while the Kiwi was relatively flat, underperforming its cyclical peers whilst overnight data saw Credit Card Spending Y/Y come in flat while the prior was revised lower to -0.8% from -0.6%. AUD/USD saw gradual upside throughout the session but ultimately trades near session highs of 0.6667, ahead of Australia's Westpac Consumer Confidence Index on Tuesday. USD/CAD was unresponsive to BoC Governor Macklem's remarks in the session, noting the BoC doesn't need a large climb in the jobless rate to get inflation back to target. USD/CAD extended its drop from its 21DMA (1.3691) and 50DMA (1.3692),



finishing the session near its session lows of 1.3649, ahead of the Canadian CPI on Tuesday. Meanwhile, Rabobank notes that "the widening rate differential between US and Canadian rates is expected to support USD/CAD elevation over the next few months", and the desk expects USD/CAD to trade up to 1.40 by year-end.

Haven FX only saw slight gains vs the downbeat buck, but were sold against other major currencies. Note, extreme volatility was seen earlier in the session in USD/JPY, falling from 159.6 to 158.8 in less than 3 minutes, with some attributing the move to an attempted intervention from the BoJ, though losses were erased later on. There was also verbal jawboning overnight from top currency diplomat Kanda, who would not comment on daily FX levels but said they will take appropriate steps if there is an excessive forex move.

EMFX: MXN extended its three-day rally after 1st Half Month Headline Inflation Y/Y and M/M came in higher than expected, USD/MXN declined below 18, to around the 17.95 level. PLN outperforms, USD/PLN descended well below its 200DMA (4.0476) ahead of Polish inflation data on Friday. BRL firmed despite softening FDI . The Rand underperformed in the EM space, with USD/ZAR rising above the 18.0 level, reaching heights of 18.24 despite upside in gold.

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