



US Market Wrap

26th June 2024: Large cap stocks support indices while Yen slump keeps DXY bid

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** Hot Australian CPI; Japanese official Kanda concerned about JPY moves; US New home sales plunge; Volkswagen to invest in RIVN; AAPL upgraded at Rosenblatt; Stellar FDX earnings.
- **COMING UP: Data:** Japanese Retail Sales, EZ Consumer Confidence (Final), US IJC, Durable Goods, GDP & PCE Q1 (Final) **Events:** Riksbank & Banxico Policy Announcements; Biden-Trump debate **Speakers:** RBA's Hauser, ECB's Elderson **Supply:** Japan, Italy & US **Earnings:** Nike, WBA.

MARKET WRAP

Stocks ultimately finished the Wednesday session with slight gains as European weakness was offset once US trade got underway, while a last minute market rally extended the equity gains. However, the breadth was weak with the majority of sectors in the red while the equal weighted S&P was also lower. The upside was led by gains in the Consumer Discretionary Sector, thanks to outperformance in both Tesla (TSLA) and Amazon (AMZN) with the former buoyed by a Buy initiation at Stifel while Amazon (AMZN) managed to top USD 2tn market cap. Bonds were lower across the curve facing pressure from global peers after hot Australian CPI with European bonds also lower on French election jitters. Further bond weakness was seen as Japan's top currency diplomat Kanda started speaking, expressing concern around the rapid decline of the Yen recently; which only briefly gave some respite for the Yen. The Yen was a lagging currency on Wednesday with USD/JPY hitting a 38yr high, rising to a peak of 160.85 with participants cautious of upcoming intervention. The Dollar saw notable upside on Euro and Yen weakness, while the upside in US yields was also supportive. The US highlights saw weak New Home Sales data, while Fed Speak saw Bowman reiterate hawkish remarks. Meanwhile, FedEx (FDX) earnings were very strong, seeing the stock close +15%. Attention turns to US Bank Stress tests and Micron (MU) earnings after hours, while Core PCE will be the highlight of the week.

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NEW HOME SALES: New home sales plunged 11.3% in May to 619k well beneath the expected 640k, and the prior, which was revised much higher, to 698k from 634k. Meanwhile, new home supply soared to 9.3 months' worth, from the previous 8.1 months. Akin to some of the other housing data in May, such as housing starts and existing home sales, new-home sales surprised to the downside, while Oxford Economics notes the upward revisions to last month's readings took some of the sting out of the poor May metrics, although sales for Q2 are tracking below Oxford's estimate, raising the odds that the consultancy will make a downward revision to its forecast for Q2 residential investment. Further, the consultancy believes the headline may remain tepid next quarter (Q3), but expect sales to pick up in Q4 after Fed rate cuts get underway. In comparison to existing home sales, new home sales should continue to benefit from more supply and homebuilder incentives.

FIXED INCOME

T-NOTE FUTURES (U4) SETTLED 17 TICKS LOWER AT 110-02

T-Notes were pressured after hot Aussie CPI, pre-French election nerves, and Japanese official commentary ahead of the 5yr auction. At settlement, 2s +5.8bps at 4.749%, 3s +6.8bps at 4.529%, 5s +7.5bps at 4.338%, 7s +8.2bps at 4.323%, 10s +8.0bps at 4.318%, 20s +8.0bps at 4.556%, 30s +7.5bps at 4.447%.

INFLATION BREAKEVENS: 5yr BEI +4.5bps at 2.236%, 10yr BEI +3.5bps at 2.263%, 30yr BEI +3.2bps at 2.284%.

THE DAY: T-Notes were sold throughout the session with overnight weakness seen in the wake of the hot Australian CPI report. Downside continued throughout the European morning with EGBs lower with some pre-French election jitters while selling accelerated on some punchy rhetoric from Japan's top currency diplomat Kanda after USD/JPY rose above 160.00. There was also perhaps a bit of concession in play ahead of the 5yr supply too. T-Notes troughed at 110-01+ with the soft New Home Sales doing little to change the dial ahead of the 5yr auction. The auction ultimately was



stronger than average which gave some relief. Any upside was short-lived, however, with downside resuming into settlement; attention turns to 7yr supply on Thursday, and Core PCE on Friday. Beforehand, however, the bank stress test results will be released after hours on Wednesday.

5YR: The 5yr auction was well received, the USD 70bln supply was sold with a high yield of 4.331%, stopping through the when issued by 0.4bps. The stop-through was vs. the prior tail of 1.3bps and six auction average of a 0.4bp tail, a sign of strong demand for the auction. The Bid-to-Cover, however, came in at 2.35x, better than the prior 2.3x but not as strong as the 2.39x average. Nonetheless, the takedown was encouraging with dealers taking a smaller than average proportion at 13.4%, thanks to an increase in both indirect and direct demand.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 17bps (prev. 18bps D/D), November 25bps (prev. 27bps), December 44bps (prev. 47bps).
- NY Fed RRP op demand at USD 490bln (prev. 466bln) across 87 counterparties (prev. 74)
- US sold USD 60bln in 17wk bills at a high rate of 5.22%, B/C 2.75x
- SOFR at 5.33% (prev. 5.31%), volumes at USD 1.968tln (prev. 1.992tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 85bln (prev. 76bln).

CRUDE

WTI (Q4) SETTLED USD 0.07 HIGHER AT 80.90/BBL; BRENT (U4) SETTLED USD 0.25 HIGHER AT 84.47/BBL

The crude complex was very choppy on Wednesday, albeit settling within ranges, in thin energy-specific newsflow. Recapping the day, WTI and Brent initially hit session highs in the European morning of USD 81.63/bbl and 85.03/bbl, respectively, before reversing and hitting lows of 80.18/bbl and 83.72/bbl after the weekly EIA data. On the metrics, crude and gasoline saw surprise builds, in fitting with but greater than the private inventory data, while distillates saw an expected draw. Refining utilisation slightly declined, while crude production was unchanged. Elsewhere, geopolitical updates were minimal with participants awaiting the next risk events in the form of Micron earnings (Wed AMC) and core PCE data (Fri). Note, an explosion/fire at the Dangote refinery caught traders attention, but an executive swiftly came out and said they contained a minor fire incident and the refinery is reportedly operating normally.

EQUITIES

CLOSES: SPX +0.16% at 5,478, NDX +0.25% at 19,751, DJI +0.04% at 39,128, RUT -0.21% at 2,018.

SECTORS: Consumer Discretionary +1.98%, Technology +0.37%, Communication Svcs. +0.1%, Consumer Staples -0.04%, Materials -0.05%, Real Estate -0.13%, Industrials -0.24%, Health Care -0.36%, Utilities -0.38%, Financials -0.47%, Energy -0.86%

EUROPEAN CLOSES: DAX: -0.08% at 18,163.87, FTSE 100: -0.27% at 8,225.33, CAC 40: -0.69% at 7,609.15, Euro Stoxx 50: -0.46% at 4,913.25, AEX: -0.38% at 923.13, IBEX 35: -0.80% at 11,030.50, FTSE MIB: -0.49% at 33,541.98, SMI: -0.49% at 12,018.20.

STOCK SPECIFICS:

- **Apple (AAPL)** - Upgraded at Rosenblatt and lifted PT; said the shift by Apple's privacy focus of Apple Intelligence "could resonate" and argued for market share lift potential for Apple in AI.
- **Rivian (RIVN) - Volkswagen (VWAGY)** is to invest an initial USD 1bln in Rivian, which could rise to as much as USD 5bln.
- **Vista Outdoor (VSTO)** - MNC Capital raised its all-cash offer to acquire VSTO to USD 42/shr; VSTO closed Tuesday at USD 33.78/shr
- **General Mills (GIS)** - Revenue, and other key metrics, missed alongside weak FY25 profit guidance.
- **Whirlpool (WHR)** - Robert Bosch is reportedly eyeing a bid for Whirlpool, according to Reuters sources.
- **FedEx (FDX)** - EPS and revenue beat, alongside strong profit outlook and potential divestment.
- **Southwest Airlines (LUV)** - Cut Q2 RASM guidance.
- **Nvidia (NVDA)** - DigiTimes reported that CEO Huang is concerned about Cos. business development, with slow data centre expansion possibly impacting chip sales.
- **Aptiv (APTIV)** - Downgraded at Piper Sandler and cut its PT following the JV between Rivian/Volkswagen, as it suggests less reliance on intermediaries like Aptiv.
- **Barnes (B)** - Reportedly exploring options including a sale, according to Bloomberg.



- **Amazon (AMZN), PDD (PDD)** - Amazon reportedly plans a Temu-like section with bargain fashion and home goods, according to The Information; Items will ship directly from China with 9–11 day delivery times. AMZN tells Chinese sellers they can sign up this summer. Note, PDD owns Temu.

US FX WRAP

The Dollar was firmer in Wednesday's session, with the Dollar Index climbing above the 106 mark, nearing the double top of April and May around 106.50. In terms of US news, there was no direct US catalyst for the DXY to move higher, but more in response to the weakness of the dollar's peers, specifically the Yen, and Euro. US New Home Sales declined more than expected to 619k in May (prev. 634k, rev. 689k, exp. 640k), though, upward revisions helped offset some of the weakness. In Fedspeak, Bowman reiterated remarks, saying she expects inflation to decline with the policy rate held steady. DXY peaked at session highs of 106.13, though has trimmed gains slightly, yet remains in the upper segment of its trading range. Greenback watchers turn towards Thursday for US Durable Goods M/M and Final GDP Q1 Growth rate.

The Euro dipped back below 1.07 to fresh weekly lows of 1.0666, in what's been an indecisive week so far for the FX. With regards to ECB commentary, many spoke, most notably ECB's Rehn saying "he sees bets for two more rate cuts this year as reasonable", with a market terminal rate view of 2.25%-2.5% and did attempt to nullify France's uncertainty with his remarks, "sees no disorderly market moves in France", albeit, over the session, OAT/BUND spreads have widened from about 69 to 72. Markets look towards Thursday for Eurozone Economic Sentiment for June and ECB Elderson is to speak. The first round of French elections on Sunday will also be key. [Click here for the Newsquawk Preview.](#)

Cyclical currencies were mixed against the buck, with the Pound and Kiwi in the red while the Aussie outperformed in the green, the only G10FX in the green. Attention in the space was fixed on the hotter-than-expected Australia Weighted CPI, 4% (exp. 3.8%, prev. 3.6%). AUD/USD initially sparked higher to the data to 0.6664 from 0.6645, before climbing higher to session highs of 0.6688. That said, AUD/USD has given away strength since due to the rising Dollar. Money markets reacted hawkishly towards the data, with a circa. 36% chance for the RBA to hike the Cash Rate at the August meeting (prev. 12% before data). CapEco noted the main driver of the data stemmed from a "jump in services inflation, from 4% to a seven-month high of 4.8%, with the agency expecting the RBA to take an upside surprise in its stride as a result of Q1 GDP growth falling short of the Banks forecast (weakest since early-1990's). Going forward, CapEco sees a rate cut only in Q1 2025 against the expected Q4 24. Kiwi was the worst performer in the G10 currency space ahead of Thursday's ANZ Business Confidence for June, NZD/USD finished the session near session lows of 0.6076.

The Yen and Franc were both weaker against the dollar, with Yen markedly underperforming. Eyes in the space were particularly set on the Yen, especially the remarks from Japanese top currency diplomat Kanda, who said he is seriously concerned about the recent rapid weakness in the Yen and will take necessary action in excessive moves; USD/JPY initially reacted to the downside, falling to lows of 160.015 from 160.305, although, losses were quickly erased, with the USD/JPY reaching multi-decade highs of 160.82. Looking ahead to Thursday, participants await Japanese Retail Sales with participants on intervention watch. Some analysts have suggested that 165.00 is the new line in the sand.

Scandi's both fell against the Euro by a similar margin, with the Viking Cross flat in the session. EUR/SEK climbed above its 21DMA (11.29) ahead of Riksbank's Rate decision on Thursday, which is expected to hold its policy rate at 3.75% after it cut it by 25bps in May. [Click here for the full Newsquawk Preview.](#)

EMFX: TRY saw intraday gains for the first time in 6 trading days, before the CBRT's Rate Decision on Thursday, which is expected to hold its key one-week repo auction rate at 50%. The Rand strengthened, with traders awaiting the cabinet announcement, though there is no set date, with ANC's Ramaphosa saying on Monday he would announce the new cabinet in the coming days. CZK is weaker ahead of the CNB Interest Rate Decision on Thursday, the Bank is expected to cut its two-week repo rate by 25bps to 5% after cutting it by 50bps to 5.25% in May; EUR/CZK broke above its 50DMA (24.86). Note, some analysts do expect another 50bp rate cut from the CNB.

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