



US Market Wrap

2nd July 2024: Stocks and Treasuries gain while Dollar weakens amid dovish leaning Powell

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Powell acknowledges disinflation progress; JOLTS above expectations; Goolsbee does not buy the last mile of inflation could take longer; Hot core EU inflation; TSLA Q2 deliveries beat; Biden calls for cheaper weight loss drugs.
- **COMING UP: Data:** Australian, EZ, UK & US Final PMIs, Chinese Services PMI, US ADP, IJC, Challenger, Factory Goods, ISM Services **Events:** FOMC Minutes, Riksbank Minutes, NBP Policy Announcement; US Refunding (3,10,30yr) **Speakers:** Fed's Williams; ECB's Lane, Lagarde, de Guindos, Cipollone, Knot **Supply:** Germany **Earnings:** Constellation Brands.
- **INDEPENDENCE DAY:** The desk will close at 19:30BST/14:30 EDT on Wednesday July 3rd, and at 18:00BST /13:00EDT on Thursday July 4th. APAC service will resume at 22:00BST/17:00EDT on Wednesday and at 21:45BST/16:45EDT on Thursday for UK election coverage. [For the full notice, please click here](#)

MARKET WRAP

US indices settled in firmer territory (SPX +0.6%, DJIA +0.4%, RUT +0.2%) with slight outperformance in the tech-heavy Nasdaq 100 (+1%), as all sectors, aside from Energy and Health, saw gains with Consumer Discretionary sitting atop of the pile, buoyed by Tesla (TSLA) (+10.2%) Q2 deliveries slightly surpassing expectations. During the day, a dovish reaction was seen across markets, Stocks/Treasuries upside and Dollar downside, in response to Fed Chair Powell who acknowledged that the disinflation trend shows signs of resuming, and they have made quite a bit of progress on inflation and are getting back on the disinflationary path. As such, it pushed T-Notes and the Dollar Index to session highs and lows, respectively, of 109-19+ and 105.71. However, the move reversed slightly after the hotter-than-expected JOLTS report as the headline came in above expectations with a slight increase in the vacancy rate while the quits rate was maintained. Nonetheless, as the dust settled, US indices resumed to the upside to close at highs while the Dollar settled at lows. Back to the Fed, 2025 voter Goolsbee in a CNBC interview, said that as inflation comes down, policy gets more tight, and thinks they should tighten by choice, not by default. Moreover, Goolsbee does not buy that the last mile of inflation could take longer. As always attention was on the Yen, and the cross continued to make fresh multi-decade highs of 161.75, with traders awaiting any possible commentary from Japan overnight, with much attention on intervention speech. The 165 mark is being touted by many as a potential entry point for intervention. Elsewhere, the crude complex reversed the initial gains seen, and settled at lows, as Hurricane Beryl fears seemingly subsided. Looking ahead, there are FOMC Minutes and a deluge of data on Wednesday (ADP, initial jobless claims, challenger layoffs, ISM Services, and factory orders), with some brought forward on account of US Independence Day.

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JOLTS: The May JOLTS data rose to 8.140mln from the revised down 7.92mln and above the 7.91mln forecast. The quits rate was unchanged at 2.2%, while the vacancy rate ticked up to 4.9% from 4.8%. Regarding the vacancy rate, some Fed officials see the vacancy rate as one of the best representations of excess labour demand; Fed Governor Waller has said that if the vacancy rate continued to fall below 4.5%, it would likely suggest that excess labour demand has been worked off, and the unemployment rate could start to rise. On the quit rate, Oxford Economics note that it was 2.2% for the 7th consecutive month and is a touch below the pre-pandemic levels, and is consistent with ongoing moderation in wage growth, but it is not sending any signals about significant weakness in the labour market. The slight increase in JOLTS shows the labour market remains robust which will give the Fed time to be patient before acting, so they can ensure inflation is on its way to target in a sustainable manner. The next focus point for the labour market will be the NFP report on Friday, but also Jobless Claims are due on Wednesday this week due to the July 4th Holiday.

FED CHAIR POWELL had a dovish tone at Sintra where he stated the disinflation trend shows signs of resuming, and that they are getting back on the disinflationary path. Powell said they have made quite a bit of progress on inflation noting the data represents significant progress. Powell has acknowledged significant progress before when referring to the overall progress since the inflation peaks, but his remarks around disinflation were new, something he did not touch on in the June press conference. Meanwhile, Powell repeated however that they need to be more confident before reducing policy rates, and that they need to see more data like what they have been seeing recently. He also repeated



that if the labour market unexpectedly weakens, the Fed would react. He acknowledged the Fed has the ability to take their time and get it right, repeating the risks are becoming much more balanced and the Fed is aware of going too soon and too late. Powell suggested that inflation may get back to 2% in late 2025 (current Fed median pencils in 2.3%) or in 2026 (Fed median 2.0%). Ahead of NFP on Friday, Fed Chair Powell said the labour market is cooling off, and that wage increases are moving back down towards more sustainable levels.

GOOLSBEE (2025 voter, dove), in a CNBC interview, said that as inflation comes down, policy gets more tight, and thinks they should tighten by choice, not by default. Moreover, Goolsbee sees some warning signs from the real economy, but he does not buy that the last mile of inflation could take longer. Further on inflation, he said if the Fed were using the measures of housing inflation that they use in Europe, the US would be at 2% already. Lastly, the Chicago Fed President still thinks a soft landing is possible and only wants to stay this restrictive for as long as you have to.

FOMC MINUTES PREVIEW: The Minutes will be eyed to see the views on the FOMC about future rate cuts, the recent inflation progress/disinflation, as well as their views on the labour market. [To download the full Newsquawk preview, please click here.](#)

FIXED INCOME

T-NOTE (U4) FUTURES SETTLED 9+ TICKS HIGHER AT 109-15

T-Notes bull steepen after dovish Powell but yields off lows after above forecast JOLTS. At settlement, 2s -3.1bps at 4.741%, 3s -3.6bps at 4.554%, 5s -4.2bps at 4.398%, 7s -4.3bps at 4.406%, 10s -4.0bps at 4.440%, 20s -3.7bps at 4.720%, 30s -3.2bps at 4.611%.

INFLATION BREAKEVENS: 5yr BEI -2.6bps at 2.281%, 10yr BEI -1.9bps at 2.302%, 30yr BEI -0.9bps at 2.322%.

THE DAY: T-Notes pared some of Monday's losses with 10yr yield edging away from 4.50% after the recent yield gains driven by the potential Trump return. The focus in the morning was the EZ inflation data, which saw the core print come in hotter than expected but the rest of the report was in line. The US highlights were Fed Chair Powell, who leaned dovish - noting the resumption of the disinflationary trend and that they are getting back on the disinflationary path. The remarks gave a boost to 10yr T-Notes which peaked at 109-19+ ahead of the JOLTS data. The above expected JOLTS data, and rising vacancy rate, saw T-Notes unwind some of the dovish Powell gains as a still robust labour market gives the Fed the ability to be patient before acting. Nonetheless, money market pricing was pretty stable with the first-rate cut not fully priced until November, but with a c. 75% probability of a cut in September.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 19bps (prev. 18bps D/D), November 27bps (prev. 27bps), December 67bps (prev. 46bps).
- NY Fed RRP op demand at USD 443bln (prev. 452bln) across 78 counterparties (prev. 67).
- SOFR at 5.40% (prev. 5.33%), volumes at USD 1.967tln (prev. 2.024tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 85bln (prev. 67bln).
- US sells USD 65bln of 41-day CMBs at 5.270%, covered 3.13x.

CRUDE

WTI (Q4) SETTLED USD 0.57 LOWER AT 82.81/BBL; BRENT (U4) SETTLED USD 0.36 LOWER AT 86.24/BBL

The crude complex reversed the initial gains seen, and settled at lows, as Hurricane Beryl fears seemingly subsided. On this, WTI and Brent fell into the red as worries regarding supply disruptions caused by Beryl faded, as desks note markets came to the realisation that Beryl will not shut down any major amounts of offshore oil production, and if some shut, it will have a minimal impact on platforms. Furthermore, oil continued to sell off into settlement, albeit with no fresh headline driver, to settle at session troughs. Nonetheless, energy initially followed on from Monday's strength with WTI and Brent hit highs of USD 84.38/bbl and 87.46/bbl, respectively, amid a deluge of factors, namely, geopolitics, aforementioned Hurricane Beryl, and summer demand. On the former two, tensions between Israel and Lebanon have risen with fears of a wider war after Iran backed Hezbollah. Meanwhile, Belarus is to conduct a demonstration of its Russian tactical nuclear weapons tomorrow according to an official. Prior to the latest developments above, concerns were lofty around Beryl, the first major storm of the year, as it was feared to be a signal of what could be in store during the hurricane season. Looking ahead, there is a deluge of data on Wednesday (ADP, initial jobless



claims, challenger layoffs, ISM Services, and factory orders), with some brought forward on account of US Independence Day. In the immediacy, there is private inventory data after-hours where current expectations are (bbls): Crude -0.7mIn, Distillate -1.2mIn, Gasoline -1.3mIn.

EQUITIES

CLOSES: SPX +0.62% at 5,509, NDX +1.01% at 20,012, DJI +0.41% at 39,332, RUT +0.19% at 2,034.

SECTORS: Health -0.4%, Energy -0.2%, Materials +0.16%, Real Estate +0.4%, Utilities +0.44%, Technology +0.54%, Industrials +0.55%, Consumer Staples +0.62%, Communication Services +0.84%, Financials +1.1%, Consumer Discretionary +1.81%.

EUROPEAN CLOSES: DAX -0.75% at 18,153, CAC 40 -0.3% at 7,538, AEX +0.17% at 925, PSI flat at 6,590, FTSE 100 -0.56% at 8,121, FTSE MIB -0.70% at 33,481, Euro Stoxx 50 -0.47% at 4,907, IBEX 35 -1.3% at 10,913, SMI -0.32% at 12,011.

STOCK SPECIFICS:

- **Tesla (TSLA)** - Reported deliveries Q2 deliveries of 444k vehicles (exp. 439k) and produced 411k vehicles.
- **Amazon (AMZN)** - Amazon's international arm is expected to achieve an annual profit, reversing years of losses, the FT reports.
- **Novo Nordisk (NVO), Eli Lilly (LLY)** - US President Biden said: "If Novo Nordisk and other pharmaceutical companies refuse to substantially lower prescription drug prices in our country and end their greed, we will do everything within our power to end it for them".
- **Blackstone (BX)** - Nearing a deal to sell Alinamin Pharmaceutical to MBK Partners for USD 2.17bln, according to Reuters sources.
- **Paramount Global (PARA), IAC (IAC)** - IAC's Chairperson Diller is exploring a bid to take control of Paramount. In other news, Paramount is reportedly in talks to sell its BET network for USD 1.6bln per Bloomberg.
- **Salesforce (CRM)** - Shareholders rejected CEO Benioff's USD 39.6mIn compensation plan.
- **Carrier Global (CARR)** - Announced the close of its USD 1.425bln sale of its industrial fire business, and net proceeds of roughly USD 1.1bln expected to be used to pay down debt.
- **Blue Owl Capital (OWL)** - Unveiled the completion of its acquisition of Kuvare Insurance Services.
- **Viatrix (VTRS)** - Said the DoJ has advised that it no longer considers Mylan, and its former President, a subject of its antitrust investigation.
- **Paypal (PYPL)** - Upgraded at Susquehanna citing the stock's recent sell-off, and said it is making "profitable growth" a top priority.
- **Eli Lilly (LLY)** - Won US approval for drug to slow Alzheimer's disease.
- **Tempur Sealy (TPX)** - US FTC confirmed it sues to block the Cos. purchase of Mattress Firm. Tempur responded saying it is open to addressing FTC concerns and its disappointed the FTC has initiated litigation; expects to close transaction in late 2024 or 2025.
- **Toyota (TM)** - Reported North America US sales (June): -1.2% to 193k, EV sales +64.5% to 84.7k vehicles.
- **General Motors (GM)** - Announced deliveries +0.6% Y/Y at 696k, total EV deliveries +34% Q/Q and +40% Y/Y to 21.9k.

US FX WRAP

The Dollar was flattish against many of its peers, with the DXY seeing session highs above the 106 level early on in the session, but ultimately pared strength before JOLTS, amid dovish-leaning commentary from Fed Chair Powell, noting the disinflation trend shows signs of resuming. However, the index saw another bout of strength in wake of the hotter-than-expected JOLTS. Nonetheless, DXY swiftly erased any gains post-data, with attention on a deluge of US data on Wednesday, given the July 4th market holiday. The data includes, ADP, initial jobless claims, challenger layoffs, ISM Services, and factory orders.

The Euro was flat against the Buck with the recent relief rally which sparked from France's RN party obtaining a lesser majority than thought in the 1st round of elections, taking a pause. EZ supercore Inflation Y/Y was slightly hotter-than-expected at 2.9% (exp. 2.8%), while the rest of the report was in line, with analysts at Citi noting that the sticky core CPI is becoming a concern for the ECB. The region saw multiple ECB speakers, with slight divergences between views on the interest rate path in 2024; Centeno expects a few more rate cuts this year; Kazaks expects one or two further cuts, and is consistent with the baseline scenario; Simuks and Wunsch appear to back two further rate cuts; meanwhile,



Maklouf said he is comfortable with expectations of another interest rate cut, but two cuts are probably going a little too far. Attention will remain on Sintra as the event wraps on Wednesday, with Cippolone, Guidnos, Lane, and Knot still to speak. Data on Wednesday consists of Final HCOB's PMIs for France, Italy, Germany, and the Eurozone.

Cyclical currencies performance was mixed against the Greenback, with CAD and GBP outperforming in the green, while Antipodenas lagged. Newsflow in the space was light, with a focus on the RBA minutes from the June meeting (where the cash rate was held at 4.35%), which revealed the Board judged the case for holding rates steady was stronger than hiking, although a hike might be needed if the board judged its policy was not sufficiently restrictive, with data suggestive of upside risk for May CPI; the minutes also unveiled that the recent data wasn't sufficient for the Central Bank to change its inflation target outlook for 2026; AUD/USD immediately moved higher by 4 pips to 0.6650 from 0.6646. The AU calendar for Wednesday involves, Juko Bank Services PMI Final June, and Retail Sales M/M Prelim for May. Cable gained momentum ahead of the UK General Election on Thursday, with the pair ascending above its 50 DMA (1.2656), gaining over 30 pips in the session. CAD was the leader in the G10 FX space, and on the data footing the S&P Global Manufacturing PMI remained unchanged at 49.3 in June, its 14th consecutive month of contraction.

The Yen continued to make fresh multi-decade highs of 161.75, that said, the cross finished off session highs. Traders await any possible commentary from Japan overnight, with much attention on intervention speech. The 165 mark is being touted by many as a potential entry point for intervention.

EMFX: The Rand is the clear underperformer, as markets continue to await how the new government of national unity would approach economic reform; SA S&P PMI for June is due on Wednesday. USD/TRY fell below its 21 DMA (32.5978), ahead of Turkey's Inflation and PPI prints for June on Wednesday. MXN outperforms, removing Monday's losses, and BRL is flat. For the record, BCB Chief Neto spoke at Sintra, whereby he noted the decision to pause the easing cycle was because of food/services inflation which could peak and also a lot of noise around the data.

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