



US Market Wrap

8th July 2024: Stocks and bonds flat ahead of key risk events

- **SNAPSHOT:** Equities flat/up, Treasuries flat, Crude down, Dollar flat.
- **REAR VIEW:** NY Fed SCE sees 1yr & 5yr move lower, but 3yr higher; French election saw a surprise win for left-wing NFP, albeit not enough for majority; Mixed feelings regarding Israel/Hamas ceasefire talks; PBoC refrains from more gold buys; LLY to buy MORF.
- **COMING UP: Data:** NFIB Business Optimism Index **Event:** BoJ Bond Meeting (1/2) **Speakers:** ECB's Cipollone; Fed's Powell, Barr, Bowman **Supply:** Japan, Netherlands, US.
- **WEEK AHEAD:** Highlights include US CPI, Powell testimony, BoJ bond meeting, RBNZ and US earnings. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing Fed Chair Powell testimony, RBNZ, BoJ bond meeting; Reviewing minutes from the FOMC and RBA. [To download the report, please click here.](#)

MARKET WRAP

It was ultimately a rather uneventful session on Monday with the US highlight being mixed inflation expectations from the NY Fed SCE (see below). Meanwhile, over the weekend, a surprise French election result initially weighed on the Euro and EGBs, and in sympathy Treasuries, but the moves gradually pared throughout the rest of the session. In FX, the DXY was ultimately flat and traded either side of 105.00 while the Yen initially saw strength on rising wages, but the move pared with USD/JPY briefly reclaiming 161.00. Gold prices unwound the post-NFP gains on the PBoC refraining from more gold buys for the second consecutive month while oil prices were sold on ceasefire hopes with Hurricane Beryl in focus as it hits Texas. Looking ahead, Fed Chair Powell is to testify in the Senate on Tuesday and House on Wednesday, with focus turning to US CPI on Thursday, with US 3, 10, and 30yr supply scheduled throughout the week ahead of the start of the Q2 earnings season on Friday.

GLOBAL

NY FED SCE: NY Fed Survey of Consumer Expectations for June saw the 1yr ahead move lower to 3.0% from May's 3.2%, the 3yr moved slightly higher to 2.9% (prev. 2.8%), while the longer-term 5yr also came in lower at 2.8% (prev. 3.0%). Elsewhere within the release, June expected home prices rose at 3% (prev. 3.3%), while consumers see slower expected price gains for rent, food, medical, care, college, and gas. Looking ahead, June expected year-ahead earnings growth was the best since Sept' 23, while perceptions of the household financial situation lost ground in June. By way of comparison, the University of Michigan's final June data saw 1yr inflation expectations fall to 3.0% Y/Y from 3.3%, while the 5-10yr measure fell to 3.0% Y/Y from 3.1%.

FED CHAIR POWELL will give his dual testimonies to Congress on Tuesday (to the Senate Banking Committee) and Wednesday (to the House Financial Services Committee), both due to start at 10 am Eastern Time. Powell will be testifying in his capacity as Fed Chair, and therefore, what he says is likely to reflect the overall feelings of the Committee (his remarks to the House will likely be a copy-and-paste of his remarks to the Senate). [To see the full Newsquawk Powell primer, please click here.](#)

FRENCH ELECTION, ROUND TWO ANALYSIS: NFP comes out on top with Macron's ENS in second and RN in third. [To see the full Newsquawk analysis please click here.](#)

FIXED INCOME

T-NOTE (U4) FUTURES SETTLED HALF A TICK LOWER AT 110-19

Yield curve flattens as dust settles from Friday's NFP ahead of Powell, CPI and Supply. At settlement, 2s +2.7bps at 4.626%, 3s +1.5bps at 4.403%, 5s +1.2bps at 4.230%, 7s +0.8bps at 4.230%, 10s +0.0bps at 4.273%, 20s -0.6bps at 4.569%, 30s -0.8bps at 4.461%.

INFLATION BREAKEVENS: 5yr BEI -0.5bps at 2.232%, 10yr BEI -0.7bps at 2.268%, 30yr BEI -1.1bps at 2.295%.



THE DAY: T-Notes saw gradual selling overnight to see the T-Note bottom out around 110-10 in the European morning with the initial move lower in EGBs weighing on Treasuries. The initial downside in European bonds came after a surprise result at the 2nd French Election which saw the left-wing NFP out in front with the right-wing RN in third place, despite polls before the weekend suggesting the opposite. Nonetheless, a hung parliament remains with neither party seeing a majority. EGBs had pared, and USTs also followed suit as US players started to arrive. T-Notes ground higher throughout the session to ultimately settle more or less unchanged. The US data highlight was the NY Fed Survey of Consumer, which saw the 1 and 5yr expectations ease, but 3yr ticked up. Attention this week turns to Fed Chair Powell's testimonies on Tuesday and Wednesday (likely to repeat recent commentary) with the highlight being US CPI on Thursday to see if the disinflation process continued into June. Aside from Powell and CPI, Treasury supply will also be in focus where the US is to sell USD 58bln of 3yr notes on July 9th, USD 39bln of reopened 10yr notes on July 10th, and USD 22bln of reopened 30yr bonds on July 11th; all to settle on July 15th.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 20bps (prev. 20bps D/D), November 31bps (prev. 31bps), December 50bps (prev. 51bps).
- NY Fed RRP op demand at USD (prev. 426bln) across 68 counterparties (prev. 70).
- US sold USD 80bln in 3mth bills at a high rate of 5.23%, B/C 2.84x; sold USD 74bln 6mth bills at a high rate of 5.08%, B/C 2.95x.
- SOFR at 5.32% (prev. 5.33%), volumes at USD 2.126tln (prev. 2.007tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 89bln (prev. 88bln).

CRUDE

WTI (Q4) SETTLED USD 0.83 LOWER AT 82.23/BBL; BRENT (U4) SETTLED USD 0.79 LOWER AT 85.75/BBL

The crude complex was lower to start the week amid initial hopes for a ceasefire in Gaza while focus also lies on the impacts of Hurricane Beryl with some operations at risk for disruption. On the former, cease-fire talks initially signalled positive signs and WTI and Brent sold off, albeit the latest updates were not as optimistic, highlighted by Hamas Chief noting Israeli military escalation could return negotiations back to square zero and holds Israeli PM responsible. On Hurricane Beryl, which made landfall in Texas, has since been downgraded to a Tropical Storm but nonetheless ports of Corpus Christi, Houston, Galveston, Freeport, and Texas City closed on Sunday amid storm preparations. Elsewhere, Russia conducted a "rare daytime" missile attack in which a series of violent explosions were reported in the Ukrainian capital Kyiv. In terms of prices, WTI and Brent hit lows of USD 82.10/bbl and 85.59/bbl, respectively, and settled just off these levels.

EQUITIES

CLOSES: SPX +0.10% at 5,572, NDX +0.23% at 20,439, DJI -0.08% at 39,344, RUT +0.59% at 2,038.

SECTORS: Technology +0.72%, Materials +0.28%, Real Estate +0.17%, Industrials +0.13%, Utilities +0.07%, Consumer Discretionary -0.01%, Health -0.10%, Financials -0.15%, Consumer Staples -0.21%, Energy -0.59%, Communication Services -1.01%.

EUROPEAN CLOSES: DAX: flat at 18,489, CAC 40: -0.63% at 7,627, FTSE 100: -0.13% at 8,193, IBEX 35: flat at 11,022, FTSE MIB: +0.17% at 34,047, SMI: +0.27% at 12,050, Euro Stoxx 50: -0.16% at 4,972.

STOCK SPECIFICS:

- **Paramount Global (PARA)** - Will merge with Skydance Media, ending Redstone family control.
- **TSMC (TSM)** - Morgan Stanley raised its target on the stock by about 9%, expecting the Co. to raise its FY sales estimate in its earnings next week.
- **Corning (GLW)** - Expects Q2 core sales to exceed guidance, with core EPS at the high end of the guided range.
- **Tesla (TSLA)** - China CPCA said Tesla exported 11,746 China-made vehicles in June (prev. 17,358 in May).
- **Ford Motor (F)** - Barron said Ford's shares were poised for a comeback, making it a good time to buy the stock.
- **Morphic (MORF), Eli Lilly (LLY)** - Eli Lilly to acquire Morphic for USD 3.2bln or USD 57/shr.
- **Grifols (GRFS)** - Brookfield and Grifols Family Shareholders reached an agreement to evaluate a possible joint takeover bid to acquire all the share capital of Grifols.
- **Boeing (BA)** - Will plead guilty to criminal conspiracy to defraud the US over the 737 Max crashes, according to Bloomberg.
- **JPMorgan (JPM)** - Downgraded at Wolfe as it is more exposed to NII headwinds from lower rates.



- **Exxon Mobil (XOM)** - Expects changes in oil prices to increase Q2 upstream earnings by USD 300-700mln vs Q1; expects changes in gas prices to decrease quarterly upstream earnings by USD 300-700mln.

US FX WRAP

The Dollar was ultimately flat on Monday with a lack of Fed speakers and tier 1 data seeing the DXY trade either side of 105.00, but more as a function of the Euro. The US highlight saw the NY Fed Survey of Consumer Expectations show that consumers 1yr ahead inflation expectations eased to 3.0% from 3.2% in April, although the 3yr ahead ticked up to 2.9% from 2.8% and the 5yr ahead eased to 2.8% from 3.0%.

EUR/USD saw two-way price action in response to the French elections, the results saw the cross gap lower to find support at 1.08. The 2nd round of the French Election gave a different result to what the polls heading into the weekend had predicted. The left-wing NFP came out on top with Macron's centrist ENS in second and the right-wing RN in third. Nonetheless, no party hit the 289-seat threshold for a majority and France enter another period of hung parliament. After gapping lower, EUR/USD gradually pared throughout the session. Citi suggests that political gridlock in France is good for EUR/USD upside but notes that the fund manager community remains short EUR/USD, and a further squeeze remains a realistic possibility. On the upside, the desk notes resistance at 1.0875 and 1.0916. On the flip side, support can be found at 1.0601, 1.0660 and 1.0750. [For full Newsquawk analysis on the French election, please click here.](#)

USD/JPY was also ultimately flat trading between 160.27 and 161.11. The cross moved lower in response to Japanese wage data but then gradually pared throughout the EU and US session. Wages data overnight saw regular pay rise 2.5% Y/Y, the fastest pace since 1993, however, when adjusted for inflation, wages fell for the 26th straight month. Real earnings fell 1.4% in May vs the revised down -1.2% in April. Analysts at Rabobank highlight that "The 26th consecutive drop in real wages in Japan points to a continuation of weak consumer spending and poor consumer confidence which suggests that it will be difficult for the BoJ to tighten policy settings". The hot headline data could bolster July rate hike expectations with Citi noting that "Everything points to a very big risk of a rate hike on 31st July". Attention turns to the BoJ bond meeting taking place overnight, where the BoJ will discuss its bond-tapering plans. Sources articles will be of note on how the meeting went, while data ahead sees Japan CPI on 19th July and Tokyo CPI on 26th July, ahead of the 31st BoJ meeting.

Gold sold off throughout the session with weakness overnight and this morning driven by PBoC holding off on gold purchases for the 2nd consecutive month. Some had suggested hopes of a ceasefire agreement this week could also be driving price action, but on Friday negotiators said that gaps remain while on Monday Hamas said the latest Israeli evacuation order and military escalation could return negotiations back to square zero. Profit-taking may also be a factor after the recent upside in the yellow metal, particularly after Friday's dovish NFP while attention turns to Fed Chair Powell and US CPI data this week. XAU/USD hit a low of USD 2,351/oz, wiping out all the post-NFP gains on Friday.

Antipodes saw marginal selling pressure vs the flat Buck despite upside in the equity space. Nonetheless, AUD advanced as high as 0.6761 overnight to reach its highest level since Jan 3rd before scaling back gains towards its 50DMA @ 0.6742. NZD/USD has seen similar price action, printing a 0.6167 peak before moving back towards its 50DMA @ 0.6136. With the Dollar paring from lows, both pairs moved beneath the 50dma.

The Pound was flat vs the Dollar and the Euro; Cable traded either side of 1.2800 while EUR/GBP saw a narrow 20 pip trading range around 0.8450. Meanwhile, BoE's Haskel spoke, noting he would rather hold rates until there is more certainty that underlying inflationary pressures have subsided sustainably.

EMFX was mixed, BRL saw weakness after Brazil inflation data for June rose 0.5%, beneath the 0.59% forecast and down from the prior 0.87% while giving back some of the gains post Lula's fiscal stability calls last week. MXN saw gains in continuation from Friday's dovish US NFP which has seen money markets price in two rate cuts from the Fed this year with the Peso paring some of the post-Sheinbaum losses. CLP was sold vs the Greenback, tracking copper prices lower, meanwhile, Chile inflation data eased by 0.1% in June, a touch more than the expected -0.04%. Trade data also saw copper exports decline ease M/M. Elsewhere, ZAR saw gains despite weakness in gold but the South African 5yr CDS fell to the lowest level since January, according to S&P Global Market Intelligence.

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