



US Market Wrap

15th July 2024: Markets chop to Trump assassination attempt and dovish Powell

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude down, Dollar flat.
- **REAR VIEW:** Failed Trump assassination attempt; Powell nods to inflation progress boosting Fed's confidence; Goolsbee supports lowering rates; Trump picks JD Vance as VP; Disappointing Chinese data; GS earnings beat; AAPL Indian revenue +33% Y/Y, while it is upgraded at Loop & PT raised at MS.
- **COMING UP: Data:** German ZEW, ECB Bank Lending Survey, US Import Prices, Retail Sales, Canadian CPI, Retail Sales, New Zealand CPI **Events:** Republican Convention **Speakers:** Fed's Kugler **Supply:** UK, Germany **Earnings:** Richemont, B&M European, Bank of America, Morgan Stanley, UnitedHealth, Charles Schwab.
- **WEEK AHEAD:** US & UK Retail Sales, Japan, NZ, UK and Canada inflation, and the ECB Policy Announcement. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC MLF, SARB, ECB; Reviewing Fed Chair Powell, RBNZ and the BoJ Bond Meeting. [To download the report, please click here.](#)

MARKET WRAP

US indices closed with upside bias (SPX & NDX +0.3%, DJIA +0.4%) while the small-cap Russell 2000 (+1.9%) continued its outperformance, with the highlights being the failed Trump assassination attempt, which has ultimately boosted his election chances, and Fed Chair Powell nodding to inflation progress giving the Fed more confidence. The Dollar was choppy, starting the week in the green before paring as eyes turned to Powell. The DXY hit lows of 104 while the Yen saw notable but brief strength after Powell's dovish remarks. The Fed Chair acknowledged that the recent three months of inflation data has increased the Fed's confidence inflation will return to target, but caveated that more data will add to that confidence - suggesting they are not quite fully confident. Treasuries steepened in response to an increased likelihood of Trump being re-elected as President but briefly hit peaks in response to Powell, before swiftly paring into settlement. The crude complex was lower to start the week, albeit in a choppy session in thin ranges, as Chinese data overnight disappointed while Gaza talks took a pause. US nat gas saw chunky losses in response to a slow restart of the Freeport LNG export terminal. Sectors were mixed, with Energy and Financials sitting atop of the pile with the latter buoyed by Goldman Sachs (GS) (+2.5%) reporting strong results. Utilities were the distinct laggard and weighed on by NextEra Energy (NEE) (-6.5%) trimming its 8-day rally. Stock-specific highlights include Trump Media & Technology Group (DJT) surging after the odds of Trump winning the election increased, which also weighed on Solar Names (ENPH, FSLR), but Health Insurers (CI, CVS, UNH) and Gun Names (RGR, SWBI) saw gains. Looking ahead, Retail Sales (Jun), Fed's Kugler, and earnings (BAC, MS, SCHW, UNH) are the highlights on Tuesday.

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POWELL: Fed Chair Powell largely echoed remarks from his Congressional Testimonies, although he did acknowledge the last three inflation readings do add confidence to the Fed that inflation is returning to target but more good data will add to that confidence - suggesting the Fed still want a bit more progress. The Fed Chair refrained from providing any policy guidance, noting that decisions will be on a meeting-by-meeting basis and he is not going to send any signal on any particular meeting. The Fed Chair noted that with inflation coming down, the Fed will look at both mandates, repeating if there was an unexpected weakening of the labour market, the Fed would react.

GOOLSBEE: The mild June inflation reading makes Goolsbee more confident that price pressures are easing in a way that supports lowering interest rates, according to WSJ. Goolsbee added he is concerned that holding rates steady would contribute to an unduly restrictive policy stance; said, "We set this rate when inflation was over 4%, and inflation is now, let's call it, 2.5%. That implies we have tightened a lot since we've been holding at this rate." The Chicago Fed President added that you only want to stay this restrictive for as long as you have to, noting the economy does not look like it is overheating. He declined to comment on whether they should cut in July or wait until September; noting monetary policy is more influenced by broader expectations rather than "whether you did something today, or six weeks from today,". Goolsbee noted that what the Fed should do at the July meeting and meetings in the imminent future, is to try and figure out where the Fed is on the path.



EMPIRE FED: NY Fed Manufacturing printed -6.6 in July, slightly better than the expected -7.0, but worse than June's -6.0. Looking into the details, New Orders were little changed at -0.6 (prev. -1.0), Shipments ticked higher to 3.9 from 3.3, and Employment continued to contract at -7.9 (prev. -8.7). The inflation gauge of Prices Paid rose to 26.5 from 24.5, while Prices Received dipped to 6.1 from 7.1. Ahead, six-month general business conditions fell to 25.8 from 30.1, while both price metrics rose. In the report, Richard Deitz, Economic Research Advisor at the New York Fed, said "Manufacturing conditions remained somewhat sluggish in New York State in July, though orders held steady and shipments edged slightly higher. Employment continued to contract, and capital spending plans were weak. However, firms remained fairly optimistic that conditions would improve in the months ahead." Note, survey responses were collected between July 2nd and July 10th.

FIXED INCOME

T-NOTE (U4) FUTURES SETTLED 6+ TICKS LOWER AT 110-31+

Treasuries steepened after the failed assassination attempt on Trump boosted his re-election chances while Powell noted recent data adds to Fed confidence inflation is returning to target. At settlement, 2s -0.3bps at 4.458%, 3s +0.6bps at 4.240%, 5s +2.4bps at 4.135%, 7s +3.5bps at 4.166%, 10s +4.6bps at 4.233%, 20s +5.6bps at 4.557%, 30s +5.6bps at 4.457%.

INFLATION BRAKEEVENS: 5yr BEI +4.3bps at 2.211%, 10yr BEI +3.0bps at 2.272%, 30yr BEI +2.3bps at 2.303%.

THE DAY: T-Notes gapped lower at the re-opening of trade with the failed assassination attempt of Presidential candidate Trump weighing on the long end of the curve. The failed assassination attempt is widely expected to boost support for Trump and this is also observant in betting markets. If Trump returns to the White House, his policies around tax cuts, tariffs and loose fiscal policy are all expected to be inflationary. T-Notes hit lows shortly after the re-open of electronic trade, pushing to a low of 110-24+ before paring throughout the morning to an intra-day peak of 111-04+ with the move led by EGBs. There was little reaction to the NY Fed Manufacturing which worsened only marginally in July, but not as deep as expected while prices paid ticked up slightly. The initial remarks from Fed Chair Powell at the Economic Club of Washington saw T-Notes briefly print a fresh session high of 111-06+ as he spoke about the latest inflation data, noting Q2 inflation represents progress and the three readings add confidence to the Fed that inflation is falling. The speech elsewhere was largely a reiteration of what was said at the congressional testimonies. Nonetheless, the move swiftly pared shortly after with the Fed Chair giving no explicit guidance about future policy action, but also refraining from saying the Fed has fully achieved that confidence inflation is returning to 2% in a sustainable manner. It is worth noting that pre-Powell a note from Goldman Sachs was getting attention, that the desk believes there is solid rationale for a July rate cut, although they maintained their base case for a September move. Nonetheless, Powell did little to endorse a July rate cut and September is largely seen as the consensus. Looking ahead, attention turns to US Retail Sales, Canadian CPI, and Fed's Kugler on Tuesday ahead of the 20yr bond auction on Wednesday and ECB on Thursday.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 27bps (prev. 25bps D/D), November 44bps (prev. 39bps), December 66bps (prev. 61bps).
- NY Fed RRP op demand at USD 413bln (prev. 407bln) across counterparties 65 (prev. 73)
- US sold USD 80bln in 3mth bills at a high rate of 5.195%, B/C 2.69x; Sold USD 74bln in 6mth bills at a high rate of 4.985%, B/C 2.85x.
- SOFR at 5.34% (prev. 5.34%), volumes at USD 1.900tln (prev. 1.920tln). EFR at 5.33% (prev. 5.33%), volumes at USD 88bln (prev. 84bln).

CRUDE

WTI (Q4) SETTLED USD 0.30 LOWER AT 81.91/BBL; BRENT (U4) SETTLED USD 0.18 LOWER AT 84.85/BBL

The crude complex was lower to start the week, albeit in a choppy session in thin ranges, as Chinese data overnight disappointed while Gaza talks took a pause. WTI and Brent were initially pressured at the reopening due to Dollar strength due to the attempted assassination of former president Trump. In addition, below-forecast Chinese GDP and retail sales metrics weighed, which followed the sub-par Chinese inflation and import numbers from last week. Geopolitics meanwhile saw a pause in Gaza talks whilst Israel attacked Khan Younis, targeting Hamas military Chief



Mohammed Deif. However, sources via Asharq news suggested Hamas are open to resuming prisoner exchange talks, while Axios/Walla's Ravid suggested the Israeli security cabinet will convene on Tuesday and discuss the Gaza hostage and ceasefire deal.

NAT GAS: US nat gas saw notable losses on Monday, whilst ING suggested that "More recent weakness in Henry Hub appears to be due to an outage at Freeport LNG, following Hurricane Beryl. The LNG export plant is taking longer than expected to resume operations." Following this, Freeport LNG reported it expects to restart the first LNG train this week, and intends to restart the remaining two LNG trains shortly after the first one.

EQUITIES

CLOSES: SPX +0.28% at 5,631, NDX +0.27% at 20,386, DJI +0.53% at 40,211, RUT +1.71% at 2,184.

SECTORS: Energy +1.56%, Financials +1.42%, Industrials +0.70%, Technology +0.41%, Real Estate +0.40%, Communication Services +0.32%, Materials -0.30%, Consumer Discretionary -0.31%, Health -0.43%, Consumer Staples -0.60%, Utilities -2.39%

EUROPEAN CLOSES: Euro Stoxx 50 -1.22% at 4982, DAX -0.79% at 18581, CAC 40 -1.19% at 7619, FTSE 100 -0.85% at 8175, SMI -0.58% at 12279, FTSE MIB -0.59% at 34330, IBEX 35 -0.96% at 11143, PSI -1.55% at 6706, AEX -0.79% at 937.

STOCK SPECIFICS:

- **Goldman Sachs (GS)** - Beat on EPS, revenue, FICC sales and trading revenue.
- **Apple (AAPL)** - Indian revenue increases 33% Y/Y, nearing USD 8bn. Meanwhile, Morgan Stanley raised its PT and replaced Dell with Apple as the top pick in enterprise hardware. Apple was also upgraded at Loop Capital.
- **Trump Media & Technology Group (DJT)** - The odds of Donald Trump winning the election surged after the attempted assassination over the weekend. Following this, Solar names (ENPH, FSLR) saw downside, whereas Health Insurers (CI, CVS, UNH) and Gun names (SWBI, RGR) noticed gains.
- **Alphabet (GOOGL)** - In talks to acquire cybersecurity startup Wiz for ~ USD 23bn. The deal would mostly be funded in cash and would be the company's biggest acquisition to date.
- **Blackrock (BLK)** - Beat on adj. EPS and recorded a new high of USD 10.65tn assets managed in Q2. Note, revenue missed.
- **Super Micro Computer (SMCI)** - Will replace Walgreens Boots Alliance (WBA) in the Nasdaq 100 index prior to the market open on July 22nd.
- **Nvidia (NVDA)** - French Competition Authority confirmed an investigation is underway into the Co.
- **Macy's (M)** - Terminated discussions with Arkhouse and Brigade.
- **Cleveland-Cliffs (CLF)** - To acquire Stelco (STZHF) for roughly USD 2.5bn.
- **Salesforce (CRM)** - Cuts about 300 jobs as it seeks 'right structure.

US FX WRAP

The Dollar Index initially gapped higher following the attempted assassination of former president Trump on Saturday which boosted Trump's reelection chances. The DXY hit a low later in the session of 104.00 in response to Fed Chair Powell, who acknowledged recent inflation data adds to the Fed's confidence that inflation is returning to target, but the move swiftly pared with the Fed chair adding that more data will give them more confidence. US data saw the NY Fed Manufacturing survey for July came in slightly above expectations while prices paid saw a slight uptick. Attention turns to US Retail Sales for June with the M/M expected at -0.3%, and Fed's Kugler (Voter, Neutral) to speak at the NABE conference.

The Euro was ultimately flat against the Buck with the Trump assassination attempt and Fed Chair Powell taking the limelight on Monday. Out of the Eurozone, there was mixed Industrial Production data for May; M/M fell 0.6% (exp. -1.0%), while the Y/Y fell 2.9% (Prev. -3.1%). Euro watchers look towards Tuesday for the ECB Bank Lending Survey and the German ZEW Economic Sentiment, which previously increased to 47.5 in June 2024, the highest reading since February 2022; markets expect the index to fall to 42.3 for July. EUR/USD traded either side of the 1.09 mark, with attention fixated on the ECB's Interest rate decision on Thursday, where rates are widely expected to be left unchanged. There are also the Final figures for June CPI in the Eurozone on Wednesday.

Activity currencies were all weaker against the buck, with declines led by the Kiwi in a continuation of the dovish RBNZ last week. NZD/USD fell back below its 200 DMA @ 0.6097 to session lows of 0.6079, with losses slightly paring later on; this move comes ahead of the Q2 Inflation data on Tuesday, which is expected at 0.5% Q/Q and 3.4% Y/Y. Out of



Canada, the BoC Business Outlook for Q2 revealed most respondents expect inflation to return close to target in 2-3 years; USD/CAD hovered near the 1.368 mark ahead of inflation data on Tuesday before the BoC rate decision next week. Canada CPI is expected to remain unchanged from May at 2.8%, meanwhile, GBP and AUD traders will be eyeing UK Inflation (Wed), Australian Unemployment Rate (Thu), and UK Retail Sales (Fri).

The Yen and Franc were ultimately little changed vs the Dollar but both saw notable strength vs the greenback during Powell's speech. USD/JPY fell from 157.9 to 157.16 and USD/CHF fell from 0.8951 to 0.8935. The move coincided with Powell's remarks that the latest inflation data adds to the Fed's confidence, but the moves were more pronounced in the Yen, with GBP/JPY and EUR/JPY also tumbling.

The Yuan too was ultimately flat versus the buck following an inundation of China data. Industrial Output Y/Y in June rose 5.3% above expectations of 5.0%; Retail Sales Y/Y for June fell short of expectations (3.3%) at 2%, the softest figure in the last 17th months; Headline GDP Q2 Y/Y was 4.7%, lower than market forecasts of 5.1%. ING notes that the "data releases showed that the road to 5% growth remains difficult, and more fiscal monetary policy support will be needed in the second half of the year if this year's key growth target is to be achieved. Meanwhile, the PBoC maintained its MLF Rate at 2.5% and China's Third Plenum (Mon-Thu) will be closely watched this week, as the political event can introduce major structural reforms, with expectations on technology innovation and demographic challenges.

EMFX: PLN ends its 10-day rally against the dollar, following Final Polish CPI numbers for June remaining unchanged from the prior. MXN slides on Trump's return to the White House seeming more and more likely. Remarks from Banxico's Deputy Governor Mejia stated that interest rate adjustments should be gradual and not necessarily continuous, albeit the focus was on Trump's reelection odds for the MXN. BRL saw slight losses vs the buck despite improved Brazilian Economic Activity data. Elsewhere, the Rand tumbled ahead of the SARB announcement on Thursday, where they expected to maintain the Repo Rate at 8.25%; USD/ZAR started the session around 17.92, finishing near the 18.28 mark.

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