

newsquawk

Daily US Equity Opening News

30th July 2024: Stocks and bonds chop to data and geopolitics ahead of key risk events - **SNAPSHOT**: Equities mixed, Treasuries up, Crude down, Dollar flat - **REAR VIEW**: Multiple BoJ reports say the bank is considering a 15bps hike; Israeli military launched retaliatory attack on Lebanon; JOLTS above expectations, with the prior revised up; Mixed US Consumer Confidence, but headline beats; DAL seeks CRWD compensation; GLW Q3 guidance disappoints; Poor LSCC report
- **COMING UP**: **Data**: Japanese Retail Sales, Australia CPI, German Trade, French CPI, German Unemployment Rate, Italian Industrial Sales, EZ Flash HICP, US ADP, US Chicago PMI. **Events**: FOMC, BoJ & BCB Policy Announcements. **Speakers**: Fed Chair Powell. **Supply**: Germany & US Quarterly Refunding Announcement. **Earnings**: HSBC, Taylor Wimpey, GSK, Lufthansa, Fresenius SE, Siemens Healthineers, Adidas, Schneider Electric, Danone, Safran, Telefonica, BBVA, Telecom Italia, ADP, Boeing, Mastercard, ARM, Meta, Qualcomm, T-Mobile US

MARKET WRAP

Stocks were mixed on Tuesday with underperformance in the Nasdaq with Tech and Consumer Discretionary sectors weighing while the Russell and Dow Jones outperformed. The S&P closed red with the tech downside hitting the index, while the equal weight S&P gained and the majority of sectors were in the green, showcasing the downside was largely concentrated in tech. The selling pressures emerged after JOLTS came in above expectations with the prior revised up while Consumer Confidence also beat expectations. The data briefly weighed on T-Notes although the move later pared, and more, with T-Notes pushing to session highs on reports of an explosion in Beirut, Lebanon, which was later confirmed to be the retaliatory attack from Israel, targeting the commander who organized the Golan Heights attack. The news helped oil off lows while gold pushed back above USD 2,400/oz. Oil prices remained in the red despite the geopolitical escalation with demand fears continuing to weigh on the crude complex. The Dollar was flat on Tuesday ahead of key risk events while the Yen outperformed after several Japanese sources articles suggested the BoJ is to consider a 15bp hike at the upcoming meeting. Looking ahead, there are plenty of earnings still due this week while the macro focus turns to the BoJ, FOMC, ISM Manufacturing PMI, BoE, OPEC+ JMMC, US NFP, and mega-cap earnings as well as any further geopolitical developments.

US DATA

JOLTS: Headline JOLTS fell to 8.18mln from the prior 8.23mln, within the 7.8-8.2mln forecast, with the prior revised up from 8.14mln. The vacancy rate was unchanged at 4.9%, while the quits rate was also unchanged at 2.1%, but the prior saw a revision lower from 2.2%. Job openings increased in accommodation and food services (+120,000) and in state and local government, excluding education (+94,000). The number of job openings decreased in durable goods manufacturing (-88,000) and in the federal government (-62,000). Oxford Economics highlight that the quits rate of 2.1%, the lowest since early months of the pandemic, is a level that is consistent with further moderation in wage growth to a pace consistent with the Fed's 2% inflation target. Oxford Economics also highlight that the number of unemployed increased by 157k in June, while the decline in job openings pushed the ratio of job openings to unemployed workers down to 1.20 from 1.24 in May and sharply down from the 1.96 peak in May 2022. However, it remains above 1.00, a level the consultancy previously viewed as being consistent with a balanced labour market. OxEco note that now they believe labour market conditions may be balanced at a higher ratio, due to lower costs of posting jobs online, employers may maintain job listings longer than they did previously, which would allow them to develop a pool of job candidates even if they have no immediate plans to hire.

CONSUMER CONFIDENCE: Rose in July to 100.3 (exp. 99.7), from a downwardly revised prior of 97.8. The Present Situation index declined to 133.6 from 135.3, with the Expectations improving to 78.2 (prev. 72.8). Elsewhere within the release, consumers' assessment of current business conditions was slightly less positive in July, while consumers' appraisal of the labour market deteriorated, highlighted by jobs plentiful declining to 34.1% (prev. 35.5%), and hard to get lifting to 16.0% (prev. 15.7%). The Chief Economist of the Conference Board said, "Confidence increased in July, but not enough to break free of the narrow range that has prevailed over the past two years." He added, "Even though consumers remain relatively positive about the labor market, they still appear to be concerned about elevated prices and interest rates, and uncertainty about the future; things that may not improve until next year." Moreover, compared to last month, consumers were somewhat less pessimistic about the future. Looking ahead, average 12-month inflation expectations remained stable at 5.4%, and July's write-in responses showed that elevated prices, especially for food and groceries, and inflation remain the key drivers of consumers' views of the economy, followed by the US political situation and the labour market.

PREVIEWS

FOMC PREVIEW: The Fed is expected to hold the Federal Funds Rate at 5.25-5.50% at its 31st July meeting at 19:00BST/14:00EDT. Note, there are no new SEPs due at this meeting. As such, market participants will be looking out for any commentary or guidance laying the groundwork for a September cut, although there is unlikely to be any explicit commitment, and there is plenty of data between now and the September 18th confab as the Central Bank continues its data-dependent approach. As a result, traders will be attentive to the statement to see if they adjust their language on guidance or inflation. Chair Powell – whose presser begins at 19:30BST/14:30EDT – will also be in focus, and he may offer similar comments to his recent appearances, whereby he noted the last three inflation readings do add confidence that inflation is returning to target. [For the full preview, please click here.](#)

BOJ PREVIEW: The Bank of Japan will conclude its 2-day policy meeting on Wednesday where there are mixed views as a majority of economists in a recent survey expect the policy rate to be kept at 0.0%-0.1% while money markets are pricing around a 38% chance of a 15bps hike. The BoJ is also set to announce its taper plans and will release the latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI. In terms of expectations, a recent Reuters poll showed 76% of economists expect the BoJ to keep rates unchanged and 59% expect the BoJ to taper bond purchases to around JPY 5tn per month as a first step at the July meeting. Economists are split over which month the BoJ will hike rates as 43% think October, 30% think September and only 24% think July. [For the full preview, please click here.](#)

QUARTERLY REFUNDING PREVIEW: The Treasury will announce next quarter issuance on Wednesday 31st July. At the last refunding, the Treasury announced USD 125bln of refunding for May, comprising USD 58bln in 3yr notes, USD 42bln in 10yr notes and USD 25bln in 30yr bonds. It also noted the "Treasury believes these cumulative changes leave it well positioned to address potential changes to the fiscal outlook and to the pace and duration of future SOMA redemptions". Adding that "Based on current projected borrowing needs, Treasury does not anticipate needing to increase nominal coupon or FRN auction sizes for at least the next several quarters." Analysts at Wells Fargo expect

coupon auction sizes to remain unchanged for the second consecutive quarter. Providing the Treasury keeps monthly auction sizes unchanged as expected, it is expected to maintain 2-yr supply at USD 69bln, 3yr at 58bln, 5yr at 70bln, 7yr at 44bln, 10yr at 42bln, 20yr at 16bln, 30yr at 25bln and FRNs at 28bln for August. [For the full preview, please click here.](#)

FIXED INCOME

T-NOTE (U4) FUTURES SETTLED 7 TICKS HIGHER AT 111-18

T-Notes bull steepen with heightened geopolitical tensions offsetting strong economic data ahead of key risk events. At settlement, 2s -2.6bps at 4.361%, 3s -2.6bps at 4.174%, 5s -3.0bps at 4.040%, 7s -3.2bps at 4.071%, 10s -3.1bps at 4.147%, 20s -2.6bps at 4.500%, 30s -2.8bps at 4.405%.

INFLATION BREAKEVENS: 5yr BEI -1.5bps at 2.269%, 10yr BEI -1.0bps at 2.240%, 30yr BEI -0.9bps at 2.246%.

THE DAY: T-Notes meandered overnight and in the European morning with seemingly little reaction to the hot regional German CPI data, which ultimately translated through to above expectations German CPI and HICP, which saw slight selling pressure in T-Notes, which swiftly pared ahead of US JOLTS data. JOLTS ultimately fell by less than expected with the prior revised up, which saw T-Notes fall back to pre-data lows. The move was also likely supported by a beat on US Consumer Confidence too. Nonetheless, T-Notes gradually pared before spiking higher on geopolitical risk in a flight-to-quality bid with gold also moving higher. The reports of an explosion in Beirut kicked off the bid with it ultimately being confirmed as a response from Israel re. the attack on the Golan Heights, with the Hezbollah commander responsible for the attack being the target although there are mixed reports on whether he managed to survive. Elsewhere, ahead of the BoJ, several sources suggested the BoJ is to consider a hike to 0.25% at the upcoming meeting, with JiJi, NHK and Nikkei all reporting the news. Alongside BoJ, attention this week turns to FOMC, Quarterly Refunding, ISM Manufacturing PMI, BoE, US NFP and mega cap earnings.

STIRS:

- Market Implied Fed Rate Cut Pricing: September 28bps (prev. 28bps D/D), November 44bps (prev. 44bps), December 68bps (prev. 67bps).
- NY Fed RRP op demand at USD 382bln (prev. 377bln) across 70 counterparties (prev. 69)
- US to sell USD 60bln 17 week bills on July 31st; to sell USD 90bln 4 week bills on August 1st; to settle USD 85bln 8 week bills on August 1st; all to settle on August 6th
- US sold USD 70bln in 42-day CMBs at 5.280%, covered 2.93x
- SOFR at 5.33% (prev. 5.35%), volumes at USD 1.982tln (prev. 2.027tln).
- EFFF at 5.33% (prev. 5.33%), volumes at USD 90bln (prev. 85bln).

CRUDE

WTI (U4) SETTLED USD 1.08 LOWER AT 74.73/BBL; BRENT (U4) SETTLED USD 1.15 LOWER AT 78.63/BBL

The crude complex was lower on Tuesday amid ongoing weakness from China demand woes, despite escalating geopolitical tensions ahead of the weeks pivotal risk events. Regarding the day, WTI and Brent saw choppiness through the European morning but eventually inched higher to hit peaks of USD 75.97/bbl and 79.99/bbl, respectively. Thereafter, the crude complex sold off in a continuation of the weakness emanating from Chinese demand that has plagued the complex to see it WTI and Brent hit troughs of USD 74.59/bbl and 78.43/bbl. However, energy came off lows after it was reported that the Israeli military carried out strike in Beirut in retaliation for attack on Golan Heights and targeted the commander responsible. Nonetheless, as it was reported he survived and the dust settled, energy edged back towards its earlier troughs. Looking ahead, the weekly private inventory data is after-hours (expectations are for Crude -1.1mln, Distillate -1.2mln, Gasoline -1.0mln), ahead of the major macro risk events via BoJ, FOMC, ISM Manufacturing PMI, mega-cap earnings, and NFP.

EQUITIES

CLOSES: SPX -0.50% at 5,436, NDX -1.40% at 18,796, DJIA +0.50% at 40,743, RUT +0.40% 2,243

SECTORS: Technology -2.20%, Consumer Staples -0.66%, Consumer Discretionary -0.55%, Materials -0.36%, Health +0.11%, Communication Services +0.16%, Industrials +0.27%, Utilities +0.55%, Real Estate +0.76%, Financials +1.19%, Energy +1.54%.

EUROPEAN CLOSES: DAX: +0.56% at 18,424, FTSE 100: -0.22% at 8,274, CAC 40: +0.42% at 7,475, Euro Stoxx 50: +0.53% at 4,841, AEX: +0.43% at 908, IBEX 35: +0.76% at 11,203, FTSE MIB: +0.79% at 33,908, SMI: +0.52% at 12,278, PSI: -0.89% at 6,639.

EARNINGS

- **Pfizer (PFE)** - Adj. EPS and revenue beat, alongside raising its 2024 guidance.
- **Merck (MRK)** - FY24 guidance disappointed, though, top and bottom line were strong.
- **Procter & Gamble (PG)** - Revenue missed, with midpoint for FY25 organic revenue midpoint slightly short.
- **Archer-Daniels-Midland (ADM)** - EPS and revenue fell short.
- **American Tower (AMT)** - Adj. EBITDA, AFFO/shr, and revenue all exceeded forecasts.
- **Corning (GLW)** - Q3 guidance disappointed.
- **Lattice Semiconductor (LSCC)** - Adj. EPS and revenue were poor, and Q3 revenue guidance missed.
- **F5 Networks (FFIV)** - EPS and revenue surpassed expectations and raised its FY EPS view.
- **PayPal Holdings (PYPL)** - Beat on the top and bottom line, raised its FY EPS view, and increased its share buyback.
- **JetBlue Airways (JBLU)** - Beat on top and bottom line.
- **Symotic (SYM)** - Unexpectedly reported a loss per share for Q3, alongside a poor Q4 revenue outlook.

STOCK SPECIFICS

- **CrowdStrike (CRWD)** - Delta Air Lines pursues damages from the Co. and Microsoft based on having to cancel almost 7k flights after the outage it faced from CrowdStrike's software update.
- **Apple (AAPL)** - CNBC reports, that the Co.'s AI models, which are part of the Apple Intelligence Systems were pretrained using Google's Tensor Processing Units, signaling major tech companies exploring alternatives to Nvidia GPUs for AI training.
- Edgar Bronfman Jr. is reportedly still eyeing a **Paramount (PARA)** deal, according to Axios
- **Blackstone (BX)** - In talks to acquire **Retail Opportunity Investments Corp (ROIC)**, according to Reuters citing sources.
- **Social media names (META, SNAP)** - New notice sent to House staff this morning announces that in two weeks, all ByteDance products will be banned from House-managed devices and app stores, according to Punchbowl's Cohen's; Most prominently, this

- includes a ban of TikTok from House device.
- US DoJ sues **Norfolk Southern (NSC)** to stop Amtrak passenger train delays.
- US court over turns USD 2bln verdict for **Appian (APPN)** in trade-secrets case against **PegaSystems (PEGA)**, according to a court ruling.
- **CVR Energy (CVI)** - Continues to explore strategic transactions in refining and nothing to immediately report; Carl Icahn-controlled CVR placed a bid for shares in court-auction of a Citgo petroleum parent, according to Reuters citing sources.
- **Tenable Holdings (TENB)** - Reportedly exploring a potential sale, according to Bloomberg citing sources; is said to be working with advisers after receiving takeover interest.
- **Microsoft (MSFT)** Azure says an unexpected usage spike resulted in errors, according to Bloomberg. Later on, Reuters reported that **Starbucks (SBUX)** apps outage is connected to Microsoft's Azure cloud issue, according people familiar with the matter. Microsoft Azure sees services fully mitigated by 21:30BST/16:30EDT. In other news, MSFT-backed OpenAI rolls out voice assistant after safety-related delay.
- **Amazon (AMZN)** - Reportedly sued **Nokia (NOK)** in Delaware federal court on Tuesday, accusing the co. of infringing a dozen Amazon patents related to cloud-computing technology.

US FX WRAP

The Dollar Index was flat on Tuesday, and was pressured from safe-haven demand, but this was balanced by gains against the Euro and Pound. The index saw highs of 104.79 earlier in the session, with the higher-than-expected JOLTS figure seeing it test the figure to the upside, again. Ultimately, the Index edged lower, paring gains, perhaps as participants weighed on the upward revision to the May JOLTS figure. This indicated that despite the print being higher than expected it still decreased M/M, just at a slower pace than anticipated. Attention on the buck now looks towards Wednesday, for FOMC, ADP National Employment (Jul), US Treasury Quarterly Refunding Announcement, and Chicago PMI (Jul).

The **Euro** saw marginal losses against the Greenback, with the cross hovering around the low end of the 1.08 mark, in a session that saw a tight range, amid a slew of data within the region, which saw mostly positive prints in the EZ (better-than-expected EU GDP, Economic/Industrial Sentiment, and France/Spanish GDP Q/Q Q2). However, Germany's GDP Flash QQ SA Q2 unexpectedly contracted, driven by a drop in investments in equipment and buildings. There was also hot regional German CPI data, which ultimately translated through to above expectations German CPI and HICP. A series of CPI data lies ahead on Wednesday, specifically, EZ, France, and Italy.

Haven FX saw upside versus the dollar, with strength led by the Yen, after USD/JPY fell to lows of 152.99 after multiple Asian news outlets reported that the BoJ is considering raising rates to 0.25%, in its meeting on Wednesday; BoJ pricing puts an approx. 40% chance of a 15bps rate hike in the meeting. Elsewhere, the Swiss KOF Indicator (July) fell more than expected, with foreign and consumer demand worsening; USD/CHF saw lows of 0.8827, though it has bounced since.

Gold too saw strength, lifting back above USD 2,400/oz, with gains largely arising from rising geopolitical tensions, namely, Israeli carrying out a strike in Lebanon's capital Beirut, aiming for a senior Hezbollah commander responsible for the strikes on Golan heights. Note, there has been conflicting reports whether the strike killed the intended target of the attack.

Activity currencies were mixed with the **Kiwi** the clear outperformer and sole currency in the space in the green against the Greenback. As a result, **NZD/USD** is on track to snap an 8 session losing streak after the move to the downside ran out of steam ahead of the YTD trough at 0.5852. **CAD** is flat, despite lower oil prices, and the **Aussie** and **Pound** sit in the red. Macro newsflow in the space was thin, with updates picking up on Wednesday, particularly: Australian Retail Sales M/M Final (Jun), Australian CPI, and Canadian GDP, ahead of BoE on Thursday.

EMFX: The **Mexican Peso's** recent weakness continued on Tuesday amid a preliminary estimate from INEGI indicating that Mexico's economy grew marginally less than expected in Q2, thus, as a result, uplifting the case for Banxico to deliver an interest rate cut next month. **EUR/CZK** was flat after Czech Prelim GDP Q2 metrics fell slightly short of expectations, whereas **EUR/HUF** rallied after Hungary's GDP Y/Y Prelim for Q2 came in well below market forecasts. For the **Real**, it was more-or-less flat, despite Brazil's IGP-M Inflation Index (Jul) rising more than expected, ahead of the BCB's Selic Interest Rate decision, who are widely expected to hold the Selic Rate at 10.5%.

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