

### 9th August 2024: Stocks and bonds bid as eyes turn to US CPI next week

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar down
- **REAR VIEW:** Fed's Schmid and Collins believe it is appropriate to ease restrictive policy soon; China inflation hotter than forecast; Strong Canada full time jobs, unemployment rate beneath forecast; Strong TSM July sales
- **COMING UP:** Data: Indian CPI, German Retail Sales, US NY Fed SCE. **Speakers:** RBA's Hauser
- **WEEK AHEAD:** Highlights include US CPI and Retail Sales; UK CPI, Jobs and Retail Sales; Aussie Jobs; RBNZ; China activity data and Japan GDP. [To download, the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBNZ, PBoC, Norges Bank; Reviewing RBA, BoJ SOO, BoC Minutes and Banxico. [To download the report, please click here.](#)

## MARKET WRAP

Stocks were predominantly bid on Friday with outperformance in the Nasdaq, although the Russell lagged and was the only index finishing in the red. The majority of sectors were green, with outperformance in Communication Services, Technology, and Real Estate, while Materials, Industrials, and Consumer Staples were the relative laggards. T-notes Bull flattened with eyes turning to US CPI next week while the Dollar index saw slight pressure but DXY managed to hold above 103.00. The Yen and Franc outperformed thanks to lower UST yields while antipodes lagged with Kiwi traders eyeing the RBNZ rate decision next week, with analysts split between a hold or cut. Highlights on Friday saw slightly hotter than expected China inflation data, while Canada Employment was mixed, with the headline missing, the unemployment rate printing beneath expectations, and the full-time employment number surging. Fed's Collins also spoke, noting that if data continues to come in the way she expects, she believes it will be appropriate to soon adjust policy and ease restrictiveness. She also noted the July jobs report was softer than expected, and it warrants careful attention, but she cautioned against over-emphasizing any one or two releases.

## FED

**COLLINS (2025 Voter)** said if the data continues the way that she expects, she believes that it will be appropriate soon to begin adjusting policy and easing how restrictive the policy is. With regards to the pace and timing of the easing, Collins said it would have to be determined by data. On the July NFP miss, she said it warranted careful attention but she cautions against overemphasising any one or two later releases for a variety of reasons.

**SCHMID (2025, Voter)** said that if inflation continues to come in low, it will be appropriate to adjust policy, adding the current stance of Fed policy is not that restrictive and the Fed is close, but still not quite there on reaching the 2% inflation goal. He noted that financial conditions can impact the real economy, but the Fed must remain focused on its dual mandate. He is more confident that inflation is on the path to target, given recent encouraging inflation data. He noted that price data is volatile and that they should look for the worst in the data rather than the best. He acknowledged there has been a noticeable cooling of the labor market, but overall it still appears healthy, adding a cooling labor market is a necessary condition for easing inflation. Nonetheless, Schmid noted the story could change if conditions were to weaken considerably and the path of Fed policy will be determined by data and the strength of the economy. He would not want to assume any particular path or endpoint for the policy rate, however.

## FIXED INCOME

### T-NOTE (U4) FUTURES SETTLE 9+ TICKS HIGHER AT 112-30+

**T-Notes bull steepen with eyes turning to US CPI next week.** At settlement, 2s +1.5bps at 4.059%, 3s -0.1bps at 3.881%, 5s -3.0bps at 3.803%, 7s -4.1bps at 3.849%, 10s -5.0bps at 3.947%, 20s -5.6bps at 4.321%, 30s -5.5bps at 4.231%.

**INFLATION BREAKEVENS:** 5yr BEI -2.3bps at 2.112%, 10yr BEI -2.1bps at 2.112%, 30yr BEI -1.8bps at 2.148%.

**THE DAY:** Treasuries bull flattened on Friday after Thursday's bear flattening in a quiet day of trade as participants' attention turned to US CPI next week. T-notes saw marginal upside overnight despite a slightly hotter-than-expected China inflation report with T-notes extending higher once US trade got underway, to see futures peak around 113-05 (yield low of 3.92%). There was little US data released today, although, since the T-note settlement yesterday, Fed's Barkin, Goolsbee, Schmid, and Collins have spoken. Barkin and Goolsbee noted we are getting back to more normal conditions in the US economy, while Schmid said a cooling labor market is a necessary condition for easing inflation. Collins believes it will be appropriate to begin adjusting policy and easing how restrictive policy is, as long as data continues the way she expects, and she noted the soft jobs report does warrant careful attention, but warned against overemphasizing any one or two later releases for a variety of reasons. After T-notes hit peaks around the US equity open, gains pared marginally into settlement, settling just sub 113-00.

### STIRS:

- Market Implied Fed Rate Cut Pricing: September 37bps (prev. 39bps D/D), November 70bps (prev. 72bps), December 101bps (prev. 103bps).
- NY Fed RRP op demand at USD 312bln (prev. 303bln) across 62 counterparties (prev. 58)
- SOFR at 5.34% (prev. 5.33%), volumes at USD 2.196tln (prev. 2.042tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 106bln (prev. 96bln).

## CRUDE

### WTI (U4) SETTLES USD 0.65 HIGHER AT 76.84/BBL; BRENT (V4) SETTLES USD 0.50 HIGHER AT 79.66/BBL

**WTI and Brent saw gains on Friday with the upside supported somewhat by a softer buck, adding to the momentum seen**

throughout the week due to lingering geopolitical tensions and easing concerns in the US labour market. On geopolitics, participants are still awaiting the response from Iran/Hezbollah on Israel, but reports via FT suggest Israel has strengthened its air defences in anticipation of an expected aerial retaliation from Iran and its allies for the assassinations of two senior militant leaders. Israel defense officials also said the army is coordinating with the Pentagon to prepare for scenarios to respond to Iran and Hezbollah, ABC reported, while the Pentagon also noted that they are committed to defending Israel if they were to be attacked. Elsewhere, on supply, Russia's energy ministry said oil output decreased in July versus June. Meanwhile, Caspian Pipeline Consortium said the oil pipeline system has launched following on from a 62hr planned shutdown. In the US, Reuters highlight that after earnings calls, crude oil refiners are trimming Q3 production plans with operators budgeting more maintenance downtime into forecasts.

## EQUITIES

**CLOSES:** SPX +0.47% at 5,344, NDX +0.54% at 18,513, DJIA +0.13% at 39,498, RUT -0.17% at 2,081.

**SECTORS:** Materials -0.1%, Industrials flat, Consumer Staples +0.2%, Utilities +0.3%, Energy +0.3%, Financials +0.4%, Consumer Discretionary +0.4%, Health +0.5%, Real Estate +0.5%, Technology +0.6%, Communication Services +1.0%.

**EUROPEAN CLOSES:** DAX: +0.1% at 17,702, FTSE 100: +0.3% at 8,168, CAC 40: +0.3% at 7,270, Euro Stoxx 50: +0.1% at 4,675, AEX: -0.1% at 883, IBEX 35: +0.8% at 10,639, FTSE MIB: +0.1% at 31,782, SMI: +0.4% at 11,876, PSI: -0.3% at 6,551.

## EARNINGS

- **Expedia (EXPE)** - Beat on the top and bottom line.
- **Paramount (PARA)** - Profit was well above expectations, and sees the Skydance transaction closing in H1 2025. Moreover, it plans to cut its US workforce by roughly 15% to realise USD 500mln in savings.
- **Take-Two Interactive (TTWO)** - Revenue beat, with results not showing the full impact of its acquisition of GearBox.
- **Gilead Sciences (GILD)** - Top and bottom lines exceeded expectations, alongside raising its FY profit guidance.
- **Akamai Technologies (AKAM)** - Profit and revenue surpassed forecast with strong next quarter and FY guidance.
- **Doximity (DOCS)** - EPS and revenue topped Wall St. consensus, accompanied by better-than-expected Q2 and FY guidance.

## STOCK SPECIFICS

- **TSMC (TSM)** - Reported July sales, which revealed 24% of growth from June.
- **Disney (DIS)** - Plans to invest at least USD 5bln in the UK and Europe over the next five years to produce blockbuster films and TV shows.
- **Apple (AAPL)** - Spotify (SPOT) and Epic Games criticised Apple's revised compliance plan for the EU's Digital Markets Act, TechCrunch reports.
- **Netflix (NFLX)** - Reportedly taps **CBS Sports (PARA)** to produce its Christmas NFL games, according to WSJ.
- **Intel (INTC)** - Postponed an innovation event that was scheduled for September.
- **Pacira Biosciences (PCRX)** - Said a court found the 495 patent is not valid, and is considering options including an appeal; shares fell over 40% in response.

## US FX WRAP

The **dollar index** snapped its three-day rally on Friday, ending the week back where it started, albeit way off the 102.15 weekly lows set on Monday. Data releases concerning the buck were light with Fedspeak on late Thursday, the centre of attention, specifically Fed's Goolsbee saying they need to see more than payrolls and more than one month participants', while Fed's Schmid said he is more confident that inflation is on path to target. Collins also believes it will be appropriate to begin easing soon, noting that the July jobs report was softer than expected, and it does warrant careful attention, but she would caution against overemphasizing any one or two later releases. Looking ahead, the focus is set on next week for US CPI, PPI, Retail Sales, and UoM.

The **Euro, Pound, and CAD**, were all unchanged against the buck, with the latter seeing initial strength after the Canadian Employment Change fell, driven by losses in part time employment however with full time jobs surging. The Unemployment Rate unexpectedly remained unchanged at 6.4% (exp. 6.5%), although the participation rate fell to 65% from 65.3%. USD/CAD briefly dipped beneath the 50 DMA (1.3721) in European hours, albeit the move was short lived and pared back above the technical level. Elsewhere, the Euro showed no reaction to final inflation prints from Germany or Italy, where the former came in line with expectations, while the latter saw mostly cooler-than-expected prints. Across the pond, **Cable** incurred a fourth week of straight losses ahead of a myriad of UK data in the upcoming week, namely, CPI, GDP Prelim, and Retail Sales.

The **Kiwi and Aussie** lagged their G10 peers in the red, with eyes fixed on the RBNZ Interest Rate decision (Wed), where RBNZ pricing puts roughly an 80% chance of a 25bps cut, although analyst views are mixed, with 19 out of 31 surveyed by Reuters expecting rates to be maintained at 5.5%, although 12 see a 25bp cut.

The **Yen and Franc** took the top performer spots against the buck in the G10 space, with Yen leading the upside. USD/JPY hovers around 146.6, well off the carry trade unwinding induced lows on Monday of 141.68 and its 200WMA of 144.54. At the same time, the Swissy ended its fifth consecutive week of gains.

**USD/CNY** saw pressure overnight after hotter-than-expected China inflation data. Both USD/CNH and USD/CNY are slightly softer on the day, though does finish the week in the green, with USD/CNH erasing the descent to 7.0822 it experienced on Monday, climbing above its 90 WMA (7.1364) to around 7.1750 ahead of China Retail Sales and Industrial Production next Thursday.

The **Norwegian Krone** was flat with Inflation was largely as expected, except for Headline M/M which was slightly cooler. That said, the Viking cross gained; NOK/SEK concluded the week with gains, well off the December 2023 lows it visited on Monday. The Norges Bank is expected to not make any adjustments to forward guidance or rates at its interim meeting (Thu) with all eyes turning to September.

**EMFX** mainly saw strength against the dollar, with upside led by the **BRL, CLP, and HUF**. BRL's move higher was supported by hotter-than-forecasted IPCA Inflation data, while mixed Mexican Industrial data (strong M/M, weak Y/Y) weighed on **USD/MXN** stable performance. Lastly, **EUR/CZK** moved slightly lower ahead of Czech CPI and PPI data on Monday.

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