newsquawk

US Market Wrap

19th August 2024: Stocks and Treasuries bid, while Dollar slides as participants await risk events

- **SNAPSHOT**: Equities up, Treasuries mixed, Crude down, Dollar down.
- **REAR VIEW**: Blinken said Israeli PM Netanyahu meeting was constructive, and expects negotiations to continue until an agreement is reached; Fed's Kashkari welcomes a debate about a September rate cut; US VP Harris proposes raising corporate tax rate to 28%; EL guidance disappoints.
- **COMING UP**: **Data:** Chinese LPR, German Producer Prices, EZ HICP (F), Canadian CPI. **Events:** Democratic Convention; Riksbank & CBRT Policy Announcement, RBA Minutes; US Primary (down-ticket); Democratic Convention. **Speakers:** Riksbank's Theeden; Fed's Bostic, Barr. **Supply:** Germany. **Earnings:** Antofagasta, Alcon, Lowe's, Medtronic.
- **WEEK AHEAD**: Highlights include: Jackson Hole, FOMC Minutes, ECB Minutes, Canadian and Japanese CPI, and Flash PMI data. To download the report, please click here.
- **CENTRAL BANK WEEKLY**: Previewing PBoC LPR, Jackson Hole, Minutes from Fed, ECB and RBA; Reviewing RBNZ, PBoC MLF and Norges Bank. To download the report, please click here.

MARKET WRAP

US indices (SPX +1.0%, RUT +1.2%, DJIA +0.6%) saw gains to start the week, with the Nasdaq 100 (+1.3%) outperforming and buoyed by gains in Nvidia (+4.4%) in a day of very sparse newsflow and little-to-no data. Sectors are exclusively in the green, with large-cap Technology, Communication Services, and Consumer Discretionary sitting a top of the pile, while Consumer Staples and Energy are the respective laggards, albeit still firmer. The latter is weighed on by weakness in the crude complex amid continued Gaza ceasefire talks and weak Chinese economy weighing on demand. The Dollar Index was lower and to the benefit of G10 peers, with Antipodeans and the Yen outperforming, albeit on no currency specific newsflow, just the wider Dollar weakness. Treasuries were mildly firmer to start the week, albeit in a choppy session, as a slew of corporate issuance initially weighed before later rebounding. On the Fed footing, Kashkari (2026 Voter) said debate about potentially cutting rates in September is an appropriate one to have, and in his view, the balance of risks has shifted more towards labour market and away from inflation sided of our dual mandate, which is very in fitting with the overall Fed message at the moment. For the record, Waller did not comment on the economy or monetary policy. Looking ahead, participants await FOMC Minutes (Wed), but most will be awaiting Chair Powell's remarks at Jackson Hole on Friday at 10:00EDT/15:00BST.

FED

Goolsbee (2025 voter, dove) said he has concerns for 2024, "we have crosscurrents" and has concerns that the Fed set this level of rates over a year ago and inflation and the labour market are cooling faster than expected. The Chicago Fed President thinks the Fed should take a step back and think about that. **Kashkari (2026 Voter)**, in a WSJ interview, said the debate about potentially cutting rates in September is an appropriate one to have, and in his view, the balance of risks has shifted more towards labour market and away from inflation sided of our dual mandate. Kashkari added he doesn't see any reason to cut rates by greater increments than 25bps "because layoffs remain low and claims for unemployment benefits don't suggest a notable deterioration."

FIXED INCOME

T-NOTE (U4) SETTLED 3+ TICKS HIGHER AT 113-07

T-Notes were choppy to start the week, as a slew of corporate issuance weighed but later reversed in thin newsflow. At settlement, 2s -0.2bps at 4.064%, 3s -0.6bps at 3.863%, 5s -1.5bps at 3.752%, 7s -2.2bps at 3.784%, 10s -2.8bps at 3.864%, 20s -3.3bps at 4.225%, 30s -3.8bps at 4.113%.

INFLATION BREAKEVENS: 5yr BEI -0.9bps at 2.098%, 10yr BEI -0.7bps at 2.074%, 30yr BEI -0.5bps at 2.094%.

THE DAY: T-Notes saw strength through the duration of the European morning, albeit on thin newsflow, but as US players started arriving at their desks T-Notes pulled back markedly from intra-day highs which was seemingly driven by corporate issuance, with the likes of KR, DEV, DVN, DUK and ROP all issuing. As such, T-Notes sold off to hit a low of 112-31, before rebounding through the US afternoon while US indices hit highs and Dollar lows. T-Notes hit a peak of 113-11+ before slightly retracing into settlement, in a day devoid of risk events or headline newsflow. Looking ahead, there is 20yr bond auction (Wed) and 30yr TIPS (Thurs), with FOMC Minutes (Wed) in between, but the main risk event comes via Fed Chair Powell speaking at Jackson Hole Symposium on Friday at 10:00EDT/15:00BST. For the record, Waller (Voter) did not comment on the economy and monetary policy, while Kashkari (2026 Voter) stated the debate about potentially cutting rates in September is an appropriate one to have, via WSJ; and in his view, the balance of risks has shifted more towards labour market and away from inflation sided of our dual mandate, a comment which is very in fitting with the broader Fed narrative currently.

STIRS

- **Market Implied Fed Rate Cut Pricing: September 31bps (prev. 31bps D/D), November 61bps (prev. 62bps), December 94bps (prev. 94bps).**
- NY Fed RRP op demand at USD 334bln (prev. 330bln) across 63 counterparties (prev. 63).
- US sold USD 82bln in 3-mnth bills at 5.055%, covered 3.12x; sold USD 75bln in 6-mnth bills at 4.770%, covered 3.05x.
- SOFR at 5.32% (prev. 5.35%), volumes at USD 2.131tln (prev. 2.118tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 93bln (prev. 96bln).

CRUDE

WTI (V4) SETTLED USD 1.88 LOWER AT 73.66/BBL; BRENT (V4) SETTLED USD 2.02 LOWER AT 77.66/BBL

The crude complex was lower to start the week amid continued Gaza ceasefire talks and the weak Chinese economy weighing on demand. Regarding the day, WTI and Brent initially grounded higher through the European session in line with the broader market sentiment, but as Europe left for the day and more Middle Eastern updates came, the complex sold off into settlement. Coinciding with the start of the weakness, according to Al Jazeera citing Axios sources, US Secretary of State Blinken made it clear to Israeli PM Netanyahu that the US expects negotiations to continue until an agreement is reached. Following this, further prospects of successful Middle Eastern peace talks became apparent after Blinken said that the Israeli PM Netanyahu meeting was constructive and Netanyahu said he supports the Gaza bridging proposal. Further still, Netanyahu assured Blinken that Israel accepted the proposal and Hamas must now accept it. As such, WTI and Brent took impetus from these positive updates as participants await the Hamas response. WTI and Brent traded between USD 73.45-75.73/bbl and 77.48-79.81/bbl, respectively. Note, and of course worth reminding, that a ceasefire agreement was not reached over the weekend. Elsewhere, Nat Gas meanwhile continued climbing higher in the presence of continued clashes in Russia's Kursk region following the Ukrainian incursion.

EQUITIES

CLOSES: SPX +0.97% at 5,608, NDX +1.32% at 19,766, DJIA +0.58% at 40,897, RUT +1.2% at 1.19% at 2,168

SECTORS: Consumer Staples +0.32%, Energy +0.42%, Materials +0.50%, Industrials +0.59%, Utilities +0.59%, Financials +0.61%, Health +0.63%, Real Estate +0.64%, Consumer Discretionary +1.14%, Communication Services +1.44%, Technology +1.44%.

EUROPEAN CLOSES: DAX: +0.58% at 18,428, FTSE 100: +0.55% at 8,357, CAC 40: +0.70% at 7,502, Euro Stoxx 50: +0.65% at 4,872, AEX: +0.35% at 909, IBEX 35: +1.40% at 11,103, FTSE MIB: +0.68% at 33,266, SMI: +0.79% at 12,285, PSI: +1.02% at 6,724.

STOCK SPECIFICS

- **The Estée Lauder Companies (EL)** - Disappointing guidance and sees continued soft consumer sentiment seen in China in FY25. Note, did beat on profit and revenue for Q4, and said President and CEO Fabrizio Freda will retire at the end of FY25.
- **AMD (AMD)** - To acquire ZT systems for USD 4.9bln, to significantly expand its data centre AI capabilities.
- **Boeing (BA)** & **Lockheed Martin (LMT)** - In talks to sell their rocket-launching joint venture, **United Launch Alliance (ULA)**, to private company Sierra Space for between USD 2-3bln, Reuters reports.
- **Mastercard (MA)** - Plans to reduce its global workforce by 3% as part of a company overhaul, Bloomberg reports.
- **HP (HPQ)** - Downgraded at MS on limited upside to the stock's valuation.
- **Dutch Bros (BROS)** - Downgraded at Piper Sandler on balanced risk/reward/.
- **FuboTV (FUBO)** - Successfully blocked the launch of the Venu Sports joint venture involving **Disney (DIS)**, **FOX (FOX)**, and **Warner Bros (WBD)** with a US District Court ruling in its favour. Fubo argued that the venture would reduce competition and consumer choice in sports streaming.
- **Apple (AAPL)** - Cautious mention in WSJ; citing its dominance in the App Store is weakening in Europe due to new regulations. Meanwhile, in the US, the DoJ's case against Apple argues the company is an illegal monopoly.
- **Starbucks (SBUX)** - Cautious mention in WSJ; citing the new CEO has significant issues to address, including rising prices, long wait times, and fierce competition - especially in key markets like China.
- **Paramount (PARA)** - Likely to continue deal deadline if Bronfman bids, according to Bloomberg; Bronfman bid likely coming in next 24 hours.
- **Corporate names** - US VP Harris proposes raising the corporate tax rate to 28%, NBC News reports.

US FX WRAP

The Dollar extended on Friday's losses, seeing downside against all of its G10 peers. The dollar index fell below 102, to a trough of 101.85, amid a very thin session with regards to newsflow, except for Fed's Kashkari (2026, Voter), who noted a debate about potentially cutting rates in September is an appropriate one to have. Data releases were thin, with participants looking towards later on in the week for catalysts in the space, namely, FOMC Minutes (Wed), Initial Jobless Claims (Thu), S&P Global PMI Flash (Thu), and Fed Chair Powell at Jackson Hole (Fri).

G10 FX were all stronger against the Buck amid a session lacking G10-specific headlines. Antipodes outperformed in the space, with **Aussie** and **Kiwi**, finishing near session highs of 0.6733, and 0.6112, respectively. Going forward, the Aussie is in focus before RBA Minutes on Tuesday. Meanwhile, the **CAD** underperformed, albeit, still seeing gains, with upside possibly mitigated by a tumbling crude complex. Lastly, **GBP/USD** witnessed a peak of 1.2997, bringing the YTD peak of 1.0344 into sight, while **EUR/USD** benefitted from the weaker Buck, setting a new YTD high of 1.1085.

USD/JPY visited the low end of the 145 level on Monday, hitting a trough of 145.19, although, it has since come off lows, regaining the 146 handle. Japan released mixed Machinery Orders data, where the M/M beat and Y/Y unexpectedly declined.

The Yuan took advantage of the weaker Buck, despite Chinese FDI (YTD) worsening; USD/CNH fell to 7.1278.

The Swedish Krona incurred notable gains against the Euro and greenback, ahead of the Riksbank Rate decision, where the Central Bank is expected to cut rates by 25bps to 3.50%.

EMFX were largely firmer versus the Dollar, with MXN one of the few outliers in the red ahead of Mexican Retail Sales (Tue). The buck's weakness largely contributed to the strength within the space, particularly **CLP**, and **BRL**. Finally, the **Turkish Lira** fell before the CRBT Rate announcement on Tuesday, while **USD/PLN** set fresh YTD lows.

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