

# newsquawk

## US Market Wrap - 28th August 2024

### Stocks dive ahead of NVDA results while SMCI woes also weigh

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar up.
- **REAR VIEW:** SMCI to delay FY24 10-K filing; Hotter-than-expected Australian CPI; Well received US 5yr auction, but still tailed; Smaller EIA crude draw than expected; Limited geopolitical escalation.
- **COMING UP:** Data: Spanish CPI, German CPI, EZ Sentiment, US PCE (Q2), GDP (Q2), IJC **Speakers:** ECB's Rehn, Lane; Fed's Bostic **Supply:** Japan, Italy, US **Earnings:** Lululemon, Dollar General, Best Buy, Marvell.

### MARKET WRAP

Stocks were lower, but off troughs heading into APAC trade, with weakness led by the Nasdaq and semiconductor names ahead of Nvidia (NVDA) earnings after-hours. Also adding to the downside was the further slump in Super Micro (SMCI) after it delayed the release of its 10-K filing, seeing the stock tumble c. 19%, adding on to the weakness this week after it was named a short at Hindenburg. Sectors were predominantly lower, with Tech, Consumer Discretionary, Communication and Energy the laggards, while only Financials and Health closed in the Green, with Utilities flat. Energy stocks tracked crude prices lower amid a lack of geopolitical escalation although there was some vol around the weekly inventory report, which saw a smaller crude draw than expected, while distillates posted a surprise build with gasoline stocks posting a larger draw. Gold and silver were sold while copper also took a hit. Elsewhere, the Dollar gained as risk sentiment soured while Treasuries meandered throughout the day, with morning strength being pared ahead of the 5yr auction, which was well received vs recent averages, but still tailed.

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLED HALF A TICK LOWER AT 114-02+

**T-Notes meandered throughout the session while the 5yr auction tailed, but was well received in comparison to recent auctions**. At settlement, 2s +0.4bps at 3.869%, 3s +0.9bps at 3.731%, 5s +1.0bps at 3.667%, 7s +0.9bps at 3.740%, 10s +1.1bps at 3.844%, 20s +1.2bps at 4.228%, 30s +0.7bps at 4.135%.

**INFLATION BREAKEVENS:** 5yr BEI +0.6bps at 2.184%, 10yr BEI +0.5bps at 2.158%, 30yr BEI +0.4bps at 2.169%.

**THE DAY:** T-Notes were rather flat in quiet trade with a bid in the European morning fading once US players arrived with IFR suggesting the downside was led by algo tech sales and dealer concession ahead of the 5yr auction. There was a lack of tier 1 data or Fed speak on Tuesday with focus turning to the 5yr auction ahead of Fed's Bostic after hours, with a lot of the macro focus on Nvidia (NVDA) earnings after the closing bell. The 5yr auction was solid despite tailing, but the tail of 0.3bps was smaller than the prior 1.1bps tail and six auction average of 0.4bps.

**5YR:** The US Treasury sold USD 70bln of 5yr notes at a high yield of 3.645%, tailing the When Issued by 0.3bps, an improvement from July's 1.1bp tail and six auction average of a 0.4bp tail. The Bid-to-Cover of 2.41x was in line with the prior and a bit above the average of 2.38x. Dealers took a lower percentage of the auction than in July, and beneath the six-auction average. Indirect demand ticked up to 70.5% from 67.2%, above the 66.8% average, while direct demand ticked down to 16.3% from 18.8%, beneath the 17.9% average.

#### STIRS:

- **Market Implied Fed Rate Cut Pricing: September 34bps (prev. 34bps D/D), November 68bps (prev. 68bps), December 103bps (prev. 104bps).**
- US sold USD 60bln in 4mth bills at a high rate of 4.87%, B/C 3.25x
- NY Fed RRP op demand at USD 389bln (prev. 344bln) across 74 counterparties (prev. 68).
- SOFR at 5.35% (prev. 5.34%), volumes at USD 2.227tln (prev. 2.039tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 86bln (prev. 94bln).

### CRUDE

#### WTI (V4) SETTLED USD 1.01 LOWER AT 74.52/BBL; BRENT (V4) SETTLED USD 0.90 LOWER AT 78.65/BBL

**The crude complex was lower on Wednesday, continuing on its weakness seen on Tuesday, as the firmer Dollar weighed amid a lack of geopolitical updates.** On the day, general risk sentiment was hampered and seemingly ensued after AI name Super Micro (SMCI) (-25%) delayed its 10-K filing and Nvidia (NVDA) (-3.5%) saw selling pressure into earnings after-hours. Nonetheless, Middle Eastern newsflow was sparse, despite the slight escalation in APAC trade. Out of Libya, Reuters citing engineers noted the Sarir oil field has reduced production to almost a total shutdown, but later stated ports in the so-called oil crescent are operating normally and no orders to halt exports received as of yet. However, BBG sources reported that Waha Oilfield production has fallen to 175k BPD from 320k BPD, and the nations oil production dropped below the 600k BPD mark vs. 1.2mln BPD mark typically produced. WTI and Brent traded between USD 73.82-75.95/bbl and 77.95-80.01/bbl, respectively. In terms of technicals, the death cross was formed in Brent with the 55DMA (82.30) falling beneath the 200DMA (82.33), with technicians noting it is particularly a well followed sell occurring when Brent trades towards the base of the USD 70-100/bbl range.

**EIA:** In the weekly EIA data, crude stocks saw a shallower draw than expected, and the private inventory data last night, while gasoline saw a greater than expected draw and distillates a surprise build. Crude production fell 100k to 13.3mln, with refining utilisation 1.0 (exp. 0.2%).

### EQUITIES

**CLOSES:** SPX -0.60% at 5,592, NDX -1.18% at 19,350, DJIA -0.39% at 41,091, RUT -0.57% at 2,190.

**SECTORS:** Technology -1.30%, Consumer Discretionary -1.05%, Communication Services -0.84%, Energy -0.67%, Consumer Staples -0.41%, Materials -0.38%, Real Estate -0.35%, Industrials -0.04%, Utilities 0.00%, Health +0.12%, Financials +0.31%.

**EUROPEAN CLOSES:** DAX: +0.57% at 18,789, FTSE 100: flat at 8,344, CAC 40: +0.16% at 7,578, Euro Stoxx 50: +0.27% at 4,912, AEX: +0.31% at 911, IBEX 35: flat at 11,332, FTSE MIB: +0.30% at 33,880, SMI: +0.37% at 12,348, PSI: -0.41% at 6,718.

#### EARNINGS:

- **PVH (PVH):** Q3 adj. EPS disappointed and backed FY24 revenue decline of 6-7%.
- **Foot Locker (FL):** Despite comp. sales beating, but they only left the comp guide unchanged and desks note FL now trades with a forward P/E of 20, which is expensive for the retail sector. In addition, FY25 gross margin guidance fell short.
- **Kohl's Corp (KSS):** Beat on EPS and gross margin, alongside stellar FY profit guidance.
- **Abercrombie & Fitch (ANF):** Despite a solid report, although it noted it continues to operate in an increasingly uncertain environment.
- **J.M Smucker (SJM):** Top line light and cut FY outlook.
- **Ambarella (AMBA):** Loss per share was not as deep as anticipated while revenue also beat. Next quarter's sales guide also topped expectations.
- **Box (BOX):** Adj. EPS and revenue topped Wall St. consensus, while Q3 and FY outlook was strong.

#### STOCK SPECIFICS:

- **Super Micro (SMCI):** To delay 10-K filing for FY24.
- **OpenAI** is in talks for a funding round valuing it over USD 100bln with **Microsoft (MSFT)** also expected to put in money, according to WSJ.
- **e.l.f Beauty (ELF):** Board approved a USD 500mln share repurchase programme.
- **Meta (META):** Exploring developing a new mixed reality device for 2027 release, according to The Information; META thinks a smaller form factor could draw new users and project favoured over the pricey headset Meta recently axed from its road map.
- **Centerpoint Energy (CNP):** Announced a series of resiliency actions and is to propose investing USD 5bln in 2026-28 in Houston infrastructure.

## US FX WRAP

**The Dollar** saw notable upside on Wednesday, rising from lows of 100.59 to a peak of 101.17 with the Buck outperforming the G10 space. The upside was primarily a function of risk-off trade with US equities sliding throughout the session ahead of Nvidia (NVDA) earnings after hours with a lack of tier 1 data or Fed speak while yields were flat across the curve.

**G10 FX** (ex-Dollar) saw losses across the board as the firmer Greenback weighed, as opposed to much currency specific. As such, the **Swissy** 'outperformed' on potential haven flow with risk events waiting, although its typical safe-haven peer the **Yen** saw weakness, albeit off worst levels, which comes after BoJ Deputy Governor Himino overnight said financial and capital markets remain unstable, and the BoJ needs to monitor their developments with the utmost vigilance. **Antipodeans** saw similar losses, with the **Aussie** falling foul to the Dollar strength, as it initially firmed overnight after slightly hotter-than-expected CPI.

**The Euro and Pound** were the laggards, with EUR/USD falling to lows of 1.1106, a level it hovered just above heading into overnight trade with the pair failing to fall sub-1.1100. Meanwhile, Cable hit a trough of 1.3169 against an earlier peak of 1.3262. Currency-specific newsflow was light, with a focus on European inflation figures over the coming days as well a couple of ECB appearances, namely Chief Economist Lane and Rehn.

**EMFX** were largely weaker vs. the Buck, although the MXN notably outperformed with strong gains as it attempts to recoup some of its recent heavy selling. Commodity-linked currencies COP, CLP, and PEN were weighed on by tumbling oil and copper prices, respectively, with the BRL also hit by iron ore selling off. Elsewhere for the Brazilian Real, President Lula nominated BCB Director Galipolo as the Brazil Central Bank chief. Back to the Mexican Peso, Banxico released its QIR, whereby it gave a big cut to its 2024 GDP growth forecast as it now sees it at 1.5% (prev. 2.4%), with 2025 at 1.2% (prev. 1.5%). Looking ahead, the Central Bank reiterated that the board expects the inflationary environment will allow the discussion of adjustments to the interest rate.

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