

Stocks sink, with Bonds & Dollar bid as payrolls move fades in risk off trade

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar up.
- **REAR VIEW:** Mixed US jobs report, headline shy of consensus, unemployment rate falls, as expected, but average earnings tops consensus; Williams & Waller allude to supporting 25bps rate cut, albeit nothing formal; INTC considering selling part of MBLY stake; AVGO reports disappointing semiconductor sales & outlook.
- **WEEK AHEAD:** Highlights include China CPI, US CPI/PPI, ECB rate decision; UK GDP & employment/wages. [To download the report please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB and reviewing BoC. [To download the report, please click here.](#)

MARKET WRAP

US indices (SPX -1.7%, NDX -2.7%, DJIA -1%, RUT -1.9%) ended the day, and the week, notably in the red as they were eventually weighed on by souring risk sentiment through the afternoon despite initial gains on the US jobs report, which failed to decisively guide towards the magnitude of the September FOMC rate cut. On the data, the headline rose 142k, beneath the expected 160k, while the figure was revised down to 89k from 114k. The unemployment rate expectedly fell back down to 4.2% from 4.3%, while the annual pace of hourly earnings quickened to 3.8%. Following the data, influential Fed figures Waller and Williams were on the wires, and while there were notable comments from both (more below). WSJ's Timiraos noted that both of them support a 25bps September rate cut. Money markets are currently pricing in a circa 28% chance of a 50bps cut in September, but peaked at around 64% on Friday after Waller's initial remarks whereby he said he will be an advocate for front-loading rate cuts if that is appropriate. Nonetheless, after the jobs data the Dollar, along with other haven currencies, rose as markets pared expectations of an aggressive Fed rate cut in September following the Fed commentary, which sent equities and commodity prices tumbling. As such, the Dollar ended the day with gains with the Yen outperforming and Antipodeans lagging. Lastly, T-notes bull steepened, with the short end benefitting the most post-NFP, as 2s/10s close uninverted for the first time since July 2022. For the record, all sectors closed in the red with mega-cap sectors Communication Services, Consumer Discretionary, and Technology the laggards amid notable weakness in tech space, highlighted by Nvidia (NVDA) seeing losses of roughly 3.5%, and the semiconductor ETF SOXX lower by ~4%. Looking ahead, US CPI is the key data release next week, with attention thereafter on the 16th Sept. FOMC meeting, whereby the Fed goes into blackout this evening.

US

NFP: The US jobs report for August came in at 142k vs the prior revised lower 89k and beneath the expected 160k. Within the report, the unemployment rate ticked back lower to 4.2% from 4.3%, as expected, while the participation rate held at 62.7%. On the wages footing, average earnings rose 0.4% M/M (exp. 0.3%) with July's figure revised to -0.1% from +0.2%, while the annual rate was 3.8% Y/Y (prev. 3.6%, exp. 3.7%). This job report was of paramount importance to guide markets towards the magnitude of the Federal Reserve rate cut in the September 18th meeting. However, the report has not decisively cleared that, highlighted by WSJ's Timiraos posting on X: "There was a chance the jobs report would provide an obvious signal on the size of the first cut, and futures-market pricing would move to 90% right away for either 25bps or for 50bps. Instead, this report doesn't neatly resolve that and the pricing is at 50-50." The Fed whisperer adds, "The headline figures weren't bad enough to make 50 the base case but, in light of the revisions, it wasn't good enough to convincingly and cleanly douse speculation on a larger cut." Among analysts there remains a split view, indicated by ING noting "lead indicators suggest further weakness lies ahead, and we believe the Fed will go for a 50bp move, but it's a close call". On the other hand, Oxford Economics "don't think the report was weak enough to warrant more than a 25bp rate cut at the Federal Reserve's meeting later this month." However, the consultancy adds, cooler labour market conditions have probably increased the odds that the Fed cuts rates more than 50bps this year by adding a rate cut at the November meeting.

WILLIAMS (voter) said he is ready to start the process of rate cuts and monetary policy can be moved to a more neutral stance depending on data. Williams noted that risks to the outlook include further weakening in the jobs market, and the unemployment rate still low despite the rise. Looking ahead, the NY Fed President said the US GDP is likely +2-2.5% for this year, and the unemployment rate is likely around 4.25% by year-end. Note, in the Fed's June SEPs it was 4.0%, but of course, we are due new projections at the September 16th meeting. Williams added that in the longer run expects unemployment to settle around 3.75% (in Fed's June SEPs it was 4.2%). Furthermore, the NY Fed President expects more inflation cooling, and inflation at 2.25% this year and near 2% next year. When asked about the US labour report on Friday, Williams said he would like to see the data more closely, and jobs data is consistent with a cooling economy and reiterated that the Fed continues to look at the totality of data. On rate cuts, he said the path will be driven by the data, once again highlighting data dependency. The influential Williams added he is not prepared to say how big the first cut should be, and he does not have a personal view on 25bps or 50bps yet. Following Williams, WSJ's Timiraos wrote "Williams's prepared remarks don't make any effort to lay the groundwork for a 50 basis point cut", and then after his Q&A added that "Williams seems fine with 25". The WSJ writer added, when "pressed over why the Fed isn't in a bigger hurry to get rates down to neutral, he said that monetary policy is "well positioned" and "on a path" that can prevent undesirable weakness in the labor market."

WALLER (voter), speaking for the first time in a while, believes maintaining the economy's forward momentum means the time has come to begin reducing policy rate at the upcoming meeting. On the dovish side, Waller said he will be an advocate for front-loading rate cuts if that is appropriate, but balanced this out by noting data in the past three days indicates the labour market is softening but not deteriorating, and this judgment is important to the upcoming policy decision. Further on data, Waller added if future data shows significant deterioration in the labour market, the Fed can act quickly and forcefully. On the economy, Waller does not believe it is in a recession or necessarily headed for one soon. Waller added that the current batch of data no longer requires patience, it requires action, and that the August jobs report and other recent data reinforce the view that there has been continued moderation in the labour market. Following the Governor's remarks, WSJ's Timiraos was back on the wires noting Waller's speech doesn't explicitly say "25" or "50" but it leans into endorsing a 25 bps cut to start, explicitly reserving the option to go faster "as appropriate" if "new data" show more deterioration. In the Q&A section, Waller said forecasts could be wrong, and must be nimble on policy as data comes in.

GOOLSBEE (2025 voter) on the jobs report, noted it's a continuation of what they've been seeing, and that is the job market is slowing down. Regarding bigger rate cuts, Goolsbee responded, saying you have to look at the dot plots, which didn't show inflation coming down as fast or unemployment rising so high. Like his peers, he didn't commit to 25bps or 50bps when asked about a 50bps cut in September, saying

what happens at the next meeting along is not what is most important. Meanwhile, he believes market pricing looks very similar to Fed projections, which sees 4 full 25bps rate cuts by year-end, with 33bps priced in for September and 114bps by year-end.

FIXED INCOME

T-NOTE (Z4) SETTLED 8+ TICKS HIGHER AT 115-00+

T-notes bull steepen, with the short end benefitting the most post-NFP, as 2s/10s close uninverted for the first time since July 2022. At settlement, 2s -8.9bps at 3.663%, 3s -7.8bps at 3.537%, 5s -4.3bps at 3.497%, 7s -2.8bps at 3.599%, 10s -1.7bps at 3.716%, 20s -1.2bps at 4.099%, 30s +0.4bps at 4.027%.

INFLATION BREAKEVENS: 5yr BEI -1.9bps at 2.023%, 10yr BEI -1.2bps at 2.036%, 30yr BEI -1.0bps at 2.071%.

THE DAY: Treasuries were bid throughout overnight trade, although, upside stagnated in the European session as participants awaited the NFP report. The jobs report unveiled a mixed picture of the economy, namely fewer jobs were added than anticipated, yet the unemployment rate ticked lower, as expected. As such, volatility was seen in the space, initially resulting in T-Notes wiping out earlier gains, as troughs of 114-27+ were made, before whipsawing to 115-10. On the jobs report, Fed's Williams (Voter) said he would like to see the data closely and noted the jobs data is consistent with a cooling economy. For Fed's Waller (Voter) he said data in past three days indicates labour market is softening but not deteriorating, but he was an advocate for front-loading rate cuts if that is appropriate and reiterated the data dependency approach regarding the pace and size of rate cuts; Fed pricing dovishly reacted to Waller's front-loading remarks, peaking at 41bps of rate cuts in September (68% chance of 50bps cut). In wake of both their remarks, WSJ's Timiraos noted Williams and Waller support 25bp Sept rate cut. Ultimately, Treasuries held onto their gains incurred earlier on, albeit off session highs of 115-13, while Fed pricing retreated from dovish peaks seen, now seeing a 28% chance of a 50bps rate cut at the September meeting, with Fed's Goolsbee noting market pricing looks very similar to Fed projections.

STIRS:

- **Market Implied Fed Rate Cut Pricing: September 32bps (prev. 35bps D/D), November 71bps (prev. 71bps), December 113bps (prev. 109bps).**
- NY Fed RRP op demand at USD 299bln (prev. 291bln) across 57 counterparties (prev. 59).
- SOFR at 5.35% (prev. 5.35%), volumes at USD 2.205tln (prev. 2.169tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 102bln (prev. 103bln).

CRUDE

WTI (V4) SETTLED USD 1.48 LOWER AT 67.67/BBL; BRENT (X4) SETTLED 1.63 LOWER AT 71.06/BBL

The crude complex tumbled on Friday to end the week notably in the red, as it was weighed on by risk-off sentiment . In the APAC session overnight and through the European morning oil was largely sideways, if not tracking slightly higher, which continued in wake of the jobs report. Overall, NFP was mixed and failed to decisively steer towards the magnitude of the September FOMC rate cut, and as such it sparked two-way action. Ultimately initial stock strength and Dollar weakness were seen which supported WTI and Brent to rise to session highs of USD 70.13/bbl and 73.53/bbl, respectively. However, it was largely one-way traffic from there for energy, as Saudi Arabia cutting the October Arab light OSP to a premium of USD 1.30/bbl for Asia markets seemingly weighed on oil, before it was further hindered by the souring risk sentiment, as WTI and Brent hit lows of USD 67.17/bbl and USD 70.61/bbl, respectively. For the record, Baker Hughes Rig Count saw oil unchanged at 483, natgas down 1 at 94, leaving the total declining 1 to 582. Elsewhere, and on the supply side, Kazakhstan expects a significant reduction in oil production during planned repair period at Kashagan oil field (400k BPD) in October.

EQUITIES

CLOSES: SPX -1.73% at 5,408, NDX -2.69% at 18,421, DJIA -1.01% at 40,345, RUT -1.91% at 2,091.

SECTORS: Communication Services -2.90%, Consumer Discretionary -2.81%, Technology -2.40%, Financials -1.57%, Materials -1.35%, Energy -1.17%, Industrials -1.07%, Utilities -0.94%, Health -0.40%, Consumer Staples -0.31%, Real Estate +0.01%.

EUROPEAN CLOSES: DAX: -1.59% at 18,280, FTSE 100: -0.73% at 8,181, CAC 40: -1.07% at 7,352, Euro Stoxx 50: -1.57% at 4,740, AEX: -1.41% at 879, IBEX 35: -0.89% at 11,173, FTSE MIB: -1.17% at 33,291, SMI: -0.98% at 11,914, PSI: -0.33% at 6,719.

EARNINGS:

- **Broadcom (AVGO):** Beat on quarterly numbers, although its miss on semiconductor sales and disappointing outlook took the reins.
- **DocuSign (DOCU):** Reported top- and bottom-line beats, and raised its guidance.
- **Guidewire (GWRE):** EPS and revenue exceeded forecasts.
- **UiPath (PATH):** Beat on revenue and profit and authorised an additional share repurchase programme of up to USD 500mln.
- **Samsara (IOT):** Topped analyst's expectations for the quarter, and lifted its FY25 outlook.

STOCK SPECIFICS:

- **Intel (INTC):** Considering selling part of its 88% stake in Mobileye (MBLY) amid a broader strategy overall, Bloomberg reports. Separately, Qualcomm is exploring acquiring parts of its design business, particularly the PC client division.
- **Salesforce (CRM):** To acquire data protection startup Own for USD 1.9bln, marking its largest deal since Slack. The deal is expected to close in Q4, and not affect Salesforce's fiscal guidance of its capital return programme.
- **Toyota Motor (TM):** To cut its 2026 global EV output forecast to 1mln vehicles, 30% below its previous estimate, due to a slowdown in the EV market, Nikkei reports.
- **Super Micro Computer (SMCI):** Downgraded to Neutral at JPMorgan citing compliance uncertainty hinders the rationale for new investors buying the stock.

US FX WRAP

The Dollar was choppy to end the week, but eventually ended the day with gains as it was buoyed by general risk-off sentiment and Fed speakers seemingly not endorsing 50bps cut after initially being hit by the US jobs report. On the latter, the Dollar Index fell to a trough of 100.55 after the headline missed expectations alongside the prior revised notably lower, but the data set failed to provide a distinct direction for the magnitude of the September 16th FOMC rate cut. Note, DXY fell just short of its YTD low of 101.51. After the jobs report, the

influential Williams and Waller were on the wires, whereby WSJ's Timiraos suggested that both of them support a 25bps Sept rate cut. Money market pricing currently has a 25bps for September fully baked in with a circa 28% chance of a 50bps rate reduction. Nonetheless, Williams' comments soon after the jobs data helped pick the Buck off lows, and back above 101, after Timiraos noted the remarks "don't make any effort to lay the groundwork for a 50bps cut". The Buck continued to be supported by the risk-off sentiment into the weekend, whereby participants next week await the inflation data amid the Fed blackout ahead of the FOMC rate decision.

JPY was the clear G10 outperformer, and the only one seeing gains against the Greenback as it benefitted from US Treasury yields and equity weakness. As was the case with the Dollar, USD/JPY saw two-way action after the US jobs report, but through the afternoon the Yen strengthened to see the cross hit a low of 141.79, as Williams and Waller signalled a leaning towards a 25bps reduction, but the August 5th low of 141.68 remained intact. The typical safe haven also benefitted from the aforementioned risk-off sentiment through the US session. Highlighting this, CHF was flat vs. the Buck and in the middle of its daily range which saw the cross hit a peak of 0.8475 and a trough of 0.8376.

Activity currencies saw weakness across the board against the Buck, with Antipodeans underperforming and seeing losses of circa 1%. In an attempt of not sounding like a broken record, Antipodeans, GBP, and CAD were weighed on by the above themes as markets pared expectations of an aggressive Fed rate cut in September following the August jobs report and US central banker comments. Antipodeans were also hit by falling commodity prices, especially iron ore. For the record, AUD/USD and NZD/USD traded between 0.6660-6767 and 0.6157-6254, respectively, and currently sit towards the bottom end of the ranges. Meanwhile, Cable saw a low of 1.3111 against an earlier high of 1.3238. Elsewhere, currency-specific newsflow was light, aside from the Loonie, which saw jobs data and was also weighed on by lower oil prices. Regarding the Canadian labour market report, unemployment rose more than expected, while slightly fewer jobs were added to the economy than the St. forecasted.

EUR saw losses with the EUR/USD largely guided by the USD side of the equation with disappointing German industrial output data and the appointment of Barnier as French PM having little follow-through for the single currency. The post-NFP USD selling saw EUR/USD print a 1.1155 peak before slipping back onto a 1.10 handle as the USD clawed back losses.

EMFX was exclusively weaker vs. the Dollar and hit on the known themes and also falling commodity prices. At the time of writing, spot gold is down 1% and copper 1.5% which hit the ZAR and CLP, respectively. In terms of data, albeit having little bearing, Chilean inflation rose 0.3%, slightly above the expected 0.26% and the prior 0.7%.

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