

Stocks & Dollar on the front-foot in thin newsflow as traders await risk events

- **SNAPSHOT:** Equities up, Treasuries mixed, Crude up, Dollar up
- **REAR VIEW:** NY Fed SCE sees 1yr & 5yr inflation expectations unchanged, but 3yr rises; Cooler-than-expected China inflation data; AAPL unveils new iPhone, AirPods and Watches; C sees Q3 markets revenue declining Y/Y & NII modestly down Y/Y; Energy names reduce production ahead of Tropical Storm Francine
- **COMING UP: Data:** German CPI (F), UK Unemployment/Wages, Norway CPI, Chinese Trade. **Events:** EIA STEO, OPEC MOMR. **Speakers:** BoC Governor Macklem. **Supply:** Japan, UK, Germany, US.
- **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 were firmer to start the week (SPX +1.2%, NDX +1.3%, DJIA +1.2%, RUT +1.1%) in light newsflow amid a lack of tier 1 US data and Fed blackout ahead of the meeting next Wednesday. As such, all sectors, aside from Communication Services, saw gains with Financials, Industrials, and Consumer Discretionary sitting atop of the pile with the latter two buoyed by Boeing (BA) (+3.4%) and Tesla (TSLA) (+2.6%), respectively. In terms of stock specifics, Citi (C) sees Q3 market revenue -4% Y/Y and net interest income guidance looks modestly down Y/Y. On Apple's (AAPL) Glowtime Event, the tech giant announced the new iPhone 16 with Apple Intelligence, alongside a new Watch and AirPods. The Dollar was firmer to start the week to the detriment of most G10 FX peers, albeit in thin newsflow, with participants awaiting the US Presidential Debate on Tuesday and US CPI on Wednesday, whereby the latter will likely be pivotal ahead of the FOMC meeting, given the magnitude of the cut is still a toss-up, albeit with most favouring a smaller 25bps cut. T-Notes see mixed price action in light trade, with the longer-end bid ahead of 3, 10, and 30yr auctions later this week. Lastly, the crude complex was firmer to start the week, attempting to claw back some of its recent heavy selling, amid concerns Tropical Storm Francine could disrupt production and refining along the US Gulf Coast. For the record, NY Fed SCE (Aug) saw 1yr and 5yr inflation expectations unchanged at 3% and 2.8%, respectively, while the 3yr ticked higher to 2.5% from 2.3% in July, and employment trends for August brose to 109.04, from the revised lower, 108.71.

US

NY FED SCE (AUG): Consumer inflation expectations for the 1yr and 5yr remained unchanged at 3% and 2.8%, respectively, but the 3yr rose to 2.5% (prev. 2.3%). The release saw credit delinquency expectations rise and households more upbeat on credit access. For home prices, the median expected rise ticked higher to 3.1% (prev. 3%), The survey also unveiled mixed labour market expectations, with the median one year ahead expected earnings growth rising to 2.9% (prev. 2.7%), while the mean probability that the US unemployment rate will be higher one year from now increased to 37.7% (prev. 36.6%), albeit, the mean perceived likelihood of losing one's job in the next twelve months fell to 13.3% (prev. 14.3%).

FIXED INCOME

T-NOTE (U4) SETTLED 1 TICK HIGHER AT 115-01+

T-Notes see mixed price action amid light newsflow, with the longer-end bid ahead of 3, 10, and 30yr auctions later this week. At settlement, 2s +2.3bps at 3.673%, 3s +1.3bps at 3.540%, 5s +0.3bps at 3.492%, 7s -0.3bps at 3.587%, 10s -1.0bps at 3.700%, 20s -1.3bps at 4.080%, 30s -1.7bps at 4.003%.

INFLATION BREAKEVENS: 5yr BEI +1.5bps at 2.036%, 10yr BEI +0.9bps at 2.044%, 30yr BEI +1.2bps at 2.080%.

THE DAY: T-Notes gradually sold off overnight amid thin newsflow, with buying picking up as US traders joined for the week, putting session lows of 114-20 in the rear-view. Treasury upside persisted throughout the US session, peaking at 115-04, as the NY Fed SCE for August saw 1yr and 5yr inflation expectations unchanged at 3%, and 2.8%, respectively, and the 3yr rise to 2.5% (prev. 2.3%). That said mixed price action across the curve followed,

with the longer end holding onto gains, while the short end pared strength. Goldman Sachs notes Friday's job report will not change the market narrative around a deteriorating labour market, and with the market clearly of the view that more significant reductions in the fund's rate will become necessary, Goldman doesn't expect the front end (outside of the September meeting) to be able to sell off. The investment bank added the curve should be able to continue to steepen into Treasury supply. Drivers for the US space pick up from Tuesday, namely a 3yr Note Auction (Tue), 10yr and CPI (Wed), 30yr and Federal Budget (Thu), PPI (Thu), and UoM (Fri).

STIRS:

- **Market Implied Fed Rate Cut Pricing: September 32bps (prev. 32bps D/D), November 72bps (prev. 71bps), December 111bps (prev. 113bps).**
- US sold USD 77bln of 3-month bills at 4.895%, covered 3.22x; sold USD 71bln of 6-month bills at 4.530%, covered 2.98x
- NY Fed RRP op demand at USD 292bln (prev. 299bln) across 57 counterparties (prev. 57).
- SOFR at 5.34% (prev. 5.35%), volumes at USD 2.119tln (prev. 2.205tln).
- EFFR at 5.33% (prev. 5.33%), volumes at USD 100bln (prev. 102bln).

CRUDE

WTI (V4) SETTLED USD 1.04 HIGHER AT 68.71/BBL; BRENT (X4) SETTLED USD 0.78 HIGHER AT 71.84/BBL

The crude complex was firmer to start the week, attempting to claw back some of its recent heavy selling, amid concerns Tropical Storm Francine could disrupt production and refining along the US Gulf Coast. Highlighting this, Exxon (XOM) shut the Hoover oil platform in the Gulf of Mexico on storm warnings, while Shell (SHEL LN) also paused some US Gulf drilling. However, BP (BP/ LN) is not expecting major impacts on its offshore facilities in the Gulf of Mexico. Elsewhere, in terms of notable events, the Asia Pacific Petroleum Conference (APPEC) began on Monday with desks suggesting that weak Chinese demand and refining margins will likely take the focus. Out of China, overnight there was softer-than-expected Chinese inflation data. Overall it was a lacklustre day with WTI and Brent choppy, indicated by ranges of USD 67.31-68.96/bbl and 70.65-72.21/bbl, respectively, as participants await the OPEC MOMR and EIA STEO on Tuesday, as well as private inventory data after-hours.

EQUITIES

CLOSES: SPX +1.16% at 5,471, NDX +1.3% at 18,661, DJIA +1.2% at 40,830, RUT +1.13% at 2,115.

SECTORS: Communication Services +0.04%, Health +0.74%, Energy +0.77%, Consumer Staples +0.82%, Utilities +0.98%, Materials +0.99%, Real Estate +1.15%, Financials +1.40%, Technology +1.42%, Industrials +1.56%, Consumer Discretionary +1.63%.

EUROPEAN CLOSES: DAX: +0.71% at 18,431, FTSE 100: +1.09% at 8,271, CAC 40: +0.99% at 7,425, Euro Stoxx 50: +0.87% at 4,779, AEX: +1.03% at 888, IBEX 35: +0.89% at 11,273, FTSE MIB: +0.90% at 33,590, SMI: +0.46% at 11,963, PSI: +0.83% at 6,775

STOCK SPECIFICS:

- **Arm Holdings (ARM):** FT report that Apple will use Arm's AI chip technology in the iPhone 16.
- **Eli Lilly (LLY):** Appointed Lucas Montarce as executive vice president, CFO, and member of the company's executive committee, effective immediately.
- **Boeing (BA):** Reached a tentative deal with its largest union to prevent a potential strike, including a 25% wage increase over four years, Bloomberg reports.
- **Summit Therapeutics (SMMT):** Its cancer treatment wowed researchers, with the Co. saying its experimental drug outperformed Merck's (MRK) Keytruda, Stat News reports.
- **Tapestry (TPR), Capri (CPRI):** FTC planning to urge a federal judge in NY today, to block Tapestry's USD 8.5bln merger with Capri on competition grounds.
- **S&P 500 Reshuffle:** S&P Dow Jones Indices said Palantir Technologies (PLTR), Dell Technologies (DELL), and Erie Indemnity (ERIE) will join the S&P 500, replacing American Airlines (AAL), Etsy (ETSY), and Bio-Rad Laboratories (BIO) respectively. Changes will be effective before the open of trading on September 23rd, to coincide with the quarterly rebalance.
- **United States Steel (X):** Upgraded to Overweight from Neutral at JPMorgan on attractive valuation.
- **JetBlue (JBLU):** Upgraded at Bank of America.
- **Citigroup (C):** Saw weakness as it presented at a conference; CFO continues to see good debt capital markets, sees IB fees +20% Y/Y and Q3 markets revenue -4% Y/Y. Net interest income guidance looks modestly down Y/Y and sees higher expenses in H2 '24 vs. H1 '24, and expects FY expenses within guidance.

- **PNC Financial (PNC):** Sees Q3 NII at high end of prior 1-2% view.
- **Super Micro (SMCI):** GlassHouse Research said they are long SMCI for the foreseeable future; analysis suggests that the risk-to-reward ratio and valuation are highly favourable for the stock at this time. As far as the accounting goes, believe that Hindenburg missed the mark as the quantitative accounting metrics do not line up with their published short thesis.
- **Apple (AAPL):** Had 'Its Glowtime' event whereby it announced the new iPhone 16, Watches, and AirPods. Briefly recapping, it unveiled the iPhone 16 with Apple Intelligence, and the iPhone 16 Pro, which will include A18 pro chip and new 6-core GPU; to be available on September 20th. In addition, released the AirPods 4 and Apple Watch Series 10. [For more details of what Apple announced, please click here.](#)

US FX WRAP

The Dollar was firmer to start the week, albeit in thin newsflow, amid the Fed blackout ahead of the meeting next Wednesday, September 18th. Prior to this, there is the US Presidential Debate on Tuesday and US CPI on Wednesday, whereby the latter will likely be pivotal ahead of the FOMC meeting next Wednesday, given the magnitude of the cut is still a toss-up, albeit with most favouring a smaller 25bps cut. For the record, NY Fed SCE (Aug) saw 1yr and 5yr inflation expectations unchanged at 3% and 2.8%, respectively, while the 3yr ticked higher to 2.5% from 2.3% in July. The Dollar Index hit a high of 101.690, against an earlier low of 101.160

G10 FX largely saw losses against the Dollar, aside from the CAD which saw slight gains and was likely buoyed by the strength seen in the crude complex. USD/CAD was in a very thin range, but hit a low of 1.3547 against an earlier peak of 1.3578.

All other G10's were weaker, with the safe-havens of Swissy and Yen lagging and potentially further hindered by slight risk-on sentiment, and also the Yen posting four consecutive days of gains before Monday. New macro updates from Japan have been light other than a downward revision to Q2 GDP and an LDP lawmaker noting that Japanese inflation is still weak when excluding external factors. As mentioned, currency-specific newsflow was light to start the week, with Antipodeans weighed on by soft Chinese inflation metrics overnight, which also saw the Yuan weaken against the Greenback.

For the **Euro**, all participants await the ECB rate decision on Thursday (Newsquawk preview available here), whereby a 25bps cut is widely expected with a focus on any tweaks to macro projections/hints at further rate cuts. EUR/USD hit a trough of 1.1035, with levels to the downside being last week's low of 1.1026. Cable bottomed out at 1.3069, with UK-specific drivers light, but it ramps up from Tuesday with labour market data, followed by GDP on Wednesday. To the downside, the 21DMA sits at 1.3065.

EMFX was largely weaker, although the BRL and MXN clearly outperformed and noticed gains against the Buck, as the latter was supported by firmer oil prices and softer-than-expected inflation metrics which raised hopes for an interest rate cut from Banxico. Meanwhile, Brazil economists see the year-end 2024 Selic interest rate at 11.25% (vs. 10.50% in the previous poll), and year-end 2025 at 10.25% (prev. 10.00%). In terms of inflation, they see the annual IPCA inflation index reaching 4.30% in 2024 (prev. 4.26%) and 3.92% in 2025 (prev. 3.92%).

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com