

newsquawk

US Market Wrap - 4th October 2024

Stocks bid and bonds hit after hot NFP

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** US jobs report prints above all analyst forecasts; Unemployment unexpectedly ticks lower & earnings surprisingly rise; Goolsbee said it is a "superb jobs report" but do not get too worked up about any one month's report; US President Biden said he would think about other alternatives to Israel striking oil fields; RIVN cut FY production guidance; SAVE exploring potential Chapter 11 bankruptcy.
- **COMING UP: Data:** Japanese Industrial Orders, EZ Sentix Index, Retail Sales, US Employment Trends, Consumer Credit **Speakers:** ECB's Cipollone, Lane, Escriva; Fed's Kashkari, Bostic, Musalem.
- **WEEK AHEAD:** Highlights include US CPI, RBNZ, Minutes from FOMC, ECB and RBA, Canada jobs, and UK GDP. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing Minutes from FOMC, ECB and RBA, Rate decisions from RBNZ, RBI and BOK; Reviewing Riksbank Minutes. [To download the report, please click here.](#)

MARKET WRAP

Stocks finished the day in the green with outperformance in the Russell 2k on the prospects of a strong US economy in wake of the stellar September NFP report. Sectors closed predominantly in the green, with Financials, Consumer Discretionary and Communication leading the gains, while defensive sectors, Real Estate, Utilities and Health Care underperformed. The September jobs report saw the headline NFP of 252k, above all analyst forecasts (consensus 140k, max estimate 220k), while the unemployment rate dipped and wages accelerated. Stocks caught an immediate bid, as did the dollar while Treasuries tumbled with the curve bear flattening as 50bps bets were completely unwound, to see just 24bps priced for November. Crude prices settled in the green but off highs after US President Biden suggested Israel should not hit Iranian oil facilities, while Israeli media stated Israel does not want their response to lead to a wider confrontation with Iran, seeing oil prices sell off ahead of the futures settlement. Gold saw choppy price action. The yellow metal initially fell in response to the hot NFP print, but gold and silver saw a notable bid thereafter, before once again selling off to see gold slightly lower, but silver saw moderate gains. The Dollar and Pound outperformed in FX with the Buck rallying to see DXY print a high of 102.69 after the jobs report, while GBP was supported by hawkish commentary from BoE's Pill. The Yen lagged as US yields surged.

US

NFP: The NFP headline print surged above all analyst forecasts, printing 254k, above the 140k forecast and rising from the prior (revised up) 159k (forecast range was between 70-220k). The unemployment rate ticked down to 4.1% from 4.2% while wages also came in above expectations. M/M rose by 0.5%, above the expected 0.3% and prior 0.2%, with Y/Y rising 3.9%, above the 3.7% forecast and 3.6% prior. Overall it is a very hot print and eases recent labour market concerns after a string of soft reports. However, some analysts are cognizant of downward revisions to such a large number. The data has wiped out all bets for a 50bp cut in November with now just 24bps of easing priced for the next FOMC, although there is still another jobs report due before that meeting (as well as another CPI and PCE report) to help cement expectations, but many are forecasting a 25bp cut in November after Powell's guidance earlier in the week. Looking ahead to the October report, Morgan Stanley highlights that it will be harder to read due to strikes and the hurricane, but if this does depress payrolls, it is a temporary interruption rather than underlying cooling in the labour market.

GOOLSBEE: Fed's Goolsbee (2025 voter, dove), in a Bloomberg TV interview, said the September NFP was "superb", adding the end of port strikes is another piece of very good news for the US economy. He did stress that he does not want to react too much to one data point, adding that "If we get more job reports like this I will be more confident we are settling in a full employment", and he is "extremely happy" with the jobs report. On rates, the Chicago Fed President said that "a large majority of Fed policymakers feel rates are going to come down a lot over the next year to 18 months", and that they must be careful keeping rates as restrictive as they are. He noted the Fed needs to try to maintain conditions like they are today, adding they have time and runway to figure out where the settling point on the Fed policy rate is. Goolsbee also stated that "If productivity keeps booming, that implies higher growth and higher neutral rate". Meanwhile, he warned there are some signs inflation might undershoot the target, and a broad set of data shows the labour market is cooling. In a later interview with Yahoo! Finance, he largely reiterated these remarks but also acknowledged the Fed is transitioning from a focus on cutting the inflation rate to a more balanced approach.

FIXED INCOME

T-NOTE (Z4) FUTURES SETTLED 1 POINT & 2 TICKS LOWER AT 112-27

T-Notes bear flatten as hot NFP sees traders unwind 50bps bets for November . At settlement, 2s +21.4bps at 3.928%, 3s +20.9bps at 3.837%, 5s +18.0bps at 3.813%, 7s +15.9bps at 3.879%, 10s +13.1bps at 3.981%, 20s +9.4bps at 4.337%, 30s +8.7bps at 4.267%.

INFLATION BREAKEVENS: 5yr BEI +3.9bps at 2.307%, 10yr BEI +3.5bps at 2.233%, 30yr BEI +2.9bps at 2.241%.

THE DAY: T-Notes bear flattened in wake of the hot NFP report. The headline came in above all analyst forecasts, the unemployment rate fell back to 4.1% while wages were above expectations. The hot data saw traders completely unwind 50bps bets for November with the strong report easing some of the labour market concerns seen over the summer months. In wake of the data, some banks (JPM, BofA) that were initially forecasting a 50bps rate cut in November, adjusted their call to pencil in a 25bps cut instead. Elsewhere, Fed's Williams and Goolsbee spoke after although the former did not comment on policy, while Goolsbee labelled the jobs report "superb", but stressed they cannot put too much focus just on one data point. Attention will turn to US CPI next week, while there is still another NFP report due before the November FOMC. Aside from data, next week sees the start of the October supply, with 3, 10 and 30yr auctions scheduled, as well as a plethora of Fed speak. On the day, T-Notes hit lows of 112-26, with the 10yr yield seeing highs of 3.985%, while the 2s10s flattened to just +5bps, down from the +24bps peak seen in late September.

NEXT WEEK SUPPLY: US Treasury to sell USD 58bln of 3yr notes on Oct. 8th, USD 39bln of 10yr notes on Oct 9th, and USD 22bln of 30yr

bonds on Oct 10th, all to settle on October 15th, as expected.

STIRS

- **Market Implied Fed Rate Cut Pricing: November 24bps (prev. 34bps D/D), December 54bps (prev. 68bps), January 76bps (prev. 95bps).**
- NY Fed RRP Op demand at USD 330bln (prev. 341bln) across 57 counterparties (prev. 57)
- SOFR at 4.85% (prev. 4.92%), volumes at USD 2.182tn (prev. 2.426tn).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 81bln (prev. 81bln).

CRUDE

WTI (X4) SETTLED USD 0.67 HIGHER AT 74.38/BBL; BRENT (Z4) SETTLED USD 0.43 HIGHER AT 78.05/BBL

The crude complex ended and week notably firmer in what was oil's best week in two years amid the heightened Middle Eastern tensions. However, crude prices settled off Friday highs as Biden suggests Israel consider other alternatives to striking Iranian oil facilities. Market are still awaiting Israel's response to the Iranian attack earlier in the week, although, just ahead of settlement Al Jazeera citing Israel Channel 13 said the Security Cabinet has decided to respond to the Iran attack, and it wants to carry out a major operation in Iran, but it does not want the response to trigger an exchange of blows. Rather, Israel is seeking a response that achieves the goal of the war, but does not lead to a wide confrontation with Iran. This language is somewhat at odds with reports earlier in the week of a "harsh" and "cruel" response. Meanwhile, US President Biden said he would think about other alternatives to striking oil fields and Israeli's have not concluded what they are going to do about Iran's strike. Biden's remarks saw the crude complex take a hit into settlement. Nonetheless, oil still settled in the green after a bid throughout the US session, with participants perhaps reluctant to be short into the weekend given the geopolitical risk. Highlighting the chunky moves seen in WTI and Brent this week, they hit lows of USD 66.33/bbl and 69.91/bbl, respectively, against highs on Friday of 75.57/bbl and 79.30/bbl. Elsewhere, the crude complex was unreactive to the very strong US jobs report, where the headline printed above all analyst forecasts, unemployment surprisingly fell, and wages unexpectedly ticked higher, providing a boost to the Dollar. Meanwhile, the weekly Baker Hughes rig count saw Oil fall 5 to 479, Natgas rise 3 to 102, leaving the total down 2 at 585.

EQUITIES

CLOSES: SPX +0.90% at 5,751, NDX +1.22% at 20,035, DJIA +0.81% at 42,353, RUT +1.50% at 2,213.

SECTORS: Financials +1.64%, Consumer Discretionary +1.62%, Communication Services +1.2%, Energy +1.07%, Technology +0.99%, Industrials +0.63%, Materials +0.41%, Consumer Staples +0.22%, Health +0.08%, Utilities -0.17%, Real Estate -0.65%.

EUROPEAN CLOSES: DAX +0.55% at 19,120, FTSE 100 -0.02% at 8,281, CAC 40 +0.85% at 7,541, Euro Stoxx 50 +0.68% at 4,955, AEX +0.16% at 912, IBEX 35 +0.35% at 11,659, FTSE MIB +1.28% at 33,594, SMI -0.10% at 12,001.

STOCK SPECIFICS:

- **Thermo Fisher (TMO):** Greenville plant in North Carolina was found in breach of FDA regulations.
- **Spirit Airlines (SAVE):** Exploring a potential chapter 11 bankruptcy filing, according to WSJ.
- **Rivian (RIVN):** Cut FY production guidance due to experiencing a production disruption due to a shortage.
- **AbbVie (ABBV):** Cut 2024 profit forecast, citing USD 82mln in research and development expenses tied to collaborations and acquisitions.
- **Barnes Group (B): Apollo (APO)** is in advanced talks to acquire the Co., with the deal potentially valuing Barnes at over USD 45/shr (vs Thursday close of USD 40.06/shr).
- **Nvidia (NVDA):** DOJ and SEC support a class-action suit against Nvidia, alleging it misrepresented its sales to crypto miners, Cointelegraph reports.
- **ExxonMobil (XOM):** Estimated Q3 earnings may be negatively impacted by USD 0.6-1.0bln from changes in oil prices, and by USD -0.2bln to +0.2bln from gas prices, citing market dynamics and planned activities.
- **Summit Therapeutics (SMMT):** FDA granted Cos. cancer drug a fast-track designation.
- **Coeur Mining (CDE), Silvercrest (SILV):** CDE to acquire SILV for USD 11.34/shr to create a leading global silver company.

US FX WRAP

The Dollar was firmer on Friday and hit a high of 102.690 due to the hotter-than-expected US jobs report. Briefly recapping the data, the headline printed above all analyst forecasts, the unemployment rate surprisingly fell, and wages unexpectedly ticked higher, which saw the Dollar get a bid to the detriment of all G10 peers. As a result, Fed pricing notably trimmed with less than 25bps now priced in for the November meeting with many big banks adjusting their call to 25bps for November, instead of 50bps. On the Fed docket was just Goolsbee (2025 voter), who said it was a "superb jobs report", but "do not want to react too much to one data point." Elsewhere, newsflow was actually pretty thin to end the week with Middle Eastern tensions continuing to remain in focus with the latest update coming from President Biden who said he would think about other alternatives to striking oil fields, and added Israeli's have not concluded what they are going to do about Iran's strike.

G10 FX was weaker across the board against the Dollar bid. The Yen was the worst performer, with USD/JPY hitting a peak of 149.00 vs. an earlier low of 145.93 with Yen weighed on by firmer US yields. Meanwhile, GBP and CAD were the best performers, albeit still seeing slight weakness vs the buck. The Pound benefited from hawkish BoE comments after dovish Bailey earlier in the week and strong construction PMI data. On the former, BoE Chief Economist Pill took noted that the need for caution points to a gradual withdrawal of monetary policy restrictions. Cable hit a trough of 1.3070 but failed to hold below its 50DMA at 1.3073. The Loonie managed to pare some of the Dollar bid on account of firmer oil prices, with USD/CAD trading between 1.3545-91 range.

EUR, AUD, CHF, and NZD saw greater losses but again due to the Buck bid, as opposed to anything currency specific. EUR/USD hit a low of 1.0952 but the single-currency managed to defend 1.0950. Regarding the week, it has been characterised by a scaling back of dovish Fed bets and an increase in dovish ECB ones ahead of key risk events next week. AUD/USD and NZD/USD hit lows of 0.6786 and 0.6146, respectively, although the RBA remains one of the more hawkish central banks in G10. Amid the Dollar bid, Antipodeans have wiped out all the recent Chinese-stimulus induced gains.

EMFX was mixed, with BRL, MXN, and ZAR all seeing gains, while TRY, Yuan, and CLP all saw losses amid the aforementioned Dollar weakness. Newsflow elsewhere was pretty light with payrolls taking the limelight, although Goldman Sachs raises its year-end Turkey inflation forecast to 44% from 40% after September CPI data, and now expects the first rate cut in January vs previously expected November. For the CZK, central bank governor Michel said the new economic forecasts will likely see slightly lower growth next year, and will decide meeting to

meeting on rate cuts.

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