

# newsquawk

## US Market Wrap - 11th October 2024

### Stocks rally into the weekend as big bank earnings offer impetus

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat
- **REAR VIEW:** Mixed US PPI with Y/Y figures above exp. & M/M cool on Headline; Weak prelim UoM data & 1yr inflation expectations rise; Fed's Logan leans dovish; Israel yet to respond to Iran; Canadian jobs rise more than expected & unemployment rate unexpectedly falls; ECB sources seem to suggest insiders believe an October cut is more likely than not; JPM, WFC, BLK gain after earnings; TSLA worst S&P performer on underwhelming robotaxi event
- **COMING UP: Data:** Chinese Trade Balance. **Holiday:** Canada Thanksgiving Day; US Columbus Day (US Bond Market Closed, Stocks Open). **Events:** OPEC MOMR **Speakers:** BoE's Dhingra; Fed's Waller; RBNZ's Hawkesby. **Supply:** Australia.
- **WEEK AHEAD:** Highlights include: US retail sales, ECB, Aussie jobs, inflation data from China, Japan, New Zealand and Canada. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB, SARB, CBRT; Reviewing RBNZ, BoK, RBI, Minutes from FOMC, ECB and RBA. [To download the report, please click here.](#)
- **WEEKLY EARNINGS ESTIMATES:** Earnings season continues in full flow with highlights from GS, ASML, MS, TSM, NFLX, and AXP. [To download the full earnings estimates please click here.](#)

### MARKET WRAP

US indices (SPX +0.6%, NDX +0.2%, DJIA +1.0%, RUT +2.1%) were firmer to end the week, with all sectors aside from Consumer Discretionary in the green, as it was weighed on by Tesla (TSLA) (-8.8%) whose Robotaxi event disappointed investors. Financials sat atop the pile and was buoyed by JPMorgan (JPM), Wells Fargo (WFC), and BlackRock (BLK) who were all firmer post-earnings (details below), with the former beating on top and bottom line as well this year's NII guidance impressing. The Dollar was flat, with Antipodeans outperforming and safe-havens lagging, reversing some of Thursday's moves. The Loonie saw two-way action, as it initially strengthened against the Dollar in wake of the strong Canadian jobs report, but faded into the close. Treasuries curve steepened and chopped to US PPI and soft UoM survey but ultimately settled in the green with a dovish leaning Logan and lower oil prices supporting the move. On the crude complex, participants continue to await Israel's response to Iran after last night's Israeli security meeting concluded with no votes. Back to US data, PPI was mixed as the core was hotter-than-expected Y/Y but inline M/M, while headline M/M was underneath forecasts, while Y/Y was above. UoM disappointed, as the headline and both conditions and expectations all surprisingly declined. On the inflation footing, 1yr ahead ticked up to 2.9% from 2.7%, while the longer-term 5-10yr fell to 3.0% from 3.1%.

### US

**US PPI:** Overall, the PPI data was mixed. The headline M/M was unchanged in September, softer than the 0.1% forecast and easing from the prior 0.2%. The Y/Y rose 1.8%, not as quick as the upwardly revised previous 1.9% (initially 1.7%), but above the 1.6% analyst consensus. The core numbers saw a M/M rise of 0.2%, in line with expectations and down from the prior 0.3%, but the Y/Y rose 2.8%, above the 2.7% forecast and prior 2.4%. The super core metrics however, both eased from the prior months. The data, in conjunction with the US CPI released on Thursday, will be used to help gauge the PCE numbers released on 31st October. Analysts at Oxford Economics warn that their nowcast of the US PCE deflators imply inflation is not falling as smoothly as they had anticipated, but suggest inflation is on a path, albeit a bumpy one, back to 2%. The desk expects headline PCE to rise 0.18% M/M, with the core at 0.25%, with the yearly prints, for headline and core, easing to 2.1% from 2.2% and 2.6% from 2.7%, respectively.

**MICHIGAN:** Prelim University of Michigan headline for October fell to 68.9 from 70.1, beneath the expected 70.8. Current Conditions fell to 62.7 (exp. 64.3, prev. 63.3), and outside the bottom end of the forecast range, while forward-looking Expectations also declined to 72.9 (exp. 75.0) from 74.4. On the inflation metrics, 1yr ahead rose to 2.9% from 2.7%, while longer-term 5-10yr dipped to 3.0% from 3.1%. The report notes, while inflation expectations have eased substantially since then [June 2022], consumers continue to express frustration over high prices. Still, the report adds, long-run business conditions rose to their highest reading in six months, while current and expected personal finances both softened slightly. In addition, despite widespread news coverage about the Middle East and Ukraine, few consumers connected these developments to the economy. Looking ahead, the report notes, with the upcoming election on the horizon, some consumers appear to be withholding judgment about the longer-term trajectory of the economy.

### FED

**Logan (2026 voter):** Stated recent inflation data is very welcome and less restrictive policy will still cool inflation. Logan added that the US economy remains strong and stable, and the Fed's discount window important part of bank funding. Logan concluded that banks must continue to tap diverse sources of funding and healthy banks use discount window "all the time".

**Goalsbee (2025 voter):** Doesn't see convincing evidence is overheating and repeated that the Fed must focus on both sides of the dual mandate, and also echoed recent remarks that inflation has cooled and the job market is strong.

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLED 5+ TICKS HIGHER AT 112-08

**T-notes chop to US PPI and soft UoM survey but ultimately settle in the green with a dovish leaning Logan and lower oil prices supporting the move.** At settlement, 2s -5.6bps at 3.943%, 3s -4.8bps at 3.860%, 5s -3.8bps at 3.881%, 7s -2.7bps at 3.967%, 10s -1.9bps at 4.075%, 20s -0.3bps at 4.440%, 30s +0.0bps at 4.385%.

**INFLATION BREAKEVENS:** 5yr BEI +0.1bpsa at 2.424%, 10yr BEI +0.2bps at 2.326%, 30yr BEI +0.5bps at 2.316%.

**THE DAY:** T-notes meandered overnight before selling once European trade was underway ahead of US data. The US PPI saw a two-way reaction with initial upside instantly paring before once again grinding higher. The PPI data was mixed, headline M/M was unchanged, softer

than the 0.1% forecast and down from the 0.2% prior, while the Y/Y eased to 1.8% from a revised up 1.9% (initially 1.7%), above the 1.6% forecast. The core metrics saw a similar outcome where the 0.2% M/M was in line but down from the prior 0.3%, but Y/Y of 2.8% was hotter than the 2.7% forecast and above the 2.4% previous. T-notes peaked at 112-07 in wake of the data before falling to 111-30, before reclaiming 112-00. The next catalyst was the UoM prelim survey for September, which ultimately was weak across the board with longer-term inflation expectations easing, although the short-term expectations rose. and although it didn't see much reaction at the time, T-notes caught a gradual bid shortly after. There were also remarks from Fed's Logan, who usually leans hawkish, but she was at odds with what Bostic was saying on Thursday, noting the recent inflation data was very welcome, adding that less restrictive policy will still cool inflation. The upside continued into settlement with the curve bull steepening while the weak UoM, soft monthly PPI, a dovish leaning Logan and downside in oil prices all supported the move.

## STIRS

- **Market Implied Fed Rate Cut Pricing: November 23 (prev. 21bps D/D), December 46 (prev. 46bps), January 66 (prev. 65bps).**
- NY Fed RRP op demand at USD 332bln (prev. 323bln) across counterparties 59 (prev. 68).
- US sold USD 95bln 4-wk bills at a high rate of 4.75%, B/C 2.74x; sold USD 90bln 8wk bills at a high rate of 4.64%, B/C 2.92x
- SOFR at 4.82% (prev. 4.83%), volumes at USD 2.198tln (prev. 2.220tln).
- EFFF at 4.83% (prev. 4.83%), volumes at USD 98bln (prev. 94bln).

## CRUDE

**WTI (X4) SETTLED USD 0.29 LOWER AT 75.56/BBL; BRENT (Z4) SETTLED USD 0.36 LOWER AT 79.04/BBL**

The crude complex finished the week with roughly USD 1/bbl in the green despite posting modest weakness on Friday. Weakness was attributed to the lack of escalation in geopolitics whereby reports unveiled that there was no vote at all at the end of the Israeli Security Council meeting on Thursday, thus, potentially suggesting that an Israel response towards Iran is not imminent. Following these reports, it was announced via Sky News Arabia, that Hezbollah leader Wafiq Saha has reportedly been seriously injured and is in a critical condition. For a brief period, WTI and Brent were firmer on the session with the bid coincident with the rally in equities at the US cash open, peaking at USD 76.04/bbl and 79.50/bbl, respectively. Ultimately the risk-on theme failed to hold within the crude space, as both fell back into the red. Later on, Sky News Arabia reports resumed, noting US President Biden was not satisfied after his call with Netanyahu regarding the Israeli response to Tehran, in which the response may include a cyber attack on important Iranian facilities separate from the military response. Regarding the weekly Baker Hughes rig count, that saw oil up 2 at 481, natgas down 1 at 101, resulting in the total up 1 at 586.

## EQUITIES

**CLOSES:** SPX +0.61% at 5,815, NDX +0.15% at 20,272, DJIA +0.97% at 42,864, RUT +2.10% at 2,234

**SECTORS:** Consumer Discretionary -0.41%, Technology -0.03%, Energy +0.48%, Consumer Staples +0.52%, Communication Services +0.69%, Materials +0.70%, Health +0.73%, Utilities +0.89%, Real Estate +1.06%, Industrials +1.79%, Financials +1.95%.

**EUROPEAN CLOSES:** DAX: +0.75% at 19,356, FTSE 100: +0.19% at 8,254, CAC 40: +0.48% at 7,578, Euro Stoxx 50: +0.68% at 5,004, AEX: +0.51% at 916, IBEX 35: +0.54% at 11,720, FTSE MIB: +0.68% at 34,308, SMI: +0.64% at 12,155, PSI: +1.04% at 6,756.

## EARNINGS

- **JPMorgan (JPM):** Beat on EPS, revenue, managed net interest income and raised its FY24 NII guidance. However, later said that market consensus for FY25 NII looks "a little topy".
- **Wells Fargo (WFC):** Profit and NII surpassed market expectations. CFO said Q4 NII will be roughly in line with Q3, signalling a trough. Elsewhere, fell short on revenue and lowered its FY24 NII outlook.
- **BlackRock (BLK):** Top and bottom line surpassed expectations and reported a record high AUM and a quarterly record for net inflows.
- **Bank Of New York Mellon (BK):** Beat on adj. EPS, revenue, and NIM with the CFO not expecting Q4 to be materially different from Q3 and it's too early to speak on the 2025 NII metric.
- **Fastenal (FAST):** EPS beat and revenue in line with forecasts.

## STOCK SPECIFICS

- **Tesla (TSLA):** Robotaxi event underwhelmed investors, as many pointed out the lack of real numbers and timelines in the event that Tesla events usually come with. The event unveiled the robotaxi, in which CEO Musk expects production to begin in 2026, and will make Cybercab in very high volume before 2027. Jefferies labelled the robotaxi "toothless" and said it was a best-case outcome for competitor Uber (UBER).
- **Humana (HUM):** On one of HUM's largest contracts in its Medicare Advantage membership, it dropped to a lower rating on the government's star system.
- **Kinder Morgan (KMI):** Upgraded at BofA noting the Co. stands to benefit from contracted long-term growth, given the demand pull from Gulf Coast LNG projects and AI/utility electrification.
- **Affirm Holdings (AFRM):** Upgraded at Wells Fargo, noting the Co. has "clearly demonstrated its right to win" increment e-commerce checkout market share for "years to come".
- **Mobileye Global (MBLY):** Downgraded at Mizuho as it sees headwinds ahead with weaker EyeQ and SuperVision expectations, and limited catalysts over the next 12-18 months.
- **Honeywell (HON):** Odyssey Investment Partners is in advanced talks to acquire Honeywell's PPE unit and is valued at about USD 1.5bln, according to Bloomberg sources.

## US FX WRAP

The Dollar was flat to end the week, and within tight parameters, highlighted by a peak of 102.99 and a low of 102.76. The main events on Friday was the US PPI report for September and prelim UoM for October. Briefly recapping the data, PPI was mixed as core was hotter-than-expected Y/Y but inline M/M, while headline M/M was underneath forecasts, while Y/Y was above. UoM disappointed, as headline and both current conditions and forward-looking expectations all surprisingly declined. On the inflation footing, 1yr ahead ticked up to 2.9% from 2.7%, while the longer-term 5-10yr fell to 3.0% from 3.1%. On the Fed footing, Goolsbee (2025 voter) largely echoed recent remarks, while Logan (2026 voter) said recent inflation data is very welcome and less restrictive policy will still cool inflation.

Safe-havens, CHF and JPY, saw weakness against the Dollar, albeit to varying degrees, and pared some of its strength on Thursday with the Yen the G10 underperformer. Currency-specific newsflow was light, but potentially weighed on by broader risk-on sentiment. USD/JPY hit

a low of 148.41 against a later high of 149.28, while USD/CHF traded between a very narrow 0.8560-8584.

**CAD** saw marginal losses vs. the Greenback, but that only tells half the story. In the immediate aftermath of the strong Canadian jobs report the Loonie saw strength, seeing USD/CAD fall from around 1.3780 to lows of around 1.3726, before paring. Recapping the data, the Canadian economy added many more jobs than expected, 46.7k (exp. 27k, prev. 22.1k), and the unemployment rate unexpectedly fell to 6.5% from 6.6%, with consensus for a tick higher to 6.7%. As such, a hawkish reaction was seen in BoC pricing, as the report lessens the need for the 50bps move that some desks have been calling for and pricing had been erring towards.

**GBP and EUR** were flat, with the pairs within very tight ranges. Highlighting this, Cable and EUR/USD traded between 1.3042-83 and 1.0927-53, respectively. In terms of newsflow, the Pound was little moved on the back of the softer-than-expected GDP 3M/3M and Y/Y figures, while for the Euro Friday's Final German CPI print for August were unrevised, but the internal commentary held a slight hawkish skew.

**Antipodeans and the Yuan** firmed against the Greenback, although price action was contained and within a tight range given the lack of notable newsflow, so focus will ultimately lie on China's MoF press conference on Saturday for potential headwinds or tailwinds. For reference, China's Finance Ministry is to hold a press briefing on fiscal policy and economic development on October 12th at 10:00 local time (03:00BST/22:00EDT) and will introduce details of intensifying fiscal policy adjustment.

**EMFX** was mixed, as the BRL saw notable weakness and likely weighed on by some dismal Brazilian data, whereby Service Sector Growth unexpectedly declined M/M and was much weaker than forecast Y/Y. MXN firmed to end the week, despite also seeing some disappointing figures as Industrial Output surprisingly fell for both M/M and Y/Y metrics. Elsewhere, newsflow was fairly sparse where the CLP and ZAR benefitted from rising copper and gold prices, respectively.

---

Copyright © 2024 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

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