

# newsquawk

## US Market Wrap - 14th October 2024

### Tech rally sees SPX close at record highs on Columbus Day while Dollar outperforms

- **SNAPSHOT:** Equities up, Treasury futures down, Crude down, Dollar up
- **REAR VIEW:** Fed's Kashkari says more modest cuts appear appropriate, Waller keeps his options open; Soft China Inflation and Trade data; Disappointing China MoF fiscal update; Caixin reports China could issue CNY 6tn of bonds; OPEC MOMR lowers global oil demand growth outlook for 2024 and 2025; Israel says it will carry out a "strong response" to Iran, and prepares for a large-scale attack in Lebanon, while Iran would consider round closed if Israeli response is limited; NVDA rallies on positive sell-side commentary.
- **COMING UP: Data:** German Wholesale Price Index, UK Jobs, Swedish CPI, Spanish CPI, French CPI, EZ/German ZEW Survey, Canadian CPI, NZ CPI. **Events:** IEA OMR; SARB Policy Announcement; NZ Fed SCE; Fed Discount Rate Minutes. **Speakers:** Fed's Daly, Kugler; RBA's Hunter; RBNZ's Silk. **Supply:** UK. **Earnings:** UnitedHealth Group, Johnson & Johnson, PNC Financial Services, Bank of America, Walgreens Boots Alliance, Goldman Sachs, Charles Schwab, Citigroup, United Airlines LVMH Bellway.
- **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.](#)

### MARKET WRAP

Stocks were bid on Monday with Tech supporting indices higher and the Nasdaq outperformance. The majority of sectors closed in the green although energy closed in the red on account of lower oil prices. The tech outperformance was led by Nvidia (NVDA) after a number of positive sell-side updates (see equity section below), helping the stock close at record highs. Oil prices were hit on China demand fears after the weekend fiscal update lacked specific details, which weighed on the Yuan, while soft inflation and trade data also disappointed. There was a slight reprieve on reports in Caixin that China could issue up to CNY 6tn of bonds to help support its growth initiatives but ultimately the move was short-lived, but it did help support US equity futures. T-note futures were weighed on through the European morning but saw a turnaround after the Caixin report before settling off lows on account of the Fed's Waller. The Fed Governor said the Fed can move policy to a more neutral stance at a "deliberate pace", but he did keep his options open, depending on how the economy evolves, but his baseline case is for a gradual reduction in policy rate over the next year. The Dollar outperformed while havens lagged with T-note futures lower on the session (cash markets closed for Columbus Day). Geopolitics remains in the limelight with the Israel security meeting occurring at pixel time about a response to Iran, which will be "strong", and they "must prepare for an exchange of blows", "which may drag Washington into war, which Iran does not want", according to the Israeli press.

### FED

**KASHKARI:** The Minneapolis Fed President stated the economy is in the final stages of returning inflation to 2%, noting policy is in a restrictive stance but it is unclear how restrictive. He believes that further modest cuts appear appropriate, and the future path of policy is to be data-driven. He added the job market remains strong and recent data shows the labour market is not weakening quickly. He said the neutral rate is likely to be higher than pre-COVID (previously said he thinks it is around the 3% mark), adding if US debt continues to increase, then the neutral rate will also increase.

**WALLER:** Fed Governor Waller said the Fed should proceed with more caution on rate cuts than what was needed at the September meeting. His baseline calls for reducing the policy rate gradually over the next year, noting it is currently restrictive. If the economy proceeds as expected, the Fed can move policy to a neutral stance at a 'deliberate pace.' However, if, in a less likely case, inflation falls below 2% or the labor market deteriorates, the Fed can front-load rate cuts. He also added that if inflation unexpectedly climbs, the Fed could pause rate cuts; he labelled the latest inflation data 'disappointing.' Waller also noted that there is considerable room for cutting above the neutral rate. Waller stated the economy is on solid footing, and may not be slowing as much as desired; he expects GDP to grow faster in 2H 2024, adding household resources for future consumption are 'in good shape.' Waller sees pent-up demand for big-ticket items, stating that consumers are 'eager' to make purchases as rates come down. He said the labour market is 'quite healthy,' and labour supply and demand have come into balance. He warned that hurricanes and the Boeing strike may reduce October payrolls growth by 100,000. Looking ahead, Waller expects payroll gains to moderate and the unemployment rate to drift higher but stay historically low. He is watching inflation data to see how persistent the recent uptick is; noting that progress on inflation has been a 'rollercoaster.'

### CHINA

**CHINA:** China's MoF announced over the weekend it will "significantly increase" government debt issuance to offer subsidies to those with low incomes, support the property market and replenish state banks' capital to boost economic growth. However, it was not very specific in the particular measures or scale of such measures. However, Caixin later reported China could issue CNY 6tn of Treasury Bonds over three years, noting funds will be partially used to help local governments resolve their off-the-books debts. This follows on from the MoF over the weekend pledging assistance to alleviate debt pressure, but specifics were light. It is also worth noting Reuters had previously reported that around CNY 2tn of special bonds were to be issued in 2024, with the latest update implying another 2tn in 2025 and 2026. Elsewhere, there was plenty of data to digest, Chinese inflation data was cooler than expected while trade data was also weak. Chinese exports rose just 2.4%, beneath the 6.0% forecast and 8.7% prior while imports rose 0.3%, beneath the 0.9% forecast and 0.5% prior, seeing the trade surplus narrow to USD 81.71bln from 91.02bln.

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLED 12+ TICKS LOWER AT 111-27+

T-note futures sold in risk-on trade with cash bonds closed for Columbus Day but settled off lows, supported by Governor Waller.

**THE DAY:** Treasury futures were little changed overnight with attention on updates from China after soft inflation and trade data, as well as a somewhat disappointing update from the MoF on the fiscal package in China. Some of the downside was attributed to the Trump Trade after

Trump performed well in weekend polls, where his policies around tax cuts and Tariffs could stoke reflation fears. T-note futures hit a low of 111-23 before gradually turning around after Caixin reported that China could issue up to CNY 6tn in debt over three years, which briefly helped reassure some concerns over the weekend after the lack of specifics from the MoF. T-notes accelerated on settlement in response to Fed Governor Waller, who said his baseline case is to reduce the policy rate gradually over the next year, noting that if the economy proceeds as expected, the Fed can move policy to a more neutral stance at a "deliberate pace", implying 25bps moves are still on after Hawkish Bostic suggested recent inflation data validates a November "skip". However, the Governor did keep his options open, noting if, in the less likely case, that inflation falls below 2% or the labour market deteriorates, the Fed can front-load rate cuts, but they could also pause if inflation unexpectedly climbs. He also noted that recent inflation data was disappointing, but the labour market is quite healthy. He is watching inflation data to see how persistent the recent uptick is, adding inflation progress has been a rollercoaster.

## STIRS

- Market Implied Fed Rate Cut Pricing: November 21bps (prev. 23bps D/D), December 43bps (prev. 46bps), January 62bps (prev. 66bps).

## CRUDE

**WTI (X4) SETTLED 1.73 LOWER AT 73.83/BBL; BRENT (Z4) SETTLED 1.58 LOWER AT USD 77.46/BBL**

**WTI and Brent were weaker on Monday as cooler China inflation and trade and a lack of specifics from China's MoF update sent the complex lower.** Losses extended throughout the European session, with WTI and Brent troughing at USD 73.41/bbl, and USD 76.88/bbl, respectively. There was little reaction to the OPEC MOMR, whereby 2024 global oil demand growth was revised down by 106k BPD, while the 2025 forecast was revised down to 1.64mln BPD from 1.74mln BPD. It also noted that the main growth drivers are expected to be the US, Canada, Brazil, and China. Once US trade was underway the crude complex caught a bid, coincident with a risk-on theme seen in equities, after Caixin reported China could issue CNY 6tn of Treasury Bonds over three years, however, the bounce in oil prices turned out to be short-lived.

On geopolitics, no Israel response has been seen as of yet, but the security meeting is currently ongoing and reports state that PM Netanyahu, Defence Secretary Gallant and Chief of Staff Halevi will make the decision themselves, without the participation of the cabinet. Note, Iran reportedly sent a message to the US administration, noting they would consider this round closed if Israel's response to the missile attack is limited. However, Israeli press reports suggest the Israeli response will be strong, and that Israel must be prepared for the Iranian reaction, adding they must prepare for an exchange of blows, which may drag Washington into war, which Iran does not want. Looking ahead, the IEA OMR and API weekly inventory report is due on Tuesday.

## EQUITIES

**CLOSES:** SPX +0.77% at 5,860, NDX +0.82% at 20,439, DJIA +0.47% at 40,065, RUT +0.64% at 2,249

**SECTORS:** Energy -0.08%, Consumer Discretionary +0.25%, Consumer Staples +0.42%, Health +0.51%, Materials +0.53%, Communication Services +0.53%, Industrials +0.57%, Financials +0.58%, Real Estate +0.68%, Utilities +1.29%, Technology +1.36%.

**EUROPEAN CLOSES:** DAX: +0.66% at 19,501, FTSE 100: +0.47% at 8,293, CAC 40: +0.32% at 7,602, Euro Stoxx 50: +0.72% at 5,040, AEX: +0.73% at 923, IBEX 35: +1.12% at 11,851, FTSE MIB: +1.09% at 34,681, SMI: +0.90% at 12,264, PSI: -0.58% at 6,717.

## STOCK SPECIFICS

- **Nvidia (NVDA):** Wells Fargo believes the reports of Nvidia's DGX B200 systems being priced at over USD 500k are an incremental positive data point as investors focus on the forthcoming Blackwell platform cycle.
- **Meta Platforms (META):** Goldman Sachs raised Meta's PT to USD 636 from USD 555, expecting Meta to deliver revenue at or above its Q3 guidance range and to sustain mid-teens total revenue growth through 2025.
- **Boeing (BA):** Plans to cut 17k jobs, about 10% of its workforce, due to deepening losses and a prolonged machinist strike, CNBC reports. Boeing is to delay the launch of its 777X wide-body aircraft to 2026, and the Q3 outlook given for revenue and loss per share were worse than anticipated.
- **Longboard Pharmaceuticals (LBPH):** Lundbeck is to acquire Longboard Pharmaceuticals in a strategic deal; total transaction value of approx. USD 2.6bn equity value and USD 2.5bn net of cash.
- **Bausch + Lomb (BLCO):** TPG & Blackstone are reportedly to cooperate on a joint bid for Bausch + Lomb, valuing the Co. at between USD 13-14bn on an enterprise basis, or as much as USD 25/shr, via FT citing sources
- **Hims & Hers Health (HIMS):** FDA announced it would allow compounding pharmacies - those that sell custom-made medicines- to sell their own versions of Eli Lilly's weight loss drug Mounjaro.
- **SentinelOne (S):** Upgraded to 'Overweight' from 'Neutral' at Piper Sandler with a USD 32 PT (prev. 25), seeing "multiple catalysts to buoy shares into year's end", including incremental share gains against CrowdStrike (CRWD) beginning to surface providing upside to "modest" annual recurring revenue expectations.
- **Amgen (AMGN):** Downgraded to 'Hold' from 'Buy' at Truist Secs with a USD PT of USD 333 (prev. 320). Truist noted Amgen's obesity potential is priced in while its pipeline competition "mutes upside potential".
- **Qualcomm (QCOM):** TF Intl. Secs Analyst Ming Chi Kuo says that strong Snapdragon 8 Gen 4 shipments are to significantly boost Qualcomm's Q424/Q125 business momentum.

## US FX WRAP

**The dollar** was firmer on Columbus Day, as perceived chances of a Trump win in the November election, continued to grow after election polls over the weekend, unveiled Trump is closing the gap between himself and Harris. The theme was further highlighted by selling in treasury futures and a surge in Trump Media & Technology (DJT, +18%). Separately Fed's Kashkari (2026 Voter) said the policy is in a restrictive stance but it's unclear how restrictive, and further modest cuts appear appropriate, the future path of policy is to be data-driven. Meanwhile, Waller saw the buck pare from highs after noting if the economy proceeds as expected, the Fed can move policy to a neutral stance at a "deliberate pace". The dollar index headed into overnight trade just beneath its 103.36 high, but is set to end above its 90DMA (103.082) for the first time since July this year, as US Retail Sales on Thursday are the next major US release for the buck.

**The Euro** had a quiet start to the week with regards to updates out of the region, that said, EUR/USD set new 2-monthly lows, as buck strength took the reins ahead of the ECB rate decision this week. As a reminder, the Central Bank is expected to cut by 25bps to 3.25% on Thursday, and until then, the focus will be on ZEW Economic Sentiment (Tues) and ECB's Largare Speech (Wed). Meanwhile Fitch, over the weekend, lowered France's outlook to negative from stable but left the rating unchanged at AA-. Fitch writes that fiscal policy risks have increased since their last review and that this year's projected fiscal slippage places France in a worse fiscal starting position. Fitch added

they "expect wider fiscal deficits, leading to a steep rise in government debt towards 118.5% of GDP by 2028. High political fragmentation and a minority government complicate France's ability to deliver on sustainable fiscal consolidation policies".

**The Yuan** weakened versus the dollar, as the Trump trade, a lack of details in MoF's briefing over the weekend, and soft Chinese data (cool CPI, lower-than-expected imports & exports Y/Y) weighed. The Yuan briefly rallied from lows after reports in Caixin suggested China could issue CNY 6tln of treasury bonds over three years. Nevertheless, the move was shortlived and USD/CNH climbing to a peak of 7.0999, slightly above its 50 DMA (7.0997)

**G10FX** were nearly entirely in the red, as newsflow was fairly light, and as China took the spotlight when concerning the newsflow. Nonetheless, the cool China data had its impact on the space, weighing on Antipodes, while the sell-off in treasury futures dragged on Havens, leaving them as the worst performers. USD/JPY fell short of the 150 handle (session highs of 149.98, just before Waller spoke) but headed into APAC firmly above the 149.00 handle. Meanwhile, the Pound outperformed its peers, undergoing a flattish day after exhibiting a muted reaction towards the Investment Summit in the UK with all eyes turning to the UK budget at the end of the month. The calendar for tonight and Tuesday will see RBNZ 's Hawkesby speak about financial stability, while earnings and employment change data is expected out of the UK, and CPI from Canada for September.

**EMFX**, for the most part, was in the red when put up against the greenback, except for the INR, BRL, and COP. Data releases were sparse, as a surprise upside in Brazilian economic activity in August as well as a weekly BCB poll among economists showed the year-end Selic rate view unchanged at 11.75%, while the 2025 year-end rate view was raised by 25bps to 11.0% (prev. 10.75%). The BRL was supported after reports via Reuters citing two Finance Ministry officials that the government is preparing to roll out measures to curb mandatory spending after a second round of municipal elections at the end of the month. Meanwhile, hotter-than-expected Indian CPI Inflation Y/Y helped weigh on USD/INR.

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