

### Stocks rise with earnings season underway ahead of US Retail Sales

- **SNAPSHOT:** Equities up, Treasuries up, Crude flat/down, Dollar up
- **REAR VIEW:** US Import/Export prices fall; Israel's response to Iran is "ready"; Cool UK and New Zealand inflation; BoJ's Adachi says they must avoid a premature hike, but conditions are in place to start normalising policy; QCOM delays any decision over INTC acquisition, while China regulators call for an investigation into INTC; MS rallies on earnings beats.
- **COMING UP:** **Data:** Japanese Trade Balance, Australian Jobs, EZ HICP (Final), US Initial Jobless Claims, Philly Fed Index, Retail Sales, US Industrial Production. **Events:** ECB & CBRT Policy Announcement. **Speakers:** ECB President Lagarde; Fed's Goolsbee. **Supply:** Spain, France. **Earnings:** Elevance Health, Truist Financial, M&T Bank, Huntington Bancshares, KeyCorp, Travelers, Blackstone, TSM, Netflix VAT, ABB, Nestle, Nokia, Pernod Ricard, Publicis, EssilorLuxottica, Entain, Rentokil.

### MARKET WRAP

Stocks closed in the green despite initial weakness at the open while Russell led the gains and Nasdaq lagged. The majority of sectors were green with outperformance in Utilities, Financials and Real Estate, with Financials buoyed by strong MS earnings. Communication, Consumer staples and Technology lagged with the former two being the only sectors closing lower with communication hit by weakness in Meta (META). T-notes settled slightly in the green albeit primarily a function of softer New Zealand and UK inflation data as opposed to anything US-specific. US Import and Export prices both declined with export prices dropping more than expected, but little impact was seen. In FX, the Dollar outperformed with other currencies sold, namely GBP, AUD and NZD. Crude prices settled marginally lower with prices chipping to reports of an Iranian oil spill.

### GLOBAL

**US IMPORT/EXPORT PRICES:** US Import Prices declined 0.4%, in line with expectations but down from the prior revised -0.2%. The drop was the largest decline since December 2023, while prices for import fuel fell 7%, nonfuel industrial supplies and materials rose by 1.1%, the largest increase since April. Elsewhere, all imports ex-fuel rose 0.1%, for the third consecutive month. Export Prices declined 0.7%, deeper than the 0.4% decline expected, while the prior was revised to -0.9% from -0.7%. Lower prices for nonagricultural exports in September more than offset higher agricultural export prices. Following the data, Oxford Economics highlights that import prices "do not feed through directly to producer and consumer prices but are a signal inflationary pressures remain muted and adds some support to another rate cut in November".

**ECB PREVIEW:** Despite the odds of an October move being seen as significantly more unlikely than likely in the wake of the September announcement, soft PMI and CPI metrics have seen a dramatic ramp up in easing expectations. Focus for the release will be on how Lagarde guides the cadence of further easing given that the Bank has been disturbed from what appeared to be an approach of only easing at meetings containing macro projections. [To download the full report, please click here.](#)

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLED 3 TICKS HIGHER AT 112-17

**T-notes settle in the green in wake of soft New Zealand and UK inflation reports ahead of US retail sales and ECB on Thursday.** At settlement, 2s -1.6bps at 3.940%, 3s -1.6bps at 3.849%, 5s -1.5bps at 3.846%, 7s -1.4bps at 3.924%, 10s -1.8bps at 4.020%, 20s -2.0bps at 4.367%, 30s -2.6bps at 4.302%

**INFLATION BREAKEVENS:** 5yr BEI -0.0bps at 2.360%, 10yr BEI -0.4bps at 2.269%, 30yr BEI -0.3bps at 2.262%.

**THE DAY:** T-notes saw slight upside throughout the Asia, European and US session supported by New Zealand and UK inflation data ahead of US Retail Sales on Thursday. Updates on the US and on geopolitics were light, although both US import/export prices declined while reports suggest Netanyahu has made up his mind on the Iranian response (in fitting with Tuesday's reports). On the US data, Oxford Economics highlights that "Import prices do not feed through directly to producer and consumer prices but are a signal inflationary pressures remain muted and adds some support to another rate cut in November." Overnight, the T-note bid was supported by soft New Zealand CPI while the extension high in the morning was supported by follow-on effects from Gilts after softer-than-expected UK inflation. Attention in the US turns to US retail sales on Thursday, while the ECB rate decision will also be eyed. Note, the latest Treasury buyback purchased the maximum USD 4bln of the USD 10.275bln offered in the 3-5yr nominal coupons.

#### STIRS

- **Market Implied Fed Rate Cut Pricing: November 24bps (prev. 24bps D/D), December 46bps (prev. 46bps), January 65bps (prev. 65bps).**
- US sold USD 64bln of 4mth bills at a high rate of 4.420%, B/C 3.05x.
- NY Fed RRP op demand at USD 272bln (prev. 286bln) across 55 counterparties (prev. 50).
- SOFR at 4.86% (prev. 4.81%), volumes at USD 2.272tln (prev. 2.058tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 91bln (prev. 94bln).

### CRUDE

#### WTI (X4) SETTLED USD 0.19 LOWER AT USD 70.39/BBL; BRENT (Z4) SETTLED USD 0.03 LOWER AT USD 74.22/BBL

**Crude prices chopped on Wednesday amid reports of an oil spill in Iran but ultimately settled marginally in the red.** There was little fresh to report on geopolitics, aside from confirmation that Israeli PM Netanyahu has decided how he is going to respond to Iran (Crude sold off on Tuesday on reports he will not target nuclear or oil facilities). The timing of when it will take place is still being questioned, but reports

suggest it will take place before US election day. Crude prices saw some chop as reports of an Iranian oil spill. The spill was initially reported via IRNA in the European morning but once Tasnim and Bloomberg reported the oil spill, crude prices crept higher, but failed to match the mornings highs of USD 71.31 and 74.93 in WTI and Brent, respectively, before ultimately paring. WTI and Brent then eventually hit lows of USD 69.64 and 73.42/bbl, before paring into settlement. Attention remains on geopolitics but the private inventory data is due after hours ahead of the official release on Thursday. For the private inventory report, currently expectations are: Crude (exp. +1.8mtn), Gasoline (exp. -1.5mtn), Distillates (exp. -2.2mtn).

## EQUITIES

**CLOSES:** SPX +0.47% at 5,842, NDX +0.07% at 20,174, DJIA +0.79% at 43,078, RUT +1.64% at 2,287

**SECTORS:** Communication Services -0.37%, Consumer Staples -0.21%, Health +0.28%, Consumer Discretionary +0.32%, Technology +0.36%, Energy +0.43%, Industrials +0.77%, Materials +0.83%, Real Estate +1.01%, Financials +1.22%, Utilities +2.03%.

**EUROPEAN CLOSES:** DAX: -0.18% at 19,451, FTSE 100: +0.97% at 8,329, CAC 40: -0.40% at 7,492, Euro Stoxx 50: -0.77% at 4,909, AEX: -0.74% at 893, IBEX 35: +0.56% at 11,997, FTSE MIB: +0.24% at 34,660, SMI: -0.20% at 12,194, PSI: +0.78% at 6,750.

## EARNINGS

- **Morgan Stanley (MS):** Beat on EPS, revenue and trading metrics, although, compensation expenses and provisions for credit losses were above forecasts.
- **US Bancorp (USB):** Topped EPS and NII street forecasts, while net charge-offs were slightly above expectations.
- **Abbott Laboratories (ABT):** Reported earnings beats for the Q3, alongside next quarter and FY EPS guidance above St. consensus, as well as an authorised share buyback programme of up to USD 7bln.
- **Citizens Financial Group (CFG):** Q3 Revenue missed while profit was in line, citing a drag from forward starting swaps that started in July, but sees a strong Q4 and launch into 2025.
- **Prologis (PLD):** Profit, Revenue, and Core FFO/shr surpassed expectations.
- **United Airlines Group (UAL):** Top and bottom line beat, also announced a new share repurchase programme for up to USD 1.5bln.
- **Interactive Brokers Group (IBKR):** EPS fell short of forecasts, although, revenue was above.

## STOCK SPECIFICS

- **Intel (INTC): Qualcomm (QCOM)** plans to delay any decision regarding a potential acquisition of Intel until after the US presidential election, Bloomberg reports. Meanwhile, China's cyberspace regulator called for a systematic examination of the risks of Intel products, aiming to effectively safeguard China's national security.
- **Cisco (CSCO):** Upgraded to 'Buy' from 'Neutral' at Citi with a USD 62 PT (prev. 52). The firm expects Cisco to benefit from an expanding ethernet AI total addressable market and a narrowing valuation gap versus peers. Going forward, Citi expects continued investor rotation out of semis and hardware into networking equipment.
- **Carrier Global (CARR):** Downgraded to 'Equal Weight' from 'Overweight' at Stephens with a USD 85 PT (prev. 75). The firm believes today's greater than USD 80 share price level "fully reflects the company's successful transformation".
- **Novavax (NVAX):** Notified by the FDA that it placed a clinical hold on the IND application for COVID-19 influenza combination and standalone influenza vaccine candidates.
- **Novocure (NVCR):** The FDA approved its Optune Lua wearable treatment for metastatic non-small cell lung cancer.
- **Boeing (BA)** - Closing in on plan to raise around USD 15bln through the issues of common shares and mandatory convertible bond, according to Reuters citing sources.

## US FX WRAP

**The dollar** was stronger against the majority of G10FX, primarily a function of weakness in peers as opposed to buck-specific updates. The dollar index is set to finish at session highs of 103.6, supported by losses in the Euro, Pound, and Yen, as the 200 DMA (103.77) nears. Overnight updates came from Fed's Bostic (2024 Voter) who said the US economy is performing quite well and is confident inflation will get back to the 2% target, he also echoed previous remarks, that he sees 1 more 25bps by year-end. Elsewhere, US Import and Export Prices declined, but had little impact on the buck. Thursday remains the highlight in the week for the US, as September Retail Sales are expected to rise 0.3% on the headline. The day will also incur the latest weekly Initial Jobless Claims (exp. 260k), Industrial Production (Sep), and Fed's Goolsbee.

**The Euro** outperformed its major peers, yet still softened vs USD. Data releases in the region were light, especially as the ECB blackout continues into the ECB policy announcement on Thursday. Nevertheless, the Italian CPI Final data was mostly in line with expectations. EUR/USD sits just below its 200 DMA (1.0872), before the ECB rate decision, where ECB pricing on Refinitiv puts a 95% chance of a 25bps cut, and 100% of 50bps of easing by year-end. On what to expect in the presser after, it's widely expected that the central bank will continue to refrain from specificity on further easing, but it will keep its options open.

**The Pound** wiped out Tuesday's outperformance as soft UK inflation data across the board sent Cable to lows of 1.2980. Headline Y/Y rose 1.7% in September (exp. 1.9%, prev. 2.2%), Core CPI waned to 3.2% growth from August's 3.6% (exp. 3.4%), and Services Y/Y eased to 4.9% from 5.6% (exp. 5.2%). ONS noted that inflation eased in September to its lowest rate in over three years, driven by lower airfares and petrol prices. As a result, BoE pricing ramped up bets of a 25bps rate cut at the November meeting (91% chance), and now prices an 86% probability of 50bps of easing by year-end (prev. 74%). The pound heads into overnight trade just off lows, with the 100 DMA (1.2951) a key level to watch towards the downside.

**Antipodes** both saw losses, with the AUD/USD falling below its 100 DMA (0.6693) and hitting a fresh month low, as technicians eye the 200 DMA at 0.6626. Behind the move, nothing too obvious was screaming out but attention remains on the impact of China stimulus measures. Meanwhile, late Tuesday witnessed RBNZ Assistant Governor Silk noting she remains confident inflation will converge back to the 2% target midpoint in the medium term, and that inflation expectations have not become de-anchored and is not currently concerned they will be in the near term. Whereas, a slightly cooler New Zealand CPI Q/Q (Q3) figure of 0.6% (exp. 0.7%), sent the Kiwi slowly lower in the minutes following the release. Subsequently, money markets now fully price in a 50bps rate cut at the November meeting (prev. 96%).

**G10FX** were broadly lower on Wednesday, except for the CAD which extended into a second consecutive day of gains, retreating further from oversold territory. Meanwhile, the NOK and SEK were notably the worst performers in the space, while havens were at the middle of the table on intraday performance; USD/JPY hovers slightly under the 150 handle. Above the round level, there is the 100 DMA (150.97) and 200 DMA (151.25) in focus. USD/CHF is set to enter overnight trade around peaks of 0.86566, with the 100 DMA (0.8711) a level to watch on the upside above the round level. For the Yen, there was some brief strength overnight after BoJ's Adachi spoke, but it was short lived. Adachi noted that conditions are already in place to start normalising monetary policy, but noted they must take rate hikes in several changes and they must avoid drastic policy change that could stoke fear of a return to deflation.

In **EMFX**, the CLP was the visible outperformer against the greenback, as higher copper prices added support. Elsewhere, better-than-expected South African Retail in August failed to offset buck strength; USD/ZAR remains steady under its 50 DMA (17.6831). On inflation, Polish September figures were in line with expectations; USD/PLN and EUR/PLN both gained. Thursday will unveil the latest October inflation figures for Brazil, while the CBRT are anticipated to hold their Weekly Repo Rate at 50%.

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