

# newsquawk

## US Market Wrap - 21st October 2024

### Stocks mixed while tech outperforms; bonds slammed

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Fed's Logan reiterates gradual rate cuts, while Kashkari sees modest cuts over the next quarters; US Leading Index Chg falls more than expected; Drone strike on the empty house of Israeli PM Netanyahu; PBoC cut 1- and 5yr rates by 25bps; Trump holds momentum in polls; BA reach tentative agreement with Machinist union; CI resume merger talks with HUM
- **COMING UP: Speakers:** RBNZ's Silk; ECB's Lagarde, Lane; BoE's Greene, Bailey, Breeden; Fed's Harker. **Events:** NBH Policy Announcement. **Supply:** Germany, UK. **Earnings:** L'Oreal, IHG, Boliden, Logitech; Danaher, General Electric, Raytheon Technologies, 3M, General Motors, Philip Morris International, Sherwin-Williams, Fiserv, Verizon Communications, Lockheed Martin, Freeport-McMoRan, Texas Instruments.
- **WEEK AHEAD:** Highlights include PBoC LPR, BoC, EZ & UK PMI. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC LPR and BoC; Reviewing ECB and CBRT. [To download the report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** [TUES] DHR, RTX, GE, PM, VZ, FI, LMT, TXN; [WED] TMO, BSX, T, KO, NEE, TMUS, IBM, TSLA, NOW; [THURS] UPS, HON, SPGI, UNP; [FRI] HCA. [For the full list, please click here.](#)

### MARKET WRAP

Stocks ultimately closed mixed on Monday with outperformance in the Nasdaq, the only index to close green in the US thanks to strength in Technology. Tech was the only sector to close green, with all others lower with Real Estate and Health Care underperforming. The tech sector was primarily buoyed by gains in Nvidia (NVDA) and Apple (AAPL), while Communications closed flat; it was still a relative outperformer, buoyed by gains in Google (GOOGL) and Netflix (NFLX). Elsewhere, T-notes were sold hard across the curve in little newsflow with the downside following on from weakness in EGBs after a flurry of supply while higher oil prices also weighed, but the move in T-notes was above recent averages, particularly on a day with little news/data to drive the action. Some were citing the "Trump Trade" with Trump showing no loss of momentum in the polls; the 538 averages show Trump leading in four of seven Swing States. The upside in oil prices was driven by geopolitics as participants await the Israeli response, which will be "very large" and "carried out soon", there are also fears of an escalation after Netanyahu's residence was targeted in a drone attack, albeit no one was home at the time. The Dollar outperformed on account of higher yields which weighed on the Yen while cyclical currencies also underperformed.

### FED

**FED'S LOGAN** (2026 voter, hawk): Reiterated she expects gradual rate cuts if the economy meets forecasts, noting the Fed will need to be nimble with monetary policy choices. She noted the economy is strong and stable, but sees downside risks to the job market and ongoing risks to the inflation goal. The Dallas Fed President said that balance sheet cuts and rate cuts are working in the same direction. Logan added liquidity is still abundant in money markets, and she is not surprised there is some money market volatility, noting the Fed should tolerate some volatility there. She expects money markets close to or just above interest on reserves rate. Over time, Logan wants to see 'negligible' balances in the reverse repo facility, adding the Fed could change the reverse repo rate if cash does not leave the facility. Logan added that selling Fed-owned mortgage bonds is not a current issue.

**KASHKARI** (2026 voter, hawk): The Minneapolis Fed President said that a rise in the budget deficit would mean that on the margin interest rates would be higher. He added it was not the labour market that caused inflation, noting immigration policy will affect their reading of the labour market. On Tariffs, he said they shouldn't themselves lead to ongoing inflation, but probably a one-time change in price level. He noted the Fed definitely wants to avoid a recession, adding the Fed saw signs of labour market weakening, which is why they cut by 50bps. Going forward, the Fed will look at all the data to decide on rate policy. Evidence of a quick labour market weakening could lead to faster rate cuts. Resilience makes him wonder if the neutral rate is higher. Right now he sees modest cuts over the next quarters. On the consumer, he said by many measures, excess savings have been spent down. Lower credit score borrowers' delinquencies are climbing; on average consumers seem like they are doing fine. Meanwhile, he stressed monetary policy's role in bringing down inflation was probably mainly in anchoring inflation expectations, not on reducing demand.

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLED 22+ TICKS LOWER AT 111-16+

**T-notes tumble on little news amid European supply and higher oil prices.** At settlement, 2s +7.0bps at 4.025%, 3s +8.6bps at 3.948%, 5s +9.4bps at 3.972%, 7s +10.2bps at 4.072%, 10s +10.5bps at 4.180%, 20s +10.2bps at 4.545%, 30s +10.2bps at 4.484%.

**INFLATION BREAKEVENS:** 5yr BEI -0.1bps at 2.390%, 10yr BEI +0.5bps at 2.306%, 30yr BEI +0.8bps at 2.305%.

**THE DAY:** T-notes meandered overnight before selling occurred across the curve throughout the EU and US sessions with a steeper bias. The curve was weighed on by firmer oil prices with fears of an escalation in the mid-east conflict after Netanyahu's residence was targeted by a drone, albeit the attack was not successful and no one was home. Meanwhile, there was a plethora of supply from Europe which hit EGBs, with selling pressure spilling over to the US supporting the steepening with the issuance duration heavy. Some were also citing the "Trump Trade" with the former US President holding onto momentum in the polls. In the 538 averages, Trump now leads in Pennsylvania meaning he leads in 4 out of the 7 swing states. There was little data to digest, with US data highlights this week being Existing Home sales on Wednesday, ahead of the Initial Jobless Claims data, S&P Global PMI flash reading for October, and New Home Sales all due Thursday. There are several fed speakers due to, with today seeing commentary from 2026 voters Logan and Kashkari. Logan reiterated she expects gradual rate cuts if the economy meets forecasts, noting the Fed will need to be nimble with monetary policy choices, adding the balance sheet cuts and rate cuts are working in the same direction. Kashkari warned a rise in the budget deficit would mean that on the margin, interest rates would be higher. He noted that going forward the Fed will look at all the data to make decisions, warning evidence of a quick labour market weakening could lead to faster cuts. He added that he sees modest cuts over the next quarters, but also noted that resilience in the labour market makes him wonder if the neutral rate is higher.

**THIS WEEK SUPPLY:** US to sell USD 13bln of 20yr bonds on October 23rd and USD 24bln in 5yr TIPS on October 24th, as expected; to settle October 31st.

## STIRS

- **Market Implied Fed Rate Cut Pricing: November 22bps (prev. 24bps D/D), December 41bps (prev. 44bps), January 58bps (prev. 62bps).**
- US sold USD 86bln of 3-mth bills at 4.510%, covered 3.07x; sold USD 76bln of 6-mth bills at 4.310%, covered 2.92x.
- NY Fed RRP op demand at USD 261bln (prev. 260bln) across counterparties 59 (prev. 52).
- SOFR at 4.84% (prev. 4.85%), volumes at USD 2.334tln (prev. 2.168tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 98bln (prev. 96bln).

## CRUDE

**WTI (Z4) SETTLED USD 1.35 AT 70.04/BBL; BRENT (Z4) SETTLED USD 1.23 HIGHER AT 74.29/BBL**

**The crude complex was firmer, attempting to retrace some of last week's notable losses, in what was a day of thin headline newsflow as participants still await Israel's response to Iran.** As such, with news was relatively light, focus was mainly on weekend events and the aforementioned Israel retort, a reaction which is feared to be increased given the reported drone attack on the residence of Israel PM Netanyahu, albeit it was empty. Further on the Middle East, according to Sky News Arabia, Iranian military source said any Israeli attack on nuclear sites will be met with a response taking into account nuclear policies. Meanwhile, US Defence Secretary Austin stated that the THAAD system is now "in place" within Israel. On the supply front, Iraq's Kerbala refinery (140k BPD) to resume operations on Tuesday following the conclusion of maintenance. The week ahead is fairly quiet on scheduled macro events, before a deluge of significant risk events such as US CPI, PCE, Election, the Fed, and US corporate earnings, amongst others, with the main energy names reporting this week being Baker Hughes (BKR), Nextera Energy (NEE), and Valero Energy (VLO). For the record, WTI and Brent saw highs of US 70.39/bbl and 74.57/bbl, respectively, against lows of USD 68.46/bbl and USD 72.80/bbl.

## EQUITIES

**CLOSES:** SPX -0.18% at 5,854, NDX +0.18% at 20,361, DJIA -0.80% at 42,932, RUT -1.60% at 2,240

**SECTORS:** Real Estate -2.08%, Health -1.19%, Financials -0.88%, Consumer Staples -0.81%, Materials -0.80%, Consumer Discretionary -0.64%, Utilities -0.36%, Industrials -0.35%, Energy -0.21%, Communication Services -0.07%, Technology +0.93%.

**EUROPEAN CLOSES:** DAX: -1.02% at 19,456, FTSE 100: -0.48% at 8,318, CAC 40: -1.01% at 7,536, Euro Stoxx 50: -0.91% at 4,941, AEX: -0.56% at 898, IBEX 35: -0.71% at 11,841, FTSE MIB: -0.71% at 34,956, SMI: -0.59% at 12,254, PSI: -0.67% at 6,629.

## STOCK SPECIFICS

- **Boeing (BA):** Reached a tentative agreement with the machinists union, seeing larger wage increases and one-time bonuses to employees. The vote is to take place on Wednesday.
- **Spirit Airlines (SAVE):** Announced it has reached an agreement with its credit card processor to extend its 2025 notes deadline extension.
- **Kenvue (KVUE):** Activist investor Starboard Value has taken a sizable stake in the Co, WSJ reports.
- **Cigna (CI)** has resumed merger talks with **Humana (HUM)** after discussions ended last year.
- **Walt Disney (DIS):** Board names James Gorman as Chairman, effective January 2nd, 2025, replacing Mark Parker. The board plans to announce the next CEO in early 2026.
- **ASML (ASML):** PT lowered to USD 815 (prev. USD 1,052) at Bernstein, maintaining its 'Outperform' rating. The firm has significantly cut its sales and margin estimates to reflect EUV lithography pushout and a more conservative China outlook.
- **United Parcel Service (UPS):** Downgraded at Barclays, citing near-term earnings could be pressured by a "still weak" parcel demand backdrop, but long-term pressures from Amazon (AMZN), non-union FedEx (FDX) competition and limited dividend growth "paint a relatively tough outlook" for UPS shares.
- **Sirius XM Holdings (SIRI):** Warren Buffett's Berkshire Hathaway adds more shares of the stock to its portfolio, leaving its stake now of about 32.5%.
- **Qualcomm (QCOM)** - Was placed on "Negative Catalyst Watch" at JPMorgan, anticipating a disappointment relative to Q2 guidance. The analysts added that cyclical trends relative to the smartphone market have not been most promising. Meanwhile, **Dell Technologies (DELL)** was added to the Positive Catalyst Watch", noting a recovery in traditional infrastructure is driving margin beats while backlog expansion "provides higher visibility into a robust demand pipeline".
- **Chip names** - Investors are worried that a huge production increase from China could derail the recovery of the memory-chip market, WSJ reports. Potentially of note for **Micron (MU)** fell on the day, after receiving a mention in the WSJ piece.

## US FX WRAP

**The dollar index's** October rally resumed on Monday, as growing tensions in the Middle East (drone strike on the empty Israeli PM home) and the persistent Trump trade (no signs over the weekend of Trump paring recent momentum) supported the buck's move higher, further highlighted in higher yields across the curve and a firmer crude complex. Scheduled events in the US, however, were few and far between, with those occurring, resulting in little reaction. To specify, Fed's Logan (2026 Voter) said she expects gradual rate cuts if the economy meets forecasts, while Kashkari (2026 Voter) said the Fed cut by 50bps in September was due to the labour market weakening but the resilience of the labour market does leave him wondering if the neutral rate is higher. Next up for USD watchers on Tuesday, is the Fed's Harker and the Richmond Fed Index for October.

**The EUR/USD** weekly downward trend appears to be continuing on Monday, with the Euro softer on the day as buck strength takes over, leaving the pair a touch above monthly lows. Newsflow was quiet for the Euro, with cooler-than-expected PPI data, -0.5% (exp. -0.2%) failing to spark a reaction in the pair. Elsewhere, ECB remarks were seen from Kazimir, who said an October cut leaves the December meeting wide open and remains flexible and ready to act appropriately. Meanwhile, Kazaks said inflation is continuing to decline whilst the economy is weak, and Simkus noted if disinflation becomes entrenched, rates could go below the natural level. Nevertheless, the mentioned themes surrounding the buck's upside continue to influence EUR/USD moves as the pair resides just off lows of 1.0816

**G10FX** vs the dollar was entirely in the red, led by JPY, AUD, and NZD, while the CHF outperformed with modest losses. Updates, like in Europe, were largely contained to Central Bank speakers, in which BoE's Green said a cautious and gradual approach to monetary easing is appropriate, given the risks to consumption and associated inflation expectations. Due to the dollar strength, GBP/USD wiped out last week's late staged rally, nearing the 100 DMA (1.2959) while EUR/GBP remains steady at 0.8326. Across the globe, RBA's Deputy Governor Hauser

said they are slightly surprised by employment growth being so strong while the labour participation rate is strikingly high; AUD/USD once again dipped below its 100 DMA (0.6694), as September lows and the 200 DMA (0.6626) edge closer.

**JPY** started the week off as the worst G10 performer, as a mixture of rising US yields and Trump trade pushed USD/JPY to highs of 150.80. Over the upcoming weekend, the Yen will be of focus amid the Japanese general election on Sunday, where further hints of a post-budget fiscal spending plan should lend support to the JPY. That said, Rabobank remarked, following summer's volatility "we would expect Ueda to choose his words very carefully to avoid sharp moves in the JPY". The bank continues to see USD/JPY lower on a 3- to 6-month view as the Japanese economy recovers, assuming the BoJ will continue to hike later this year.

**USD/CNH** climbed higher on Monday towards monthly peaks as renewed buck upside drags on the Yuan. Updates overnight from the PBoC, saw the Central Bank cut its 1- and 5yr LPRs by 25bps to 3.1% (exp. 3.10-3.15%), and 3.60% (exp. 3.60-3.65%), respectively.

**EMFX** was hit on the rallying buck, as MXN, PLN, and HUF underperformed, while INR and CLP outperformed their peers, just scrapping upside on the day. A series of shoddy data was seen from Poland, where September's PPI Y/Y signalled greater deflationary impacts than expected, while Employment Chg fell as expected, Industrial Output disappointed, and Sector wages growth fell short; USD/PLN finished at 3-monthly highs, meanwhile, October peaks in EUR/HUF come into view. Looking ahead, attention is on the HUF, where the NBH is expected to maintain rates at their October meeting.

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