

Stocks mixed as big tech rally keeps Nasdaq bid while Bonds take a hit

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Mixed US Durable Goods, although declines less than expected; Strong UoM; Iran will reportedly not act if Israeli response is limited; TPR/CPRI deal blocked; AAPL working on diabetes products; WDC earnings impress; Deluge of ECB speak.
- **WEEK AHEAD:** Highlights include US NFP, ISM Mfg, PCE, GDP, EZ and Australian CPI, UK Budget, BoJ and Japan LDP Election. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing BoJ; Reviewing PBoC and BoC. [To download the report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season continues with mega-cap names in abundance, with highlights from GOOGL, AMD, META, MSFT, AMZN, INTC, and AAPL. [To download the full report, please click here.](#)

MARKET WRAP

Stocks ultimately finished the day mixed with the SPX, DJI and RUT giving up their strong start to the day while the Nasdaq outperformed, albeit still closed off highs. The NDX was buoyed by the tech sector with semis performing well after a strong Western Digital (WDC) report Thursday evening. The big 3 sectors (Tech, Communication and Consumer Discretionary) were the only sectors that saw notable gains, with energy flat and the rest in the red - showing that any strength in the market was being held up by the heavyweights. The open was strong but stocks largely failed to hold onto their gains with little fresh news driving the price action, but it appeared to coincide with Dollar strength and upside in UST yields as participants continue to position for the "Trump Trade", while oil prices also soared. There are also plenty of key risk events coming up, next week sees a plethora of US data (NFP, PCE, GDP) as well as mega cap tech earnings. Geopolitical risk continues to linger as participants await Israel's response to Iran, which is expected before the US election. Energy prices rallied with the latest updates being reports that Israel is fully prepared in its response, while Iran announced it would react to the Israeli response, unless it was a limited attack. The scope of the attack is still unclear. The mixed Durable Goods and Strong UoM survey caused little reaction, while the Dollar outperformed in FX, Antipodes lagged while Yen saw mild weakness with attention turning to the LDP election over the weekend and BoJ next week, alongside the aforementioned key US updates.

US

DURABLE GOODS (SEPT): Overall, Durable Goods were mixed. The headline fell by 0.8%, matching the prior month's pace of decline, albeit it was not as steep as the expected 1.0% decline. Ex-transport, however, saw a 0.4% rise, beating the expected -0.1% print while the prior was revised up to 0.6% from 0.5%, showing that a lot of the downside was led by the transport sector. Ex-defense however fell by 1.1%, with the prior seeing a notable revision to -1.3% from -0.2%. Oxford Economics points out that core orders, which are a clearer indication of future capital spending by companies, rose at a solid pace. Oxford Economics adds that business equipment investment is set to post another solid quarter of growth, contributing 0.5ppt to GDP growth, but it is unlikely to repeat itself in Q4. OxEco adds unsustainable growth in aircraft investment had powered overall equipment outlays in the past two quarters, and this will begin to unwind in Q4.

UOM (OCT): Final UoM Michigan sentiment for October was revised higher to 70.5 from 68.9, above the expected 69.0, with Expectations and Conditions also revised upwards to 74.1 (prev. 72.9) and 64.9 (prev. 62.7), respectively. In terms of inflation expectations, 1yr declined to 2.7% from 2.9%, and 5yr was left unchanged at 3.0%. The report notes that this month's increase was primarily due to modest improvements in buying conditions for durables, in part due to easing interest rates. On the election, the report adds that it looms large over consumer expectations and overall, the share of consumers expecting a Harris presidency fell from 63% last month to 57%. Sentiment of Republicans, who believe that a Trump presidency would be better for the economy, rose 8% on growing confidence that their preferred candidate would be the next president.

FIXED INCOME

T-NOTE FUTURES (Z4) SETTLE 7 TICKS LOWER at 111-02

T-Notes sold off though the US session with the Trump Trade in focus ahead of a key risk week while geopolitical risk lingers . At settlement, 2s -1.4bps at 4.072%, 3s -2.2bps at 4.014%, 5s -3.0bps at 4.027%, 7s -3.0bps at 4.115%, 10s -3.6bps at 4.206%, 20s -4.2bps at 4.549%, 30s -4.6bps at 4.469%.

INFLATION BREAKEVENS: 5yr BEI -2.7bps at 2.369%, 10yr BEI -1.3bps at 2.303%, 30yr BEI -1.1bps at 2.305%.

THE DAY: T-notes were bid overnight with peaking at 111-14 before paring when EU trade got underway before chopping around US data. The Durable Goods overall was mixed but helped support T-notes ahead of the Final Oct. UoM survey, which ultimately was revised up but the 1yr inflation expectations were revised down. T-notes then gradually started to sell off into settlement with little fresh news driving the price action but likely influenced by the Trump Trade which has been a consistent key theme this week, but also the potential knock on effect of the rally in crude prices, which found a strong bid into the weekend amid some expectations of an Israel response to Iran. Overnight, Iran announced it would respond to Israel, but stressed it would not act if the Israeli response was limited, but did threaten a strong response, including disruption to the critical Strait of Hormuz, if the Israel attack was more serious. There is also plenty of data next week, including US NFP, PCE, GDP, ISM Manufacturing PMI, supply and Quarterly Refunding. T-Notes settled at lows but the 10yr futures managed to hold above 111-00 with the curve ultimately bear steepening.

NEXT WEEK SUPPLY: US Treasury to sell USD 69bln in 2yr notes on October 28th, USD 70bln in 5yr notes on October 28th and USD 44bln in 7yr notes on 29th October; to settle October 31st.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: November 24bps (prev. 23bps D/D), December 44bps (prev. 43bps), January 61bps (prev. 59bps).
- NY Fed RRP op demand at USD 227bln (prev. 203bln) across 62 counterparties (prev. 53)

- SOFR at 4.83% (prev. 4.83%), volumes at USD 2.246tn (prev. 2.129tn).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 98bn (prev. 99bn).

CRUDE

WTI (Z4) SETTLES USD 1.59 HIGHER AT 71.78/BBL; BRENT (Z4) SETTLES USD 1.67 HIGHER AT 76.05/BBL

The crude complex was firmer to end the day, and week, as participants await the anticipated Israel response where still no timeline has been given, but as always desks will be on high alert over the weekend. In terms of Middle East rhetoric, there was little new newsflow with the only real update from New York Times noting that Iran's Supreme Leader Khamenei ordered plans to respond to possible Israeli attack but stressed that Iran will not act if the Israeli attack is limited. Elsewhere, headline newsflow was actually pretty sparse to end the week as traders await the next couple of weeks with a deluge of risk events culminating with the next FOMC on November 7th, with the US election on November 5th. For the record, in the weekly Baker Hughes Rig Count oil declined 2 to 480, nat gas rose 2 to 101, leaving the total unchanged at 585. Note, WTI and Brent saw highs of USD 71.92/bbl and 76.14/bbl, respectively, against earlier lows of 69.96/bbl and 74.17/bbl, as the complex saw gradual strength throughout the US afternoon.

EQUITIES

- **CLOSES:** SPX -0.03% at 5,808, NDX +0.59% at 20,352, DJIA -0.61% at 42,114, RUT -0.49% at 2,208.
- **SECTORS:** Communication Services +0.71%, Technology +0.59%, Consumer Discretionary +0.48%, Energy +0.06%, Industrials -0.25%, Health -0.53%, Materials -0.64%, Real Estate -0.76%, Consumer Staples -0.76%, Financials -1.05%, Utilities -1.46%.
- **EUROPEAN CLOSES:** DAX +0.11% at 19,464, FTSE 100 -0.25% at 8,249, CAC 40 -0.08% at 7,498, Euro Stoxx 50 +0.15% at 4,943, AEX +0.33% at 899, IBEX 35 -0.23% at 11,813, FTSE MIB +0.22% at 34,776, SMI +0.04% at 12,178, PSI +0.34% at 6,513.

STOCK SPECIFICS:

- **Capri (CPRI), Tapestry (TPR):** A US judge blocked the USD 8.5bn merger between Tapestry and Capri, supporting the FTC's claim that it would harm competition and raise prices.
- **Western Digital (WDC):** Profit and gross margin beat, while cloud revenue and client revenue rose 153% and 5% Y/Y, respectively.
- **Capital One Financial (COF):** Top and bottom line surpassed expectations, as did total deposits, NII, and NIM.
- **New York Community Bancorp (NYCB):** Deeper loss per share than forecasted, alongside light NII and NIM. Ahead, lowered FY NII view and sees a deeper loss per share.
- **Deckers Outdoor (DECK):** EPS and revenue beat, and said it was well-positioned to achieve an increased outlook for FY25
- **Digital Realty Trust (DLR):** Reported record lease bookings for Q3 and also raised top-end of FY revenue forecast.
- **L3Harris (LHX):** Q3 metrics impressed.
- **Skechers (SKX):** EPS and revenue surpassed St. consensus and raised FY earnings forecast.
- **Centene (CNC):** Q3 report impressed, with top and bottom line beating and FY top line guidance above expected.
- **Boeing (BA):** Explores sale of space business, according to WSJ.
- **Apple (AAPL):** Working on separate effort to make no-prick blood sensor and is exploring products that can counter diabetes epidemic; Apple staff tests blood-sugar app in sign of health ambitions. Of note for Dexcom (DXCM), Abbott (ABT), and Insulet (PODD).
- **Integral Ad Science (IAS):** Reportedly exploring a potential sale, according to Bloomberg.

US FX WRAP

The Dollar saw gains on Friday to end the day, and week, in firmer territory as Trump trade has been touted throughout the duration of the amid a lack of any tier 1 data ahead of some key risk events in the next two weeks, such as the aforementioned election as well a deluge of data. Regarding data on Friday, final UoM for October was revised higher to 70.5 from 68.9, above the expected 69.0. Conditions and Expectations were both revised higher to 64.9 (prev. 62.7) and 74.1 (prev. 72.9), respectively, with the 1yr inflation expectations ticking lower to 2.7% from 2.9%. 5yr was unchanged at 3%. Durable Goods for September declined by less than expected, with downside primarily due to transport figures. Regarding month end, Barclays month-end rebalancing model shows weak USD buying against most majors, neutral against EUR and weak USD selling against JPY. The Dollar Index hit peaks of 104.320 against earlier lows of 103.930.

G10 FX was weaker across the board vs. the Buck with the Antipodeans the G10 laggards, as it was hit on the broad Dollar strength and potential implications from a Trump election win, as opposed to anything currency specific. Although, RBA Governor Bullock overnight said that concerns about excess demand in the economy remain, adding significant progress has been made towards lowering inflation but noted it will take another year or two before inflation returns to the target. AUD/USD and NZD/USD saw troughs of 0.6602 and 0.5976, respectively, and hover around the levels at pixel time.

The Yen was lower ahead of two crucial Japanese risk events. Sunday sees the Japanese general election in which the ruling LDP is set to lose its majority but remain the largest party and may need to widen its coalition. Thereafter, there is the BoJ rate decision on Thursday in which the Bank is widely expected to stand pat on rates, whereby focus will be on clues over future easing. USD/JPY currently sit around session highs of 152.37.

EUR, CAD, CHF, and GBP all saw losses to slight differing degrees against the Greenback, with the latter two the relative outperformers. For the single-currency Euro, there was a deluge of ECB speak, again, whereby German Ifo topped expectations all current conditions, business climate, and expectations. Out of Canada, retail sales was slightly short of expected but had little impact on the CAD. For the Pound, focus turns to the fiscal space with next week's Budget the main event on the docket. Cable finished the day with a range of 1.2957-98 range but stopped shy of reclaiming 1.30 status, with the pair finishing the week towards the bottom end of that range.

EMFX was exclusively weaker in what was largely a function of the broad Buck did, which escalated in the latter part of trade, as EMs seemingly continue to be on the backfoot amid the increasingly likely chances of Donald Trump winning the US election, albeit it still remains a close race. For the RUB, CBR hiked rates 200bps to 21%, above the expected 100bps raise. In the post-meeting presser, Nabiullina said there is no ceiling for hiking the key rate and she discussed rate hike of 100 and 200bps; "we need to be more conservative reacting to pro-inflationary risks".

