

Markets chop to earnings, data, geopolitics, stimulus and supply

- **SNAPSHOT:** Equities mixed, Treasuries flat, Crude down, Dollar flat
- **REAR VIEW:** JOLTS fall beneath all analyst expectations; US Consumer Confidence beats; Fresh China stimulus; Strong 7yr auction; Netanyahu to meet about ending war in Lebanon; Israel vows response if Iran attack; Weak F guidance, PYPL revenue miss, MCD SSS miss, AVGO to develop chip with OpenAI.
- **COMING UP:** **Data:** Australian CPI, French GDP, Spanish CPI, German Unemployment Rate, German GDP, German Inflation, US ADP National Employment, PCE Prices/GDP Advance (Q3), Japanese Retail Sales **Events:** UK Budget **Speakers:** ECB's Schnabel; BoC's Macklem & Rogers **Supply:** Italy, US **Earnings:** CAT, LLY, ADP, ABBV, BKNG, AMGN, META, SBUX, MSFT. [To download the full report, please click here.](#)

MARKET WRAP

Stocks finished the day mixed with notable outperformance in the Nasdaq ahead of key earnings, while the heavyweights printed notable gains (ex-TSLA) while Broadcom (AVGO) rallied on reports that the Co. is developing an AI inference chip with OpenAI. The gains saw Communications and Technology heavily outperform, while all other sectors were red, with underperformance in Utilities, Energy and Consumer Staples. The focus is largely on earnings with plenty of heavy hitters (GOOGL, AAPL, AMZN, META, MSFT, INTC, AMD) due over the next couple of sessions, alongside key US data points (PCE, GDP, NFP). T-Notes ultimately settled flat with yields marginally lower across the curve in a steeper fashion but in choppy trade. T-Notes sold off on China stimulus reports and a continuation of the Trump Trade before seeing a knee-jerk reaction higher on a dovish JOLTS report which fell beneath all analyst forecasts, however, the move was short-lived as analysts highlight it was likely influenced by Hurricane Helene. Better selling resumed ahead of the 7-year auction, which ultimately came in very strong which then saw T-Notes rally into settlement to wipe out earlier losses. In FX, the Dollar danced to the tune of yields but GBP outperformed ahead of Wednesday's budget while AUD lagged despite an initial bid to the aforementioned China stimulus measures with participants still doubtful it will be enough as it so far lacks measures to support demand. Meanwhile, energy prices settled in the red on Axios reports Netanyahu will hold a discussion with several ministers and senior officials regarding the contacts for a political settlement to end the war in Lebanon. However, tensions do still remain with the Israeli Chief of Staff warning if Iran makes a mistake and launches missiles at Israel, they will respond strongly on places they excluded in the previous strike.

US

JOLTS: The US JOLTS report was a dovish one. The headline Job Openings fell to 7.443mln from the prior revised down 7.861mln, well beneath the consensus of 8.0mln and beneath the lowest analyst forecast of 7.775mln. This saw the vacancy rate fall to 4.5% from 4.7%, while the quits rate fell to 1.9% from 2.0%. Although the headline saw a notable miss, Oxford Economics highlighted that the drop in opening was concentrated in the South and likely driven by Hurricane Helene. The desk also noted that the pace of hiring picked up, lending some upside risk to their forecast for October payroll growth (currently expected at 115k). Meanwhile, in regards to wages, OxEco points out the drop in the quits rate was to the lowest level since the pandemic and that the steady decline of the quits rate recently is consistent with wage growth continuing to slow.

CONSUMER CONFIDENCE: US consumer confidence came in strong as it printed, 108.7, well above the expected, 99.5, and the prior, 99.2, and also above the upper end of the forecast range. Within the report, the Present Situation index rose by 14.2 points to 138.0, while the Expectations Index increased by 6.3 points to 89.1. Delving deeper into the release, consumers' assessments of current business conditions turned positive in October, while jobs plentiful rose M/M and jobs hard to get fell. Looking ahead, consumers were more optimistic about the business conditions outlook in October. On the data set, Chief Economist of the conference board noted that the headline recorded the strongest monthly gain since March 2021, but still did not break free of the narrow range that has prevailed over the past two years. In October's reading, all five components of the Index improved, with views on the current availability of jobs rebounding after several months of weakness, potentially reflecting better labour market data. Compared to last month, consumers were substantially more optimistic about future business conditions and remained positive about future income. Also, for the first time since July 2023, they showed some cautious optimism about future job availability.

ADV GOODS TRADE AND WHOLESALE/RETAIL INVENTORIES: The international trade deficit rose USD 14bln in September to a deficit of USD 108.2bln, vs. 94.2bln in August. Exports of goods were USD 3.6bln less M/M to USD 174.2bln, while imports rose by 10.4bln to USD 282.4bln. Within the report, advance wholesale inventories were estimated -0.1% M/M (+0.5% Y/Y) to USD 905bln, while the prior was revised to +0.2% from +0.1%. The Retail inventories rose 0.8% M/M to 824.3bln, or +6.5% Y/Y, with the prior revised to +0.7% from 0.6%. Meanwhile the retail inventories, ex-auto rose by 0.1% vs. the prior 0.5%. Pantheon Macroeconomics highlights that the surge in the goods trade deficit (highest since March 2022, was due to import-reliant businesses building inventory before port strikes and also perhaps ahead of the November elections given the tariff threats. Note, the rise in the deficit saw the Atlanta Fed GDPNow tracker be revised down to 2.8% from 3.3% in the final estimate of Q3 GDP before the Advance release on Thursday.

FIXED INCOME

T-NOTE FUTURES (Z4) SETTLE 1+ TICKS HIGHER AT 110-24

T-Notes ultimately settle flat despite a volatile session amid the Trump Trade, soft JOLTS and a strong 7yr auction. At settlement, 2s -1.3bps at 4.127%, 3s -0.4bps at 4.084%, 5s -0.3bps at 4.111%, 7s -0.1bps at 4.190%, 10s +0.2bps at 4.280%, 20s +0.4bps at 4.627%, 30s -0.5bps at 4.525%.

INFLATION BRAKEEVENS: 5yr BEI +1.8bps at 2.453%, 10yr BEI +0.9bps at 2.298%, 30yr BEI +0.4bps at 2.306%.

THE DAY: T-Notes meandered overnight before selling off in the European morning in a continuation of the Trump Trade and in wake of soft, front-loaded supply released on Monday. In addition, the move lower was supported by fresh stimulus updates out of China which managed to improve the risk environment, although many still question how useful the stimulus will be. T-Notes saw further pressure as the US session

was underway on the aforementioned themes. T-Notes hit a low of 110-09+ ahead of the September JOLTS data, which ultimately came in beneath all analyst forecasts and T-Notes rallied in a knee-jerk reaction, although the gains were shortlived with analysts noting that it was likely skewed due to Hurricane Helene, while at the same time the pace of hiring actually improved. T-Notes resumed to the downside in wake of the data ahead of the 7yr supply, which came in surprisingly strong after the soft auction on Monday, which then gave Treasuries a helping hand into settlement. Attention turns to key US earnings after hours, Refunding on Wednesday (with focus on Treasury guidance) and GDP, ADP, PCE and NFP throughout the remainder of the week.

7YR: Overall a strong auction from the 7yr offering after a soft 2 and 5yr supply on Monday. The US Treasury sold USD 44bln of 7yr notes at a high yield of 4.215%, stopping through the When Issued by 2bps, larger than the prior 0.7bps stop through and vs the six auction average for a tail of 0.1%. The Bid-to-Cover of 2.74x was stronger than the prior 2.63x and well above the average 2.54x. The breakdown of demand saw Indirects take 72%, above the prior and average, while Directs took a similar amount as the last auction, but above average, leaving Dealers with 7.5% - beneath the 8.9% prior and average of 12.4%.

STIR/OPERATIONS

- Market Implied Fed Rate Cut Pricing: November 24bps (prev. 24bps D/D), December 43bps (prev. 42bps), January 60bps (prev. 59bps).
- US sold USD 53bln of 1-yr bills at 4.100%, covered 3.05x
- US sold USD 80bln in 42-day CMB's at 4.630%, covered 2.62x
- US to sell USD 90bln in 8wk bills and 95bln in 4wk bills on October 31st and USD 64bln in 17wk bills on October 30th; all to settle November 5th
- NY Fed RRP op demand at USD 245bln (prev. 251bln) across 58 counterparties (prev. 67)
- SOFR at 4.82% (prev. 4.83%), volumes at USD 2.194ln (prev. 2.188ln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 99bln (prev. 104bln).

CRUDE

WTI (Z4) SETTLED USD 0.17 LOWER AT 67.21/BBL; BRENT (F5) SETTLED USD 0.27 LOWER AT 70.73/BBL

The crude complex was choppy and eventually settled slightly lower amid numerous Middle Eastern updates. In the European morning WTI and Brent were on the front foot and paring Monday's losses before extending to highs of USD 68.52/bbl and 72.11/bbl, respectively, in wake of reports Iran's Revolutionary Guards threaten to deliver more 'crushing' strikes to Israel in coming days. Thereafter, benchmarks came off best levels with seemingly no headline driver or catalyst. However, WTI and Brent sell off did extend, and to fresh lows, after Axios' reported that Israel PM Netanyahu will hold a discussion this evening with several ministers and senior officials in the defense establishment regarding the contacts for a political settlement to end the war in Lebanon. Despite saying this, there was further aggressive rhetoric from an Israeli official later in the session who said if Iran makes a mistake and launches missiles towards Israel, they will hit strongly the capabilities and places we excluded during the previous strike. Elsewhere, and on the supply side, Nigeria's President Bola Tinubu reportedly summoned Aliko Dangote to an emergency meeting with oil industry officials and regulators on Tuesday, where Dangote said his refinery, Nigeria's biggest infrastructure project in decades, was already producing 420,000 BPD after coming online earlier this year and would reach its capacity of 650,000 BPD by Q2 of next year. Looking ahead, private inventory data is after-hours where current expectations are (bbl): Crude +2.2mln, Distillate -1.4mln, Gasoline +0.5mln.

EQUITIES

- **CLOSES:** SPX +0.16% at 5,833, NDX +0.98% at 20,551, DJI -0.36% at 42,233, RUT -0.27% at 2,238.
- **SECTORS:** Communication Services +1.56%, Technology +1.12%, Industrials -0.14%, Consumer Discretionary -0.20%, Health -0.29%, Financials -0.61%, Materials -0.67%, Real Estate -0.94%, Consumer Staples -0.96%, Energy -1.44%, Utilities -2.13%
- **EUROPEAN CLOSES:** Euro Stoxx 50 -0.44% at 4,948, DAX -0.25% at 19,483, SMI -1.11% at 12,102, FTSE MIB -0.26% at 34,926, FTSE 100 -0.80% at 8,220, CAC 40 -0.61% at 7,511, IBEX 35 -0.91% at 11,795, PSI -0.27% at 6,439,

STOCK SPECIFICS:

- **Cadence Design Systems (CDNS):** Profit and revenue beat alongside raising midpoint of FY24 adj. EPS outlook.
- **Amkor Technology (AMKR):** Next quarter guidance way light of expectations.
- **Corning (GLW):** Top and bottom line surpassed expectations with next quarter guidance also impressive.
- **Ford (F):** FY guidance underwhelmed with exec noting it was due to supplier disruptions.
- **VF Corp (VFC):** Better than expected profits, revenue, and adj. operating income.
- **Royal Caribbean Cruises (RCL):** Next quarter profit view fell short of St. consensus.
- **DR Horton (DHI):** Top and bottom line disappointed.
- **McDonald's (MCD):** SSS showed a deeper decline than expected and warned E.coli could harm sales ahead.
- **PayPal (PYPL):** Revenue missed.
- **F5 Networks (FFIV):** Top and bottom line beat, with FY25 guidance also topping expectations.
- **JetBlue (JBLU):** Q4 guidance called for shrinking revenue as it expects Q4 revenue down between 3% and 7% Y/Y, worse than the 1.4% decline expected.
- **Pfizer (PFE):** EPS and revenue smashed expectations in addition to raising FY outlook.
- **Broadcom (AVGO):** Developing an AI inference chip with OpenAI, according to Reuters citing sources; OpenAI has reserved 2026 TSMC (TSM) manufacturing capacity, according to Reuters citing sources. OpenAI using **AMD (AMD)** chips alongside **Nvidia (NVDA)** chips.
- **Visa (V):** Plans to lay off around 1400 employees and contractors, according to WSJ, noting layoffs are to affect tech, sales and digital partnerships.

US FX WRAP

The Dollar was flat on Tuesday and within pretty narrow ranges (104.210-104.63), as it was initially underpinned by firmer US Treasury yields in typical 'Trump trade', before seeing some weakness later in the session after a solid US 7yr auction saw Treasuries rally into settlement. There was limited reaction to the US data releases, whereby JOLTS came in beneath all analyst expectations and Consumer Confidence came in above the top end. Nonetheless, participants await the upcoming risk events via GDP, PCE, NFP, ISM Mfg, corporate earnings, followed by US election and FOMC next week.

GBP was the clear G10 outperformer and only one seeing gains against the Greenback, with Cable printing a high of 1.3011. Looking to Wednesday, there is the widely-anticipated UK budget which is expected to be net expansionary, however, lead to increased taxation at an individual level. Meanwhile, the UK also confirmed that the minimum wage will increase to GBP 12.21/hr in April from GBP 11.44.

EUR was flat, while JPY, CAD, NZD, CHF, and AUD all saw losses to varying degrees, although currency-specific newsflow was fairly sparse and was more a function of wider sentiment and moves ahead of pivotal risk events. Despite saying this, Antipodeans garnered some support in the European morning after China stimulus reports whereby its legislative body is considering approving a fresh fiscal package which could be worth over CNY 10tn. For the record, AUD/USD and NZD/USD hit troughs of 0.6546 and 0.5954, respectively, and currently hover just above them ahead of Aussie CPI overnight with participants once again questioning the overall impact of the measures.

For the Euro, in what was a quiet session, ECB's De Guindos said they will keep all options open at the forthcoming meeting. EUR/USD hit a low of 1.0770 and a high of 1.0826 ahead of multiple EZ CPI reports on Wednesday, as well as other EU data. Regarding the Swissy, SNB Chair Schlegel was on the wires who noted that the SNB now focuses on normalizing of monetary policy and must ensure policy does not become too restrictive. The Chair added the SNB remains willing to be active in foreign currency markets as necessary and further rate reductions could be necessary in coming quarters to maintain price stability.

EMFX was broadly weaker against the Buck, with BRL, MXN, COP, and CLP all lower, whilst Yuan, TRY, and ZAR were flat as the latter was buoyed by gold hit yet another all-time high. In Asia FX, BoK Governor Rhee stated they will very likely cut 2024 GDP forecast. Meanwhile, in LatAm the Chilean jobless rate was below expectations, while in Brazil, following yesterday's reports Brazil Finance Minister Haddad said he does not know where this specific number came from, regarding the projected spending cuts ranging from BRL 30-50bn.

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