

## Stocks gain, Bonds sold and Buck bid into weekend amid touted 'Trump trade', shrugging off soft payrolls

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** Soft US payrolls report, albeit distorted by Hurricanes; ISM Mfg. light, but prices paid soars; AMZN & INTC earnings impress; AAPL report underwhelms; Soft Swiss CPI.
- **WEEK AHEAD:** Highlights include US election, Fed, BoE, RBA, Norges, Riksbank, US ISM Services PMI and Canada jobs. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing Fed, BoE, RBA, Norges Bank, Riksbank, BCB and BoC Minutes; Reviewing BoJ. [To download the report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season continues with a deluge of reports, but a lack of heavyweights. [To download the full report, please click here.](#)

## MARKET WRAP

US indices (SPX +0.4%, NDX +0.7%, RUT +0.6%, DJIA +0.7%) closed in the green and were boosted by the soft US payrolls report and also Amazon (AMZN) (+6.2%) earnings impressing, despite Apple (AAPL) (-1.3%) disappointing. Briefly recapping payrolls, the headline printed just 12k (exp. 113k, prev. 223k), but was likely weighed on by the hurricanes and strike activity, while the unemployment rate was unchanged, as expected. Elsewhere on data, ISM Manufacturing PMI unexpectedly fell, but the notable takeaway was prices paid surprisingly surging back into expansionary territory. Sectors were mixed although Consumer Discretionary was the distinct outperformer as it was buoyed by the aforementioned AMZN earnings. The Dollar was firmer, despite selling off after the US jobs figures, as the Greenback saw a notable bid through the US afternoon and into settlement on potential 'Trump Trade' ahead of the US election next Tuesday (preview below). GBP and CHF were the distinct G10 out and underperformers, respectively, with the former the only one to end the day in the green against the Buck as it was able to pare some of the losses seen after two consecutive days of selling in wake of the budget. For the Swissy, it was weighed on by soft Swiss inflation metrics. Elsewhere, oil ended the day, and week, in the green due to heightened Middle East tensions but settled at lows amid the Dollar strength. Meanwhile, Treasuries were eventually lower but initially chopped to soft NFP and hot ISM manufacturing prices ahead of a week with pivotal risk events such as the election and FOMC.

## US

**NFP:** Headline NFP rose by just 12k in October, well short of the expected 113k and down from the prior (revised down) 223k, with two month net revisions at -112k (prev. +72k). The sharp headline drop is likely largely due to the recent Hurricanes; Governor Waller suggested it could knock 100k jobs off the headline print. The BLS noted that it is likely that payroll employment estimates in some industries were affected by the hurricanes; however, it is not possible to quantify the net effect on the over-the-month change in national employment, hours, or earnings estimates because the establishment survey is not designed to isolate effects from extreme weather events. It also noted that there was no discernible effect on the national unemployment rate from the household survey, which does not include unemployment. Even when accounting for a c. 100k impact (to be confirmed) on the headline, it still shows a soft report at 112k down from the prior 223k. Although the unemployment rate was unchanged at 4.1%, inline with forecasts when rounded it actually rose from 4.05-4.14%. Elsewhere, wages rose 0.4% M/M, above the 0.3% forecast and prior but Y/Y was in line at 4.0%. In regards to the Fed, WSJ's Timiraos highlights that it will do little to alter calls for next week's meeting where a 25bps rate cut is widely expected. ING notes that "the trend in hiring is obviously slowing and with the inflation backdrop looking less threatening, the Federal Reserve clearly has scope to move policy closer to neutral".

**ISM:** The Headline ISM Manufacturing PMI eased to 46.5 from 47.2, missing the 47.5 analyst consensus. The highlight of the report however was the notable increase in the Prices Paid, which rose to 54.8 from 48.3, returning to expansionary territory - and above all analyst forecasts. Of the six largest manufacturing industries, five — Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Computer & Electronic Products — reported price increases in October. Elsewhere in the report, Employment remained in contractionary territory, rising to 44.4 from 43.9 while new orders rose to 47.1 from 46.1. Analysts at Capital Economics write "The decline in the ISM manufacturing index to a 15-month low in October suggests that the sector continued to struggle as hurricanes and the ongoing strike at Boeing disrupted manufacturing activity further in October". Adding that the "rise in the prices paid index adds to the sense that the risks to inflation are shifting to the upside." Attention will turn to the ISM Services PMI on Monday to see if the increase in prices is more broad-based than manufacturing.

**ELECTION PREVIEW:** On Tuesday, November 5th, Americans will go to the polls to vote in the Presidential Election with the winner taking office in January 2025 for a four-year term. Republican candidate Donald Trump and Democratic candidate Kamala Harris are locked in a very tight race, and while national polls have Harris slightly in front, betting markets favour Trump, as do polls in swing states; what is certain is how momentum has shifted towards the former President in recent weeks and months. In terms of averages, FiveThirtyEight's model assigns a 52% probability of a Trump win, and a 48% probability of Harris winning; pollster Nate Silver sees a 54% and 46% chance respectively. Republicans are clearly favoured to win the Senate, with FiveThirtyEight averages assigning an 89% probability, while the House is neck and neck, with Republicans seeing a 53% likelihood and Democrats 47%. On the night, the pivotal swing states (Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania, and Wisconsin) will be viewed to see how the election is playing out, with Pennsylvania seen as the key state, as it is likely, but not impossible, that a candidate will not win the election without it. In the polls and in recent weeks (via 538 and Nate Silver) PA has flipped to Trump. For traders, the focus will be on the Dollar, with a Trump win and a Republican sweep seen as the most bullish case for the Buck, with Commodity FX, the Yuan, and MXN amongst EMFX heavily weighed on. If Harris won, the Greenback is expected to be weaker, with commodity FX outperforming along with the EUR. [To download the full Newsquawk Presidential Election Preview, please click here.](#)

## FIXED INCOME

**T-NOTE (Z4) SETTLED 14 TICKS LOWER AT 110-01**

**T-Notes chop to soft NFP and hot manufacturing prices, but ending up settling at lows ahead of a key risk week** . At settlement, 2s +4.4bps at 4.210%, 3s +5.1bps at 4.182%, 5s +6.1bps at 4.216%, 7s +7.5bps at 4.296%, 10s +8.5bps at 4.369%, 20s +8.9bps at 4.685%, 30s +8.9bps at 4.564%

**INFLATION BREAKEVENS:** 5yr BEI -13.5bps at 2.372%, 10yr BEI +0.2bps at 2.327%, 30yr BEI +0.7bps at 2.322%

**THE DAY:** T-Notes were choppy in response to the soft NFP and hot prices paid component in the ISM Manufacturing PMI. T-Notes sold off heading into the NFP before paring and surging to intraday highs of 110-30 on the 12k NFP print, well beneath the 113k forecast. However, the move then started to fade to see T-Notes test the pre-data lows of 110-00, supported by a hot ISM Manufacturing Prices Paid print later on. Although the NFP headline was soft, it was largely skewed due to impacts of strikes and recent hurricanes. Meanwhile, the unemployment rate, which does not include temporary layoffs as job losses, was unchanged at 4.1%, although when rounded to 2dp, it rose by 0.9% from 4.05% to 4.14%. Aside from the NFP, the ISM Manufacturing PMI disappointed on the headline, but the stand-out sub-component was the prices paid returning to expansionary territory, printing above all analyst expectations. The data will likely do little to alter the Fed's thought process ahead of next week's meeting, where a 25bps cut is largely expected and priced. Elsewhere, Gilts were choppy, initially gapping lower at the open but gradually moving higher as Reeves attempted to instil calm into the bond market while a further boost was seen in the rally in sympathy with T-Notes post NFP. Nonetheless, Gilts sold off from peaks into settlement. It is a key risk week next week, with the US election the primary focus but also the Federal Reserve rate decision on Thursday (as well as BoE, Riksbank and Norges Bank), in addition to the ISM Services PMI on Tuesday, to see if the hot prices in the manufacturing report is seen in the Services sector.

#### NEXT WEEK SUPPLY:

- US Treasury to sell USD 58bln in 3-year notes on Monday, USD 42bln in 10-year notes on Tuesday and USD 25bln in 30-year bonds on Wednesday next week; all to settle November 15th.

#### STIR/OPERATIONS

- Market Implied Fed Rate Cut Pricing: November 24 (prev. 23bps D/D), December 45bps (prev. 43bps), January 59bps (prev. 58bps).
- NY Fed RRP op demand at USD 156bln (prev. 201bln) across counterparties 41 (prev. 57).
- SOFR at 4.90% (prev. 4.81%), volumes at USD 2.244tln (prev. 2.045tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 96bln (prev. 104bln).

## CRUDE

**WTI (Z4) SETTLED USD 0.23 HIGHER AT 69.49/BBL; BRENT (F5) SETTLED USD 0.29 HIGHER AT 73.10/BBL**

**The crude complex ended the day, and week, in the green due to heightened Middle East tensions but settled at lows amid Dollar strength.** On Friday, WTI and Brent were buoyed and hit highs of USD 71.45/bbl and 74.94/bbl, respectively, as risk-premium returned into the weekend in wake of source reports on Thursday that Iran is preparing a major retaliatory strike from Iraq within days, and also prior to the election. Thereafter, there were conflicting headlines regarding an Israel/Lebanon ceasefire, but the latest from Reuters sources suggested that US truce efforts on Lebanon failed ahead of the election. Nonetheless, and as mentioned above, oil sold off from highs throughout the duration of the afternoon due to the Buck bid to settle at lows ahead of a week with key risk events such as the US Election (Tues) and FOMC (Thurs). For the record, the weekly Baker Hughes saw oil fall 1 to 479, nat gas rise 1 at 102, leaving the total unchanged at 585.

**SUPPLY:** Kazakhstan average daily oil output was down 20% in October vs. September, according to sources cited by Reuters, while Iraq total oil exports averaged 3.327mln BPD in October (prev. 3.31mln BPD M/M).

## EQUITIES

**CLOSES:** SPX +0.41% at 5,729, NDX +0.72% at 20,003, DJIA +0.69% at 42,052, RUT +0.61% at 2,210.

**SECTORS:** Consumer Discretionary +2.40%, Technology +0.61%, Health +0.59%, Industrials +0.16%, Financials +0.11%, Communication Services -0.07%, Consumer Staples -0.07%, Materials -0.19%, Energy -0.74%, Real Estate -1.09%, Utilities -2.26%.

**EUROPEAN CLOSES:** DAX +0.92% at 19,252, FTSE 100 +0.83% at 8,177, CAC 40 +0.80% at 7,409, Euro Stoxx 50 +1.04% at 4,878, AEX +1.08% at 884, IBEX 35 +1.46% at 11,843, FTSE MIB +1.15% at 34,676, SMI +1.65% at 11,974.

#### EARNINGS:

- **Amazon (AMZN):** Profit and revenue beat, and guidance which was said to soothe investor fears.
- **Apple (AAPL):** Mixed report; EPS, revenue, and iPhone sales beat expectations, though service segment revenues were short, and its Q1 guidance was a little soft.
- **Atlassian (TEAM):** EPS and revenue exceeded St. consensus.
- **Intel (INTC):** Beat on the top line, but within the report there were a lot of charges given the aggressive restructuring actions being undertaken. Note, the loss per share of USD 0.46 incl. 0.61 worth of charges, suggesting the "real" number topped forecast. But elsewhere, the revenue breakdown was solid as was guidance for the next quarter.
- **Chevron (CVX):** EPS beat and returned more than USD 7bln to shareholders during the quarter through buybacks and dividends.
- **Exxon Mobil (XOM):** Profit topped and raised Q4 dividend.
- **Cardinal Health (CAH):** EPS and revenue topped expectations, alongside raising FY25 profit view.

#### STOCK SPECIFICS:

- **Abbott (ABT):** A jury in Missouri cleared Abbott of liability in a baby formula case.
- **Boeing (BA):** Co. and the union representing 33,000 striking machinists reached a tentative agreement to end their prolonged dispute.
- **Globalstar (GSAT):** Discloses extended MSS network services deal with Apple (AAPL).
- **Disney (DIS):** Forms new unit to coordinate the use of AI and continued reality and Disney Studios CTO Jamie Voris will lead newly formed Office of Technology Enablement, according to Reuters
- **Microsoft (MSFT):** Plans to spend USD 10bln with Coreweave through 2030, via The Information.
- **Chevron (CVX):** Flags possible job cuts in USD 3bln cost plan, according to Bloomberg.
- **Boeing (BA):** Reached a proposed agreement with the IAM bargaining committee on a new four-year contract and vote is on Monday on agreement.

## US FX WRAP

**The Dollar** was firmer to end the week and saw a bid in the US afternoon, despite selling off after the US jobs report to hit a low of 103.67. Briefly recapping, the headline rose by just 12k (exp. 113k, prev. 223k) but the sharp headline drop is largely due to the recent Hurricanes in addition to worker strikes. Note, BLS said that it is likely that payroll employment estimates in some industries were affected by the hurricanes, however, it is not possible to quantify the net effect. Elsewhere in the report, the unemployment rate was unchanged at 4.1%, as expected, while wages rose 0.4% M/M (exp. 0.3%) but Y/Y was in line at 4.0%. Nonetheless, the DXY quickly reared its head back above 104.00 and gained, thereafter to hit a high of 104.310 potentially on 'Trump Trade' ahead of the US election next week, as well as the FOMC on Thursday.

**GBP** was the clear G10 outperformer on Friday, and was the only one to end the day in the green against the Buck. The Pound was able to pare some of the losses seen after two consecutive days of selling in wake of the budget. Ahead, aside from the risk events mentioned above, the BoE rate decision is next week whereby the bank is firmly anticipated to cut rates 25bps. Cable hit a peak of 1.2980 against an earlier trough of 1.2885.

**CHF** was the clear laggard and was weighed on by Swiss inflation metrics, whereby the M/M even posted a negative figure, and then was further hit by the Dollar strength which saw USD/CHF hit a high of 0.8708. **JPY** also saw weakness, albeit not as steep as the Swissy, after it strengthened against the Dollar on Thursday on account of the hawkishly perceived BoJ Governor Ueda press conference. Yen-specific newsflow was sparse to conclude the week, however, USD/JPY hit a low of 151.79 after the soft US jobs report, but the pair hit a later top of 153.07 due to the notable Buck bid.

**CAD, NZD, AUD, and EUR** all saw losses against the Greenback, albeit to varying degrees, as they fell foul to the aforementioned Dollar strength into the weekend close. Nonetheless, the Loonie was initially buoyed by the firmer oil prices highlighted by USD/CAD hitting a low of 1.3904 but hit a later high of 1.3954. For the Aussie, there is significant risk ahead of the US election next week, whereby a Trump win would hit AUD on account of the former President's views, and likely tariffs, on China. For the record, AUD/USD and NZD/USD traded between 0.6557-91 and 0.5963-99, respectively.

**EMFX** was almost exclusively weaker against the Greenback, with the CLP, flat, the relative outperformer and potentially buoyed by the firmer copper prices. Without sounding like a broken record, EMs were hit by the broad Dollar strength, as opposed to anything currency-specific, as participants await the US Election next week which holds notable downside risks if Trump wins, something which betting markets and polls currently forecast. Regarding data, Chinese Caixin Manufacturing PMI (Oct) surprisingly rose back into expansionary, while in LatAm Brazilian industrial output topped expectations on both the M/M and Y/Y time horizons and Mexican jobless rate (Sep) unexpectedly dipped to 2.9% from 3.0%.

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