

Trump trade unwind sees bonds bid and dollar lag ahead of election day

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar flat.
- **REAR VIEW:** Betting markets trim odds of Trump Presidential victory; OPEC+ agree to delay December output hike; Durable Goods marginally revised up in Sept.; Factory orders fall in line with forecasts; Employment trends ease slightly; China NPC reviews local government debt swap; China not planning "bazooka" stimulus for this year; Israel estimates that Iran is ready to respond, but timing is unclear; NVDA to be added to the DJIA.
- **COMING UP: Data:** Chinese Caixin Services PMI, UK Composite/Services PMI, US International Trade, Canadian Exports/Imports, US ISM Services, NZ HLFS Jobs **Events:** RBA Policy Announcement; BoC Minutes; BoJ Minutes; US Election **Speakers:** RBA Governor Bullock; ECB President Lagarde, Schnabel **Supply:** Japan, UK, US **Earnings:** EMR, SMCI. [To download the full report, please click here.](#)

MARKET WRAP

Price action was primarily categorized as an unwind of the Trump Trade after weekend polls and betting markets showed Trump losing momentum vs Harris. Briefly recapping, a new Des Moines Register/Mediacom Iowa Poll showed very surprisingly that Harris has overtaken Trump in the state 47%-44%, in addition to the final NYT/Siena Polls indicating how close this election is and how vital the swing states will be. In reaction, T-Notes gapped higher at the open and trended higher throughout the session to peak at 110-21+ before paring to lows of 110-08 ahead of, and after, a mixed 3yr auction, before paring slightly into settlement - albeit remaining bid on the day. The Dollar initially was sold but pared from lows and back to the unchanged level heading into APAC trade, albeit was still the lagging currency. Swissy and Yen befitted the most from the rate differentials while AUD was bid on prospects of a less-hawkish tone against China in a Harris presidency with Euro supported on the prospects of a more tariff-friendly President. However, the race is ultimately still very close and plenty of vol is expected as the results start to unfold on Tuesday night. Stocks meanwhile were ultimately slightly lower with sectors mixed. Utilities tumbled while weakness in Communication Svs hit the Nasdaq, while Energy outperformed, alongside Real Estate. Tech was rather flat with gains in NVDA being offset by losses in AAPL and MSFT; NVDA was bid after it was announced it will be added to the Dow30 on Friday, replacing Intel (INTC). Energy stocks tracked gains in the crude complex higher with prices bid after reports over the weekend said that OPEC+ agreed to delay its planned output hike in December by one month, while focus remains on geopolitics and the potential attack on Israel from Iran, and any reaction thereafter. This week the focus heavily lies on the US Presidential Election (updated preview available below), but also the Federal Reserve rate decision (Thurs) will be of note to gauge Fed guidance in wake of the election (if the election has been called by then). Lastly, ISM Services PMI on Tuesday will also be watched, particularly the prices paid component after the surge higher in the manufacturing prices paid last week.

US

ELECTION UPDATES: Over the weekend (Nov 2nd-3rd) a couple of notable polls were released, showing support for Harris, which shifted the dial in betting markets and also general market sentiment. Firstly, a new Des Moines Register/Mediacom Iowa Poll showed very surprisingly that Kamala Harris has overtaken Donald Trump in the state 47%-44%. The poll showed that women, particularly those who are older or are politically independent, are driving the late shift toward Harris although the former President continues to lead with his core base of support: men, evangelicals, rural residents and those without a college degree. While a success for the VP in this state would be a shocking development after Iowa has swung aggressively to the right in recent elections, delivering Trump solid victories in 2016 and 2020, it could show a broader shift in votes towards Harris with undecided voters leaning towards the Dems. Secondly, the final NYT/Siena Polls (released Nov. 3rd) indicate how close this election is and how vital the swing states will be. Harris leads in 4, Trump in 1 and 2 tied, albeit all extremely marginal. Overall, the polls showed the race was deadlocked in six out of the seven battleground states and that all seven of them were within the margin of error. Recapping the results, Harris leads Trump in Nevada at 49% vs. 46%, North Carolina at 48% vs 46%, Wisconsin at 49% vs 47% and Georgia at 48% vs 47%, while Trump leads in Arizona at 49% vs 45% and the candidates were tied in Pennsylvania at 48% vs 48% and in Michigan at 47% vs 47%. As such, if the election was decided on the NYT/Siena poll, Harris would be President 47. Despite being exceedingly close, the polls adds that there are signs that late deciders are breaking for Harris as, among the 8% of voters who said they had only recently decided on their vote, she wins the group by 55%-44%. Amid the latest weekend updates, a notable shift was seen in betting markets, with Trump odds of winning the election notably trimmed on Polymarket and Kalshi, while on PredictIt odds actually shifted in favour of a Harris election victory. [For the Full Newsquawk preview, please click here.](#)

FIXED INCOME

T-NOTE FUTURES (Z4) SETTLED 10+ TICKS HIGHER AT 110-11+

T-Notes bull flatten in Trump Trade unwind. At settlement, 2s -2.7bps at 4.177%, 3s -3.0bps at 4.149%, 5s -4.4bps at 4.169%, 7s -4.9bps at 4.242%, 10s -5.2bps at 4.311%, 20s -6.8bps at 4.610%, 30s -6.2bps at 4.497%

INFLATION BREAKEVENS: 5yr BEI -5.7bps at 2.323%, 10yr BEI -4.7bps at 2.288%, 30yr BEI -4.4bps at 2.286%.

THE DAY: T-Notes bull flattened on Monday with the curve gapping higher at the open to see T-Notes eventually hit a peak of 110-21+ on an unwind of the Trump Trade. Over the weekend, PredictIt flipped to show VP Harris as the favourite to win the election while a NYT/Siena poll found a deadlock race in 6/7 battleground states - suggesting Trump has lost some of his recent momentum. T-Notes peaked in the US morning before paring as Europe left for the day ahead of the 3yr auction. The 3yr auction was ultimately mixed but saw a chunky tail, with T-Notes printing lows shortly after, before paring into settlement. Attention primarily lies on the US election, but there will also be focus on the FOMC on Thursday and ISM Services PMI on Tuesday - particularly the Prices Paid component after a surge in the manufacturing PMI prices last week. There were several data releases today, albeit none that altered the dial that much with greater risk events on the horizon. Factory Orders fell in line with expectations while Durable Goods figures for September saw marginal revisions higher, and Employment Trends eased slightly in October.

3YR: Overall, a mixed 3yr auction. The US Treasury sold USD 58bln of 3yr notes at a high yield of 4.152%, vs the prior 3.88%, tailing the

when issued by 0.9bps. The tail was larger than average and prior, and also the largest tail since June. The Bid-to-Cover of 2.60x was slightly better than average, but a notable improvement on the prior. The breakdown of bidders saw dealers left with 19.75% of the auction, above recent averages but only marginally above the prior. There was a notable shift in direct/indirect demand, direct demand slumped to just 9.62% from the 24% prior and an average of 18.71%, but it was met with a notable pick up in indirect demand, where indirect bidders took over 70% of the auction, well above the prior 57% and above the average 66.5%. The auctions this week come ahead of (and during) a risk-packed week with the US election on Tuesday ahead of the FOMC on Thursday, meanwhile, ISM Services PMI will be released on Tuesday with a focus on the prices paid component after a pick-up in the manufacturing prices PMI last week.

THIS WEEK SUPPLY: US Treasury is to sell USD 42bln in 10-year notes on Tuesday and USD 25bln in 30-year bonds on Wednesday next week; all to settle on November 15th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: November 25bps (prev. 24bps D/D), December 45bps (prev. 45bps), January 59bps (prev. 59bps).
- US sold USD 87bln in 3mth bills at high rate of 4.440%, B/C 2.44x; Sold USD 78bln 6mth bills at high rate of 4.260%, B/C 3.00x.
- NY Fed RRP Op demand at 172bln (prev. 155bln) across 57 counterparties (prev. 41)
- SOFR at 4.86% (prev. 4.90%), volumes at USD 2.164tln (prev. 2.244tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 99bln (prev. 96bln).

CRUDE

WTI (Z4) SETTLED USD 1.98 HIGHER AT 71.47/BBL; BRENT (F5) SETTLED USD 1.98 HIGHER AT 75.08/BBL

The crude complex started the week on a firmer footing amid several bullish catalysts. Firstly, and on the supply side, OPEC+ is delaying the December oil output increase by one month, while on the geopolitical footing there continues to be heightened tensions amid concerns that Iran is planning a strong and complex response to Israel. It was later reported via Al Jazeera citing Channel 12, that if Iran were to respond to Israel, Israel's response would be stronger than the previous time. Further supporting WTI and Brent was the Dollar weakness amid an unwind of 'Trump trade' as a surprising Iowa poll was released with Harris as the frontrunner and the final NYT/Siena poll had 6 of the 7 states at a deadlock, with all 7 within the margin of error. As a result, this saw betting market Polymarket trim the odds of a Trump win, while PredictIt odds over the weekend flipped to a Harris victory. Finally, regarding China, the NPC Standing Committee is due to meet from Nov 4th-8th with eyes on a potential "bazooka" of stimulus although WSJ reported authorities will signal that China is not planning such a "bazooka". Overall, WTI and Brent gapped higher at the open before extending to highs USD 71.81/bbl and 75.40/bbl, respectively, with all eyes on the US election Tuesday evening.

EQUITIES

- **CLOSES:** SPX -0.28% at 5,713, NDX -0.35% at 19,964, DJI -0.61% at 41,795, RUT +0.4% at 2,219.
- **SECTORS:** Energy +1.87%, Real Estate +1.13%, Materials +0.47%, Consumer Staples +0.28%, Technology -0.12%, Industrials -0.14%, Consumer Discretionary -0.61%, Health -0.68%, Financials -0.71%, Communication Services -0.92%, Utilities -1.21%
- **EUROPEAN CLOSES:** DAX -0.56% at 19,148, FTSE 100 +0.09% at 8,184, CAC 40 -0.50% at 7,372, Euro Stoxx 50 -0.50% at 4,853, AEX -0.47% at 880, IBEX 35 -0.32% at 11,805, FTSE MIB -0.39% at 34,541, SMI -0.46% at 11,913.

STOCK SPECIFICS:

- **Apple (AAPL):** Warren Buffett's Berkshire Hathaway reduces Apple stake. In addition, Berkshire announced softened performance in earnings as it reported a shortfall on EPS due to weak insurance underwriting earnings.
- **Nvidia (NVDA) and Sherwin Williams (SHW)** will replace **Intel (INTC) and Dow (DOW)** in the Dow Jones Industrial Average, respectively.
- **Super Micro (SMCI): Nvidia (NVDA)** reportedly stepping in to restructure Super Micro orders, via DigiTimes. Nvidia is reportedly redirecting orders from SMCI to other providers, amid ongoing financial issues at SMCI.
- **Viking Therapeutics (VKTG):** Announcing promising results from its experimental VK2735 obesity pill, including weight loss of up to 8.2% within a four-week period.
- **Zoetis (ZTS):** Top and bottom line beat, alongside raising FY guidance.
- **Talen Energy (TLN):** Federal Energy Regulatory Commission rejected a request to increase the amount of power the Susquehanna nuclear plant can dispatch to an Amazon data center campus.
- **Trump Media & Technology Group (DJT):** Shares have been volatile in recent days, but over the weekend betting markets trimmed back the chance of the former President to win the election amongst a raft of latest polls.
- **Roblox (RBLX):** Morgan Stanley upgraded shares to overweight from equal weight; said Roblox's growing audience and says the stock is at an inflection point.
- **Air Transport Services (ATSG):** To be acquired by Stonepeak for USD 3.1bln, shareholders will receive USD 22.50/shr in cash. Note, ATSG closed at USD 17.40/shr on Friday.
- **Frontier Communications (FYBR):** CNBC's Faber said there is "no way" **Verizon (VZ)** is raising its bid for Frontier Communications.

US FX WRAP

The Dollar was initially weaker on Monday but still underperformed as a function of an unwind of the 'Trump trade' after US election polling across the weekend provided Harris with some late momentum, resulting in betting markets scaling back their bets of the former President to win the election. Briefly recapping, a new Des Moines Register/Mediacom Iowa Poll showed very surprisingly that Harris has overtaken Trump in the state 47%-44%, in addition to the final NYT/Siena Polls indicating how close this election is and how vital the swing states will be. Harris leads in 4, Trump in 1 and 2 tied, albeit all extremely marginal ([Newsquawk preview available here](#)). Elsewhere, and as expected, newsflow was fairly light on Monday as all participants await the US election and the coming results. The DXY saw a low of 103.570 against a later high of 103.950.

G10 FX was firmer across the board against the Buck in what was broadly a function of Buck weakness, as opposed to anything currency-specific. JPY gained on the favourable rate differentials with the likelihood of a Trump win slightly dwindling, while Antipodes were supported by the less stringent approach on China, on account of the Dems being victorious. On the flip side, albeit still seeing gains, GBP is not as sensitive to the Trump trade unwind and therefore is one of the 'underperformers'. Aside from the election, Sterling watchers will be awaiting the BoE on Thursday where the central bank is expected to deliver a 25bps rate cut to the Bank Rate. Note, attention will be on how last week's budget impacts the BoE's rate outlook. Regarding the EUR, and for the record, EZ HCOB Manufacturing was mixed with German and EU beating, while Italian missed. Looking Ahead, RBA (Tues), BoC Minutes (Tues), Riksbank (Thu), Norges, and Canadian Labour Market data (Fri).

Continuing to highlight the 'Trump trade', not that it needs more proof, **EMFX** was almost exclusively firmer against the Greenback with the TRY, flat, underperforming amid higher oil prices. Yuan, ZAR, BRL, MXN, and CLP all saw strong gains with the latter also seeing tailwinds from strength in copper. Regarding China, the NPC Standing Committee is due to meet from Nov 4th-8th with eyes on a potential "bazooka" of stimulus although WSJ reported authorities will signal that China is not planning such a "bazooka" for the year. For EMs, BCB is the highlight policy announcement this week whereby the central bank is seen raising its Selic rate by 50bps to 11.25%, with many foreseeing an upsized hike due to stronger-than-expected economic activity and tightening labour markets.

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