

Stocks and Dollar rally while bonds dump on Trump victory

- **SNAPSHOT:** Equities up, Treasuries down, Crude down, Dollar up
- **REAR VIEW:** Trump wins Presidency and Senate, House results await; Strong US 30yr auction; Bigger EIA crude builds than expected; Punchy Rhetoric between Lebanon/Israel; German Chancellor Scholz fires Lindner, to hold confidence vote in mid-Jan; EU antitrust regulators investigate V and MA over fee impact on retailers; SMCI prelim earnings disappoint.
- **COMING UP: Data:** Australian Goods/Services Imports, German Industrial Output, EZ Retail Sales, US Initial Jobless Claims, Wholesale Inventory, Chinese Trade Balance. **Events:** Riksbank, Norges Bank, BoE, Fed Policy Announcements. **Speakers:** ECB's Lane, Schnabel, Elderson; BoE Governor Bailey; Fed Chair Powell. **Supply:** Spain, France
- **DAILY US EARNINGS ESTIMATES:** Highlights include: APD, PCG, DUK, ABNB, MSI, EOG, MNST, ANET. [For the full list, please click here.](#)

MARKET WRAP

Stocks surged on Wednesday while the Dollar rallied and bonds plummeted, with bonds and the dollar posting the largest intraday moves since the COVID-era in response to Trump's victory in the US Presidential Election. The Trump proposals of tax cuts supported stocks while the inflationary impacts of tariffs and increased spending (and increased issuance) weighed on T-notes and supported the buck. The majority of FX was lower vs the Dollar with notable weakness in the Euro, Yen and Yuan with yield differentials weighing on the Yen, and proposed tariff policies weighing on the Euro and Yuan. MXN initially tumbled, but by the end of day, it staged a remarkable recovery and appreciated vs the Dollar. There was little data to digest on Wednesday with all focus on the election, as things stand the chances of a Red Sweep are high with Republicans already taking the majority in the Senate (currently with 52 seats, majority 51) while the House is still a close race but Decision Desk put the probability of a Republican House majority at 92%, projecting a final result of 222-213. Elsewhere, commodity prices were hit with oil initially slumping but settling well off the lows, while gold and silver tumbled in response to the Trump victory. Attention on Thursday turns to the FOMC rate decision, as well as the BoE, Riksbank and Norges Bank.

US

US ELECTION: Overall, Trump and Republicans performed very well, better than polls had suggested. Trump secured well over the 270 electoral vote majority with it currently standing at 292, via NYT. The Republicans also took hold of the Senate, holding 52 seats as it stands, above the 51 majority. The House is yet to be called, but as the vote count progressed it looked more and more like a Red Sweep was due, with Decision Desk assigning a 92% probability of a Republican House win. A Red Sweep was seen as the most inflationary of all outcomes as it means that Trump's policies (tax cuts, tariffs, increased spending) will have little pushback when pushing them through the Congress, as the Republicans look set to hold both majorities. However, any moderate-leaning congressmen may be one to keep an eye on, given the Republicans have only just secured the Senate, and a tight race for the House lingers with Decision Desk currently projecting 222-213, via Decision Desk.

FED PREVIEW: The Fed is widely expected to cut rates by 25bps on Thursday, taking the target for the FFR to 4.50-4.75%, in line with money market pricing and analyst forecasts. Attention will be on any updates on the statement to see how the Fed describes the economy after mixed recent data, and of course for any future guidance - but they will likely keep options open. The rate decision takes place two days after the election which saw a Trump victory, with Republicans taking control of the Senate. However, the house is still yet to be determined with it currently too close to call. Nonetheless, the election is not expected to have much impact on the upcoming meeting but it will shape expectations for easing through 2025. The Trump victory is seen as inflationary due to increased spending, tax cuts and the imposition of tariffs, which could see a slower return to the neutral rate. Chair Powell is likely to keep his options open by maintaining a meeting-by-meeting approach with decisions to be directed by economic data. This will likely entail language that the Fed can either slow, accelerate or even pause the easing process depending on how the economy evolves, but a more explicit signal to one of these options would be key. [To download the report, please click here.](#)

BOE PREVIEW: The BoE is widely expected to cut its Base Rate by 25bps to 4.75% via a 7-2 vote. Headline inflation has dropped below target, while weaker PMI data in October supports easing policy. Attention will be on what/if any signalling the BoE provides on future easing given the market reaction to last week's budget which saw a trimming of dovish bets for the December meeting. [To download the report, please click here.](#)

FIXED INCOME

T-NOTE FUTURES (Z4) SETTLED 27+ TICKS LOWER AT 109-17+

T-notes sold hard across the curve in response to Trump Presidency, Republican Senate and likely Republican House. At settlement, 2s +6.5bps at 4.268%, 3s +7.5bps at 4.234%, 5s +10.4bps at 4.276%, 7s +14.0bps at 4.369%, 10s +14.5bps at 4.433%, 20s +14.8bps at 4.717%, 30s +16.1bps at 4.611%.

INFLATION BREAKEVENS: 5yr BEI +13.3bps at 2.472%, 10yr BEI +9.8bps at 2.399%, 30yr BEI +8.5bps at 2.370%.

THE DAY: T-notes were sold hard across the curve in a steeper fashion in response to US President Trump's victory in the US Presidential Election, seeing the 30yr yields rally the most in a single day since March 2020. His proposed policies of tax cuts, tariffs and increased spending have reignited inflationary fears alongside increased borrowing. T-notes hit a bottom of 109-07 overnight, a level that acted as support several times throughout the Wednesday session. T-notes were very choppy throughout the European session too as participants digested the composition of congress, but ultimately Republicans secured the Senate but the House race is very close and still yet to be called, although Decision Desk currently put a 92% probability of GOP's taking the House, in what would be a red sweep. Aside from the election, there was little data to digest but there was a 30yr bond auction which was met with strong demand, likely supported by the huge Trump induced concession going into the auction. T-notes had already been moving off the lows but the strong auction helped T-notes recover further, albeit the then sold off heading into settlement. Attention now turns to the FOMC rate decision on Thursday where a

25bps rate cut is expected, but focus will be on how the Fed plan to deal with a Trump presidency and the implications for inflation.

30YR: The 30yr auction was strong. The US Treasury sold USD 25bln of 30yr bonds at a high yield of 4.608%, stopping through the When Issued by 2.2bps. The stop through was larger than the prior 1.5bps tail and compares to the six auction average of a 0.5bps tail. The Bid-to-Cover was also strong at 2.64x, above the prior 2.5x and recent 2.4x average. Meanwhile, the breakdown of bidders saw indirect demand plummet to just 63% from 80%, beneath the six auction average of 68%. However, direct demand saw a notable increase to 27% from 7%, above the 16.5% average. This left dealers, forced surplus buyers, with a 10% take-down, beneath the prior 12% and average of 15%.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: November 25bps (prev. 25bps D/D), December 43bps (prev. 44bps), January 53bps (prev. 58bps).**
- US sells USD 64bln of 17-week bills at 4.41%, covered 2.79x
- NY Fed RRP op demand at USD 178bln (prev. 144bln) across 57 counterparties (prev. 50)
- SOFR at 4.82% (prev. 4.82%), volumes at USD 2.235tln (prev. 2.308tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 104bln (prev. 98bln).

CRUDE

WTI (Z4) SETTLED USD 0.42 LOWER AT USD 71.69/BBL; BRENT (F5) SETTLED USD 0.61 LOWER AT 74.92/BBL

The crude complex ultimately settled in the red in choppy trade as traders digested implications for crude prices in a soon-to-be Trump Presidency. As the US election unfolded overnight, and a Trump win became apparent, crude prices tumbled, with WTI and Brent trounging at USD 69.74/bbl, USD 73.74/bbl. Supporting the move was a combination of a surging dollar, and a foreseen increase in US crude supply given the "drill baby, drill" rhetoric from Trump. That said, weakness in the complex pared into the US cash open, even with dollar strength persisting, as perhaps, the volatile price action stems from uncertainty amongst participants over the implication a Trump presidency will have on tensions in the Middle East and Ukraine-Russia. Meanwhile, price action was relatively muted towards the weekly EIA inventory report which saw a larger build than expected in crude stocks, albeit, to a lesser magnitude than Tuesday's API report. On geopolis, tensions seemingly ramped up between Israel and Lebanon, with sources from both fronts remarking on the need to strengthen/expand forces in respective territories. Lastly, the latest NHC update puts Rafael as a category three hurricane as it nears the coast of western Cuba; BSEE reports 17.4% of oil production at US Gulf of Mexico shut in, in response to hurricane Rafael.

EQUITIES

CLOSES: SPX +2.53% at 5,929, NDX +2.74% at 20,781, DJIA +3.57% at 43,730, RUT +5.84% at 2,393

SECTORS: Real Estate -2.64%, Consumer Staples -1.57%, Utilities -0.98%, Health +0.15%, Materials +1.2%, Communication Services +2.38%, Technology +2.52%, Energy +3.54%, Consumer Discretionary +3.62%, Industrials +3.93%, Financials +6.16%.

EUROPEAN CLOSES: DAX: -1.14% at 19,037, FTSE 100: -0.07% at 8,167, CAC 40: -0.51% at 7,370, Euro Stoxx 50: -1.47% at 4,799, AEX: -0.83% at 875, IBEX 35: -2.90% at 11,495, FTSE MIB: -1.54% at 33,941, SMI: -0.16% at 11,848, PSI: -3.27% at 6,334.

STOCK SPECIFICS

With Donald Trump winning the 2024 US Presidential election, price action across industries has been mixed. Outperformance was seen in Medicare names, such as Humana (HUM), CVS Health (CVS) and UnitedHealth (UNH) as Trump is viewed as more cooperative with companies under Medicare Advantage, however, names like HCA Healthcare (HCA) and Tenet Healthcare (THC) succumbed to pressure. Meanwhile, friendly ties between Tesla CEO Musk and Trump were positive for TSLA shareholders as the stock rallied over 14%, while clean energy names and cannabis names felt pressure, with the former weighed on by Florida voters rejecting measures legalising recreational cannabis. Elsewhere, US Financials (XLF) took advantage of the soon-to-be Trump presidency, as Trump is seen to beget less regulation in the space while the huge upside in yields also supported. Private prison stocks also benefitted from Trump's promises of a crackdown on illegal immigration and the upside is seen in crypto stocks on Trump being viewed as crypto-friendly. Energy stocks (XLE) generally performed well on the prospects of more drilling, although crude prices settled weaker.

- **CVS Health (CVS):** Revenue beat.
- **Super Micro Computer (SMCI):** Prelim figures for the current quarter and guidance for the following quarter disappointed investors.
- **Sempra (SRE):** EPS and revenue fell short.
- **Johnson Controls International (JCI):** Top and bottom lines surpassed the St. consensus.
- **American Electric Power Company (AEP):** Reported a slight revenue miss.
- **Trump Media & Technology (DJT):** Donald Trump wins the 2024 US election.
- **Cannabis names:** Florida voters reject measures legalising recreational cannabis.
- **KKR (KKR):** In talks to acquire **Integral Ad Science (IAS)**, Bloomberg reports.
- **Qualys (QLYS):** Said to explore a potential sale, Bloomberg reports
- **Blackstone (BX) Real Estate** to take **Retail Opportunity Investments (ROIC)** private for USD 4bln.

US FX WRAP

The dollar index saw its largest move since March 2020 on Wednesday as Donald Trump won the 2024 US Presidency and the Senate. Participants view Trump's policies of tariffs, tax cuts, less regulation and spending as supportive of an inflationary theme, thus, speculative gains in recent weeks in the dollar on a Trump presidency were confirmed and extended. The outcome of the House, however, still awaits and could determine the extent of the move higher, though folks at Decision Desk put a 92% probability at pixel time of a Republican majority. Looking ahead, the Fed's policy announcement is awaited at its November meeting, where money markets price a 99% chance of a 25bps rate cut. Moreover, weekly claims data is expected at 221k, while Wholesale Sales monthly figures for September are expected to grow 0.2%.

G10FX was completely in the red as the "Trump Trade" sent the entire space tumbling. As a result, surging US yields weighed on the Yen, which was amongst the worst performers with the Euro. Issues including tariffs, defence and Ukraine are causes for concern for the Euro in a second Trump Presidency, as Rabobank pointed out, adding, "The drop in shorter-dated German yields this morning suggested that the market's initial appraisal of the US election news was that growth concerns would prompt the ECB to cut interest rates by more than it would have done otherwise", although, such a conclusion, "could be flawed". USD/JPY climbed to the mid-range of the 154 handle, going beyond its 200 DMA (151.62), while EUR/USD slumped below its 21 DMA (1.0854) and 200 DMA (1.0869) to levels last visited in July 2024. Note, there were numerous final upward revisions to European PMI data in October, but that was not the focus today. Meanwhile, CAD, AUD, and NZD, relatively outperformed their peers but still saw notable pressure vs the buck.

EMFX to no surprise was battered by the Trump win, with MXN being the clear laggard at first, but saw a reversal of its downside, highlighting the uncertainty surrounding relations between the US and Mexico in a second Trump Presidency. BRL was the outlier in the space, gaining for its third consecutive day ahead of the BCB's Selic decision (exp. to hike by 50bps), amid remarks from Brazil's Finance Minister Haddad believing new fiscal measure talks have concluded. Elsewhere, USD/CNH broke above its 21, 100, and 200 DMA (7.1987), where it heads into overnight trade around the latter with Yuan weakness sparked by the Trump Presidency and his hawkish approach to China. Meanwhile, on China stimulus analysts at Nomura believe that the supposed upcoming fiscal stimulus measures from the NPC Standing Committee would be around "10 or 20 per cent bigger" than if Harris won.

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