

### Stocks continue to rally but yields and Dollar tumble in Trump fade

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down.
- **REAR VIEW:** Fed cuts as expected, and Powell leaves options on the table; Initial jobless claims in line, but continued claims rise more than expected; BoE cuts by 25bps, with a slight hawkish skew; Riksbank cuts by 50bps & Norges holds; China exports beat, imports miss; Larger EIA natgas builds than expected; LYFT & UAA surge after-earnings.
- **COMING UP:** **Data:** French Trade Balance, Italian Industrial Output, Canadian Jobs, US UoM Inflation Prelim/Sentiment, Chinese Money Supply. **Speakers:** ECB's Cipollone; BoC's Gravelle; Fed's Bowman, Musalem. **Supply:** Australia. **Earnings:** LEG Immobilien, Bechtle, Richemont, Vistry Group, Rightmove, International Consolidated Airlines Group, Paramount Global, Sony.

### MARKET WRAP

US indices saw gains on Thursday with the tech-heavy Nasdaq 100 (+1.5%) outperforming amid gains in all the mega-cap names, highlighted by Communication Services, Technology, and Consumer Discretionary sitting at the top of the sectoral breakdown. Financials, Industrials, and Energy were the only sectors in the red with the former lagging after a stellar Wednesday post-Trump. Sentiment in general today was catalysed by an unwind of the recent extreme moves seen in the wake of the Trump victory, with the Dollar seeing losses to the benefit of all G10 peers, with Treasuries firmer across the curve with the greatest gains seen in the belly. The crude complex was choppy, but ultimately buoyed by the weaker Buck while spot gold also firmed. Meanwhile, the Federal Reserve cut rates 25bps, as expected, with the meeting and Powell's presser largely following the script as he kept his options open again, noting they can move more quickly or they can move more slowly, depending on how the economy evolves. In wake of the statement and start of the presser, some weakness was seen in bonds but it was short-lived with Powell largely sticking to the script. The move then extended higher and the Dollar pushed lower, although it seemed a broader function of post-Trump fade rather than the Fed itself. Elsewhere, BoE, Norges, and Riksbank all had rate decisions, and did as expected, while US data (jobless claims, unit labour costs) had little sway.

### US

**FED STATEMENT:** The Federal Reserve cut rates by 25bps to 4.50-4.75%, in line with market pricing and analyst expectations, and also in a unanimous decision. The statement saw some changes, it removed language that it "has gained greater confidence that inflation is moving sustainably toward 2 percent". It also adjusted its explanation of why the Fed cut rates, to "in support of its goals, as opposed to "in light of the progress on inflation and the balance of risks". Fed Chair Powell confirmed in the press conference these changes are not meant to send a signal on policy, but the language beforehand was a test for when the Fed cut rates, but now they have started to ease policy, that test is no longer needed. The statement changes further confirm the Fed's commitment that they are focused on both sides of the Fed's mandate, as opposed to just inflation. The Fed maintained language that risks to both sides of the mandate are "roughly in balance" and it still describes inflation as "somewhat elevated" and acknowledged that labour market conditions have generally eased.

**POWELL PRESS CONFERENCE:** Fed Chair Powell noted the economy is strong, labour market remains solid, and that inflation has eased substantially. He also kept his options open again, noting they can move more quickly or they can move more slowly, depending on how the economy reacts. Powell believes the Fed is on the "middle path", noting they have to be careful not to move too quickly, or too slowly. But they will be careful to increase the probability they get the easing process right. When asked about the statement changes, he stressed this was not meant to send a signal, it was just appropriate to adjust language as now the Fed has started the easing process. He spoke strongly on recent data, stating economic activity has been stronger and some downside risks have diminished. On the recent inflation data, he said it was not terrible but it was higher than expected. The Fed Chair was also asked about the recent movement in yields post the Trump victory, he said it is too early to say where bond rates settle, noting financial conditions only tighten when rates are high for long, and they are not yet at the stage where bond rates need to be taken into policy consideration. He noted that bond rates reflect growing growth expectations and not about higher inflation expectations.

**US UNIT LABOUR COSTS/PRODUCTIVITY (Q3):** The preliminary Q3 Unit Labor Costs rose by 1.9% in the quarter, above the 1.0% forecast. It slowed from the prior 2.4%, albeit that was a notable revision higher from 0.4%. The 1.9% increase reflected a 4.2% increase in hourly compensation, and a 2.2% increase in productivity. Productivity meanwhile rose by 2.2%, a touch beneath the 2.3% forecast while the prior was revised down to 2.1% from 2.5%. Analysts at Oxford Economics highlight that although productivity rose by less than expected, it was still a healthy pace. It also suggested that annual upward revisions to productivity were noteworthy, pushing average productivity growth for the current business cycle 0.2ppts higher. The desk notes that "The revisions are consistent with our view that strong trend productivity growth will allow the economy to grow at a solid pace without generating renewed inflation pressures." Meanwhile, on labour costs, although it rose by more than expected, OxEco's wage growth tracker showed a further deceleration in wage growth in Q3 to just above 4%, which the desk suggests is nearing a pace consistent with the Fed's 2% inflation objective.

**JOBLESS CLAIMS:** Initial jobless claims (w/e 2nd Nov) marginally rose to 221k from 218k, in line with expectations, which saw the 4wk average tick lower to 227.25k (prev. 237k). Meanwhile, continued claims (w/e 26th Oct) lifted to 1.892mln (prev. 1.853mln), above the forecasted 1.875mln. Note, the seasonal factors expected an increase of 8,058 (4%) from the prior week. California (4,278), Michigan (3,563), and Ohio (1,927) saw the biggest weekly rises, whilst Florida (-1,781) and Georgia (-1,517) noticed the greatest losses. Looking ahead, Oxford Economics notes that the data does not alter their assessment of the balance of risks to the labour market, which remain tilted toward weaker hiring than a sudden rise in layoffs.

### UK

**BOE REVIEW:** As expected, the MPC opted to lower the Bank Rate by 25bps to 4.75%. The decision to do so was made via an 8-1 vote split with arch-hawk Mann the lone dissenter in voting for an unchanged rate. Within the policy statement, the MPC reiterated that it "will ensure Bank Rate is restrictive for sufficiently long until the risks to inflation returning sustainably to 2% target have dissipated further". Furthermore, it was noted that a gradual approach to removing policy restraint remains appropriate and Governor Bailey remarked that the MPC cannot cut rates too quickly or by too much. The accompanying MPR saw an upgrade to 2025 and 2026 inflation forecasts with the BoE noting that the UK budget is "provisionally expected to boost inflation by just under 0.5ppts at peak between mid 2026 and early 2027". That being said, ING

cautions that there is a big caveat to the forecasts. This being, "that the Bank hasn't accounted for the market reaction to the latest budget in its new forecasts". If they had, the upgrades to inflation and growth forecasts would have been more modest. At the follow-up press conference, when questioned on the impact of the UK budget on monetary policy, Governor Bailey remarked that the MPC needs to see how it will impact inflation, however, he does not think that the path of rates will be different to what it would have been otherwise. On the rate path, Bailey refused to provide specifics regarding what "gradual" means when it comes to lowering rates. However, he did note that if progress on inflation continues, the MPC will respond to it. Note, Bailey refrained from providing a view on the potential impact of expectations of tariffs from the incoming Trump government. Overall, the market has judged that the latest UK budget has forced the MPC to adopt a relatively hawkish stance compared to its peers. Accordingly, odds of a December cut sit at just 20% with a total of 65bps of cuts seen by end-2025.

## FIXED INCOME

### T-NOTE FUTURES (Z4) SETTLE 20+ TICKS HIGHER AT 110-06

**T-Notes rally pre and post-Fed as bonds pare from Trump victory extremes**. At settlement, 2s -6.9bps at 4.199%, 3s -8.1bps at 4.153%, 5s -9.8bps at 4.174%, 7s -11.0bps at 4.252%, 10s -9.4bps at 4.332%, 20s -6.8bps at 4.640%, 30s -5.9bps at 4.541%

**INFLATION BREAKEVENS:** 5yr BEI -4.8bps at 2.425%, 10yr BEI -4.1bps at 2.360%, 30yr BEI -3.9bps at 2.330%.

**THE DAY:** T-Notes started the day paring the post-Trump victory downside and then were trading at intra-day highs heading into the FOMC. T-Notes only saw marginal downside in response to the 25bps rate cut with only some procedural changes to the statement, with all eyes turning to Powell, Fed Chair. As the Fed Chair started, some brief downside was seen as he was encouraged by recent data, noting downside risks have diminished, while he also noted that the recent move in bond yields is not something to worry about for now - as it is too early to say where they will end up. Powell's press conference largely stuck to the script where he kept his options open on future moves, noting the Fed will make decisions based on data, and meeting by meeting. With Powell sticking to the script, T-Notes resumed the earlier move higher to reach a peak of 110-13, almost completely paring the post-Trump move.

### STIRS/OPERATIONS:

- US sold USD 90bln in 8wk bills at high rate of 4.49%, B/C 2.59x; sold USD 95bln in 4wk bills at high rate of 4.515%, B/C 2.63x
- US to sell USD 72bln of 26wk bills, USD 81bln of 13wk bills and USD 80bln in 42day CMBs on November 12th; all to settle November 14th
- NY Fed RRP op demand at USD 159bln (prev. 178bln) across 56 counterparties (prev. 57).
- SOFR at 4.81% (prev. 4.82%), volumes at USD 2.128tln (prev. 2.235tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 102bln (prev. 104bln).

## CRUDE

### WTI (Z4) SETTLED USD 0.67 HIGHER AT 72.36/BBL; BRENT(F5) SETTLED USD 0.71 HIGHER AT 75.63/BBL

**The crude complex was choppy on Thursday but saw gains throughout the US session.** On the day, WTI and Brent saw upside through the overnight session on NHC/BSEE updates and later extended through European hours on heightened geopolitical risk. Recapping, Kann News wrote "The preparation for an Iranian attack: the US moved a squadron of F15s to the Middle East - after dozens of fighter jets and 6 B-52 strategic bombers were moved to the region last week", referencing recent flight radar data. Thereafter, crude benchmarks pared the strength through the EU afternoon to hit lows of USD 70.66/bbl and 74.02, respectively. However, in the US session, WTI and Brent saw notable strength, potentially aided by the Dollar weakness as it saw a pause from the recent Trump-induced rally, to settle just off highs. Note, that there was little move in oil after the Fed cut rates by 25bps, as expected.

## EQUITIES

**CLOSES:** SPX +0.74% at 5,973, NDX +1.54% at 21,102, DJIA flat at 43,729, RUT -0.43% at 2,383

**SECTORS:** Financials -1.62%, Industrials -0.6%, Energy -0.36%, Utilities +0.15%, Consumer Staples +0.37%, Materials +0.5%, Health +0.64%, Real Estate +1.19%, Consumer Discretionary +1.37%, Technology +1.83%, Communication Services +1.92%.

**EUROPEAN CLOSES:** DAX: +1.72% at 19,368, FTSE 100: -0.32% at 8,141, CAC 40: +0.76% at 7,426, Euro Stoxx 50: +1.06% at 4,852, AEX: +0.36% at 879, IBEX 35: +0.65% at 11,570, FTSE MIB: +0.12% at 33,981, SMI: +0.77% at 11,939, PSI: +0.23% at 6,349.

### STOCK SPECIFICS

- **Qualcomm (QCOM):** EPS and revenue beat; approved a USD 15bln share repurchase plan and gave next quarter guidance above analysts' expectations.
- **Gilead Sciences (GILD):** Revenue and adj. EPS exceeded forecasts while FY guidance was strong.
- **MercadoLibre (MELI):** Net profit missed
- **Arm Holdings (ARM):** Revised down this year's royalty revenue growth projection from +20% to high teens Y/Y, citing prolonged weakness in industrial and IoT.
- **Nutrien (NTR):** Adj. EPS missed.
- **Air Products and Chemicals (APD):** EPS beat with the midpoint of profit guidance surpassing the St. consensus.
- **Barrick Gold (GOLD):** Q3 EPS and revenue disappointed.
- **TransDigm Group (TDG):** Issued poor FY25 guidance.
- **Under Armour (UAA):** Beat on EPS and revenue, and lifted FY25 EPS view.
- **Lyft (LYFT):** Adj. net income and revenue exceeded expectations, while gross bookings guidance was strong.
- **United States Cellular (USM):** To sell a portion of its retained spectrum licenses to AT&T (T) for a total consideration of USD 1.018bln.
- **JPMorgan (JPM):** Downgraded to 'Underperform' from 'Neutral' at Baird, citing current prices offer a poor risk/reward, despite optimism in market participants around a more "benign" regulatory environment under President Trump.
- **Boeing (BA):** FAA Administrator Whitaker spoke with Boeing's CEO this week on 737 production plans; FAA will "further strengthen and target our oversight" as Boeing prepares its return to 737 production plans.
- **Spotify (SPOT):** Said from today users can start to share music, podcasts and audiobooks directly from Spotify to TikTok, and can also save songs from **Instagram (META)** in one tap.

## US FX WRAP

**The dollar index** erased some of the large gains incurred post-Trump win, losing ground gained on all of its major peers. Prompting the reversal, little catalysts were at play heading into the FOMC, as traders potentially profit take in wake of the steep gains seen amid the confirmation of a second Trump presidency. Choppy trade ensued for the Buck in the wake of Fed's Chair Powell's presser after the Fed decided to cut the Fed Funds Target Rate to 4.5-4.75%, as expected, whereby the Greenback saw kneejerk strength. Powell remarked "Since the September meeting, in the main economic activity, has been stronger and some of the downside risks to the economy have diminished", yet the Chair downplayed the recent rise in Treasury yields, "Not at the stage where bond rates need to be taken into policy consideration." Elsewhere, US data had little sway on FX moves, nonetheless, weekly claims were 221k, as expected, but continued claims grew more than anticipated. Moreover, Unit Labour Costs Prelim rose more than expected in Q3 and saw a large revision to the prior figure; Prelim Productivity data was slightly cooler than expected, and Atlanta Fed GDPNow was revised upwards to 2.5% (prev. 2.4%). Fed speakers are set to reappear on Friday, yet with the Fed blackout continuing, no remarks on monpol/economy are expected. Friday will be fairly quiet with only Prelim UoM figures (Nov) on the schedule.

**G10FX** was aided by the sizeable unwind of the Dollar in Trump Trade post-US election, with Antipodes completely paring Wednesday's moves, while JPY and GBP still have work to do. The G10 space was heavy with central bank announcements; the BoE cut rates by 25bps to 4.75% as expected in an 8-1 split, and upward revisions were seen in the statement to inflation forecasts following the recent budget proposed by Chancellor Reeves. Folks at ING uncovered a caveat in the MPR "The budget measures are included, but the market reaction since is not. If the increase in market rates since the budget had been factored in then the upward revisions to growth/CPI would be more modest". In the post-decision presser, a modest upside in Gilts arose from BoE's Governor Bailey noting the budget having an upward impact on inflation, "but it does return to target and allowed the BoE to cut today. Will need to see more on how the budget affects inflation"; Cable hovers slightly below its 21 DMA (1.2987) and 100 DMA (1.2988) into overnight trade.

Earlier in the session, the Riksbank cut its Rate by 50bps, as expected, to 2.75%, and maintained communication in September that the policy rate may also be lowered in December had H1 2025. The **SEK** saw gains versus the USD and EUR, more so vs. the Buck, with hotter-than-expected Flash CPI figures in October supporting. On inflation, Riksbank Governor Theeden said it does not change the overall picture, but the Crown is a risk factor" but we don't think it will affect our inflation picture".

Meanwhile, neighbouring Norges Bank left its Key Policy Rate at 4.5%, as expected, noting the "policy rate will most likely be kept at 4.5% to the end of 2024", where guidance currently puts the first cut in Q1 2025. On recent **NOK** weakness, Norges Bank said "krone has been little weaker than assumed", a factor which has opposed possible dovishness at prior policy announcements. NOK gained against the EUR, USD, and SEK.

**EMFX** reversed back some of its broad-based losses from the Trump election win, with LatAm FX amongst the top performers. CLP wiped out Wednesday's losses, meanwhile, a recent poll showed Chile's Central Bank is expected to cut by 25bps to 5.0% in December. Elsewhere on the contrary, BRL underperformed its EM peers amid an ongoing process involving Brazil's President reviewing two proposals for spending cuts; one of them would reach an amount of BRL 15bln and would impact sectors like Health and Transportation, while the other would be around BRL 10bln in its December meeting. Although, Brazil's Finance Ministry later said that these reports are untrue. Lastly, CZK was weaker following the CNB cutting its Repo Rate by 25bps to 4.0%, while Governor Michi said the board will be very cautious with additional rate cuts.

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