

Stocks catch a bid and dollar surges to end a hectic week

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude down, Dollar up
- **REAR VIEW:** UoM Prelim Sentiment beats expectations, 1yr infl expectations ticks lower, 5yr inches higher; Disappointing stimulus measures in China's NPC; Canada adds fewer jobs than expected, Unemployment Rate unchanged; US buys 2.4mln bbls of oil for SPR in April through May 25; TSMC reportedly suspends production of some AI/high-performance chips; BA said to explore a sale of Jeppesen unit for over USD 6bln.
- **COMING UP: Holiday:** US Veterans Day. **Data:** NZ Inflation Forecast. **Events:** BoJ SOO. **Earnings:** Continental, Hannover Re, Direct Line.
- **WEEK AHEAD:** Highlights include US and China CPI, US Retail Sales, UK and Australian Jobs. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** BoJ SOO, Minutes from ECB and Riksbank; Reviewing FOMC, BoE, RBA, BCB, Norges Bank and BoC Minutes. [To download the full report, please click here.](#)

MARKET WRAP

Stocks were bid on Friday with SPX briefly rising above 6k before paring into the closing bell. The Nasdaq was the relative underperformer with Tech and communication among the lagging sectors, with only materials also closing in the red. Outperformers were led by Utilities, Real Estate and Consumer Staples. It was primarily post-election Trade as participants continued to react to the Trump win. T-notes continued to flatten after the steepening seen on Trump's victory, although the Dollar resumed to the upside on Friday after weakness on Thursday. Crude prices were sold throughout the session on a disappointing China stimulus update with a lack of demand measures disappointing investors. In FX, the Yen outperformed as longer-dated UST yields fell while the Aussie and Kiwi lagged on the disappointing China update. There was little data released today but the UoM Consumer Sentiment survey did beat on the headline sentiment but current conditions fell slightly, but this was more than offset by a jump in forward-looking expectations. Meanwhile, inflation expectations eased to 2.6% from 2.7% in the 1yr but 5yr forecasts rose to 3.1% from 3.0%. Attention next week turns to US CPI and Retail Sales data.

US

MICHIGAN: The prelim reading for the headline in November rose to 73.0 from 70.5 and above the expected 71.0. Current conditions ticked lower to 64.4 (prev. 64.9), while expectations soared to 78.5 (prev. 74.1), the highest figure since July 2021. Inflation expectations were mixed, with 1yr ahead dipping to 2.6% (prev. 2.7%), the lowest since December 2020, while the long-run expectations modestly lifted to 3.1% from 3.0%. Within the report, expectations over personal finances climbed 6% in part due to strengthening income prospects, and short-run business conditions soared 9% in November. Moreover, long-run business conditions increased to their most favourable reading in nearly four years. Do note, that the interviews for this release concluded on Monday and thus do not capture any reactions to election results.

FIXED INCOME**T-NOTE FUTURES (Z4) SETTLED 3 TICKS HIGHER AT 110-09**

T-notes flatten in unwind of Trump trade after a busy week of elections and central bank decisions as attention turns to US CPI and Retail Sales next week. At settlement, 2s +3.4bps at 4.254%, 3s +2.2bps at 4.199%, 5s +0.1bps at 4.192%, 7s -1.7bps at 4.249%, 10s -3.7bps at 4.306%, 20s -5.7bps at 4.588%, 30s -6.7bps at 4.477%.

INFLATION BREAKEVENS: 5yr BEI +0.8bps at 2.437%, 10yr BEI +1.0bps at 2.369%, 30yr BEI -0.3bps at 2.333%.

THE DAY: T-notes were choppy. Prices meandered overnight with marginal upside observed in European trade in wake of an underwhelming China NPC press conference. The move was shortlived however with T-notes then paring ahead of the US cash equity open with attention turning to the UoM consumer sentiment survey. The data was encouraging with headline sentiment beating expectations, although current conditions eased but forward-looking expectations rose. Meanwhile, the inflation expectations saw the 1yr ease further to 2.6% from 2.7% and the 5yr rise to 3.1% from 3.0%. T-notes peaked at 110-19+ after the data, before paring into settlement. The curve continued to flatten in what was likely a continuation of the "Trump Fade" since Trump's victory as participants close up after a busy week with profits being taken in steepeners from Wednesday's election results. There were several block trades in the front-end and belly, including a chunky 10k block in the 2yr in late trade. Next week focus turns to US CPI and Retail Sales. Note, in wake of the FOMC on Thursday, both JPMorgan and Goldman Sachs altered their Fed calls to pencil in quarterly cuts from March.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 21bps, January 31bps, March 45bps.**
- NY Fed RRP op demand at USD 164bln (prev. 159bln) across 56 counterparties (prev. 56).
- SOFR at 4.82% (prev. 4.81%), volumes at USD 2.266tln (prev. 2.128tln).
- EFFR at 4.83% (prev. 4.83%), volumes at USD 100bln (prev. 102bln).

CRUDE**WTI (Z4) SETTLED USD 1.98 LOWER AT 70.38/BBL; BRENT (F5) SETTLED USD 1.76 LOWER AT USD**

Crude prices were sold throughout the session with a stronger Dollar, China disappointment and Hurricane Rafael updates weighing on the complex. Participants are still continuing to digest the upcoming Trump Presidency and his "drill, baby, drill" narrative while the Dollar continues to surge. Meanwhile, in the near term more energy producers are shutting in production at the Gulf of Mexico due to Hurricane Rafael. Nonetheless, some were citing the downside as traders were less concerned about prolonged supply disruptions from the storm, with the effects seen to be more short-lived as latest NHC forecasts imply reduced the risk to oil production. Note, the BSEE

announced today it has shut in 23% of oil production and 11% of natgas production in the Gulf, up from the 17% and 7% on Thursday. Out of China, the latest stimulus updates continued to disappoint investors with little focusing on the demand side of the equation. On Geopolitics, a lot of attention was on US/Iranian relations with a WSJ article overnight suggesting that Trump will renew a maximum pressure campaign against Iran upon return to office. WTI and Brent bottomed at USD 69.99 and 73.44/bbl, respectively, before paring marginally into settlement.

EQUITIES

CLOSES: SPX +0.38% at 5,996, NDX +0.07% at 21,117, DJIA +0.59% at 43,989, RUT +0.71% at 2,400

SECTORS: Materials -0.91%, Communication Services -0.66%, Technology -0.34%, Energy +0.44%, Health +0.71%, Financials +0.78%, Industrials +1.01%, Consumer Discretionary +1.23%, Consumer Staples +1.45%, Real Estate +1.66%, Utilities +1.79%.

EUROPEAN CLOSES: DAX: -0.81% at 19,205, FTSE 100: -0.84% at 8,072, CAC 40: -1.17% at 7,339, Euro Stoxx 50: -1.03% at 4,802, AEX: -0.50% at 874, IBEX 35: +0.49% at 11,552, FTSE MIB: -0.48% at 33,817, SMI: -0.94% at 11,805, PSI: +0.61% at 6,388.

EARNINGS

- **Airbnb (ABNB):** Mixed results, while guidance underwhelmed as it sees adj. EBITDA margin down Y/Y.
- **Pinterest (PINS):** Q4 revenue outlook disappointed.
- **Motorola Solutions (MSI):** Adj. EPS and revenue beat.
- **Monster Beverage (MNST):** Revenue fell short.
- **DraftKings (DKNG):** Larger loss per share than expected with revenue underwhelming alongside disappointing guidance.
- **Block (SQ):** Top line missed.
- **Upstart (UPST):** Loss per share was less than expected, and beat on revenue for the current quarter.
- **Sweetgreen (SG):** Steeper loss for the quarter than was anticipated and narrowed FY24 revenue view.

STOCK SPECIFICS

- **CVR Energy (CVI):** Icahn Enterprises (IEP) plans to raise its stake in the company by more than 20%, WSJ reports.
- **Boeing (BA):** Said to explore sale of Jeppesen unit for more than USD 6bln, Bloomberg reports.
- **American Air Lines (AAL) and Jetblue (JBLU)** alliance breakup upheld in appeals court.
- **ASML (ASML NA):** Spokesperson says co. was hit by an IT outage on Friday, issue has been resolved and all systems recovered.
- DoJ investigates potential price-fixing in PVC pipe market, following an earlier subpoena into **Otter Tail Corporation (OTTR)** for the production of documents regarding the manufacturing, selling, and pricing of PVC pipe.
- **Salesforce (CRM):** CEO says it will hire 1k to sell AI agentforce tool, adds, company needs to take advantage of AI momentum.

US FX WRAP

The dollar index resumed strength on Friday, with its weekly uptrend continuing as participants digest an upcoming Trump Presidency. The main driver of the Dollar was the post-election impact on the greenback in what has been a volatile week. That said, UoM Prelim figures were positive for November, with the Headline coming in at 73 (exp. 71), Expectations rose M/M, whereas Current Conditions fell from the prior. Inflation expectations in the report were mixed, with the 1yr ticking lower to 2.6% (prev. 2.7%), while the 5yr inched higher to 3.1% (prev. 3.0). In the near-term, updates for the buck stay light with the US Holiday Veteran's Day on Monday, as attention looks beyond to US CPI on Wednesday and Retail Sales on Friday.

G10FX struggled against buck strength, with Antipodes reversing Thursday's outperformance and behaving as the weakest links while Yen strength emerged as longer dated UST yields fell. Similar to the US, macro updates have been light, with the recent underwhelming China NPC conference overnight and weaker base metals likely acting as a drag on the Antipodes. Meanwhile, Japanese Finance Minister Kato said he won't comment on the FX level and will take appropriate steps on FX moves. USD/JPY heads into the weekend around 152.7 while Cable finishes softer vs USD following Thursday's BoE decision to cut rates, sitting just above 1.29 into the weekend and EUR/USD finishes the week above 1.07 after dipping below the handle briefly twice this week.

The CAD saw modest losses against the buck with lower crude prices, dollar strength, and weak unemployment change in October weighing on the currency. Canadian net employment rose by 14.5k, below the expected 25k, while the labour participation rate eased to 64.8% its lowest level since Jan 21, and the Unemployment Rate unexpectedly remained at 6.5% (expected to rise to 6.6%). Nonetheless, CAD is one of few G10FX to end the week stronger versus the buck with USD/CAD still lingering beneath yearly highs.

EMFX: USD/CNH was firmer on Friday, marking its fourth consecutive week of gains, as traders felt the Chinese NPC meeting overnight was lacklustre. NPC Vice-chairman said they intend to raise the local government debt ceiling by CNY 6tn, while China's Finance Minister said they are to implement a more forceful fiscal policy in 2025. Later on, the PboC said they will firmly guard against the risk of exchange rate overshooting and further interest rate cuts face dual constraints of net interest margin and exchange rate. OxfordEco noted markets were disappointed by the lack of details on additional fiscal spending, and the anticipated expansion of SLGB funding to support the property market is also pending, suggesting the policy coordination needed to stabilise the property market will take time. Participants were also disappointed with the lack of measures to boost demand.

Elsewhere, hotter-than-expected Chilean inflation metrics in October did little to boost CLP as lower copper prices weighed on the peso, while BRL was also hurt despite slightly hot monthly inflation figures with participants still eyeing updates on fiscal spending.

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