

### Dollar rally continues while T-Notes are sold ahead of CPI

- **SNAPSHOT:** Equities down, Treasuries down, Crude flat, Dollar up.
- **REAR VIEW:** Israel says in Lebanon there will be no ceasefire; Mixed NY Fed inflation expectations; Kashkari said reignition of inflation could see Fed pause; Barkin mentions risk of inflation getting stuck above target; Elliott buys stake in HON; AMGN hit on P1 GLP-1 trial; Larger-than-expected rise in UK unemployment rate
- **COMING UP:** **Data:** Australian Wage Price Index, US CPI **Events:** EIA STEO **Speakers:** Fed's Logan, Williams, Musalem, Kashkari, Schmid; RBA's Bullock **Supply:** Australia, Japan, UK, Italy, Germany **US Earnings:** CSCO. [To download the US earnings estimates, please click here.](#)

### MARKET WRAP

US indices were lower on Tuesday, with the small-cap Russell 2000 (-1.8%) lagging and giving back some of its recent strength post-US election. However, the same cannot be said for the FX space, as the Dollar Index soared to its highest level since May to the detriment of almost all global peers. In G10 FX, GBP lagged as it was hit after UK jobs metrics whereby the unemployment rate rose to 4.3% from 4.0%. Moreover, the crude complex was choppy, albeit settling marginally higher as the initial heightened Middle East rhetoric was later offset by the broad Buck bid. On the former, Israel's Defence Minister Katz pushed back some of the more positive commentary regarding Israel and Hezbollah noting that there will be no ceasefire in Lebanon, and will continue to hit Hezbollah with full force. In a further continuation of Trump trade, Treasuries were sold ahead of CPI on Wednesday. Back to stocks, sectors closed largely in the red with only Communications, Technology, and Consumer Staples in firmer territory, with Materials and Health lagging. The latter was weighed on by Amgen (-7%) with downside in the name attributed to chatter surrounding Phase 1 AMGN GLP-1 trial results. Elsewhere on the day, the NY Fed SCE was mixed with the 1yr and 5yr ahead inflation expectations easing, but the 3yr ahead forecasts rose to 2.5% from 2.3%. On the Fed footing, Kashkari (2026 voter) noted if inflation surprises to the upside between now and December, that might give us pause while Barkin spoke on risks of inflation getting stuck above target.

### US

**NY FED SCE (OCT):** The NY Fed Survey of Consumer Expectations saw the 1yr ahead expectations ease to 2.9% from 3.0% in September, while the 5yr ahead expectations eased to 2.8% from 2.9%. However, the 3yr ahead forecasts rose to 2.5% from 2.3%. Note, the survey was conducted throughout the month of October, so it is unlikely to incorporate the latest US election. Elsewhere in the report, commentary was quite positive. Consumers saw a lower likelihood of missing a minimum debt payment for the first time in five months, as well as the lowest likelihood of a climb in the US unemployment rate over next year since February 2022. Also sees a lower chance of losing their current job and improved prospects for finding a new job if the current one was lost. On housing, median home price growth expectations were unchanged at 3.0% in Oct. Next month's data will be a more accurate read of the current consumer as it will incorporate expectations in response to Trump's victory and what is looking increasingly like a Red Sweep (Decision Desk have called a Republican win in the House).

### FIXED INCOME

#### T-NOTE FUTURES (Z4) SETTLE 15+ TICKS LOWER AT 109-13+

**T-Notes sold in continuation of Trump Trade ahead of CPI.** At settlement, 2s +8.8bps at 4.342%, 3s +10.6bps at 4.307%, 5s +12.2bps at 4.315%, 7s +13.2bps at 4.382%, 10s +12.9bps at 4.437%, 20s +11.2bps at 4.702%, 30s +10.0bps at 4.579%.

**INFLATION BREAKEVENS:** 5yr BEI +0.4bps at 2.435%, 10yr BEI +1.0bps at 2.371%, 30yr BEI -0.3bps at 2.325%.

**THE DAY:** There was marginal upside overnight where T-Notes peaked at 110-04+ but once European trade got underway better selling resumed with little fresh driving price action although Decision Desk did call the House for Republicans after hours on Monday, which sees Republicans take the Red Sweep (this was looking to be the case over the last couple of days). T-Notes continued to sell off with the Trump Trade continuing to be cited which saw T-Note futures hit a low of 109-10 in the US afternoon before paring marginally before settlement. Cash trade also resumed which saw yields surge across the curve. Fed speak saw Fed's Kashkari and Barkin speak on policy, while Waller focused on payments and digital currencies. Barkin said the Fed is in a position to respond appropriately, noting inflation might be coming under control, or it might risk getting stuck above target. He added focus may turn to upside inflation risks or downside employment risks, depending on how the economy develops. Kashkari, meanwhile, noted that if inflation surprises to the upside between now and December, that might give the Fed a pause, but the real question is where the Fed ends up. The data highlight was the NY Fed Survey of Consumer Expectations, which saw 1 and 5yr inflation forecasts revised down but 3yr revised up - little reaction was seen, but it can also be viewed as stale given it took place before the US election.

#### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 20bps (prev. 21bps), January 28bps (prev. 29bps), March 41bps (prev. 43bps).**
- US to sell USD 64bln of 17wk bills on November 13th; USD 95bln 4wk bills and USD 90bln 8wk bills on November 14th; all to settle on November 19th.
- US sold USD 88bln in 3-mnth bills at 4.420%, covered 2.87x; sells USD 79bln in 6-mnth bills at 4.310%, covered 2.73x
- US sold USD 80bln in 42day CMBs at high rate of 4.555%, B/C 2.51x
- NY Fed RRP op demand at USD 164bln (prev. 159bln) across 56 counterparties (prev. 56).
- SOFR at 4.60% (prev. 4.82%), volumes at USD 2.184tln (prev. 2.266tln).
- EFFR at 4.58% (prev. 4.83%), volumes at USD 103bln (prev. 100bln).

### CRUDE

## WTI (Z4) SETTLES USD 0.08 HIGHER AT 68.12/BBL; BRENT (F5) SETTLES USD 0.06 HIGHER AT 71.89/BBL

The crude complex was choppy, albeit settling marginally higher as the initial heightened Middle East rhetoric was later offset by the broad Buck bid. On the day, WTI and Brent saw notable strength in the European morning to highs of USD 69.13/bbl and 72.82/bbl, respectively, after Israel's Defence Minister Katz pushed back some of the more positive commentary regarding Israel and Hezbollah. Katz said that there will be no ceasefire in Lebanon, and will continue to hit Hezbollah with full force. Thereafter, in wake of the aforementioned highs hit, WTI and Brent sold off throughout the US afternoon on the Dollar strength, as opposed to anything oil-related, to hit troughs of 67.75/bbl and 71.55/bbl. Ahead, US CPI is the main risk event on Wednesday as well as the weekly private inventory data, which has been delayed by a day on account of Veteran's Day on Monday.

**OPEC MOMR:** Offered little new, but did note overall demand growth for 2024 was revised down by 107k BPD, and the forecast for 2025 was also slightly revised lower.

## EQUITIES

- **CLOSES:** SPX -0.29% at 5,984; NDX -0.17% at 21,071, DJI -0.86% at 43,911, RUT -1.77% at 2,392.
- **SECTORS:** Materials -1.57%, Health -1.34%, Real Estate -1.29%, Utilities -1.13%, Consumer Discretionary -1.10%, Industrials -0.87%, Energy -0.46%, Financials -0.32%, Consumer Staples +0.09%, Technology +0.45%, Communication Services +0.51%.
- **EUROPEAN CLOSES:** DAX -2.06% at 19,048, FTSE 100 -1.22% at 8,026, CAC 40 -2.69% at 7,227, Euro Stoxx 50 -2.24% at 4,745, AEX -1.49% at 865, IBEX 35 -1.85% at 11,383, FTSE MIB -2.15% at 33,607, SMI -1.66% at 11,705.

### EARNINGS:

- **Home Depot (HD):** Profit and revenue exceeded analyst expectations. FY comp sales guidance was better than expected, and the CFO noted "the worst of the decline in housing turnover is likely behind them".
- **Shopify (SHOP):** Revenue topped expectations, with Co. expecting revenue to grow at a mid-to-high-twenties percentage rate Y/Y.
- **Tyson Foods (TSN):** Adj. EPS and revenue beat
- **Live Nation Entertainment (LYV):** EPS beat.
- **Novavax (NVAX):** FY revenue guidance disappointed.

### STOCK SPECIFICS:

- **Honeywell International (HON):** Elliott Invest Management has amassed a USD 5bln+ stake in the Co. and is said to be pushing it to consider a breakup.
- **Upstart Holdings (UPST):** Announced an offering of USD 425mln of convertible senior due 2030.
- **Amazon (AMZN):** Set to release its newest AI chips as the company seeks to reduce its reliance on Nvidia (NVDA), FT reports.
- **Micron Technology (MU):** Cautious commentary out of Edgewater Research as it trimmed its NAND and DRAM price forecasts with the firm seeing Micron's outlook softening further in H1 '25.
- **Airbnb (ABNB):** Downgraded to 'Reduce' from 'Neutral' at Phillip Securities, citing an expensive stock valuation
- **C.H. Robinson Worldwide (CHRW):** Upgraded to 'Buy' from 'Neutral' at Citi with a PT of USD 127 (prev. 110).
- **Pfizer (PFE):** Explores the sale of hospital drugs unit and hires Goldman Sachs (GS) for advice, according to Reuters citing sources.
- **Disney (DIS):** Reportedly exploring fresh candidates in its search for a successor to Bob Iger, including some from outside the co., as the board and its newly named chairman move to bring order to a closely watched succession process, via WSJ.
- Downside in **Amgen (AMGN)** attributed to trader chatter surrounding Phase 1 AMGN GLP-1 trial results. However, Jefferies stated that Amgen Phase 1 data is viewed as a non-issue, adding the weakness is a buying opportunity.
- **Apple (AAPL):** To launch an AI powered smart home device as early as March, poised to compete with Amazon (AMZN) and Google (GOOGL) in smart home, via Bloomberg.

## US FX WRAP

The Dollar Index continued its ascent higher on Tuesday, to the detriment of all G10 FX peers, with the DXY printing a high of 106.170, its highest level since May. Newsflow, again, was not in thick and fast supply but was more than Veteran's Day as participants await CPI on Wednesday. Nonetheless, President-elect Trump made further Cabinet appointments, while NY Fed Survey of Consumer Expectations saw the year-ahead and five-year ahead inflation expectations tick lower to 2.9% (prev. 3.0%) and 2.8% (prev. 2.9%), respectively, while the 3yr lifted to 2.5% from 2.3%. On the Fed footing, Waller did not comment on the economy or monetary policy, while Kashkari (2026 voter) noted that if inflation surprises to the upside between now and December, that might give us pause. Barkin also spoke of the risks of inflation getting stuck above target.

GBP was the clear underperformer on Tuesday, with Cable hitting a trough of 1.2720 as it was hit hard by the UK labour data. The main takeaway was a larger-than-expected jump in the unemployment rate to 4.3% (prev. 4.0%) and a slowdown in the rate of employment, while wage components came in hotter-than-forecasted. However, this appears to be more a by-product of unfavourable base effects. Comments from BoE's Pill adopted a cautious stance towards further policy loosening - citing more work to be done on inflation and high levels of wage data.

Antipodeans were weighed on by broader risk sentiment, as well as China getting hit overnight as participants continue to ponder over the effect of President-elect Trump's policies on China, with many of his Cabinet appointments China-hawks. AUD/USD and NZD/USD hit lows of 0.6515 and 0.5910, respectively, with the former managing to stay above last week's multi-month post-election low of 0.6511. Ahead, Q3 Australian wage data (Wed) and Australian employment metrics (Thurs) are the highlights from down-under.

As has been a theme throughout FX peers against the Dollar, JPY saw notable weakness with USD/JPY hitting a peak of 154.92 with the Yen just about managing to defend 155 to the upside. While headline newsflow was light for the Yen a cautious approach to rate hikes from the BoJ, against expectations the Fed may need a lesser rate-cutting cycle under a Trump Presidency, continue to weigh. In the week that remains there is little data scheduled for Japan aside from Q3 GDP on Friday.

CAD, CHF, and EUR all saw weakness against the Greenback, albeit not as steep as the currencies above. Despite saying this, EUR/USD hit a low of 1.0596, the worst level since November 2023. Out of Europe on Tuesday, German ZEW economic sentiment disappointed, with concerning commentary as it said "Economic sentiment has declined and the outcome of the US Presidential election is likely to be the main reason for this". Regarding ECB speak, Holzmann, Rehn, and Kazaks all spoke with the former noting Trump's tariffs will put pressure on EZ inflation.

EMFX was exclusively lower vs. the Buck with MXN one of the worst performers as Trump trade continues to weigh. On the data footing, Brazilian retail sales disappointed both M/M and Y/Y, while South African manufacturing production surprisingly declined Y/Y in September, and even underneath the bottom end of the forecast range.

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