US Market Wrap - 15th November 2024

Stocks sell off in wake of hot US data, with Trump-induced Dollar rally taking a pause

- **SNAPSHOT**: Equities down, Treasuries steepen, Crude down, Dollar down.
- **REAR VIEW**: Hot US Retail Sales; NY Fed Mfg soars above all analyst forecasts; In line Industrial Production; Atlanta Fed GDPNow Q4 model unchanged at 2.5%; Fed's Collins said Dec. rate cut is certainly on the table but not a done deal; Soft UK data; China Retail Sales beat, Industrial Output misses; Ceasefire efforts between Israel and Lebanon; Iran attempts to cool tensions with the US; Next quarter AMAT guidance disappoints.
- **WEEK AHEAD**: Highlights include UK CPI & Retail Sales; RBA Minutes; Japanese CPI. To download the full report, please click here .
- **CENTRAL BANK WEEKLY**: Previewing RBA Minutes, CBRT, and SARB; Reviewing BoJ SOO and Banxico. To download the full report, please click here.
- **WEEKLY US EARNINGS ESTIMATES**: [TUES] LOW, MDT, WMT; [WED] TGT, TJX, PANW, NVDA; [THURS] DE, INTU. To downloa the full estimates, please click here.

MARKET WRAP

US indices were notably lower on Friday, selling off throughout the afternoon with distinct underperformance in the tech-heavy Nasdaq 100 (-2.4%), amid broad-based losses in mega-cap names. On the day, hot US data led the way with headline retail sales surpassing expectations, alongside NY Fed Manufacturing surging way above all analyst expectations. As such, a broad-based hawkish reaction was seen with selling in US equity futures and Treasuries, alongside a bid in the Dollar Index. By way of Fed pricing, via Refinitiv, it bottomed out at a roughly 55% chance of a 25bps Fed cut in December vs. 60% pre-data. However, through the US session, the moves reversed with Treasuries catching a bid, US equities selling off hard, and potential profit-taking with the Dollar in a reversal of the recent Trump trade. Further highlighting this, the Yen was the clear G10 FX outperformer, paring some of its recent weakness, and also amid jawboning last night ahead of Ueda on Sunday. The Pound was the laggard and weighed on by a deluge of soft UK data. Regarding oil, WTI and Brent were choppy on Friday but sold off through the US afternoon to settle around lows amid potential profit-taking into the weekend and the aforementioned broader risk-off trade. Back to equities, sectors closed predominantly in the red with the mega-cap sectors Tech, Communication Services, and Consumer Discretionary lagging, while Health continues to be hit by vaccine name weakness after Trump elected RFK Jr. to lead the HHS. Elsewhere, there was a deluge of Fed speak, albeit it with little new said as policymakers continue to stress the data dependency and the 'wait and see' approach on potential President-elect-Trump tariffs.

US DATA

RETAIL SALES: Retail sales were hotter-than-expected, highlighted by the headline rising 0.4% M/M in October, above the expected 0.3%, albeit below the prior 0.8%, which was revised up from the initial 0.4%. Ex-Autos rose 0.1% M/M (exp. 0.3%), with September’s print revised to 1.0% from 0.5%, while retail control surprisingly declined 0.1% against the forecasted rise of 0.3%, with Sept’s. once again revised higher to 1.2% from 0.7%. On the headline, Oxford Economics notes that the solid increase leaves real consumption on track for growth of 3% annualized in Q4, which is slightly above the 2.7% growth that they have in its baseline and suggests the real economy continues to expand at a decent pace. Regarding the Hurricanes, the consultancy suggests that the impacts of Helene and Milton likely affected the pattern of retail sales, boosting auto and building material sales, but holding back spending at a range of other establishments. On the control group, whilst it was little changed, Oxford adds that revisions to past data suggest spending was carrying more momentum heading into Q4. Overall, Oxford suggests “its model that pulls together the parts of retail sales that feed into the personal spending data suggests personal spending rose 0.47% in nominal terms in October. After accounting for the rise in prices, that points to a 0.24% increase in real spending, another solid reading, which suggests the consumer is still in strong shape.”

NY FED MANUFACTURING: NY Fed Manufacturing for November came in hot, printing its highest reading in almost three years, at 31.2 (exp. -0.7, prev. -11.9). Looking at the internals, new orders and shipments soared to 28 (prev. -10.2) and 32.5 (prev. -2.7), respectively, while unfilled orders slumped to -10.3 (prev. -2.2). Delivery time and inventories both lifted back into positive territory, while the inflationary prices gauges were mixed. Highlighting this, prices paid dipped to 27.8 from 29.0, while received rose to 12.4 from 10.8. Regarding forward-looking indicators, expectations six months ahead see general business conditions at 33.2 (prev. 38.7), while the prices paid and received metrics lifted to 48.5 (prev. 43.0) and 41.2 (prev. 32.3), respectively. Overall, the report states “Manufacturing activity grew strongly in November, with firms reporting sharp increases in new orders and shipments. Price increases remained steady and modest while firms remained optimistic about future conditions.”

INDUSTRIAL PRODUCTION: Industrial production fell -0.3% M/M in October, in line with expectations, although September’s was revised lower to -0.5% from -0.3%. Manufacturing output fell -0.5% (prev. -0.3%), as expected, while capacity utilisation unexpectedly ticked down to 77.1% (exp. 77.2%, prev. 77.4%). Overall, the Boeing strike clearly weighed with output down 13.9% M/M for transportation, although ING writes that this should rebound notably in the coming months. Elsewhere, auto production fell for the second straight month with a mixed performance from other sectors. Overall, ING depicts that it is certainly likely that recent hurricanes disrupted output on a regional level, as the Fed estimates the strikes knocked 0.2ppt off IP growth while the hurricanes subtracted a further 0.1pp. Nonetheless, ING noted that it still points to a contraction even after those factors are excluded.

IMPORT/EXPORT PRICES: Import prices surprisingly rose 0.3% M/M in October, above the expected decline of 0.1%, and rebounding from the 0.4% drop in September. The monthly rise was the largest seen since April 2024, supported by a recovery in fuel prices, +1.5% (prev. -7.5%), meanwhile, a rise for nonfuel industrial supplies and materials, capital goods, consumer goods, and automotive vehicles offset the drop for foods, feeds, and beverages. Export prices rose 0.8%, much above the forecasted 0.1% drop, marking the biggest monthly rise since August 2023, with higher prices for non-agricultural and agricultural exports offsetting lower consumer goods prices. On the report, Oxford Economics notes given the downward trend in oil prices in recent weeks, the increase in import prices will be reversed in next month's report. Looking ahead, OxEco expects a stronger US dollar in reaction to the US election will weigh on import prices while ongoing deflation at factory gates in China bodes well for nonfuel prices.

FED

BARKIN (2024 voter) in a Yahoo Finance interview, said that he always expected core PCE would stay in the high two's in H2 and still seeing progress on inflation. Further on inflation, said he hopes that in Q1 inflation numbers will come down, and it is his expectation as well. On Fed policy, said the Fed are restrictive enough, and hard to know if very, or somewhat, or a little restrictive. The Richmond Fed President once again took the known line noting there is so much data between now and December, and are a long way from knowing what will happen with tariffs and hard to know the impact.

COLLINS (2025 voter), in a WSJ interview, said a December rate cut is "certainly on the table but is not a done deal" and she expects lower rates will be warranted. The Boston Fed President added that Fed policy is restrictive, does not see signs of new price pressures, and reiterated there will be more data between now and December meeting. In a later BBG interview, Collins said that there is no preset path for monpol, and the Fed will not take December easing off the table and echoed that data will determine what they do in December. On rates, she does not see a big urgency to lower rates but wants to preserve a healthy economy.

GOOLSBEE (2025 voter) said it is hard to reconcile recent weak jobs reading given storm impacts, while the basic story is falling inflation and labour market cooling. The Chicago Fed President still feels good about a 12–18-month path to a neutral interest rate, and that core PCE is still too high. Speaking later in a BBG interview, Goolsbee when asked about December rate cut or pause, said that he does not like tying Fed's hands and still more data to come. On inflation, he noted that if he started to see a reversal on inflation progress, would have to figure out if it is a bump, and not a lot has changed on that in last couple weeks. Finally, he said that recent inflation has been a little higher than target and if that is extended, it is too high.

FIXED INCOME

T-NOTE FUTURES (Z4) SETTLE HALF A TICK LOWER AT 109-17

Treasuries steepen, amid a slight reversal in recent Trump trade and a risk-off theme offsets a hot Retail Sales and NY Fed Mfg report. At settlement, 2s +0.7bps at 4.301%, 3s +0.7bps at 4.271%, 5s +0.8bps at 4.300%, 7s +0.6bps at 4.365%, 10s +1.0bps at 4.430%, 20s +1.8bps at 4.710%, 30s +2.0bps at 4.603%.

INFLATION BREAKEVENS: 5yr BEI -0.7bps at 2.405%, 10yr BEI -0.6bps at 2.339%, 30yr BEI +0.2bps at 2.315%

THE DAY: Treasuries meandered sideways in APAC trading until eventually catching a bid into the European session, albeit seemingly nothing headline driven, which progressed amid quiet newsflow until US Retail Sales. The report on the headline was hotter than expected, while Retail Control unexpectedly fell in October. Any upside for Treasuries in the Retail Control component was potentially offset by the upward revision to the Sept's Retail Control (as well the headline and Ex-Autos component) and a blowout NY Fed Mfg report, which surged above analysts forecast range, driven by large increase in shipments and new orders. As such, Treasuries sold off, seeing T-notes trough at 108-30, as Fed pricing readjusted, with Bloomberg pricing in a 50% chance of a 25bps rate cut at the December Fed meeting, while on Reuters it bottomed at 14bps of cuts. Nonetheless, buying picked up with a risk-off theme in the background across equities and crude prices. Prompting the reversal, desks pointed out the recent Trump trade losing steam, highlighted by dollar weakness despite the losses in equities and crude. The rally took T-Notes to a peak of 109-23+, with long duration lagging in the red.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 16bps (prev. 21bps), January 23bps (prev. 30bps), March 37bps (prev. 44bps).**
- NY Fed RRP op demand at USD 172bln (prev. 215bln) across 51 counterparties (prev. 51)
- SOFR at 4.58% (prev. 4.59%), volumes at USD 2.177tln (prev. 2.233tln).
- EFFR at 4.58% (prev. 4.58%), volumes at USD 107bln (prev. 105bln).

CRUDE

WTI (Z4) SETTLED USD 1.68 LOWER AT 67.02/BBL; BRENT (F5) SETTLED USD 1.52 LOWER AT 71.04/BBL

The crude complex was choppy on Friday, but sold off through the US afternoon to settle around lows amid potential profit-taking into the weekend and broader risk off trade. On the day, WTI and Brent were subdued throughout the EZ morning amid efforts to reach a ceasefire between Israel and Lebanon whilst Iran attempts to cool tensions with the US, before edging higher to hit peaks of USD 68.69/bbl and 72.49/bbl, respectively, heading into the US data. Thereafter, contracts sold off in wake of hawkish Retail Sales and NY Fed Manufacturing which gave the Buck a fillip higher, and hit contracts. Oil swiftly pared these losses to test the earlier highs, but then sold off throughout the US afternoon and into settlement as participants took profit into the weekend amid risk-off and a reversal of recent Trump trade, highlighted by heavy losses in US indices. On the Middle East footing, as mentioned, ceasefire talks continue although Sky News Arabia citing Yedioth Ahronoth said that estimates in Israel indicate that Hezbollah will reject the US proposal for a ceasefire. For the record, the weekly Baker Hughes rig count saw both oil and natgas down 1 to 478 and 101, respectively, with the total declining 1 to 584. For Europe gas, OMV said Gazprom is to suspend Austria gas deliveries on Nov 16th.

EQUITIES

CLOSES: SPX -1.32% at 5,871, NDX -2.40% at 20,394, DJIA -0.70% at 43,445, RUT -1.42% at 2,304.

SECTORS: Technology -2.49%, Health -1.88%, Communication Services -1.85%, Consumer Discretionary -1.36%, Consumer Staples -0.83%, Materials -0.79%, Industrials -0.6%, Energy -0.34%, Real Estate +0.16%, Financials +0.53%, Utilities +1.47%.

EUROPEAN CLOSES: DAX -0.23% at 19,220, FTSE 100 -0.09% at 8,064, CAC 40 -0.58% at 7,270, Euro Stoxx 50 -0.79% at 4,795, AEX -1.37% at 863, IBEX 35 +0.97% at 11,636, FTSE MIB -0.48% at 34,192, SMI -1.40% at 11,619.

STOCK SPECIFICS:

- **Applied Materials (AMAT):** Q1 sales outlook disappoints investors, despite EPS and revenue beating in Q4.
- **Alibaba (BABA):** Revenue missed, although EPS topped expectations.
- **Nike (NKE):** Raised quarterly dividend by 8% to USD 0.40/shr from USD 0.37/shr.
- **Palantir Technologies (PLTR):** To transfer stock exchange listing from the NYSE to Nasdaq.
- **Compass Minerals (CMP):** Is in advanced talks with buyout firms to sell itself, according to Reuters citing sources.
- Berkshire Hathaway initiates a new position on **Dominos Pizza (DPZ), Pool Corp (POOL)**, while reducing stakes in **Apple (AAPL), Ulta Beauty (ULTA), and Nu Holdings (NU).**

US FX WRAP

The Dollar Index ended the day in the red amid potential profit taking, but still incurred notable gains in the week. The Buck saw losses despite initial strength after hawkish US data, highlighted by US retail sales topping expectations and a much stronger than expected NY Fed Manufacturing print. As such, a 25bps cut from the Fed in December is very much in the air, with Collins (2025 voter) noting a December rate cut is "certainly on the table but is not a done deal", before later stating she will not take December easing off the table and does not see a big urgency to lower rates. In wake of the US data, the latest Atlanta Fed GDPNow Q4 model was left unchanged at 2.5%. For the record, the Dollar Index saw a peak of 106.690 against a low of 106.330.

GBP was the G10 FX underperformer against the Buck on Friday, with the Pound hit after a soft set of UK data, highlighted by Q3 prelim GDP rising just 0.1% (exp. 0.2%, prev. 0.5%), and Manufacturing output declining 1% (exp. 0.1%, prev. 1.3%). Thereafter, Sterling was weighed on by broad risk off sentiment with Cable hitting a trough of 1.2616 against an earlier peak of 1.2697.

CAD saw mild losses, and was weighed on the Greenback strength post-data, and then saw further headwinds from the tumbling oil prices, albeit with little headline newsflow. USD/CAD hit a peak of 1.4105 after the data, with the Loonie then paring some losses by still trading around 1.4080 at pixel time. Looking to next week, the highlights out of Canada are the CPI and retail sales releases.

CHF, EUR, and Antipodeans all saw strength to differing degrees vs. the Dollar, with the Swissy the top gainer and potentially buoyed by a more downbeat risk-sentiment on Friday, as opposed to anything currency specific. For the single-currency Euro, it initially benefitted from the declining Dollar to see EUR/USD hit a peak of 1.0592, before being pulled back in wake of the aforementioned US data. Nonetheless, the EUR still managed to eke out slight gains. ECB speak came via Panetta and Cipollone spoke but added little new with money markets currently pricing a circa 35% chance of a 50bps rate cut in December. For the record, AUD/USD and NZD/USD traded between 0.6443-81 and 0.5841-80, respectively, and currently sit in the middle of those ranges.

JPY was the clear FX outperformer vs. the Dollar on Friday, after a week of underperformance, with USD/JPY hitting a low of 153.87 against an earlier peak of 164.74. The Yen benefitted from a couple of factors, with desks citing pre-weekend profit-taking, whilst Japanese GDP data mostly matched or topped estimates. Overnight, Japanese Finance Minister Kato was out jawboning suggesting they will take appropriate action against excessive FX moves, while he added that one-sided, sharp moves were seen in the FX market, and it is important for FX rates to move stably reflecting fundamentals. Further still, some attributed JPY strength to reports that BoJ Governor Ueda is to deliver a speech and hold a press conference on Monday 18th, providing fewer reasons to hold onto JPY risk.

EMFX was mixed, in a reprieve for some in wake of the heavy selling seen since the US Presidential election. In LatAm, there was the Mexican budget whereby they estimate 2025 economic growth of between 2-3%, and 2025 projected deficit is 3.9% of GDP. On inflation, expects 3.5% by end-2025. For Turkey, finance minister Simsek said inflation is running higher than previous expectations and will take further measures to bring inflation down. Lastly, the Yuan was flat and data overnight, whereby Industrial Production disappointed but Retail Sales topped forecasts, while Chinese Home Prices showed a steeper Y/Y drop although the M/M decline moderated.