

**Stocks and bonds chop to geopolitics ahead of NVDA earnings**

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude down, Dollar up.
- **REAR VIEW:** Hotter-than-expected UK inflation data; Weak 20yr auction; Putin open to talking about Ukraine ceasefire with Trump; Ukraine fired UK Storm Shadow missile into Russia; Dismal TGT earnings report; Hawkish Bowman, Fed's Cook and Collins largely keep options open.
- **COMING UP:** **Data:** US Jobless Claims, Philly Fed Index, US Existing Home Sales, Australian PMI, Japanese CPI **Events:** CBRT & SARB Policy Announcement **Speakers:** BoJ Governor Ueda; ECB's Villeroy, Cipollone, Patsalides, Hammack, Lane, Elderson, Holzmann; Fed's Hammack, Goolsbee, Barr; SNB's Tschudin, Moser, RBA Governor Bullock; BoE's Mann **Supply:** Spain, France, US, UK **Earnings:** Baidu, Deere, Gap, Intuit.

**MARKET WRAP**

Stocks ultimately closed mixed on Wednesday with markets chopping to geopolitics on a data light day ahead of NVDA earnings after-hours; although stocks did rally into the closing bell - closing well off lows. There had been some initial optimism in the European morning on reports that Russian President Putin is open to talking about a Ukraine ceasefire with US President-elect Trump. However, risk off was later seen in wake of Bloomberg reports that Ukraine fired a UK storm shadow missile into Russia, weighing on stocks and supporting T-Notes off lows. In stocks, sectors were mixed with outperformance in Health Care, Energy and Materials, while Consumer Discretionary, Technology and Financials lagged. Consumer Discretionary was hit on a woeful Target (TGT) report, which saw the stock close over 20% lower. T-Notes sold off paring some of the geopolitical induced upside on Tuesday, but caught a bid on reports of the aforementioned Ukraine attack on Russia ahead of the 20yr auction. The auction was ultimately very soft, tailing by 3bps, which saw Treasuries head lower into settlement with the curve bear flattening. In FX, the Dollar outperformed with higher yields supporting the move and perhaps a return of the Trump trade dynamic while Antipodes, Euro and Yen lagged. Gold was bid despite the upside in yields and the dollar while crude prices settled lower with notable weakness seen throughout the afternoon. Elsewhere, UK CPI was hotter than expected, but BoE's Ramsden said it was only marginally above the BoE forecast and it has not changed his assessment on the economic outlook. Meanwhile, Fed Governors Cook and Bowman spoke. Cook towed a neutral line and kept all options on the table, while Bowman was her hawkish self calling for a cautious approach, noting how she sees greater risks to the price stability mandate. She also was concerned that the Fed is recalibrating policy, but has not yet reached the inflation goal - stressing the need for Fed flexibility. Collins spoke on the closing bell, largely keeping her options open.

**FED**

**Governor Cook** largely kept options open in her speech, noting policy is not on a pre-set path. The governor noted that if labour market and inflation evolve as expected, it would be appropriate to continue lowering the policy rate towards neutral. At the same time, if inflation progress slows with job market still solid, could see a scenario for pausing. Alternatively, should the labour market weaken in a substantial way, it could be appropriate to ease policy more quickly. She did highlight that with elevated core inflation, the Fed still has further to go but the totality of data suggests disinflation is still underway with the labour market gradually cooling. She also acknowledged how that job risks are weighted to the downside, albeit have diminished in recent months.

**Governor Bowman (hawk)** who dissented to the September 50bps rate cut (voting for a 25bps cut instead), then voted for the 25bps rate cut in November - in what was a unanimous decision. Bowman acknowledged she supported the November cut as it aligns with her preference to lower rates gradually. She also is pleased the statement provided optionality in deciding future policy adjustments. Bowman appears concerned that progress in lowering inflation appears to have stalled, and she sees greater risks to the price stability mandate, but deterioration in labour conditions are still possible. She also noted how the October payrolls likely climbed in line with recent averages after accounting for temporary effects (Hurricanes, Boeing strikes). On the neutral rate, she said her own estimate is much higher than before COVID, and warns that the Fed may be closer to neutral policy than policymakers currently think. Bowman argues for a cautious approach to policy.

**FIXED INCOME****T-NOTE FUTURES (Z4) SETTLED 5 TICKS LOWER AT 109-22**

**T-Notes chop to mixed geopolitics and a weak 20yr auction** . At settlement, 2s +3.8bps at 4.310%, 3s +3.4bps at 4.266%, 5s +3.0bps at 4.279%, 7s +2.9bps at 4.343%, 10s +3.3bps at 4.412%, 20s +3.6bps at 4.702%, 30s +3.1bps at 4.598.

**INFLATION BREAKEVENS:** 5yr BEI +1.3bps at 2.443%, 10yr BEI +1.2bps at 2.361%, 30yr BEI +0.7bps at 2.322%.

**THE DAY:** T-Notes were sold across the curve with pressure seen throughout the day as the Russia/Ukraine induced upside on Tuesday pared with price-action support by reports that Russian President Putin is open to talks on Ukraine with US President-elect Trump, which helped ease some of the recent tension. T-Notes hit a low of 109-14+ before reversing as risk sentiment worsened in the wake of reports that Ukraine fired a UK Storm Shadow missile into Russia, reigniting tensions. T-Notes continued to extend higher to a peak of 109-25 ahead of the 20yr bond auction. The 20yr auction was very soft with a chunky 3.0bps tail, the second largest on record (more below), seeing T-Notes head back lower. There was no notable data out of the US, but in the morning UK CPI came in hotter than expected but BoE's Ramsden said it does not alter his view as it was only marginally above the BoE's forecast. Elsewhere on central bank speakers, both Fed Governors Cook and Bowman spoke. Cook towed a neutral line and kept all options on the table, while Bowman was her hawkish self calling for a cautious approach, noting how she sees greater risks to the price stability mandate. She also was concerned that the Fed is recalibrating policy, but has not yet reached the inflation goal - stressing the need for Fed flexibility.

**20YR:** The US Treasury sold USD 16bln of 20yr bonds at a high yield of 4.680%, tailing the when issued by 3bps, the largest tail for the 20yr auction since February's 3.3bps tail. The bid-to-cover saw a notable drop to 2.34x from 2.59x prior and the six auction average of 2.6x. The breakdown was also weak with dealers, forced surplus buyers, taking 22.6% of the auction, up from the 14.5% prior and six auction average of 11.2%. Direct demand was very weak at just 7.9%, while indirect demand rose to 69.5%, but beneath the six auction average.

## STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: December 13bps (prev. 14bps), January 20bps (prev. 21bps), March 35bps (prev. 36bps).
- US sold USD 64bln in 4mth bills at 4.380%, covered 3.14x; sold USD 50bln in 40day CMBs at 4.515%, covered 3.87x
- NY Fed RRP op demand at USD 201bln (prev. 200bln) across 62 counterparties (prev. 59).
- SOFR at 4.57% (prev. 4.57%), volumes at USD 2.275tln (prev. 2.295tln)
- EFFR at 4.58% (prev. 4.58%), volumes at USD 99bln (prev. 103bln)

## CRUDE

**WTI (F5) SETTLED USD 0.49 LOWER AT 68.75/BBL; BRENT (F5) SETTLED USD 0.50 LOWER AT 72.81/BBL**

**The crude complex was choppy, albeit settling at lows as the surging Dollar ultimately weighed .** On the day, whilst being rangebound in overnight trade, WTI and Brent edged higher through the European morning to hit highs of USD 69.96/bbl and 73.94/bbl, respectively, before selling off in the US session on account of the broad-based Dollar strength, rather than any energy specific headline. Newsflow was, once again, primarily centred around geopolitics and most specifically Russia and Ukraine with the main update coming in the EU morning via a Reuters sources piece that noted Russian President Putin is open to talking about a Ukraine ceasefire with US President-elect Trump, but rules out making any major territorial concessions. However, the most recent update was that Ukraine has fired storm shadow missiles into Russia, which were supplied by the UK, which did spark fleeting risk-off trade. In the Middle East there has yet to be a readout regarding US Envoy Hochstein's meeting with Israeli PM Netanyahu to discuss the Lebanon ceasefire deal. On this, Al Arabiya citing Israeli press said sensitive and final details of Lebanon's ceasefire agreement have yet to be resolved, but there is agreement on about 90% of the terms. In the weekly EIA data, modest downside was seen in contracts after a marginally larger than expected crude build was seen (crude +0.5mln, exp. +0.4mln; gasoline +2mln, exp. +1.2mln; distillate -0.1mln, exp. -0.2mln), but nothing to the extent of the private data on Tuesday night (crude +4.8mln, exp. +0.1mln; gasoline -2.5mln, exp. +0.9mln; distillate -0.7mln, exp. unchanged).

## EQUITIES

**CLOSES:** SPX +0.00% at 5,917, NDX -0.09% at 20,667, DJIA +0.32% at 43,408, RUT +0.03% at 2,326.

**SECTORS:** Health +1.18%, Energy +1.00%, Materials +0.72%, Industrials +0.10%, Utilities +0.08%, Communication Services +0.07%, Real Estate -0.18%, Consumer Staples -0.18%, Technology -0.23%, Financials -0.28%, Consumer Discretionary -0.57%.

**EUROPEAN CLOSES:** DAX -0.31% at 19,001, FTSE 100 -0.17% at 8,085, CAC 40 -0.43% at 7,198, Euro Stoxx 50 -0.42% at 4,731, AEX -0.40% at 859, IBEX 35 +0.01% at 11,590, FTSE MIB -0.29% at 33,228, SMI -0.02% at 11,539.

## EARNINGS

- **Target (TGT):** Dismal report; Adj. EPS, revenue, gross margin, and SSS all missed expectations, alongside cutting FY profit outlook. For the quarter, cited soft discretionary trends and multiple cost headwinds, including those unique to the quarter.
- **TJX Companies (TJX):** Next quarter adj. EPS and comp sales view underwhelmed, although top and bottom line beat in addition to raising FY profit outlook.
- **Dolby Laboratories (DLB):** Profit beat alongside FY25 guidance impressing
- **Nio (NIO):** Q3 revenue, deliveries, and Q4 guidance fell short of St. expectations.
- **Powell Industries (POWL):** Revenue missed.
- **Keysight Technologies (KEYS):** Better-than-expected top and bottom line, with next quarter outlook also topping forecasts.
- **Williams-Sonoma (WSM):** EPS and revenue beat, announced a USD 1bln share buyback programme, and lifted the bottom end of FY revenue view.

## STOCK SPECIFICS:

- **Comcast (CMCSA):** To spin off NBCUniversal cable networks into a USD 7bln venture, to create leading a leading independent media business.
- **Delta Air Lines (DAL):** Reaffirms expected Q4 guidance; sees 2025 revenue growth of mid-single digits (in line with expectations) and 10% average annual EPS growth.
- **JPMorgan (JPM):** Downgraded to 'Perform' from 'Outperform', citing valuation.
- **Fabrinet (FN):** Downgraded to 'Sell' from 'Neutral' at B. Riley with a PT of USD 178 (prev. 194). The firm believes the trend of unbundling Nvidia's GPU platforms will adversely impact Fabrinet's optics business.

## US FX WRAP

**The Dollar Index** saw notable gains on Wednesday, paring some of the losses seen in recent days, albeit in thin macro newsflow with a light data docket this week and next. Nonetheless, Fed Governors Cook and Bowman spoke, with the former largely keeping options open saying policy is not on a pre-set path, while the latter also stated she was happy with the smaller 25bps cut in November and the following statement which allowed optionality - although the hawk did note how she was concerned how the Fed is calibrating policy despite not reaching its inflation goal. In terms of upcoming risk events, Nvidia earnings are after-hours and then Flash PMIs on Friday. For the record, DXY saw a high of 106.91 against an earlier low of 106.07.

**G10 FX** was lower across the board with Antipodeans underperforming, as they were broadly weighed on by the rising Buck as opposed to much currency-specific newsflow. Despite saying this, the **Pound** saw upside in the UK morning with Cable rising to a peak of 1.2714 (low of 1.2632) following hotter-than-expected inflation metrics, which further reduced the odds of a BoE cut in December. For the EUR watchers, participants await EZ Flash PMIs on Friday whereby rate expectations will likely be finetuned. Once again, there was a deluge of ECB speak, and the highlight was arguably Stournaras who said rates will remain restrictive for some time. In terms of data, the latest EZ wage data saw a jump in Q3 to 5.42% from 3.54% but this had little follow-through. EUR/USD hit a high of 1.0609 against a later low of 1.0509.

**Antipodeans** trimmed some of their recent gains on Wednesday, but that did come after AUD/USD made a fresh WTD peak of 0.6544 before falling foul to the Buck and sliding beneath 0.6500 to a low of 0.6485. It was a similar story for the Kiwi, as the pair topped out at 0.5921 before recoiling to a trough of 0.5865. Without sounding like a broken record, there wasn't much by way of currency-specific drivers with the next scheduled risk event Australian November PMIs on Friday.

**JPY**-geopolitically induced strength on Wednesday was short-lived, with the Yen resuming to the downside it has seen since the US Presidential election. USD/JPY printed a peak of 155.88, but it managed to defend the round 156.00 to the upside.

**EMFX** was almost exclusively in the red as it largely weighed on by the Dollar strength and the continuing concerns regarding President-elect

Trump's policies. In terms of data, South African CPI was cooler than forecasted while retail sales disappointed with ZAR weaker on the session despite upside in gold prices.

---

Copyright © 2024 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

---

Copyright © {{ copyright-year }} Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com