

**Small caps lead while Dollar hits two-year high as European data disappoints**

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up
- **REAR VIEW:** US S&P Flash PMI Services tops expectations, Mfg as expected; French, German, and EZ Flash PMIs all disappoint; UK Retail sales decline more than expected, PMI misses; SNB Chair keeps door open to negative rates; In-line Canadian Retail Sales; Total US Baker Hughes down 1; Biden expected to impose new export curbs on China soon; Putin says they will start serial production of new missile; WMT CEO to leave.
- **COMING UP:** **Data:** German Ifo Expectations, NZ Retail Sales Volumes (Q3). **Speakers:** BoE's Lombardelli, Dhingra; ECB's Lane, Makhlof. **Supply:** EU, US. **Earnings:** Bath & Body Works, Autozone, Zoom.
- **WEEK AHEAD:** Highlights include: US PCE, FOMC Minutes, RBNZ rate decision, EZ HICP, and Australian CPI. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC Minutes, RBNZ, BoK; Reviewing CBRT, SARB. [To download the full report, please click here.](#)

**MARKET WRAP**

Stocks primarily saw marginal gains but small caps rallied with the Russell a clear outperformer. Outperformance was seen in Industrials, Consumer Discretionary and Financials while Communication, Utilities and Tech underperformed. Communication was weighed on by further Google (GOOGL) woes with reports that OpenAI is looking to challenge its search business while Tech was weighed on by NVDA losses. Elsewhere, the Dollar saw notable gains to see DXY briefly rise above 108.00 for the first time since 2022 with upside supported by a weaker Euro and Pound after dismal data from the regions. Eurozone PMIs were weak across the board while UK Retail Sales were soft. Meanwhile, US data was encouraging with PMI's beating thanks to a gain in the services sector, although the UoM Consumer Sentiment survey was revised down in November, but still above the October level. The data dictated treasury trade too, upside occurred in the morning after the European and UK data before selling off hitting lows after the US PMI report. Crude prices continued to rise on Friday, seeing the complex wipe out last week's losses with a focus on the Russia/Ukraine escalation. Bitcoin edged closer to USD 100k but failed to hit the level on Friday. Attention next week turns to the October PCE report, 2nd estimate of Q3 GDP and FOMC Minutes ahead of Thanksgiving.

**US**

**S&P GLOBAL FLASH PMI:** S&P Global Manufacturing Flash PMI rose to 48.8 from 48.5, in line with market expectations, while Services jumped more than anticipated to 57.0 (exp. 55.2 - highest forecast was 55.6), its sharpest expansion since March 2022, leaving the Composite at 55.3 (prev. 54.1). On the report, Chris Williamson, Chief Business Economist at S&P Global Market Intelligence noted a few interesting points: "The rise in the headline flash PMI indicates that economic growth is accelerating in the fourth quarter, while at the same time inflationary pressures are cooling"; "A concern is that growth remains heavily reliant on the services economy, with manufacturing production declining at an increased rate"; "However, the promise of greater protectionism and tariffs has helped lift confidence in the US good producing sector."; "Factories are meanwhile stepping up their purchases of imported inputs as they seek to front-run tariffs."

**UOM (FINAL):** The Final UoM survey of consumer sentiment in November saw multiple revisions lower. Headline sentiment was revised down to 71.8 from 73.0, despite expectations of an uptick to 73.7. The current conditions fell to 63.9 from 64.4 while the forward-looking expectations fell to 76.9 from 78.5, albeit improved from October. The report highlights that in a mirror image of November 2020, the expectations index surged for Republicans and fell for Democrats this month, a reflection of the two groups' incongruous views of how Trump's policies will influence the economy. Nonetheless, current conditions saw insignificant changes in November across the political spectrum, but substantial uncertainty remains over future implementation of Trump's policies, and the survey highlights consumers will continue to re-calibrate their views in the months ahead. The 1yr ahead consumer inflation expectation was unrevised at 2.6% (beneath October's 2.7%) but the 5yr was revised up to 3.2% from the 3.1% initially reported, and up from October's 3.0%. Analysts at Oxford Economics highlight that although "the relationship between consumer sentiment and consumer spending has weakened in recent years", this report bodes well for their forecast for consumption growth to remain close to 3% in the coming year. The desk notes that "Consumer spending is more dependent on real disposable income growth and healthy household balance sheets, which both point to solid growth ahead."

**FIXED INCOME****T-NOTE (Z4) FUTURES SETTLED 4+ TICKS HIGHER AT 109-20+**

**T-notes chop to soft European data and strong US data with the curve flattening ahead of supply and PCE next week.** At settlement, 2s +2.0bps at 4.369%, 3s +0.9bps at 4.310%, 5s -0.7bps at 4.297%, 7s -2.5bps at 4.339%, 10s -2.6bps at 4.406%, 20s -1.8bps at 4.676%, 30s -2.8bps at 4.593%.

**INFLATION BREAKEVENS:** 5yr BEI +0.6bps at 2.443%, 10yr BEI +0.1bps at 2.352%, 30yr BEI -0.0bps at 2.323%.

**THE DAY:** Another day of choppy trade in T-notes with a morning bid seen in the wake of dismal European PMI data and weak UK Retail Sales to see T-notes hit peaks of 109-26+, just shy of the Thursday high of 109-28+. Selling then occurred when oil prices started to bounce and as attention turned to the US PMI data. The flash reading for November improved thanks to a pick up in services which saw T-notes hit an intraday low of 109-16+. Next was the UoM final revision for November, which was revised downwards on headline sentiment, primarily due to a drop in expectations but it still improved from October while the inflation expectations saw the 1yr unrevised but 5yr revised up to 3.2% from 3.1%, a larger increase from October's 3.0%. The revision lower in the headline helped limit the selling, with T-notes then meandering through to settlement with the focus turning to supply and PCE in a holiday-shortened week due to Thanksgiving on Thursday.

**NEXT WEEK SUPPLY:** US Treasury to sell USD 69bln of notes on Nov. 25th, USD 70bln of 5yr notes on Nov 26th, and USD 44bln of 7yr notes on Nov. 27th; to settle Dec 2nd - as expected. To sell USD 28bln in 2yr FRN's on 26th November, to settle November 29th. Bills: US to sell USD 81bln 13-wk bills on November 25th; USD 48bln 52-wk bills on November 26th; USD 40bln 30-day CMBs on November 25th; USD 80bln 41-day CMBs on November 26th; all to settle on November 29th.

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 13bps (prev. 14bps), January 19bps (prev. 19bps), March 32bps (prev. 33bps).**
- NY Fed RRP op demand at USD 204bln (prev. 189bln) across 58 counterparties (prev. 57)
- SOFR at 4.57% (prev. 4.56%), volumes at USD 2.291tln (prev. 2.155tln).
- EFFF at 4.58% (prev. 4.58%), volumes at USD 101bln (prev. 102bln)

## CRUDE

**WTI (F5) SETTLED USD 1.14 HIGHER AT USD 71.24/BBL; BRENT (F5) SETTLED USD 0.94 HIGHER AT USD 75.17/BBL**

**WTI and Brent prices edged higher by ~ USD 1/bbl on Friday, ending the week well in the green, erasing last week's losses.** The complex caught a bid into the US session, but not after prices experienced pressure in the European session after woeful PMI numbers, with WTI and Brent bottoming at USD 69.29/bbl, and USD 73.43/bbl, respectively. The upside then was likely driven by the momentum seen earlier in the week following the escalatory geopolitics between Russia and Ukraine, while perhaps some were closing any shorts ahead of the weekend at a time of geopolitical uncertainty. Russian President Putin hit the wires on Friday, noting the attacks will continue, and they will use the new missile that was seen on Thursday, adding, "No one else has weapons like this, it cannot be intercepted". He also noted the decision has been taken to start serial production of new missiles. Elsewhere, US Envoy Hochstein left Israel at dawn for Washington without announcing the outcome of the talks, according to Alhadath. Meanwhile, fresh forecasts were seen from Goldman Sachs which sees upside risks to Brent prices in the short term, with Brent rising to mid-USD 80s per barrel in 2025 H1 if Iran supply drops 1mln b/d on tighter sanctions enforcement. Meanwhile, JPMorgan in 2025 said it's looking for a large 1.3mln BPD surplus in oil and an average Brent price of USD 73/bbl, but expects prices to close the year firmly below USD 70/bbl, with WTI at USD 64/bbl. Separately, the weekly US Baker Hughes Rig count sparked little reaction in the crude complex but the oil rig count rose by 1 to 479, while NatGas fell 2 to 99, leaving the total -1 at 583.

## EQUITIES

**CLOSES:** SPX +0.35% at 5,969, NDX +0.17% at 20,776, DJIA +0.97% at 44,297, RUT +1.80% at 2,407

**SECTORS:** Communication Services -0.69%, Utilities -0.66%, Technology -0.22%, Health +0.08%, Energy +0.11%, Materials +0.55%, Real Estate +0.84%, Consumer Staples +1.02%, Financials +1.11%, Consumer Discretionary +1.18%, Industrials +1.36%.

**EUROPEAN CLOSES:** DAX: +0.83% at 19,306, FTSE 100: +1.38% at 8,262, CAC 40: +0.58% at 7,255, Euro Stoxx 50: +0.72% at 4,790, AEX: +1.58% at 880, IBEX 35: +0.39% at 11,657, FTSE MIB: +0.60% at 33,495, SMI: +1.14% at 11,724, PSI: +0.76% at 6,409.

## EARNINGS

- **Gap (GAP):** EPS beat accompanied by raises to the FY24 revenue growth outlook
- **Ross Stores (ROST):** Profit topped expectations
- **NetApp (NTAP):** EPS & revenue beat amid raises to the FY outlook.
- **Intuit (INTU):** Profit outlooks disappointed.
- **Copart (CPRT):** Revenue surpassed St consensus.

## STOCK SPECIFICS

- **Alphabet (GOOG):** OpenAI is considering developing a web browser integrated with ChatGPT to challenge Google, The Information reports.
- **Walmart (WMT):** CEO Brian Setzer is to leave the company
- **Tapestry (TPR):** Announced agreement for a USD 2.0bln accelerated share repurchase programme; Funding the ASSR with USD 750mln term loan, USD 1bln revolving credit and USD 250mln in cash.
- **AbbVie (ABBV):** Upgraded to 'Outperform' from 'Market Perform' at Leerink, The firm sees potential for continued strong execution to drive upside, including for Skyrizi in its recently launched ulcerative colitis indication.
- **Tenet Healthcare (THC):** Downgraded to 'Outperform' from 'Strong Buy' at Raymond James. The firm sees a decline in the Affordable Care Act exchange population in 2026 "due to the sunset of enhanced subsidies".
- **Ally Financial (ALLY):** Reportedly considering a sale of its credit card business, according to Bloomberg

## Index Changes

- **Texas Pacific Land (TPL):** Will join the S&P 500, replacing **Marathon Oil (MRO)** following its acquisition by **ConocoPhillips (COP)**.
- **Mueller Industries (MLI):** Will move to the S&P MidCap 400.
- **Atlas Energy (AESI):** Will replace Mueller in the S&P SmallCap 600.

## US FX WRAP

**The dollar index's** rally showed no signs of stopping on Friday, as weakness in EUR & GBP contributed. US data was mixed. S&P Services Flash PMI had its sharpest rise since March 2022, exceeding the upper end of forecasts, while Mfg rose in line with expectations. In contrast, the UoM headline was surprisingly revised downwards, below expectations. The 1-yr inflation expectations were unchanged and 5yr expectations were revised upwards to 3.2% (prev. 3.1%). That said, US data had little long-lasting impact on the dollar's trajectory, as major peer weakness stole the show. Next week, will see FOMC Minutes (concerning the Nov meeting) and the return of tier 1 data, with Core PCE, Durable Goods, and GDP Q/Q (2nd est) on Wednesday ahead of Thanksgiving.

**The EUR and GBP** were hit on data. Starting with the Euro, Germany's GDP was the first point of data, falling short of expectations, marginally avoiding a recession in Q3. Euro weakness emerged once poor French Flash PMIs hit the wires, with the downside extending on poor PMIs from Germany, and continuing once again to troughs at 1.0336 on disappointing Euro zone PMI. Note, Germany HCOB Mfg was the only European PMI metric to top expectations. On the PMIs, ECB's Nagel said they need to wait for the next projections before discussing rate cut size in December. Germany's Lfo Business Climate and ECB's lane are the next releases of importance on Monday.

For the **Pound**, a steeper decline in Retail Sales in October, -0.7% (exp. -0.3%) added pressure onto Cable, whilst later on, disappointing UK Flash PMIs sent Cable to fresh lows of 1.2488. On the Retail Sales, ONS noted: "The fall was driven by a notably poor month for clothing stores, but retailers across the board reported consumers held back on spending ahead of the budget"; "However, when we look at the wider trend, retail sales are increasing across the three month and annual periods although they remain below pre-COVID levels". On Monday, the BoE's Watchers Conference is on the schedule, with Dove Dhingra to speak and Neutral Lombardelli.

**The CAD and SEK** were the clear G10FX outperformers. Rising crude prices, in-line Retail Sales, and a beat on Retail-Sales Ex-Autos supported the former's resilience, albeit still saw marginal losses; 1.3943 (21 DMA) lies to the downside. On the SEK's modest gains, no fresh data was seen, but Riksbank's Governor Thedeen remarked, "if the outlook for inflation and economic activity remains the same, can continue to cut the policy rate in December and during H1 25, but if conditions change, this may justify a higher or lower interest rate in the period ahead".

**CHF** weakened against the EUR and USD, with losses augmented by remarks made by SNB's Schlegel. The Chairman said CHF is likely to remain a safe haven; safe haven status brings challenges but Switzerland is well equipped to deal with them; SNB will continue to maintain price stability. But the key comment, was "Nobody loves negative interest rates, including the SNB but ready to implement them again if needed", resulting in immediate downside in the Franc.

**In EMFX**, few gainers were seen, as MXN was hurt by cooler-than-expected inflation metrics on all fronts, although final GDP figures were unexpectedly revised upwards. On the flip side, beats in Singapore's GDP (Q3 F), allowed the SGD to outperform its peers, with decent gains. Next on the docket is the Israeli Central Bank, who are expected to hold rates at 4.5% on Monday.

---

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