

Stocks and Bonds catch a bid on Bessent Treasury pick

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat
- **REAR VIEW:** US yields dump on Bessent Treasury nomination; Israel & Lebanon agree to terms of ceasefire deal, announcement awaits; Very strong 2yr auction; 2yr Germany's Ifo worsens more than expected; Iran's Oil Minister says Iran will strike not to accept limits on oil production quota; Fed's Goolsbee closer to median on neutral rate estimate (2.9%); EU officials say EU is not close to deal with China on EV tariffs
- **COMING UP:** Data: US Build Permits, Richmond Fed Index. **Events:** FOMC Minutes. **Speakers:** ECB's Rehn; BoC's Mendes. **Supply:** Italy, Germany, US. **Earnings:** Abercrombie, Kohl's, Best Buy, Analog Devices, Dell, CrowdStrike, HPE.
- **WEEK AHEAD:** 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 closed in the green but well off highs although the Russell made new ATHs, managing to hold onto the majority of gains while Treasuries bull flattened. The upside in both stocks and bonds was primarily a response to the market-friendly pick of Scott Bessent as US President-elect Trump's Treasury Secretary. Bessent is seen as a fiscal conservative and has urged for a phased approach to the implementation of tariffs. The appointment drove the direction of trade with the Dollar initially selling off on the news but DXY headed into APAC trade rather flat while the Euro and Swissy outperformed on the pick and the downside in UST yields. Stocks had initially rallied before being sold after the US cash equity open with downside in technology weighing, notably the c. 4% loss in NVDA shares. Energy stocks lagged as crude prices slumped on reports that Israel and Lebanon are close to a ceasefire agreement, with reports suggesting a cease-fire for two months will be announced on Tuesday after the Israeli cabinet approves it. This also weighed on gold prices which saw the steepest losses since 2020 while CAD underperformed in the FX space on the weaker oil prices. Looking ahead, the FOMC Minutes, Richmond Fed, and New Home Sales Units are due on Tuesday, but the focus lies on a busy Wednesday where we see Core PCE (Oct), GDP 2nd Est (Q3), Durable Goods (Oct) and weekly Initial Claims data ahead of the Thanksgiving holiday.

US

-FOMC PREVIEW: The minutes will be released at 19:00GMT/14:00EST, but will likely be deemed as stale given recent data and commentary. Recent data saw in line CPI but hotter than expected PPI, with attention turning to the PCE data on Wednesday. Fed Chair Powell, after the two data points, said he projects October Core PCE at 2.8%, up from the 2.7% in September. Recent Fed speak has seen Chair Powell state data shows that the Fed does not need to be in a hurry to cut rates, while hawk Bowman has called for a cautious approach. Meanwhile, many others are keeping their options open, waiting for the data to determine the Fed's decision making process. The minutes will be eyed to garner the Fed's views on the balance of risks to the mandate in reference to the recent cooling of the labour market and the "bumpy" inflation readings. Focus will also be on clues for guidance, but it will likely show policymakers want to keep options open and make decisions meeting by meeting. [To see the full preview, please click here.](#)

FIXED INCOME

T-NOTE (Z4) FUTURES SETTLED 28+ TICKS HIGHER AT 110-17

T-notes bull flatten in response to US President-elect Trump appointing fiscal hawk Bessent as US Treasury Secretary. At settlement, 2s -9.6bps at 4.273%, 3s -9.9bps at 4.211%, 5s -12.2bps at 4.176%, 7s -13.6bps at 4.207%, 10s -14.3bps at 4.267%, 20s -14.0bps at 4.539%, 30s -14.6bps at 4.449%

INFLATION BREAKEVENS: 5yr BEI -7.6bps at 2.367%, 10yr BEI -5.8bps at 2.295%, 30yr BEI -5.5bps at 2.269%.

THE DAY: T-notes gapped higher at the open on the appointment of Scott Bessent as US Treasury Secretary. Bessent is seen as a "fiscal hawk", implying that some of Trump's proposed policies may not be as harsh as initially thought if Bessent is cautious on overspending, and thus lead to less issuance while his familiarity with markets is also seen as encouraging. T-notes gapped higher from 109-21+ to 110-03 on the resumption of trade before selling off in the European morning back down to 109-27. Nonetheless, once US trade was underway a notable bid in fixed income was seen on a lack of fresh news and data in what appears to be a Bessent-driven rally. T-notes took out the opening highs to see a peak of 110-18, with upside also seen in the wake of the very well-received 2yr auction (more below). Attention now turns to the FOMC Minutes on Tuesday evening ahead of a plethora of data releases on Wednesday on account of the Thanksgiving holiday.

2YR: Overall a very strong 2yr auction with the US Treasury selling USD 69bln at a high yield of 4.274%, stopping through the when issued by 1.8bps, the largest stop through in the 2yr since July. The Bid-to-Cover of 2.77x was also strong, above the prior 2.5x and average of 2.62x. The strong demand was led by a jump in indirect bidders, taking home 71.6% of the auction, a notable increase from last month's offering 58.2% and above the 65.8% average. Direct demand saw a dip however to 19.17% from 23.8%, a touch beneath the 20.6% average. However, the strong indirect demand was more than enough to offset this, seeing dealers take just 9% of the auction, down from the prior 17.9% and average 13.6%.

THIS WEEK SUPPLY: US Treasury to sell 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.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 13bps (prev. 13bps), January 19bps (prev. 19bps), March 33bps (prev. 32bps).**
- US sold USD 77bln 6-month bills at a high rate 4.34%, B/C 2.69x: US sold USD 87bln 3-month bills at a high rate 4.415%, B/C 3.10x

- US sold USD 40bln in 30day CMBs at a high rate of 4.550%, B/C 3.65x.
- NY Fed RRP op demand at USD 187bln (prev. 204bln) across 57 counterparties (prev. 58)
- SOFR at 4.57% (prev. 4.56%), volumes at USD 2.291tn (prev. 2.155tn).
- EFFR at 4.58% (prev. 4.58%), volumes at USD 101bln (prev. 102bln)

CRUDE

WTI (F5) SETTLED USD 2.30 LOWER AT 68.94/BBL; BRENT (F5) SETTLED USD 2.16 LOWER AT 73.01/BBL

The crude complex falls as a ceasefire between Israel and Lebanon comes into view. WTI and Brent prices gradually fell lower overnight amid Axios reports that Israel and Lebanon are on the cusp of a ceasefire agreement. Thereafter, modest pressure was sparked on the Iranian Oil Minister saying Iran will strive not to accept limits on oil production quota, with losses ramping up in US hours, where an update from Axios citing a US official, noted Israel and Lebanon have agreed to the terms of an agreement to conclude the Israel-Hezbollah conflict. Reports concerning the timing of an announced ceasefire slightly diverge, with cited Lebanese sources, saying there is a plan for US President Biden and French President Macron to announce a ceasefire within 36 hours, while cited Israeli sources say the US/French Presidents will announce a ceasefire in Lebanon tomorrow morning for about two months. Regardless, the Israeli security cabinet is set to convene on Tuesday at 17:30 local time (10:30 EST/15:30 GMT) at the IDF headquarters in Tel Aviv to approve the Lebanon ceasefire deal, via Axios citing an Israeli official. A short-lived bounce was observed following Bloomberg reports, that a US official said an Israel-Hezbollah cease-fire agreement is not reached yet. However, given we are still awaiting the Israeli approval, the downside resumed, sending WTI and Brent to fresh session lows of USD 68.74/bbl, and USD 72.84/bbl, respectively.

Elsewhere, the Azerbaijan Energy minister said OPEC+ could discuss maintaining oil output cuts in place at its December 1st meeting. Noting that natural gas exports to Europe are set to remain at 12.5bcm in 2024 and 2025 and that domestic oil production is expected to remain at 29mtn/tonnes per year over the next five years. Meanwhile, the Kazakhstan Energy Minister announced that "due to expectations of a shortage of light oil products in 2036, it will be necessary to start designing a new oil refinery with capacity of 10 million tonnes per year no later than in 2030 and building in 2032".

EQUITIES

CLOSES: SPX +0.30% at 5,987, NDX +0.14% at 20,805, DJIA +0.99% at 44,737, RUT +1.47% at 2,442

SECTORS: Energy -2.01%, Technology -0.35%, Utilities +0.20%, Consumer Staples +0.37%, Financials +0.61%, Industrials +0.66%, Communication Services +0.76%, Health +0.90%, Materials +0.94%, Consumer Discretionary +0.99%, Real Estate +1.28%.

EUROPEAN CLOSES: DAX: +0.45% at 19,410, FTSE 100: +0.36% at 8,292, CAC 40: +0.03% at 7,257, Euro Stoxx 50: +0.21% at 4,799, AEX: -0.05% at 879, IBEX 35: +0.47% at 11,712, FTSE MIB: -0.20% at 33,428, SMI: -0.18% at 11,695, PSI: +0.47% at 6,439.

EARNINGS

- **Bath & Body Works (BBWI):** EPS, revenue, and profit guidance topped expectations.

STOCK SPECIFICS

- **Microstrategy (MSTR):** Bought USD 5.4bln in Bitcoin over the past week, according to a filing. Meanwhile, received a positive mention from Barron's.
- **Cassava Sciences (SAVA):** Announced Phase 3 ReThink-ALZ data failed to meet all primary, secondary and exploratory endpoints.
- **Tesla (TSLA):** Introduced a limited-time RMB 10,000 discount for two Model Y variants in China, valid for orders made by December 31st, CnEVPost reports.
- **BridgeBio Pharma (BBIO):** BridgeBio Pharma's Attruby, an oral stabilizer of transthyretin (TTR), received FDA approval for treating ATTR-CM.
- **Summit Materials (SUM):** Quikrete agrees to buy Summit Materials for USD 52.50/shr, a USD 9.2bln deal, via WSJ.
- **ONEOK (OKE), EnLink Midstream (ENLC):** ONEOK announced an all-stock acquisition of the remaining shares of EnLink Midstream for USD 4.3bln.
- **EQT (EQT):** Confirmed USD 3.5bln midstream JV with Blackstone (BX) Credit & Insurance
- **Intel (INTC):** Apple may shift orders of A20 Pro chips to Intel from TSMC, noting the chips would be for the iPhone 18 series. Meanwhile, the Biden administration reduced Intel's CHIPS Act by USD 500mln due to investment delays and business struggles, NYT reports.
- **Rocket Lab (RKLB):** To be warned USD 3.9mln from the US Department of Commerce to increase its compound semiconductor manufacturing capability and capacity at its New Mexico facility.
- **Apple's (AAPL):** Thin iPhone has no physical SIMs, and that could dampen China sales, The Information reports.
- **Robinhood (HOOD):** Upgraded to 'Overweight' from 'Equal Weight' at Morgan Stanley with a USD 55 PT (prev. 24). Morgan Stanley sees more "room to run" given the Co.'s discounted valuation, expanding pace of new initiatives, and animal spirits post-election that it thinks will likely continue into 2025.

US FX WRAP

The dollar index was modestly lower as US yields took a dive following President-elect Trump's nomination of Scott Bessent as Treasury Secretary. Bessent is seen as more fiscally conservative than Trump given his hedge fund and finance backgrounds and would also like a more gradualist approach to implementing Trump tariffs, thus, seeing somewhat of an unwind of the recent Trump Trade. On data, no tier 1 releases were on the schedule, although, the Dallas Fed Business Index rose from the prior -3.0 to -2.7, its smallest contraction since negative readings started in May 2022. Moreover, the Chicago Fed National Activity Index fell in October to its lowest reading in nine months. Looking into the week, FOMC Minutes (Nov), Richmond Fed, and New Home Sales Units are due. Subsequently, on Wednesday, the main events are due, namely, Core PCE, GDP 2nd Est (Q3), Durable Goods (Oct) and weekly Initial Claims.

The Euro started the week on a strong front foot, sizably outperforming peers against the buck, benefiting from dollar weakness and lower US yields on the nomination of Scott Bessent as US Treasury Secretary. EUR/USD now sits above the 1.05 handle, shrugging off the headline Germany Ifo print falling more than expected to 85.7 (exp. 86, prev. 86.5). Within the report, expectations surprised, dropping less than anticipated to 87.2 (exp. 87, prev. 87.3), while worries over the government fall and potential Trump tariffs caused a slump in Current Conditions to 84.3 from 85.7 (exp. 84.3). On the tariffs, ECB's Nagel said they pose a 'real risk' for boosting Euro-zone inflation. Next for Euro watchers are expected remarks from ECB's Rehn on Wednesday.

Cable briefly reached above the 1.26 handle, peaking at 1.2613, before remaining steady in the upper end of the 1.25 mark. The day saw

the BoE's Watchers conference, with remarks from BoE's Dhingra (Dove) and Lombardelli (Neutral). On Friday's PMI report, Lombardelli noted it may suggest some slowing, but "I don't take a strong signal from one event", and separately, views the probabilities of downside/upside risks to inflation as broadly balanced. On the other hand, BoE's Dhingra said the fall in services PPI appears to be slowing but probably due to erratic components, and that there is a disinflationary risk within the UK.

The Yen and Franc rallied amid sinking US yields, with the latter outperforming, after lagging on Friday from SNB's Schlegel readiness to implement negative interest rates if needed; USD/CHF dropped below 0.89, approaching its 200 DMA (0.8820), while USD/JPY failed to remain below its 21 DMA (153.88). Meanwhile, **Gold** had its worst decline since November 2020 in response to the calming of geopolitical tensions in the Middle East, whereas a dejected crude complex weighed on a flattish CAD ahead of BoC's Mendes on Wednesday.

EMFX: PLN was the centre of attention due to the deluge of data from Poland. The October data had positive surprises, including a beat on Industrial Output, Corp Sector Wages rising more than expected, a less deflationary PPI print, and employment falling as expected; PLN strengthened against EUR and USD. Elsewhere, Israel's Central Bank kept its policy rate at 4.5% for the seventh consecutive meeting, in line with expectations; ILS outperformed. Next on the pipeline is Polish Retail Sales (Tue) and inflation data from Brazil for November, which is expected to fall from the prior. Note, on Brazil Estadao sources reported the Government's cost-cutting package that it is more likely to be released on Tuesday, adding later that the cost cuts target social benefits but excludes health and education.

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