

### Stocks sold and bonds bid on month-end ahead of Thanksgiving

- **SNAPSHOT:** Equities down, Treasuries up, Crude flat, Dollar down
- **REAR VIEW:** Monthly Core PCE in line, quarterly revised down; GDP and jobless claims in line; Durable Goods miss; Pending home sales beat; Chicago PMI misses; Strong USD 7yr note auction; EIA Crude draws; MSFT faces FTC investigation; Tech/software earnings disappoint; Hawkish ECB's Schnabel; RBNZ cuts 50bps, signals higher end-2025 rate than the market expected; Soft Australian inflation; Hamas says it is ready for a truce in Gaza.
- **COMING UP: Holiday:** US Thanksgiving; normal service on Thursday 28th November until 18:00GMT/13:00EST, upon which the desk will close and then re-open later at 22:00GMT/17:00EST for the beginning of the Asia-Pacific session. the desk will operate a normal service on Friday 29th November until 18:15GMT/13:15EST, upon which the desk will close. **Data:** Spanish & German Flash/Prelim. CPI, EZ Consumer Confidence Final, Japanese Tokyo CPI & Retail Sales. **Speakers:** RBA Governor Bullock; ECB's Lane & Elderson. **Supply:** Italy

### MARKET WRAP

Stocks were primarily sold on Wednesday heading into the Thanksgiving holiday and on the last full trading day of month-end. There was notable underperformance in the Nasdaq after a slew of tech/software earnings stumbled after earnings (DELL, HPQ, ADSK, CRWD, WDAY). Small caps initially outperformed but all the gains had been wiped out by the US close, likely on month-end related flows. Sectors were mixed with tech, the clear laggard alongside consumer discretionary while real estate and healthcare outperformed. T-notes rallied throughout the session in the wake of a plethora of US data and a strong 7yr auction. Regarding the data, US Q3 GDP was unrevised but the quarterly Core PCE was revised down while the monthly PCE was in line with expectations for both the headline and core. Jobless claims were in line while Durable Goods missed on the headline. The advanced goods trade balance deficit narrowed while pending home sales saw a surprise rise. Chicago PMI was woeful. In FX, the Dollar tumbled likely on month-end flows but the Yen outperformed with support from lower UST yields while the Kiwi also led gains after the 50bps rate cut from the RBNZ as expected, but with a 2025 OCR forecast above market expectations. The Euro was supported by hawkish commentary from ECB's Schnabel, who only sees limited room for further rate cuts. The Aussie was a relative laggard after soft inflation data while CAD remains hampered by tariff fears. Note, USD/BRL rallied to the highest level since May 2020 on reports that Haddad will announce an income tax exemption for those earning up to BRL 5000. Oil prices were choppy to inventory data with the private report posting a large draw on Tuesday night but the official data saw a smaller draw than what was suggested.

### US

**PCE:** The October PCE report saw headline and core prices in line with expectations. The Core M/M rose 0.3%, matching the prior pace, while Y/Y rose 2.8%, accelerating from the 2.7% prior; Pantheon Macroeconomics highlighted that when rounded, Core PCE rose by 0.27%, the highest since March. The headline numbers rose by 0.2%, matching the prior pace while the Y/Y printed 2.3%, accelerating from the prior 2.1%. However, Pantheon also pointed out that the increase was largely due to upside in volatile components, airline fares, used autos and portfolio management fees. Elsewhere in the report, personal income rose by 0.6%, above the 0.3% forecast and prior. Personal Spending, on a real basis, rose by 0.1%, beneath the 0.2% forecast and down from the prior 0.5% (revised up from 0.4%), while adj. spending rose by 0.4%, above the 0.3% forecast, down from the prior 0.6% (revised up from 0.5%). Pantheon adds that the real expenditure print puts it on course to rise at an annualised Q/Q rate of 2.5% in Q4, down from 3.5% in Q3.

**DURABLE GOODS:** Durable Goods rose 0.2% (exp. 0.5%) after declining by 0.4% (revised up from -0.7%, likely weighed on by defence as Durable Goods Ex-Defense rose 0.4%, beating the headline increase. Ex-Transport Durable Goods rose 0.1% short of the expected 0.2% (prev. 0.4%) while nondefense capital goods shipments Ex-Aircraft, unexpectedly fell 0.2% (exp. 0.1%, prev. 0.3%). Meanwhile, the core shipments component rose 0.2%. Oxford Eco notes Core orders, which are a better gauge of future capital spending by companies fell even more than their below-consensus forecast, believing the weakness can be attributed to heightened policy uncertainty before the election. The consultancy looks for equipment spending to accelerate from 4.2% in 2024 to 5.5% in 2025 "as policy uncertainty fades, the past boom in manufacturing construction generates positive spillover effects, and AI-related investment chugs along".

**JOBLESS CLAIMS:** Initial jobless claims fell slightly to 213k in the latest week, a touch beneath the 216k forecast and down from the 215k prior. The 4wk average fell to 217k from 218.25k. Meanwhile, the continued claims, for the week that coincides with the NFP survey window, rose to 1.907m from 1.898m, relatively in line with expectations. The data appears to have stabilised after the strike and hurricane-induced upside. In initial claims, seasonal factors expected a 30k rise in the unadjusted numbers, which rose from 29k to 243k. Attention turns to the November NFP report next Friday (December 6th) which will likely cement expectations (along with CPI on December 10th) for the December 18th rate decision. It is worth stressing that with the effects of the Hurricanes and Boeing strikes now behind us, those jobs will be added back to the economy, with the current consensus looking for 183k jobs added, vs the 12k added in October. ING highlights that the state data for October shows they have 109k as a base for December, before considering any payroll growth as the 44k striking workers have returned, and the c. 65k who were not counted due to the Hurricane's will be included in the November data.

**GDP (2ND EST):** The 2nd estimate of Q3 GDP was unrevised at 2.8%, in line with expectations. However, the deflator was revised up to 1.9% from 1.8%, while the Core PCE prices were revised down to 2.1% from 2.2%, which may help offset some of the recent "bumps" in inflation somewhat. Analysts at Oxford Economics highlight that the data does not "warrant any changes to the near-term forecast but the details of GDI, lend some downside risk to our forecast for capital spending this quarter and early next". The GDI included a drop in corporate profits, which saw the prelim read at 0.0% from the prior quarter's 3.5%, but the desk stresses that one data point does not equal a trend. OxEco also highlights that wages and salaries were also revised lower for the prior 3 months (Q2) due to newly incorporated data. "The new data on wages and salaries contributed to the 1.4ppt downward revision to growth in real GDI in Q2, leaving it up 2% at an annualized rate

### FIXED INCOME

**T-NOTE (Z4) FUTURES SETTLED 13 TICKS HIGHER AT 110-23+**

**T-notes rally throughout the session in wake of a plethora of US data and a strong 7yr auction into Thanksgiving.** At settlement, 2s - 3.3bps at 4.221%, 3s -5.0bps at 4.164%, 5s -5.7bps at 4.123%, 7s -5.7bps at 4.181%, 10s -5.0bps at 4.252%, 20s -4.6bps at 4.524%, 30s - 4.2bps at 4.438%

**INFLATION BREAKEVENS:** 5yr BEI -0.5bps at 2.362%, 10yr BEI -0.9bps at 2.281%, 30yr BEI -0.9bps at 2.250%.

**THE DAY:** T-notes drifted higher throughout the session into the Thanksgiving Holiday with T-notes peaking at 110-27 in the wake of a plethora of US data. Quarterly GDP was unrevised but the quarterly Core PCE was revised down while monthly PCE was in line with expectations for both the headline and core. Jobless claims were in line while Durable Goods missed on the headline. The advanced goods trade balance deficit narrowed while pending home sales saw a surprise rise. Chicago PMI was heavily disappointed. Overall the data was mixed and attention will turn to the November Jobs report and CPI data ahead of the Fed to help cement Fed expectations for December with money markets currently pricing in a 66% probability of a cut. T-notes peaked in wake of the 7yr auction which was also very strong, in fitting with the 2s and 5s supply earlier in the week, albeit the 7yr was not quite as strong as the prior month's, but still better than average.

**7YR:** The US Treasury sold USD 44bln in 7yr notes at a high yield of 4.183%, stopping through the when issued by 1.4bps, adding to the string of strong auctions this week. Although the stop-through is encouraging, it was not as strong as the prior auction's 2bps stop-through, but was still stronger than average. The Bid-to-cover was also strong at 2.71x but beneath the prior 2.74x, but still well above the 2.59x average. The breakdown saw dealers take 10% of the auction, slightly up from the prior but still beneath averages while direct demand increased to 26% from 20.6%, well above the 17.2% average, while indirect demand fell beneath average to 64% from 72%.

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 17bps (prev. 15bps), January 22bps (prev. 20bps), March 35bps (prev. 33bps).**
- US sold USD 95bln 4-week bills at a high rate of 4.55%, B/C 2.81x; USD 90bln 8-week bills at 4.5%, B/C 2.61x
- US to sell USD 75bln in 42day CMBs on 3rd December, USD 81bln in 13wk bills and 72bln in 26wk bills on 2nd December; all to settle December 5th
- NY Fed RRP op demand at USD 170bln (prev. 149bln) across 49 counterparties (prev. 51)
- SOFR at 4.58% (prev. 4.58%), volumes at USD 2.214tln (prev. 2.206tln).
- EFFR at 4.58% (prev. 4.58%), volumes at USD 101bln (prev. 103bln).

## CRUDE

**WTI (F5) SETTLED USD 0.05 LOWER AT USD 68.72/BBL; BRENT (F5) SETTLED USD 0.02 HIGHER AT USD 72.83/BBL**

**The crude complex settled flat on day one of the ceasefire between Israel and Lebanon's Hezbollah.** Prices were initially firmer through to the European afternoon, helped by Tuesday's private inventory report which saw greater draws than anticipated. Heading into the US session WTI and Brent were sold, eventually turning into the red. Behind the move, no clear driver can be observed, however likely month-end rebalancing/repositioning is at play, highlighted by the downside in US equities (SPX, NDX) and heavy dollar selling pre-US data release; data which did little to spark a reaction in crude prices. Thereafter, losses extended on the weekly EIA report which posted a smaller draw than Tuesday's API report. WTI and Brent's selling persisted into the US evening, troughing at USD 68.18/bbl, and USD 72.27/bbl, respectively. That said, a late-staged rally arrived, almost paring the entirety of the losses. Energy newsflow was fairly light. Concerning individual names, Shell looks to return to Angola exploration after a 20-year absence. Meanwhile, Federal Regulators on Wednesday permitted Cheniere Energy (LNG) to introduce natural gas into its Corpus Christi expansion project, according to a document cited by Reuters. On geopolitics, the Head of the German Foreign Intelligence Service said the Kremlin sees Germany as an adversary, they are in direct confrontation with Moscow, and there is a rising risk this will raise the question of invoking NATO article 5. Elsewhere the weekly US Baker Hughes Rig count caused little movement in the crude complex as oil rig count fell by 2 to 477, its lowest level since July, while natgas rose by 1 to 100, resulting in the total rig count -1 at 582.

## EQUITIES

**CLOSES:** SPX -0.38% at 5,999, NDX -0.85% at 20,744, DJIA -0.31% at 42,722, RUT +0.08% at 2,426

**SECTORS:** Technology -1.19%, Consumer Discretionary -0.69%, Industrials -0.36%, Energy -0.10%, Materials -0.09%, Utilities -0.02%, Communication Services -0.01%, Consumer Staples +0.07%, Financials +0.26%, Health +0.47%, Real Estate +0.67%.

**EUROPEAN CLOSES:** DAX: -0.18% at 19,262, FTSE 100: +0.20% at 8,275, CAC 40: -0.72% at 7,143, Euro Stoxx 50: -0.62% at 4,733, AEX: -0.08% at 874, IBEX 35: -0.33% at 11,580, FTSE MIB: -0.23% at 33,090, SMI: -0.07% at 11,625, PSI: +0.04% at 6,418.

## EARNINGS

- **Workday (WDAY):** Subscription revenue and guidance were in line with forecasts.
- **Dell Technologies (DELL):** Revenue fell short with the next quarter and FY25 guidance disappointing.
- **CrowdStrike Holdings (CRWD):** Q4 adj. EPS guidance missed expectations.
- **HP Inc (HPQ):** Next quarter profit guidance was below St. consensus.
- **Autodesk (ADSK):** FCF, adj. operating margin & next Q rev guidance was in line with forecasts; Announced Janesh Moorjani as new CFO
- **Ambarella (AMBA):** EPS and revenue beat with revenue guidance strong.
- **Nutanix (NTNX):** Top and bottom lines topped expectations.

## STOCK SPECIFICS

- **Apple (AAPL):** Apple's growth in the global smartphone market has been minimal in 2024, with iPhone sales increasing by just 0.4%, despite a 6.2% overall rise in smartphone shipments, Bloomberg reported citing IDC.
- **Microsoft (MSFT) - US antitrust watchdog launches a broad Microsoft investigation;** Questions focus on software licensing, cybersecurity and AI; FTC has sent a detailed information demand to Microsoft.

## US FX

**The dollar** experienced broad-based selling across the FX space on Wednesday, with further Yen upside adding pressure. The trajectory of the move was a gradual move lower, with ING pointing out early in European hours, that portfolio rebalancing is likely to influence downside moves, due to the monthly outperformance of the S&P 500 (+5.3%) relative to the Eurostoxx 50 (-1.36%) and Nikkei 225 (-1.6%) (Note: pct

moves don't account for today's moves). The US day saw a flood of data due to Thanksgiving Day on Thursday, Core PCE was in line with expectations on both fronts, while GDP 2nd EST (Q3) was also as expected, as were jobless claims. Durable Goods rose 0.2% (exp. 0.5%), and Core PCE Prices Prelim (Q3) was revised lower; USD weakness extended releases on the cool prints, with DXY, briefly falling under the 105 handle. On the contrary, GDP Deflator Prelim was 1.9% a touch hotter than the expected 1.8%. Looking ahead, no US data releases or Fed speak is on the docket for the rest of the week due to Thanksgiving. Thus, dollar movements for the remainder of the week are likely due to other currency drivers.

**G10 FX** took advantage of dollar selling into month end with all constituents stronger on the day. Focus was on the the outperformers, the Kiwi, where upside was bolstered by the RBNZ's 2025 December OCR forecast coming in above money market expectations; resulting in NZD/USD approaching its 21 DMA (0.5916), Note: As expected the RBNZ cut the OCR by 50bps for the second consecutive time, suggesting further cuts were likely in 2025. On the decision, Westpac said "we now think that it's more likely than not that the RBNZ will cut the OCR by 50bps in February 2025, contingent on the economy and financial conditions evolving in line with our expectations," and after that, "uncertainty around the OCR outlook is higher, but we think the easing cycle will be over by mid-year, with the OCR still troughing at 3.5%." Separately, Australian Weighted CPI Y/Y (Oct) stayed firm at 2.1%, below the expected 2.3% while Construction Work Done markedly beat expectations in Q3. For the former, that likely contributed to the Aussie's relative underperformance, although, AUD/USD still managed to climb back to the 0.65 handle on the Dollar weakness but the cross found resistance at the level.

**In Europe**, the latest French and German consumer sentiment metrics fell by larger magnitudes than what was forecasted. Nevertheless, the Euro was supported by hawkish comments from ECB's Schnabel who said she sees only limited room for further rate cuts, adding that the ECB should not go accommodative on rates; EUR/USD edged into the upper half of 1.05. Ahead for the Euro is State CPI and Prelim Nationwide CPI from Germany, in addition to Spanish Flash CPI. Also on the docket, is the Euro Zone (Nov) Industrial, Economic, and Services sentiment all of which are expected to decline M/M; ECB's Lane is set to speak

**Yen** strength continued off the back of the dollar downside as well as treasury yields recent decline enlarging, allowing USD/JPY to set fresh monthly lows. Direct newsflow was light for the JPY, as participants continued to digest the likelihood of a rate hike at the upcoming BoJ meeting in December. As it stands, money markets put a ~61% chance of a 25bps hike. Towards the downside, the 50 DMA (150.41), and 100 DMA (149.28) lie ahead, with the pair failing to hold a move below the former.

**EMFX:** BRL sold off following the announcement that Brazil's FM Haddad will announce an income tax emotion of up to BRL 5,000 at 20:30pm local time (18:30 EDT/ 23:30 GMT), however more recent reports suggest Haddad has asked Lula to postpone the announcement of such a move. Subsequently, Brazil's Net Payroll jobs saw a lower print than the consensus, albeit had little sway over USD/BRL price action post-Haddad newsflow. Brazil's Labour Minister noted the details of the fiscal package are expected to be disclosed on Thursday morning. USD/BRL hit the highest level since May 2020.

**In CEE**, the Polish unemployment rate unexpectedly fell to 4.9% from 5% Elsewhere, the CNB maintained the CCyB at 1.25% and kept the LTV limit the same. Ahead, is the BoK rate decision, where expectations are for the Base Rate to stay at 3.25%.

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