

Stocks and Dollar catch bid after more Trump Tariff threats

- **SNAPSHOT:** Equities up, Treasuries flattened, Crude flat, Dollar up.
- **REAR VIEW:** Further Trump tariff threats; 'Goldilocks' US ISM Mfg. report; Dovish Waller; Disappointing EZ PMIs; South Africa says BRICS have no plans to create a new currency; French Government instability; INTC CEO Gelsinger 'retires'; SMCi special committee found no evidence of misconduct.
- **COMING UP: Data:** Swiss CPI, US JOLTS **Speakers:** Fed's Goolsbee, Kugler; ECB's Cipollone **Supply:** Japan, UK & Germany.
- **WEEK AHEAD:** Highlights include US NFP and ISM PMIs, OPEC+, Canada jobs, Swiss CPI and Australia GDP. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBI; Reviewing FOMC Minutes, RBNZ and BoK. [To download the full report, please click here.](#)

MARKET WRAP

The Dollar was bid to start the week, although pared some of its notable strength after dovish remarks from Fed's Waller who noted he leans towards a December cut, which sparked modest upside in stocks/Treasuries and increased money market probabilities of a 25bps cut in December. Prior to this, the Buck caught a bid on more President-elect Trump tariff threats and weaker Euro, which saw EUR/USD hit a low sub 1.0475 post-disappointing PMIs and instability in the French government. The Yen was the distinct G10 outperformer amid its haven properties with continued focus on the anticipated BoJ hike in December. On the data footing, US ISM Mfg. was dubbed as a 'Goldilocks' report as it topped expectations on the headline while prices paid fell and employment rose. Indices saw strength with the tech-heavy Nasdaq 100 outperforming and further buoyed by the aforementioned Waller remarks, before selling off from highs into settlement amid a chunky market imbalance. Nonetheless, sectors are largely in the red with only Communication Services, Consumer Discretionary, and Technology in the green. In terms of the biggest stock stories, there are rumours NVDA's GB200 facing delays, INTC CEO Gelsinger retired, and a SMCi special committee found no evidence of misconduct. The crude complex was choppy but settled with marginal losses as the eventual Dollar strength outweighed strong Chinese data and geopolitical tensions. Lastly, T-Notes were choppy on Monday in the wake of fresh Trump tariff threats, a "Goldilocks" ISM Manufacturing PMI, French political instability and dovish commentary from Fed's Waller. Ahead Williams is due to give remarks after-hours with the highlights thereafter being Fed Chair Powell on Wednesday and the pivotal NFP on Friday ahead of blackout for the Dec. FOMC meeting.

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Waller (voter) stated he leans towards supporting a cut in December, although added that one could argue a case for skipping a rate cut and that he will be watching data closely to decide. The influential member added that the policy rate is restrictive enough that a December rate cut still allows ample scope to slow the pace of cuts later if needed. On holding, Waller said he will support leaving rates unchanged if data shows forecasts of slowing inflation are wrong. He did add that recent data have raised concerns that inflation progress is stalling meaningfully above 2%. Ahead, Waller stated there is still 'a ways to go' in reducing the policy rate to neutral and he expects rate cuts to continue over the next year, while the speed and timing of rate cuts will be determined by economic conditions.

Bostic (2024 voter) said his base case is that inflation remains on track to reach 2%, and he is not going into the December meeting with a sense that the outcome is preordained and coming data will be important and keeping options open. Note, this continues to illustrate the importance of Friday's payrolls report. The Atlanta Fed President added it is still an open question on how fast and by how much rates need to be cut to keep inflation declining while avoiding undue damage to the job market. Looking further ahead, Bostic has not yet decided on the pace and extent of cuts for 2025, and also said he does not want people focused on the view that there must be a cut at every meeting.

ISM MANUFACTURING PMI: The US ISM Manufacturing PMI rose to 48.4 from 46.5 and above the 47.5 consensus, although within the forecast range of 46.5 to 48.6. New orders returned to expansion, rising from 47.1 to 50.4 while production rose to 46.8 from 46.2. After the Hurricanes in October boosted the supplier deliveries index, that fell in November to 48.7 from 52.0, while inventories rose to 48.1 from 42.6. The components more related to Fed policy, prices and employment, both saw welcome prints with prices falling to 50.3 from 54.8, falling beneath the 52.8, a level that "over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials." Employment, meanwhile, rose to 48.1 from 44.4, but still beneath the 50.3 level, which "over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment". On the release, ING state that "Election clarity probably saw some delayed orders getting pushed through, but the potential for tariffs and the associated risk of supply chain disruption and reciprocal tariffs placed on US exports means further gains will be limited until we have clarity"

FIXED INCOME

T-NOTE (Z4) FUTURES SETTLED 2+ TICKS LOWER AT 111-03+

T-Notes were choppy on Monday in the wake of fresh Trump tariff threats, a "Goldilocks" ISM Manufacturing PMI, French political instability and dovish commentary from Fed's Waller. At settlement, 2s +0.0bps at 4.174%, 3s +0.7bps at 4.119%, 5s +0.3bps at 4.080%, 7s -0.2bps at 4.129%, 10s -0.8bps at 4.186%, 20s -1.2bps at 4.457%, 30s -1.6bps at 4.359%

INFLATION BREAKEVENS: 5yr BEI +0.3bps at 2.353%, 10yr BEI -0.8bps at 2.264%, 30yr BEI -1.3bps at 2.221%.

THE DAY: T-Notes were choppy on Monday in the wake of fresh Trump tariff threats, a "Goldilocks" ISM Manufacturing PMI, French political instability and commentary from Fed's Waller. Over the weekend, US President-elect Trump threatened 100% tariffs against the BRICS if they push to remove the USD as the world's reserve currency. T-Notes saw lows in the US morning of 110-22 before paring to highs of 111-09 with upside supported by the US ISM Manufacturing PMI, which beat on the headline while prices paid fell and employment rose, in what is being described as a "Goldilocks" report for the Fed. Fed's Waller spoke post-settlement but a slight dovish reaction was seen with the Governor stating he leans towards a rate cut in December but also kept options open noting he will let data decide the outcome which led to some marginal upside in T-Note futures but it failed to breach the earlier highs. Elsewhere, the focus was on political instability in France where a no-confidence vote has been filed against the French government after PM Barnier forced through the social security bill without the

backing of parliament.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 19bps (prev. 15bps), January 23bps (prev. 21bps), March 37bps (prev. 34bps).**
- US sells USD 82bln in 3mth bills at 4.400%, covered 2.89x; sells USD 73bln in 6mth bills at 4.305%, covered 3.02x
- NY Fed RRP op demand at USD 136bln (prev. 198bln) across 56 counterparties (prev. 67)
- SOFR at 4.59% (prev. 4.57%), volumes at USD 2.209tln (prev. 2.136tln).
- EFFF at 4.58% (prev. 4.58%), volumes at USD 95bln (prev. 103bln)

CRUDE

WTI (F5) SETTLED USD 0.10 HIGHER AT 68.10/BBL; BRENT (G5) SETTLED USD 0.01 LOWER AT 71.83/BBL

The crude complex was choppy but settled with marginal losses as the eventual Dollar strength outweighed strong Chinese data and geopolitical tensions. On the day, WTI and Brent saw strength overnight and through the European morning to hit highs of USD 69.11/bbl and 72.89/bbl, respectively, after Chinese Caixin Manufacturing PMI impressed coupled with the Lebanon ceasefire being breached by both sides but still holding in place, for now, as well as tensions flaring around Syria as opposition forces have taken control of much of Aleppo. The further tensions were exasperated in the US afternoon after Axios' Ravid noted US officials are concerned the ceasefire could unravel. Nonetheless, and as alluded to, the crude complex saw notable weakness thereafter on account of the broad Buck bid due to a trifecta of reasons, such as President-elect Trump's tariff threats, EUR weakness, and ISM Mfg. surpassing expectations. WTI and Brent settled just off lows of USD 67.71/bbl and 71.52/bbl, respectively, ahead of Chair Powell (Wed), OPEC (Thurs), and NFP (Fri) the key highlights this week.

EQUITIES

CLOSES: SPX +0.24% at 6,047, NDX +1.12% at 21,165, DJIA -0.29% at 44,782, RUT -0.02% at 2,434.

SECTORS: Communication Services +1.45%, Consumer Discretionary +1.06%, Technology +1.03%, Consumer Staples -0.10%, Health -0.13%, Materials -0.20%, Industrials -0.66%, Energy -0.85%, Financials -0.90%, Real Estate -1.44%, Utilities -2.08%.

EUROPEAN CLOSES: SMI +0.61% at 11,836, DAX +1.44% at 19,908, Euro Stoxx 50 +0.86% at 4,846, FTSE MIB +0.21% at 33,483, FTSE 100 +0.31% at 8,313, CAC 40 +0.02% at 7,237, AEX +0.67% at 888, IBEX 35 +0.81% at 11,735.

STOCK SPECIFICS:

- **Super Micro (SMCI):** Special committee finds no evidence of misconduct.
- **Nvidia's (NVDA)** Blackwell GB200 architecture is reportedly facing delays due to technical issues. Challenges reportedly include poor test yields for connectors and overheating in design, via Taiwanese press; production is being pushed into March 2025, affecting the global AI supply chain; Microsoft (MSFT) has reduced orders, and some have shifted to the GB300 model, which is expected next year.
- **Meta Platforms (META):** Plans to invest USD 10bln in building a 40,000+ km subsea fibre-optic cable, to support AI use and ensure network stability, TechCrunch reports.
- **Intel (INTC):** CEO Pat Gelsinger has retired, effective immediately.
- **Tesla (TSLA):** PT raised to USD 411 (prev. 287) at Stifel; has confidence in Tesla's auto business but the significant value creation potential from its AI-based full self-driving capabilities and Cybercab robotaxi underpin its positive outlook.
- **Joby Aviation (JOBY):** Announced its integration of electric flying taxis into the game 'Microsoft Flight Simulator 2024'.
- **MicroStrategy (MSTR):** Acquired 15,400 Bitcoins for about USD 1.5bln in cash.
- **Stellantis (STLA):** CEO resigned, effective immediately, following criticism over Cos. 2024 profit warning and challenges such as slow sales and inventory issues, particularly in North America.
- **NextEra Energy Partners (NEP):** Upgraded at Morgan Stanley.
- **Toast (TOST):** Downgraded at Goldman Sachs noting much of its positive outlook is reflected given the stock's rally YTD, seeing the risk/reward as more balanced. Taking into account the near-term fundamentals which are likely to be somewhat stable, the firm is moving to the sidelines.
- **Gap (GAP):** Upgraded at JPM citing a strong start to the holiday shopping season & multi-year growth outlook.

US FX WRAP

The Dollar saw notable gains and was buoyed by numerous factors as participants returned from the Thanksgiving weekend. Briefly recapping the bullish factors, was President-elect Trump's tariff threats, whereby he demanded that BRICS nations commit to not creating a new currency to challenge the US dollar or they will face 100% tariffs. Data wise it saw ISM Mfg. surpass expectations, while mechanically it was supported by the notable EUR weakness, more below. Regarding the Fed, Bostic (2024 voter) said he is not going into December meeting with a sense that the outcome is preordained and coming data will be important and keeping options open, and he has no decided on pace and extent of 2025 cuts. Waller said he leans towards supporting a rate cut in December, absent of any data shocks, which saw a little bit of Dollar pressure and money markets price in a greater chance of a 25bps cut in Dec. Next up, attention is on Williams after-hours. The major events scheduled this week is Chair Powell on Wednesday followed by NFP on Friday. For the record, DXY saw a high of 106.73 against an earlier low of 106.02.

The vast majority of G10 FX saw losses vs. the Greenback with the safe-haven **Yen**, flat, the clear outperformer. Fresh macro drivers for Japan were lacking over the weekend, although focus remains on an expected imminent rate hike by the BoJ with money markets currently pricing in a 58% of a 25bps hike in December. USD/JPY hit a high of 150.74 against a later low of 149.09.

CAD, NZD, AUD, GBP, CHF, and EUR all saw weakness to varying degrees, with performance in that order, with the last being the underperformer. EUR/USD hit a low of 1.0461 vs. a high of 1.0587, as the single-currency sank amid growing concerns about stagnant EZ growth and a possible government collapse in France – the far-right Marine Le Pen said her National Rally party would vote for all no-confidence votes after PM Barnier said he would try to ram a social security bill through parliament without a vote. Elsewhere, EZ manufacturing PMI's were disappointing across the board in addition to a slew of ECB speak, with the most notable comments from known hawk Kazaks who had a dovish tilt.

For the others, the broad Dollar strength largely weighed absent of anything currency specific, and that is particularly true for the Antipodes in wake of stellar Australian and Chinese data overnight. For the **Yuan**, Caixin Manufacturing PMI rose much more than expected, while PBOC Governor said China will continue to maintain a supportive monetary policy stance and direction next year, adding they will strengthen counter-cyclical adjustments.

EMFX was exclusively weaker, although the Rand saw strength in the European morning after South Africa responded to Donald Trump's remarks noting that BRICS have no plans to create a new currency. On data, Brazilian Manufacturing PMI for November fell, while Chilean economy activity for October also underwhelmed.

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