

Dollar sold, Stocks lower, and Treasuries flatten as pivotal payrolls awaits

- **SNAPSHOT:** Equities down, Treasuries flatten, Crude down, Dollar down
- **REAR VIEW:** US Initial Jobless Claims rise above forecasts, Continued Claims drop more than expected; OPEC+ voluntary cuts and collective cuts extended; Qatar resumes Hamas-Israel mediation; BoJ Nakamura not adverse to rate hike, casts doubt over wage growth sustainability; French PM resigns, President Macron looks to team with Socialist party; EU nations discuss EUR 500bn joint fund for common defence projects and arms procurement
- **COMING UP: Data:** German Industrial Output, Canadian jobs report, US jobs report & Uni. of Michigan prelim. **Speakers:** Fed's Bowman, Goolsbee, Hammack & Daly. **Supply:** Australia.

MARKET WRAP

Stocks were choppy, ultimately ending the session lower, with RUT (-1.3%) continuing its underperformance. The upside was seen in Consumer Discretionary, Energy, Utilities, Financials and Staples, while Materials, Healthcare, and Industrials saw losses. Crypto stocks (MSTR, COIN) benefitted at the open following BTC hitting the 100k milestone, peaking at 103k, although gains were erased as BTC pared the majority of the upside. Macro drivers for equities were thin, as reactions to the higher-than-expected initial claims (224k, exp. 215k), were contained to the Dollar, which extended its already existing weakness, weighed on by EUR and CHF strength. JPY was choppy to BoJ's Nakamura commentary, though, supported in the end as the board member is not against a rate hike, albeit, isn't confident about the sustainability of wage growth, thus hindering expectations of a rate hike in December. Choppiness was also seen in crude prices, eventually settling lower after the OPEC+ meeting. Summarising, the group delayed both sets of voluntary cuts and collective cuts, delivering more than was expected. The upside was perhaps mitigated due to the updates from the Middle East, where "Qatar resumes Hamas-Israel mediation in efforts to secure truce", via AFP. In France, PM Barnier submitted his resignation as expected, while President Macron looks to join forces with the Socialist Party. With Fed speakers continuing to keep the doors open on the December meeting, Friday's NFP report is to be a decisive measure in the Fed's December rate decision, where expectations lean towards a 25bps rate cut.

US

INITIAL JOBLESS CLAIMS: Initial Jobless Claims rose to 224k from 215k (revised up from 213k), above the 215k forecast. The 4wk average rose to 218.25k from 217.5k. The unadjusted data saw claims at 210k, -35k from the prior week, while seasonal factors expected a 43k decrease. Within the unadjusted data, the states that saw the largest increase in claims were Wisconsin (+1,855) and North Dakota (+1,086), while the largest decreases were in California (-9,777) and Texas (-6,383). The continued claims, for the preceding week, fell to 1.871mln from 1.896mln (revised down from 1.896mln), falling beneath the expected 1.905mln. Overall, on the initial claims data, Oxford Economics highlights that it remains at a level consistent with a relatively limited pace of layoffs, but notes that mentions of layoffs in the claims data have picked up in recent weeks, particularly in the manufacturing sector. Meanwhile, the desk highlights continued claims fell to the lowest level since mid-October, and suggest the rise of claims in Washington is puzzling given the Boeing strikes have ended and layoffs don't begin until January.

NFP PREVIEW: Headline NFP is expected to show 200k jobs were added in November, up from the 12k reported in October. However, the prior headline was distorted due to the impacts of Hurricanes and strikes at Boeing. These lost jobs in October will be readjusted in the November report, and ING estimates this base figure to be around 109k. Analyst expectations range from 155-275k. The Unemployment Rate is expected to tick up to 4.2% from 4.1%, but beneath the September Fed median dot plot view of 4.4% (note, the unemployment rate was not distorted by weather or strikes, as it is part of the household survey), with forecasts ranging between 4.0-4.3%. Wages are expected to rise by 0.3%, cooling from the prior 0.4% pace while the Y/Y is expected to ease to 3.9% growth from 4.0%. However, the latest Fed minutes showed that some participants highlighted that wage increases were unlikely to be a source of inflationary pressure in the near future. The data will be used to help shape expectations for the December FOMC meeting, where the vast majority of analysts expect a 25bps rate cut, while money market pricing is assigning a c. 73% probability of such an outcome. The clearest signal we have had was from Fed Governor Waller, who said that he favours leaning towards a 25bps rate cut in December, although if the upcoming data between now and the meeting affects his forecasts for inflation, his assessment may change. Many others on the Fed have stressed they are keeping options open and will make decisions based on the totality of data. After the NFP report, next week sees the release of the CPI and PPI reports ahead of the December 18th FOMC. [To see the full preview, please click here.](#)

FIXED INCOME**T-NOTE (H5) FUTURES SETTLED 1+ TICKS LOWER AT 111-06+**

Treasuries bear steepened on Thursday, and hit highs into settlement, as focus turns to Friday's payrolls report. At settlement, 2s +2.9bps at 4.150%, 3s +2.1bps at 4.104%, 5s +1.5bps at 4.079%, 7s +0.8bps at 4.130%, 10s +0.2bps at 4.184%, 20s -0.7bps at 4.435%, 30s -1.2bps at 4.337%.

INFLATION BREAKEVENS: 5yr BEI -1.5bps at 2.369%, 10yr BEI -1.6bps at 2.271%, 30yr BEI -1.7bps at 2.220%.

THE DAY: T-Notes bear steepened, paring some of the move on Wednesday after the soft ISM report. The highlight on Thursday was the jobless claims number which came in slightly above expectations but this was offset by continued claims falling beneath the consensus. The focus turns to Friday's NFP for a clearer update on the state of the US labour market before the CPI and PPI reports due next week ahead of the 18th December FOMC while Treasury traders will also be cognizant of the 3, 10 and 30yr supply (more below). Elsewhere, US trade data saw a narrower deficit than forecast with the prior deficit also revised down, which led to a revision lower in the Q4 Atlanta Fed GDP Now estimate. Money market pricing was little changed on Thursday with the dovish shift seen earlier in the week after Governor Waller tipped his hat towards a 25bps cut in December with support on this seen after the soft ISM Services PMI. Money markets currently assign a 73% probability of a 25bps rate cut ahead of NFP, which has the potential to shift the tone as the Fed enters the blackout period at the end of this week.

NEXT WEEK SUPPLY: US Treasury to sell USD 58bln in 3yr notes on Dec 10th, USD 39bln of 10yr notes on Dec 11th and USD 22bln in

30yr bonds; all to settle Dec 16th (sizes as expected).

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: December 18bps (prev. 19bps), January 25bps (prev. 25bps), March 41bps (prev. 42bps).**
- US sold USD 85bln of 4-wk bills at 4.400%, covered 2.74x; sold USD 80bln of 8-wk bills at 4.350%, covered 3.50x.
- NY Fed RRP op demand at USD 132bln (prev. 163bln) across 53 counterparties (prev. 65).
- SOFR at 4.59% (prev. 4.64%), volumes at USD 2.265tln (prev. 3.239tln).
- EFFR at 4.58% (prev. 4.58%), volumes at USD 99bln (prev. 94bln).

CRUDE

WTI (F5) SETTLED USD 0.24 LOWER AT USD 68.30/BBL; BRENT (G5) SETTLED USD 0.22 LOWER AT 72.09/BBL

The crude complex was choppy amid the deluge of OPEC+ updates, with benchmarks settling more-or-less flat ahead of US payrolls on Friday. OPEC+ meeting was the key energy highlight on Thursday, whereby the group ultimately delivered more than what was expected leaving benchmarks net bullish at the conclusion of the confab. Recapping, OPEC+ delayed the return of barrels, with OPEC+ voluntary amount of 2.2mln BPD to be returned over 18 months from April 2025 till September 2026 (vs prev. 12 months from January 2025; vs exp. 12 months from April 2025). In addition, OPEC+ voluntary amount of 1.66mln BPD will be extended till the end of 2026 (vs initial end-2025) and the collective group cut of 2mln BPD to be extended by 1 year till the end of 2026 (vs initial end-2025). On the other side, an extension of the upside could have been limited by Middle East headlines which, according to AFP, suggested "Qatar resumes Hamas-Israel mediation in efforts to secure truce: source with knowledge of Gaza talks". Lastly, and one to be aware of, in recent trade US National Tsunami Center said a Tsunami warning was issued after 7.5 magnitude earthquake struck California. For the record, WTI and Brent hit lows of USD 67.98/bbl and 71.80/bbl, respectively, and later highs of 69.16 and 72.92.

EQUITIES

CLOSES: SPX -0.19% at 6,075, NDX -0.31% at 21,425, DJIA -0.55% at 44,766, RUT -1.25% at 2,396

SECTORS: Materials -1.4%, Industrials -1.21%, Health -1.13%, Communication Services -0.51%, Real Estate -0.28%, Technology -0.18%, Financials +0.22%, Utilities +0.25%, Energy +0.34%, Consumer Staples +0.39%, Consumer Discretionary +0.95%.

EUROPEAN CLOSES: DAX: +0.67% at 20,367, FTSE 100: +0.16% at 8,349, CAC 40: +0.37% at 7,331, Euro Stoxx 50: +0.63% at 4,950, AEX: +0.31% at 894, IBEX 35: +1.57% at 12,119, FTSE MIB: +1.59% at 34,626, SMI: +0.01% at 11,781, PSI: +0.57% at 6,412.

EARNINGS

- **Dollar General (DG):** Revenue beat.
- **Kroger (KR):** Profit and revenue fell short, guidance disappointed.
- **Synopsys (SNPS):** Next quarter guidance underwhelmed.
- **PVH Corp (PVH):** Issued poor next quarter profit guidance and narrowed FY view.
- **AeroVironment (AVAV):** Bottom line missed.
- **SentinelOne (S):** Unexpectedly reported a loss in Q3
- **Signet (SIG):** EPS, revenue and FY guidance missed.

STOCK SPECIFICS

- **Fiserv (FI):** President-elect Donald Trump nominated Fiserv CEO Frank Bisignano to lead the Social Security Administration.
- **Southwest Airlines (LUV):** Expects Q4 unit revenues up 5.5-7.0%. To launch a USD 750mln accelerated share repurchase programme in Q1 25.
- **Air Products and Chemicals (APD):** Activist investor Mantle Ridge, has withdrawn its proposal to overhaul the company's board and will now nominate only four candidates (prev. 9) for election.
- **American Airlines (AAL):** Upgraded Q4 adj. EPS.
- **HP Enterprise (HPE):** Upgraded at Morgan Stanley; sees an attractive value proposition of the **Juniper Networks (JNPR)** in the near term, noting JNPR is coming out of inventory digestion and recognising new cloud customers.
- **Tesla (TSLA)** PT raised to USD 400 (prev. 300) at BofA.
- **Ford (F):** Downgraded at Wolfe Research; cites cyclical challenges around potential price deflation and the non-repeat of inventory restocking exacerbated by Ford's inventory build in Q4, expecting 2025 guidance to "disappoint".
- **LendingTree (TREE):** Culper Research publishes a short report on TREE.
- **Tractor Supply (TSCO):** Announced 5-for-1 stock split; to open 90 new stores in 2025 and raises new store target to 3.2k.

US FX WRAP

Dollar weakness lingered into the European session as Wednesday's soft-ISM Services continued to weigh. Thereafter, losses extended versus all G10 peers on initial claims rising above expectations to 224k (exp. 215k, prev. 215k), albeit continued claims fell to 1.781mln (exp. 1.905mln, prev. 1.896mln). The big focus ahead is NFP, expected at +200k (prev. 12k), which alongside CPI next week could sway the Fed's upcoming December decision. Currently, Fed pricing leans towards a ~73% chance of a 25bps rate cut, with Waller's recent remarks (leans towards a cut) serving as the major guide for the upcoming announcement, as others keep options open. Also on Friday Prelim UoM (Dec) is due, and the headline is expected to rise to 73 from 71.8, alongside US Consumer Credit (Oct, exp. 10.0bln). Scheduled Fed speakers include Bowman, Goolsbee, Hammack, and Daly.

G10 FX was entirely in the green versus the greenback on the day, which had few tier 1 releases. Outperformance was led by the EUR, and CHF, while the CAD and NOK lagged with lesser gains. For the Euro, gains were helped by the soft US data. Bloomberg updates from France, unveiled French President Macron is looking to join forces with the Socialist Party, "A strategy that would split a large left-wing coalition in the National Assembly and potentially return enough power to centrists to be able to break the country's political gridlock." Later in the day, PM Barnier resigned as expected. On data, EZ Retail Sales beat Y/Y, rising 1.9% (exp. 1.7%), while the M/M fell by 0.5% (exp. -0.3%). The latest Reuters ECB Poll revealed 73/75 economists see the ECB cutting the deposit rate by 25bps to 3.0% next Thursday, whereas 2/75 forecast a 50bps rate cut. On Friday, EZ Final Employment and Revised Q3 GDP figures are expected to remain unchanged from the prior.

Regarding the **CHF**, Swiss Unemployment Adj. (Nov) was unexpectedly unchanged at 2.6% (exp. 2.7%), albeit, the Swissy's reaction was muted. However, the Yen was more sensitive to newsflow, initially weakening on remarks from BoJ's Nakamura, who voiced a lack of

confidence in the sustainability of wage growth and they must cautiously adjust the degree of monetary support in accordance with improvement in the economy, in turn, potentially throwing some cold water over the market's expectations over a hike at the December meeting. That said, strength resumed for the Yen once the Board Member said he's not against a rate hike, but believes he should be data-dependent; USD/JPY hovers around 150.00.

USD/CAD failed to break below 1.40, bottoming at 1.4011, with the round 1.40 and the 21 DMA (1.3998) the key level to the downside. Going forward, CAD is one to watch, ahead of Employment data on Friday, whereby Employment Change is expected at +25k in November (prev. 14.5k) and the Unemployment Rate is seen ticking higher to 6.6% from 6.5%. As it stands, money markets favour a consecutive 50bps rate cut at the BoC's meeting next Wednesday; ~57% of a 50bps cut vs. the 43% for a 25bps cut.

EMFX: PLN strength continued, particularly against the dollar on the latter's weakness. Further remarks were seen from the NBP, specifically, Governor Glapinski who said possible rate cuts would not be big, where a discussion on cuts could start in October 2025, perhaps due to his belief that CPI could return to target only in late 2026. In LatAm, Brazil's President said the economy is set to grow 3.5% this year and may even reach 4.0%. USD/INR was unchanged ahead of the RBI's Rate decision on Friday, where expectations are for a hold. [To see a full RBI preview, please click here.](#)

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