

Tech bid on AVGO earnings while bonds slide ahead of key risk week

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar flat
- **REAR VIEW:** Stellar AVGO earnings; US to restrict sale of AI chips to limit China access; Trump weighs options to stop Iran nukes; Dudley expects median neutral rate estimate to be revised up; More BoJ reports suggest skip in Dec; Soft UK GDP; France names new PM.
- **WEEK AHEAD:** Highlights include FOMC, BoJ, BoE, PBoC LPR, PMI data, US PCE and Retail Sales. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** **Previewing** FOMC, BoJ, BoE, Norges, Riksbank, PBoC LPR; **Reviewing** ECB, SNB, BoC, RBA, BCB. [To download the report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** [WED] MU; [THURS] ACN, CTAS, PAYX, FDX, NKE; [FRI] CCL. [To download the report, please click here.](#)

MARKET WRAP

Stocks were mixed on Friday with notable outperformance in the Nasdaq as tech was supported by a strong earnings report from Broadcom (AVGO), seeing the stock rally 24% and supporting the sector. Consumer Discretionary also performed well thanks to upside in Tesla (TSLA) shares while other sectors were flat or red, with underperformance in Communication Services, Materials and Energy with downside in Meta (META) and Google (GOOGL) weighing on comms. T-notes were sold throughout the session to see 10yr yield reclaim 4.40% for the first time since November 22nd, the Friday before Trump named Bessent as upcoming Treasury Secretary. In FX, the Dollar was flat with DXY trading on either side of 107 while EUR/USD traded either side of 1.0500 and outperformed FX majors. The Yen was the laggard on more reports the BoJ are set to skip a hike next week while higher UST yields also weighed. GBP was sold, particularly vs the Euro, after soft GDP numbers. Crude prices were bid throughout the session supported by geopolitical tensions in Russia and Ukraine while President-elect Trump is also considering options to prevent Iran from being able to build a nuclear weapon, including preventative airstrikes. Gold and silver prices were sold throughout the session. Attention next week turns to a plethora of central bank activity, including Fed, BoJ, and BoE, while US data highlights include US PCE and Retail Sales.

US

IMPORT/EXPORT PRICES: US import prices and export prices for November surpassed expectations, with the former surprisingly rising 0.1% (exp. -0.2%, prev. 0.1%) and the latter coming in at 0.0% (exp. -0.2%, prev. 1.0%). For import prices, a larger than forecasted rise in fuel prices (+1%) drove the gain which in itself was driven by higher natgas prices, which were +47.4% M/M. Although, and as Oxford Economics notes, crucially fuel import prices have fallen 8.5% Y/Y, and recent declines in crude oil prices mean that the rise in fuel import prices this month should be partially reversed in December. Moreover and welcomingly, nonfuel import prices were unchanged in November, and remain supportive of slow goods inflation. Looking ahead, OxEco adds, a stronger US dollar in reaction to President Trump's election victory will weigh on import prices while ongoing deflation at factory gates in China bodes well for nonfuel prices.

FIXED INCOME**T-NOTE (H5) FUTURES SETTLE 16 TICKS LOWER AT 109-28**

T-notes bear-steepen as attention turns to Fed, PCE and Retail Sales next week . At settlement, 2s +5.9bps at 4.245%, 3s +6.8bps at 4.223%, 5s +7.9bps at 4.255%, 7s +8.5bps at 4.331%, 10s +8.1bps at 4.405%, 20s +7.6bps at 4.697%, 30s +7.2bps at 4.620%

INFLATION BREAKEVENS: 5yr BEI +1.7bps at 2.423%, 10yr BEI +1.9bps at 2.344%, 30yr BEI +1.9bps at 2.304%.

THE DAY: T-notes saw continued pressure on Friday, adding to the weakness seen throughout the week with attention turning to the Federal Reserve rate decision and Summary of Economic projections next week. T-notes hit a low of 109-26 with the 10yr yield peaking at 4.40% with yields back at levels seen on the 22nd of November, before US President-elect Trump named Bessent as US Treasury Secretary. The curve was steeper by settlement with the steepening seen in the wake of a chunky ZF/ZB (5yr/30yr) steepener which helped extend the move higher in US yields. The only US data release was the US Import/Export prices. Import prices rose 0.1% M/M vs -0.2% exp., while the prior was revised down to 0.1% from 0.3%. Export prices were unchanged M/M but still above the -0.2% forecast. Aside from the Fed, next week sees the release of the November PCE and Retail Sales while other global central bank activity sees rate decisions from BoJ and BoE. On the Fed, we will see the updated Summary of Economic Projections and Former NY Fed Dudley expects to see a revision higher to the median neutral rate estimate. Meanwhile, on the BoJ, there have been several reports suggesting the BoJ are set to skip a hike next week. The latest Reuters analyst poll sees 58% of those surveyed expect rates to be left unchanged, vs 44% in the November poll, but the rest see a hike.

NEXT WEEK SUPPLY:

- US to sell USD 13bln of reopened 20yr bond on December 17th and USD 22bln of reopened 5yr TIPS on Dec. 19th; all to settle on December 31st.
- US to sell USD 81bln of 13-wk bills and USD 72bln of 26-wk bills on December 16th, and USD 65bln of 42-day CMBs on Dec, 17th; all to settle December 19th.

STIRS:

- **Market Implied Fed Rate Cut Pricing: December 24bps (prev. 24bps), January 28bps (prev. 30bps), March 42bps (prev. 44bps).**
- NY Fed RRP op demand at USD 136bln (prev. 165bln) across 44 counterparties (prev. 49)
- SOFR at 4.62% (prev. 4.62%), volumes at USD 2.262tln (prev. 2.287tln).
- EFFR at 4.58% (prev. 4.58%), volumes at USD 111bln (prev. 106bln).

CRUDE

WTI (F5) SETTLES USD 1.27 HIGHER AT 71.29/BBL; BRENT (G5) SETTLES USD 1.08 HIGHER AT 74.49/BBL

The crude complex ended the day, and week, in firmer territory as it gained throughout the US session on geopolitics as participants await a deluge of risk events. Geopolitics was in focus as Ukraine's Energy Minister stated Russia undertook a large-scale attack on its energy facilities. However, in the Middle East, US Secretary of State Blinken stated that in the last few weeks he has seen encouraging signs that a Gaza ceasefire is possible. Israel Channel 12 also reported that Israel estimates indicate that a deal with Hamas can be reached within a month. Separately from the US, WSJ reported that the US President-elect Trump is said to be weighing options for stopping Iran from being able to build a nuclear weapon, including the possibility of preventive airstrikes. Lastly, in the weekly Baker Hughes data, oil was unchanged at 482, nat gas rose 1 to 103, leaving the total unchanged at 589. For the record, WTI and Brent saw earlier troughs of USD 69.87/bbl and 73.30/bbl in the EZ morning, before rebounding to later highs of USD 71.38/bbl and 74.56/bbl, respectively.

EQUITIES

- **CLOSES:** SPX unch. at 6,051, NDX +0.76% at 21,780, DJI -0.20% at 43,828, RUT -0.60% at 2,347.
- **SECTORS:** Technology +0.54%, Consumer Discretionary +0.42%, Utilities +0.07%, Health UNCH, Consumer Staples -0.20%, Industrials -0.27%, Financials -0.28%, Real Estate -0.58%, Energy -0.63%, Materials -0.79%, Communication Services -1.12%
- **EUROPEAN CLOSES:** FTSE 100 -0.14% at 8,300, CAC 40 -0.15% at 7,410, IBEX 35 -0.11% at 11,752, PSI -0.11% at 6,354, FTSE MIB +0.09% at 34,889, SMI -0.29% at 11,682, Euro Stoxx 50 +0.04% at 4,967, DAX -0.17% at 20,392

STOCK SPECIFICS:

- **Chips:** The US is preparing rules that would restrict the sale of advanced artificial-intelligence chips in certain parts of the world in an attempt to limit China's ability to access them, according to WSJ citing sources. Reuters sources also reported that the US is to empower companies like **Microsoft (MSFT)** and **Google (GOOGL)** to act as gatekeepers worldwide for highly sought-after access to AI chips.
- **Broadcom (AVGO):** Profit beat, raised quarterly dividend 11%, and also upbeat commentary on AI opportunities ahead
- **Costco (COST):** EPS and revenue topped expectations, as did US comp. sales with figures supported by healthy consumer spending.
- **Tesla (TSLA):** Trump transition team recommends repeal of autonomous car-crash reporting requirement, which was opposed by Tesla, according to Reuters.
- **RH (RH):** Raised Q4 and FY25 revenue growth view amid upbeat commentary.
- **PayPal (PYPL):** Upgraded at Wolfe; sees upside potential to St, estimates along with investors gaining incremental conviction in Cos. medium-term growth acceleration.
- **T-Mobile (TMUS):** Authorised a USD 14bln shareholder return programme; plans USD 80bln in investments and capital returns through 2027.
- **Norwegian Cruise Line (NCLH):** Upgraded at Barclays.
- **Penn (PENN):** Upgraded at JPM to 'Overweight' as it sees a path to aggregate growth ahead as Cos. capital projects begin to bear fruit.
- **Affirm (AFRM) and Sixth Street (TSLX)** announce long term capital partnership to invest up to USD 4bln in Affirm loans.
- **Post Holdings (POST)** reportedly working with bankers to explore a combination with **Lamb Weston (LW)**, according to Reuters citing sources

US FX WRAP

The **Dollar** was little changed on Friday with DXY trading either side of 107.00 in a 106.72-107.18 range despite the continued move higher in yields this week. The data highlight on Friday was US Import/Export prices, which were slightly hotter than forecast but ultimately little changed on the month and has little implications for PCE data due 20th Dec., with analysts revising down expectations post PPI on Thursday. Next week attention lies on the FOMC rate decision, US Retail Sales and PCE data.

The **Euro** outperformed on Friday, with EUR/USD rising to a peak of 1.0524 from a low of 1.0454 with attention turning to EZ PMI data next week. There were several ECB speakers on Friday, Villeroy said that more rate cuts are to come, while Kazaks said the direction of rates is clearly down, and the neutral rate is closer to 2% than 3%, noting a significant reduction in rates is still necessary. Escriva said it is logical to have further cuts in coming meetings, while Holzmann said Thursday's decision was good. Vasle stressed a meeting by meeting, data dependent approach, and Centeno said that gradualism is the most important word.

The **Pound** was an underperformer after soft GDP data saw cable test 1.2600 to the downside in later trade but it failed to breach the psychological level. EUR/GBP ground higher throughout the session in wake of the soft growth data to peak at 0.8319. Pound traders' attention turn to UK jobs and inflation data next week ahead of the BoE on Thursday.

The **Yen** was the clear laggard in a higher UST yield environment while several reports suggest the BoJ is set to skip a rate hike at the meeting next week. Meanwhile, the latest Tankan data saw corporate price expectations unchanged, while the rest of the report showed higher-than-expected optimism among large Japanese manufacturers.

The **Franc** was marginally softer vs. the Dollar and down against the Euro with EUR/CHF hitting a peak of 0.9386 testing the 0.9393 high seen on 15th November, ahead of the psychological 0.9400 (11th Nov high). CHF selling accelerated after the 50bps SNB cut vs. the 25bps ECB cut on Thursday.

Gold prices were sold on Friday, also likely influenced by higher yields while the precious metal failed to benefit as US stocks fell from highs shortly after the cash equity open. There wasn't a fundamental reason for the move lower in the precious metal, but it continues on the downside seen on Thursday after recent outperformance supported by easier policy in China and the resumption of China purchase of gold. As such, it may be some profit-taking or perhaps positioning ahead of key risk events next week.

The **Yuan** was little changed but there were several updates of note. On trade relations, the US is to lift tariffs on Chinese polysilicon, wafers and Tungsten from January 1st. Meanwhile, Trump Trade Advisor Navarro warned against currency manipulation after Reuters sources suggested China is mulling a weaker CNY. However, PBoC official Zou Lan said the PBoC will deepen FX market reform next year and will keep the Yuan basically stable.

Antipodes were softer with both Aussie and Kiwi finding pressure as US equity futures fell from highs while the Dollar caught a bid in a haven move. Aussie tested 0.6350 at the lows while NZDUSD tested 0.5750 before hovering just above those levels to close the week.

EMFX was mixed. In LatAm, MXN and COP performed well as crude prices were bid while BRL saw further selling pressure despite the BCB's best efforts (100bps rate hike and USD 4bln spot dollar auction) earlier in the week. USD/BRL peaked at 6.0773 before the BCB announced another spot dollar auction, taking the pair to 6.0000 before paring to c. 6.03. ZAR was sold vs the Dollar as gold prices took a hit while CLP was sold as copper prices were also sold.

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