

Stocks catch a bid led by Nasdaq on heavyweight outperformance

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar flat.
- **REAR VIEW:** Strong US S&P Global Services PMI, although Mfg. missed; Softer-than-expected NY Fed Manufacturing print; UK Services PMI impresses; Mixed China activity data; SMCI considers capital raise, is to be removed from NDX; CPRI exploring sale of Jimmy Choo and Versace; HON exploring strategic options.
- **COMING UP: Data:** UK Jobs, German Ifo, German ZEW Survey, US Retail Sales, Canadian Inflation, US Industrial Production, Japanese Trade Balance **Events:** NBH Policy Announcement **Speakers:** ECB's Elderson **Supply:** Japan, UK, US.
- **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 bid throughout the session with notable outperformance in the Nasdaq amid further upside in Broadcom (AVGO) and Micron (MU) supporting the move. Consumer Discretionary, Communications and Tech outperformed thanks to the upside in the heavyweights. On the flipside, Energy, Health Care and Materials underperformed. T-Notes were ultimately flat with morning upside pared after data. The peaks were seen in the wake of the NY Fed Manufacturing survey disappointing expectations but selling pressure was seen in the wake of the PMI data, which saw the manufacturing miss and services beat, resulting in upside to the composite metric. T-Notes then went on to hit session lows before paring to flat into settlement. FX price action was mixed with the Dollar flat while JPY lagged and GBP outperformed after the UK PMI data and as attention now turns to the Fed, BoJ and BoE rate decisions later in the week. Crude prices ultimately settled lower in choppy trade with a focus around geopolitics, economic data and refinery updates. Aside from the aforementioned central bank activity, this week also sees US retail sales on Tuesday and US PCE on Friday.

US

NY FED MANUFACTURING: The headline general business conditions for December notably fell to 0.2 from 31.2, well beneath the expected 10.0. Looking at the internals, new orders and shipments slumped to 6.1 (prev. 28.0) and 9.4 (prev. 32.5), respectively. Delivery times fell into negative territory, printing -7.4 from 3.1, while prices paid and received encouragingly declined to 21.1 (prev. 27.8) and 4.2 (prev. 12.4). Employment fell to -5.8 from +0.9. Looking ahead, six-month business conditions printed +24.6 from +33.2 in November. New orders fell, while shipments and unfilled orders rose, with the inflationary gauges of prices paid/received also dipping in the forward-looking gauges. Overall, Economic Research advisor at the New York Fed Richard Deltz said "On the heels of a strong November, manufacturing activity held steady in New York State in December. The pace of price increases moderated, and employment declined modestly. Firms were fairly optimistic about future conditions."

S&P GLOBAL PMI: The Flash December S&P Global PMI data improved from November, but the breakdown was mixed. The Composite rose to 56.6 from 54.9, but the manufacturing component slipped to 48.3, beneath the 49.8 consensus and all analyst forecasts (lowest forecast was for 49.0). However, the Services component rose to 58.5 from 56.1, above the 55.7 consensus and above the most optimistic forecast of 56.3. On services, the report highlighted "Business is booming in the US services economy, where output is growing at the sharpest rate since the reopening of the economy from COVID lockdowns in 2021". The report added that the service sector expansion is helping drive overall growth in the economy to its fastest level for nearly three years, consistent with GDP rising at an annualized rate of just over 3% in December. However, it is a differing picture in manufacturing, where output fell sharply and at an increased rate, in part due to weak export demand. However, looking ahead, the 12mth outlook hit a 2.5 year high, which suggests the robust economic upturn will persist into the new year and could also become more broad-based by sector. Nonetheless, there are concerns surrounding potential tariffs and the potential impact on inflation from higher cost of imported materials. On prices, inflationary pressures cooled further at the headline level in December, albeit with a jump in input cost inflation in manufacturing. "Average prices charged for goods and services rose only very modestly, increasing at the slowest rate since prices began rising in June 2020". Meanwhile on employment it said the improved outlook helped drive a return to hiring with employment edging up in December for the first time in five months. The increase in both the manufacturing and services sector employment was modest however, "reflecting ongoing caution with respect to payroll numbers as many firms sought to keep costs as low as possible, while other firms often reported difficulties finding or replacing staff."

FIXED INCOME

T-NOTE (H5) FUTURES SETTLED HALF A TICK LOWER AT 109-27+

T-Notes ultimately little changed ahead of key risk events although Treasuries fell from highs after the strong S&P Global Services PMI beat. At settlement, 2s +0.6bps at 4.247%, 3s +0.6bps at 4.223%, 5s +0.4bps at 4.252%, 7s +0.2bps at 4.326%, 10s +0.0bps at 4.399%, 20s -0.8bps at 4.682%, 30s -0.5bps at 4.609%.

INFLATION BREAKEVENS: 5yr BEI -2.0bps at 2.404%, 10yr BEI -1.5bps at 2.329%, 30yr BEI -0.8bps at 2.298%.

THE DAY: T-Notes largely meandered overnight before catching a bid in the morning to a peak of 110-03+ in the wake of a softer-than-expected NY Fed manufacturing print. Nonetheless, the upside was minimal and short-lived as selling pressures were observed in the wake of the strong services PMI data. The Flash December S&P Global PMI for the services rose above all analyst forecasts, while the manufacturing PMI fell beneath all analyst forecasts - albeit the strong gain in services was enough to lift the composite to 56.6 from 54.9. There was a knee-jerk reaction lower on the release but once the data was digested T-Notes continued to push to fresh lows with futures hitting a bottom of 109-24+ before paring marginally into settlement in quiet trade. Attention largely turns to US Retail Sales on Tuesday, FOMC on Wednesday, and PCE on Friday.

THIS WEEK SUPPLY: US to sell USD 13bln of reopened 20yr bond on December 17th and USD 22bln of reopened 5yr TIPS on Dec. 19th; al to settle on December 31st. US to sell USD 65bln of 42-day CMBs on Dec. 17th; to settle December 19th.

STIRS:

- Market Implied Fed Rate Cut Pricing: December 24bps (prev. 24bps), January 28bps (prev. 28bps), March 42bps (prev. 42bps).
- NY Fed RRP Op demand at USD 111bln (prev. 136bln), across 47 counterparties (prev. 44)
- SOFR at 4.60% (prev. 4.62%), volumes at USD 2.255tln (prev. 2.262tln).
- EFFF at 4.58% (prev. 4.58%), volumes at USD 102bln (prev. 111bln).
- US sells USD 81bln of 3-mth bills at 4.250%, covered 2.62x; sells USD 72bln of 6-mth bills at 4.160%, covered 3.29x.

CRUDE

WTI (G5) SETTLED USD 0.53 LOWER AT 70.29/BBL; BRENT (G5) SETTLED USD 0.58 LOWER AT 73.91/BBL

The crude complex saw slight losses to begin the week in choppy price action as key risk events await. Benchmarks were choppy throughout the session, with WTI and Brent trading between USD 69.98-71.00/bbl and 73.70-74.60/bbl, respectively. Nonetheless, highlights came from China data/commentary, PMI data, geopolitical headlines, and refinery updates. On the latter, the crude unit at BP (BP/ LN) Rotterdam oil refinery (400k BPD) remains offline following an unplanned outage on Dec. 10th, and is expected to restart by Dec. 17th. On geopolitics, Russian President Putin "is concerned about US development and deployment of short and medium-range missiles", while US President-elect Trump later said they have had some progress in stopping the war in Ukraine. On the Middle East, Trump reiterated his messaging that it will not be pleasant if Hamas hostages are not released before he takes office. In addition, a senior Israeli official tells Axios there are still gaps in the negotiations over the Gaza hostage and ceasefire deal "but they are all bridgeable". Data was mixed, out of China industrial output beat expectations but urban investment and retail sales missed, particularly the latter. Meanwhile, Eurozone PMI metrics were more mixed but overall EU composite numbers beat while the UK PMI was unchanged for the composite, with US PMIs rising, as a manufacturing miss was more than offset by the services beat.

EQUITIES

CLOSES: SPX +0.38% at 6,074, NDX +1.45% at 22,097, DJI -0.25% at 43,717, RUT +0.64% at 2,362.

SECTORS: Consumer Discretionary +1.74%, Communication Services +1.29%, Technology +1.01%, Industrials +0.08%, Financials -0.04%, Consumer Staples -0.36%, Real Estate -0.60%, Utilities -0.83%, Materials -0.98%, Health -1.25%, Energy -2.19%.

EUROPEAN CLOSES: DAX -0.45% at 20,314, FTSE 100 -0.46% at 8,262, CAC 40 -0.71% at 7,357, Euro Stoxx 50 -0.46% at 4,945, AEX -0.23% at 891, IBEX 35 +0.23% at 11,779, FTSE MIB -0.43% at 34,740, SMI -0.05% at 11,689.

STOCK SPECIFICS:

- **Super Micro Computer (SMCI):** Enlisted Evercore (EVR) to assist in raising capital and is considering both equity and debt options to strengthen its finances, Bloomberg reports.
- **Axon (AXON), MicroStrategy (MSTR), and Palantir (PLTR)** will join the Nasdaq 100 Index on December 23rd, replacing **Super MicroComputer (SMCI), Moderna (MRNA), and Illumina (ILMN).**
- **Capri Holdings (CPRI):** Exploring the sale of its Versace and Jimmy Choo units, working with Barclays to find potential buyers, WWD reports. The brands may be sold separately or together. This move aligns with Capri's focus on revitalising Michael Kors, amid challenges such as declining luxury demand and a slowdown in China.
- **Honeywell (HON):** Exploring strategic alternatives, including separation of aerospace businesses; will spin-off materials business and divest personal protective equipment business. Elliott welcomes the decision.
- **Apple (AAPL):** Plans to launch thinner iPhones with simplified cameras next year to address stagnating sales, WSJ reports. The new design will feature a profile under 8mm, be more affordable than Pro models, and aim to boost growth through substantial updates.
- **Alibaba (BABA):** Said to be near a USD 1bln in time sale for Youngor Fashion, via Bloomberg; deal could be announced as soon as the coming days.
- **Steel Dynamics (STLD):** Sees Q4 EPS between USD 1.26-1.30 (exp. 1.58); profitability meaningfully lower Q/Q and says underlying steel demand remains seasonally steady for the primary-steel consumer sectors.
- **Catalent (CTLT), Novo Nordisk (NVO):** Novo Nordisk announced regulatory approval for Novo Holdings' acquisition of Catalent and its purchase of three Catalent manufacturing sites. The USD 11.7bln acquisition will slightly reduce its 2025 operating profit growth and free cash flow but won't affect its 2024 share buyback programme.
- **Boston Scientific (BSX):** FDA said that Boston Scientific pacemakers may need early replacement.
- US President-elect Trump says he recently met with **Pfizer (PFE) and Eli Lilly (LLY)** heads; is a big believer of the polio vaccine but does not like mandates for vaccines. Also of note for **ELV, UNH, CVS.**
- **Meta (META)/Snap (SNAP):** US President-elect Trump said he has a soft spot for TikTok, while TikTok and Bytedance asked the US Supreme Court to temporarily block the law that would force the sale or ban of the TikTok app.
- **EVs (GM, F, TSLA):** President-elect Trump's transition team is recommending sweeping changes to cut off support for EV and charging stations to strengthen measures blocking cars, components and battery materials from China, via Reuters citing sources. The team also recommends imposing tariffs on all battery materials globally, in a bid to boost US production and then negotiate exemptions with allies.
- **Nvidia (NVDA):** TF Intl. Securities analyst noted that multi-process service order trends may be better than feared.

US FX WRAP

The Dollar was flat on Monday and within very contained ranges in thin newsflow as market participants await the pivotal FOMC on Wednesday and the accompanying SEPs and Chair Powell presser. Despite saying this, NY Fed Manufacturing report disappointed, as did current business conditions within the release, although the inflationary prices metrics encouragingly declined. US S&P Global Flash PMIs were mixed, with Mfg. beneath all analyst expectations and Services above all expectations, seeing the Composite rise to 56.6 from 54.9. US retail sales is the highlight on Tuesday, before the aforementioned Fed (Wed), and PCE (Fri).

Safe-haven FX, JPY and CHF, were the clear G10 FX laggards against the Greenback as they were weighed on by broader risk sentiment. Swissy continues to weaken after the surprise 50bps SNB cut last week, while participants await the BoJ on Thursday. As a reminder, the latest sources suggested the BoJ is leaning toward keeping rates steady next week, a notion which money markets support with a circa 20% probability of a hike. For the record, overnight the Japanese PMI release showed manufacturing rebounding and services improving. USD/CHF traded between 0.8899-8948 with USD/JPY seeing a peak of 154.47 against an earlier low of 153.33.

GBP was the clear G10 gainer with Cable hitting a peak of 1.2698, with the Pound just running out of momentum ahead of the round 1.27.

Sterling was supported by the UK PMI release which saw the Services figure above expectations, climbing further into expansionary territory, while Manufacturing was a touch softer. On the central bank bonanza this week the BoE is due on Thursday, where expectations are for the MPC to hold the Base Rate at 4.75% with markets assigning a ~90% chance of such an outcome.

EUR and CAD were more-or-less flat, while **Antipodeans** eked out gains against the Dollar with the NZD outperforming its counterpart. AUD and NZD benefitted from the broader risk sentiment as opposed to anything currency-specific, although New Zealand is to raise minimum wage by 1.5% from April 1st, 2025. EUR saw a deluge of EZ PMI figures, with the French composite topping expectations, while the German composite missed expectations, with manufacturing missing but services beating. The overall EU metrics beat on Mfg., Svs., and Comp. As always there was a slew of ECB speak but it added little new.

For the **Loonie**, Canada's Finance Minister has resigned, with PM Trudeau to name Dominic LeBlanc as the replacement, although CTV News citing sources said Trudeau is reportedly considering his options as leader. In addition, BoC Governor Macklem hit the wires and said there are risks around its inflation outlook and the BoC is equally concerned with inflation coming in higher or lower than expected.

In Scandi FX, the Norges Bank said it is to purchase NOK and sell foreign currency to fund transfers to the government for FY24. This helped to strengthen the NOK, with EUR/NOK slipping from 11.7440 to 11.7130 over the course of eight minutes; thereafter, extended to a session low of 11.7030 before paring almost the entire move.

EMFX was mixed. ZAR, TRY, and MXN were flat while CNH, CLP, and BRL saw weakness with the latter lagging and USD/BRL closing at an all time peak. For Brazilian Real watchers, the BCB announced another spot dollar auction, seeing brief strength in the BRL before completely paring (again). In Mexico, a Reuters poll showed 20 out of 22 economists see the Banxico cutting rates by 25bps to 10% of Dec 19; two said 50bps cut. Lastly, Chinese economic data was mixed overnight as Industrial Output Y/Y (Nov) marginally beat but Retail Sales largely disappointed.

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