

### Nasdaq leads in quiet trade while bonds slide

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude down, Dollar up
- **REAR VIEW:** Soft Durable Goods, but distorted by aircraft orders; Consumer confidence drops beneath consensus range; New home sales tops expectations; Putin discussed gas, Ukraine and bilateral ties with Slovak PM Fico; Mixed 2yr auction; FDA approved LLY's Zepbound for moderate-to-severe obstructive sleep apnea; Jury rules in favour of QCOM vs. ARM.
- **COMING UP: Holiday:** Christmas Eve (Recommend Early Close). The desk will run until 18:00GMT/13:00EST on Tuesday December 24th. **Data:** Richmond Fed Index **Events:** RBA Minutes **Supply:** US

### MARKET WRAP

Stocks were choppy in thin conditions ahead of the Christmas period with indices ultimately closing mixed but with a bias to the upside with only the Russell in the red. There was notable outperformance in the Nasdaq with upside in Nvidia (NVDA) supporting the move with reports suggesting the company has resolved production issues with its Blackwell chip. The Russell and equal weighted S&P lagged while sectors were mixed. Outperformance was seen in Communication Services, Technology and Health Care, while underperformance was seen in Consumer Staples, Materials and Industrials. There were little fresh macro drivers on Monday with liquidity/vol thinning out ahead of the Christmas period. There were several data releases, which saw Durable Goods (Nov) miss on the headline but primarily due to soft aircraft orders, New Home Sales (Nov) slightly topped expectations, while Consumer Confidence (Dec) came in short of all analyst expectations. The national activity index from the Chicago Fed ticked up slightly, but remained in negative territory. The data sparked little reaction but T-Notes sold off throughout the session in a steeper fashion despite front-end supply this week. The 2yr auction ultimately was mixed with attention on Tuesday's 5yr paper. In FX, the Dollar outperformed while JPY and CHF lagged, likely influenced by firmer UST yields. Oil prices settled in the red but off lows with the dollar bid weighing; gold prices were also lower. European gas prices were in focus after Russian President Putin discussed gas with Slovakian PM Fico, noting that the situation with European countries that get Russian gas is complicated and needs further attention, with Putin confirming Russia's readiness to continue supplying gas to the West and Slovakia. However, the deal that allows Russia to move nat gas into Europe through Ukraine is set to expire at year-end with little chance of extending it.

### US

**DURABLE GOODS:** The headline durable goods declined by 1.1% in November, a deeper than expected print of -0.3%, and falling from the prior 0.3% gain. Ex-transport durable goods slipped by 0.1%, despite expectations for a 0.2% rise. The ex-defence metric fell by 0.3%, vs. the prior gain of 0.5%. Although the headline fell, it was primarily due to a fall in the aircraft orders. However, Oxford Economics highlighted that underlying capital goods orders and shipments rose more strongly than they had forecasted and that the strength is consistent with their view that business equipment spending growth will remain solid in 2025. The desk suggests the rebound could reflect some relief from policy uncertainty with the election in the rear-view mirror. Looking ahead, OxEco "expect equipment spending growth to be above 4% next year, in part thanks to spillovers from the boom in new factory construction and the build out of AI."

**CONSUMER CONFIDENCE:** Consumer confidence fell to 104.7 in December from 111.7, beneath expectations and even the bottom end of the forecast range. The Present Situation Index dipped 1.2 points to 140.2, while the Expectations Index tumbled 12.6 points to 81.1, just above the threshold of 80 that usually signals a recession ahead. The recent rebound seen was not continued in December as the headline dropped back to the middle of the range that has prevailed over the past two years. In addition, the Chief Economist at the Conference Board said that consumer views of current labour market conditions continued to improve, consistent with recent jobs and unemployment data, but their assessment of business conditions weakened. Compared to last month, consumers in December were substantially less optimistic about future business conditions and incomes. Moreover, the chief economist added, pessimism about future employment prospects returned after cautious optimism prevailed in October and November.

**NEW HOME SALES:** New home sales rose 5.9% in November to 664k, above the expected 660k and the prior 627k, which was revised up. However, Oxford Economics notes the headline bounced back less than they forecasted due to the rebound in sales in the South, where hurricanes weighed on October sales, was shy of expectations. As such, Oxford thinks sales will probably fall short of its forecast for Q4, but that will have little impact on their GDP forecast since new home sales make only a minor contribution to GDP growth. Looking further ahead to 2025, the consultancy expects a small improvement in new home sales based on their forecast for a small decline in mortgage rates and a solid performance for the economy and labor market.

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLE 16 TICKS LOWER AT 108-15

**T-Notes bear steepen in holiday conditions with focus this week on supply** . At settlement, 2s +3.5bps at 4.347%, 3s +4.8bps at 4.365%, 5s +6.2bps at 4.441%, 7s +7.3bps at 4.525%, 10s +6.9bps at 4.593%, 20s +6.0bps at 4.863%, 30s +6.2bps at 4.778%.

**INFLATION BREAKEVENS:** 5yr BEI +3.6bps at 2.384%, 10yr BEI +3.2bps at 2.331%, 30yr BEI +3.0bps at 2.323%.

**THE DAY:** T-Notes were sold across the curve in a steeper fashion in thin conditions ahead of the Christmas holidays despite front-end supply. US data was brought forward today to see Durable Goods miss on the headline but primarily due to soft aircraft orders while New Home Sales were in line with expectations with upward revisions. Consumer Confidence missed analyst expectations in December and Chicago Fed National Activity index rose to -0.12 from -0.50. There was little action in response to the data with attention turning to supply this week, although volatility is to be expected in thin trading conditions around the Christmas period. T-Notes had been moving lower ahead of the 2yr auction which ultimately was mixed (more below). T-note futures hit a low of 108-15 vs the overnight highs of 109-00+, settling around lows.

**2YR:** The 2yr auction was mixed heading into Christmas with thin liquidity. The US Treasury sold USD 69bln of 2yr notes at a high yield of 4.335%, stopping through the when issued by 0.1bps. The stop through was smaller than the prior 1.8bps stop through, and smaller than recent averages of 0.6bps. The Bid-to-Cover of 2.73x was beneath the prior 2.77x but above the 2.68x six auction average. Meanwhile, the

breakdown saw very strong indirect demand. Indirect bidders took 82.1% of the auction, well above the prior 71.6% and 68.1% average. Meanwhile, Direct demand slumped to just 6.7% from 19.2%, beneath the 19.5% average. This left Dealers taking home 11.3% of the auction, above the prior 9.2% but shy of the 12.3% six auction average.

**THIS WEEK SUPPLY:** US Treasury to sell USD 70bln 5yr notes on December 24th and USD 44bln in 7yr notes on December 26th; all to settle December 31st. To sell USD 28bln in 2yr FRN on December 24th, to settle December 27th.

#### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: January 2bps (prev. 3bps), March 12bps (prev. 15bps), May 16bps (prev. 19bps), December 2025 35bps (prev. 39bps).
- US sold USD 81bln of 13-wk bills at a high rate of 4.24%, B/C 2.86x; sold USD 73bln of 26-week bills at high rate 4.17%, B/C 2.87x
- US sold USD 65bln 42-day CMBs at high rate of 4.280%, B/C 2.68x; Sold USD 49bln 1yr bills at high rate of 4.07%, B/C 3.37x.
- NY Fed RRP op demand at USD 98bln (prev. 112bln) across 39 counterparties (prev. 39).
- SOFR at 4.30% (prev. 4.30%), volumes at USD 2.390tln (prev. 2.330tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 113bln (prev. 104bln).

## CRUDE

**WTI (G5) SETTLES USD 0.22 LOWER AT 69.24/BBL; BRENT (G5) SETTLES USD 0.31 LOWER AT 72.63/BBL**

The crude complex was choppy and settled with marginal losses in thin holiday trade. Benchmarks began the European session on the front foot, echoing the APAC tone seen overnight, but as US participants joined for the day oil was weighed on by the broader Buck bid, as opposed to a specific energy headline. As such, WTI and Brent were lower for the vast majority of the US session before paring into settlement, albeit again on no particular driver. WTI and Brent saw earlier highs of USD 69.94/bbl and 73.38/bbl, respectively, before falling to lows of 68.59 and 71.98. The highlight for commodities on Monday came in the gas space, whereby Russia's Kremlin said President Putin discussed gas, Ukraine and bilateral ties with Slovakia's PM Fico, and noted situation with European countries that get Russian gas is complicated and needs further attention. Meanwhile, Fico stated that Putin confirmed Russia's readiness to continue supplying gas to the West and Slovakia. In addition, FT reported that Qatar has warned that it will "stop" gas sales to the EU if fined under the due diligence law. Elsewhere, and once to be aware of, Oil transit through Russia's Druzhba pipeline resumed on Saturday, according to Belarus' BelTA state news agency.

## EQUITIES

- **CLOSES:** SPX +0.73% at 5,974, NDX +1.01% at 21,503, DJI +0.16% at 42,907, RUT -0.22% at 2,237.
- **SECTORS:** Communication Services +1.35%, Technology +1.26%, Health +1.04%, Energy +0.61%, Real Estate +0.49%, Consumer Discretionary +0.42%, Utilities +0.39%, Financials +0.29%, Industrials -0.04%, Materials -0.12%, Consumer Staples -0.57%
- **EUROPEAN CLOSES:** DAX -0.23% at 19,838, FTSE 100 +0.22% at 8,103, CAC 40 -0.03% at 7,272, Euro Stoxx 50 -0.22% at 4,852, AEX -0.37% at 872, IBEX 35 -0.28% at 11,436, FTSE MIB -0.08% at 33,740, SMI +0.88% at 11,492.

#### STOCK SPECIFICS:

- **Eli Lilly (LLY):** Zepbound received FDA approval as the first prescription treatment for moderate-to-severe obstructive sleep apnea in adults with obesity. Of note for **ResMed (RMD)** and **Inspire Medical Systems (INSP)**.
- **Honda (HMC):** Honda and Nissan have signed a basic agreement to explore integration, aiming to create the world's third largest automaker.
- **Xerox (XRX):** To acquire Lexmark, for a deal valued at USD 1.5bln; to be immediately accretive to EPS and FCF.
- **Despegar (DESP):** To be acquired by Prosus for USD 1.7bln or USD 19.50/shr. Note, DESP closed Friday at USD 14.65/shr.
- **Nvidia (NVDA):** Resolved production issues with its Blackwell chip, with shipments set to begin in Q4 2024, and a full ramp-up expected in 2025, according to DigiTimes.
- **TSMC (TSM):** Expanding its capacity to meet strong demand for sub-7nm processes and CoWoS packaging, according to DigiTimes.
- **Qualcomm (QCOM):** A US jury ruled Qualcomm did not breach a licensing agreement with **Arm (ARM)** over chip technology acquired via Nuvia.
- **Bank of America (BAC):** OCC issues cease and desist order against Bank of America (BAC) for BSA deficiencies.
- **Walmart (WMT):** CFPB sues Walmart (WMT) and Branch Messenger for illegally opening deposit accounts for over 1mln delivery drivers.
- **Microsoft (MSFT):** Is reportedly adding non-openAI models to Power 365 Copilot, according to Reuters citing sources.
- **Altus Power (AMPS):** TPG (TPG) is in talks to acquire Altus Power (AMPS), via Reuters citing sources.

## US FX WRAP

The Dollar was firmer on Monday albeit in thin ranges and in very light newsflow with many participants away on account of the upcoming holidays. There was no Fed speak, but there was a little bit of US data, although it failed to really move the needle. Recapping, durable goods (Nov) was soft on the headline but weighed on by aircraft orders, new home sales (Nov) slightly topped expectations, and consumer confidence (Dec) came in short of all analyst expectations. DXY saw a high of 108.280 vs. an earlier low of 107.68. The calendar on Tuesday is extremely sparse alongside an early close ahead of Christmas Day.

**Antipodeans and CAD** were flat against the Dollar, and as such the relative outperformers as **EUR, GBP, JPY, and CHF** saw losses with the latter two underperforming and all weighed on by the aforementioned Buck bid and move higher in UST yields. Cognizant of sounding like a broken record, currency specific headline newsflow was unsurprisingly sparse with little to no drivers. In terms of what did happen, ECB speak came via President Lagarde and Makhlouf with the former noting they are getting very close to that stage when we can declare that we have sustainably brought inflation to our medium-term 2% target. Q3 UK GDP metrics saw the YY and QQ both revised a touch lower, with the QQ figure showing no growth within the period, while Canadian GDP for October marginally impressed. For the Loonie, the latest BoC Minutes said the decision to cut by 50bps on 11th December was a close call, and members discussed arguments for both a 25 and 50bps reduction. Elsewhere, there was little else to report with FX pairs within tight ranges.

**EMFX** was weaker across the board and hit by the Dollar continuing its hot streak into year-end as opposed to anything currency related. As we head into 2025 they will be continued focus on EMS, particularly the Yuan and MXN, as it becomes clearer and more evident what tariffs President-elect Trump will slap on these countries. In terms of data, Mexican inflation data came in hotter than St. consensus, but little move was seen in the Peso. Once again, there is next to nothing scheduled ahead of Christmas and the New Year. BRL saw notable weakness and underperformed with a lack of BCB action on Monday seeing the BRL weaken.

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