

### Stocks slide continues while Dollar pares recent weakness

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** US New Home Sales top exp.; Fed's Goolsbee downplays series of cuts; US sets reduced auto tariffs to 15% for the EU; Avg. US 5yr note auction; EIA crude stocks post surprise draw; G7 countries reportedly considering price floors for rare earth production to counter China; BoE Governor Bailey says there's still room to cut rates; Germany Ifo prints beneath exp.; Aussie CPI comes in slightly hot; BABA launches Qwen3-Max; ORCL files for \$18bln 7-part note offering; Israel's army has taken "another step" in plan to occupy Gaza city.
- **COMING UP:** **Data:** German GfK Consumer Sentiment (Oct), US Durable Goods (Aug), GDP Final (Q2), PCE Final (Q2), Jobless Claims, Advance Goods Trade Balance (Aug). **Events:** SNB Announcement, Banxico Announcement, BoJ Minutes (Jul), PBoC MLF. **Speakers:** SNB's Schlegel; Fed's Goolsbee, Williams, Schmid, Bowman, Logan, Barr, Daly. **Supply:** Japan, UK, US. **Earnings:** Costco, BlackBerry, Accenture, H&M.

### MARKET WRAP

US indices were lower, and it was largely one-way traffic from the sell-off at the open, albeit on no particular headline driver. The Dollar saw notable gains as it attempted to retrace its WTD losses, so far, which weighed on all G10 FX peers. AUD was the relative outperformer, albeit still weaker, as a firm Aussie CPI overnight supported with odds of a 25bps rate cut next week sitting at just 8%. EUR was weighed by a dismal German Ifo report. Treasuries were lower across the curve and sold off through the session, with the downside extending on Oracle announcing a 7-parter. Copper surged on Wednesday, with Freeport McMoRan (FCX, -17%) seeing losses after the Co. confirmed two fatalities from an incident on PT Freeport Indonesia, which has halted operations at Grasberg, and FCX expects quarterly sales 4% lower for copper. Sectors were mixed but with a downside bias, as Energy was the clear sectorial outperformer and supported by the gains seen in the crude complex of c. USD 1.50/bbl - benchmarks were supported after reports that Israel's army took "another step" in the plan to occupy Gaza City. Out of the US, only Fed's Goolsbee (2025 voter) spoke, and he reiterated his hawkish tones, while new home sales soared above expectations and the top end of the forecast range, albeit little movement was seen.

### US

**NEW HOME SALES:** New home sales in August soared 20.5% to 800k, way above the expected 650k and the prior, revised higher, 664k. Median sales price rose 1.9% Y/Y to USD 413.5k, while new homes supply was 7.4 months' worth at the current pace, falling somewhat from July's 9 months' worth. Oxford Economics note that the surge in sales, which seems at odds with other indicators, likely overstates any improvement in housing activity. However, OxEco do expect home sales to improve as mortgage rates decline and the labour market regains its footing. New home prices lifted 4.7% M/M, and while they can be noisy, the consultancy says homebuilders have been offering price cuts and other incentives to encourage sales, but there are signs some builders are going to cut back on those incentives as profit margins have been squeezed.

**FED'S GOOLSBEE:** The 2025 voter warned against a series of rates, seemingly downplaying the chances of an October cut. Goolsbee cited a mostly steady and solid jobs market. He feels uncomfortable with overly frontloading a lot of rate cuts on the presumption that [inflation] will probably just be transitory.

### FIXED INCOME

#### T-NOTE FUTURES (Z5) SETTLED 7+ TICKS LOWER AT 112-20+

**T-Notes sold amid quiet newsflow.** At settlement, 2-year +3.0bps at 3.600%, 3-year +3.1bps at 3.598%, 5-year +3.5bps at 3.712%, 7-year +3.3bps at 3.901%, 10-year +2.9bps at 4.147%, 20-year +2.1bps at 4.723%, 30-year +1.9bps at 4.756%.

**INFLATION BREAKEVENS:** 1-year BEI +2.6bps at 3.262%, 3-year BEI +1.3bps at 2.732%, 5-year BEI +1.4bps at 2.472%, 10-year BEI +0.7bps at 2.363%, 30-year BEI +0.6bps at 2.266%.

**THE DAY:** T-Notes traded sideways overnight before moving lower throughout the European morning and into the US session. The curve was sold across all durations, more so on the front end and belly, resulting in mainly steeper spreads. Accelerating the move was Oracle's 7-part note offering filing with the size originally USD 15bln, before being revised up to USD 18bln after being met with strong demand. The 5-year note auction was met with a muted reaction, with results pretty average after Tuesday's mediocre 2-year (more below). At the Fed, Goolsbee 2025 voter downplayed a series of cuts, citing a mostly steady and solid jobs market. The 2025 voter is uncomfortable with overly frontloading a lot of rate cuts on the presumption that [inflation] will probably just be transitory. T-Notes were unfazed by Goolsbee, remaining around 112-20+ lows from earlier 113-00 highs.

### SUPPLY

### NOTES

- **US sold USD 28bln of 2yr FRNs; high discount margin 0.200%.**
- High Discount Margin: 0.200% (prev. 0.195%). B/C: 3.15x (prev. 3.22x). Dealer: 28.9% (prev. 21.4%). Direct: 0.9% (prev. 0.7%). Indirect: 70.2% (prev. 77.9%).
- **US sold USD 70bln of 5yr notes; tail 0.1bps.**
- Overall, the 5yr auction was average. A tail of 0.1bps was seen, smaller than the prior 0.7bps but not too far off the six-auction average of 0.2bps. B/C was little changed at 2.34x from the prior and average of 2.36x. Dealer's take jumped as a result of a drop in Directs and Indirects, reaching 11.9% from 8.8%, above the 10.9% avg. Meanwhile, Directs fell to 28.6% from 30.7%, but remain above the average of 22.1%, while Indirects remain beneath the 66.9% average at 59.4% from 60.5%.

## Bills

- US sold USD 65bln of 17-week bills at a high rate of 3.805%, B/C 2.93x.

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 23.5bps (prev. 23bps), Dec 43bps (prev. 44bps), January 55bps (prev. 55bps).**
- NY Fed RRP op demand at USD 29bln (prev. 14bln) across 22 counterparties (prev. 16).
- EFR at 4.09% (prev. 4.09%), volumes at USD 95bln (prev. 93bln) on September 23rd.
- SOFR at 4.12% (prev. 4.14%), volumes at USD 2.877tln (prev. 2.906tln) on September 23rd.

## CRUDE

**WTI (X5) SETTLED USD 1.58 HIGHER AT 64.99/BBL; BRENT (X5) SETTLED USD 1.68 HIGHER AT 69.31/BBL**

The crude complex was firmer and saw gains throughout the session. Benchmarks were boosted in the European morning after reports that Israel's army took "another step" in the plan to occupy Gaza City. Despite saying that, WTI and Brent swiftly fell to new lows in wake of weak German Ifo figures, but that appeared to be a momentary dip as upside soon continued to see the energy space extend on the week's gains, so far. In the latest instalment of the Russia/Ukraine war, the Kremlin said the Ukraine war is not an "aimless war" and the idea that Ukraine can win something back is "deeply mistaken". Of course, this follows Trump's posting on Truth yesterday that Zelensky is now "in a position to fight and WIN all of Ukraine back in its original form". Zelensky today, speaking at the UN, noted Putin wants to continue this war by expanding it, and added he had a good meeting with Trump on Tuesday. Little move was seen after the EIA figures, but crude saw a surprise draw, in line with the private metrics, albeit not as large, while Distillates noticed a larger-than-anticipated draw. Gasoline also saw an unexpected draw, with crude production up 19k W/W to 13.501mln. WTI traded between USD 63.25-65.05/bbl and Brent 67.51-69.30/bbl.

## EQUITIES

**CLOSES:** SPX -0.28% at 6,638, NDX -0.31% at 24,504, DJI -0.37% at 46,121, RUT -0.92% at 2,435

**SECTORS:** Materials -1.59%, Real Estate -1.01%, Communication Services -0.82%, Technology -0.52%, Industrials -0.51%, Health -0.36%, Financials -0.23%, Consumer Staples +0.13%, Consumer Discretionary +0.70%, Utilities +0.73%, Energy +1.23%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.11% at 5,466, Dax 40 +0.30% at 23,682, FTSE 100 +0.29% at 9,250, CAC 40 -0.57% at 7,827, FTSE MIB -0.13% at 42,423, IBEX 35 +0.37% at 15,215, PSI +1.32% at 7,915, SMI -1.01% at 11,980, AEX +0.08% at 935

## STOCK SPECIFICS

- **Micron (MU):** EPS, revenue & net income beat; Strong next quarter guidance.
- **Alibaba (BABA):** Launched its largest AI model, Qwen3-Max.
- **Freeport McMoRan (FCX):** Confirmed two fatalities from incident on PT Freeport Indonesia; mining operations at Grasberg suspended since Sept. 8th. Expects quarter sales 4% lower for copper, 6% lower for gold in Q3. PTFI is notifying commercial counterparties of force majeure due to the incident's impacts.
- **JD.com (JD):** China's market watchdog is taking steps to curb excessive competition in the meal delivery sector.
- **Cintas (CTAS):** FY26 adj. EPS view underwhelmed.
- **Oracle (ORCL):** OpenAI, ORCL, & Softbank announced five new US data centre. Meanwhile, Oracle filed a 7-part note offering with the size originally USD 15bln, before being revised up to USD 18bln after being met with strong demand.
- **Lithium Americas (LAC):** Trump admin is seeking up to a 10% equity stake.
- **Adobe (ADBE):** Downgraded at Morgan Stanley to 'Equal Weight' from 'Overweight'.
- **Bloom Energy (BE):** Downgraded at Jefferies to 'Underperform' from 'Hold'.
- **Amazon (AMZN):** Upgraded at Wells Fargo to 'Overweight' from 'Equal Weight'.
- **NVIDIA (NVDA):** Director Mark Stevens sold >350k shares at an avg. of USD 176.3923/shr, totalling USD 61.7mln.
- **Marvell Technology (MRVL):** CEO said no revenue hole in 2026 from AWS custom AI silicon programme and assuming a floor of 18% Y/Y data centre capex growth for '26 - CEO spoke in a JPM fireside chat.
- **Xcel Energy (XEL):** Reached agreement in principle to resolve all litigation related to 2021 Marshall fire; reaffirms 2025 EPS guidance of USD 3.75-3.85.
- **Intel (INTC):** To ask **Apple (AAPL)** to invest as part of a comeback bid, Bloomberg reports; Cos. have also discussed ways to work more closely; talks are early and may not lead to an agreement.

## FX

**The Dollar** was firmer on Wednesday, attempting to pare some of the week's losses so far, as DXY printed a high of 97.926 against an earlier low of 97.22. There was no one headline driving the Dollar upside, just seemingly retracing some of the week's underperformance. Out of the US, there was little data or Fed speak, with Goolsbee reiterating his hawkish tones, as well as a stellar US new home sales report. After-hours attention turns to remarks from Daly (2027 voter), where last week the San Fran Fed President noted the job market has softened quite a bit over the last year, and part of this is due to the economic outlook. Barclays' passive month-end and quarter-end rebalancing model shows moderate USD selling against all majors.

**G10 FX** was weaker across the board and fell victim to the surging Buck. AUD was the relative outperformer and showed just minor losses, and was due to the firm Australian CPI metrics overnight - Y/Y CPI rate climbed from 2.8% to 3.0% (exp. 2.9%), the top end of the RBA's target range, with odds of a 25bps rate cut next week sitting at just 8%.

**Yen** was the G10 laggard. It saw marginal weakness on Japanese S&P metrics overnight, whereby manufacturing and services fell. Elsewhere, the focus remains on the outcome of the LDP leadership contest on October 4th, with Takaichi still judged to be the front-runner. USD/JPY traded between 147.52-148.88, and sits at the top end at the time of writing. EUR saw weakness after dismal German Ifo metrics - Business climate, current conditions, and expectations all fell and were worse than expected. In other news, Bloomberg reported that the US officially set reduced auto tariffs to 15% for the EU beginning August 1st, 2025.

**Cable** printed a low of 1.3427, and was weighed on by aforementioned themes. No move was seen, but BoE Governor Bailey said there is still further room to cut rates, and the extent depends on the path of inflation. The governor largely echoed remarks made in wake of the September meeting, which saw the MPC hold rates at 4% via a 7-2 vote. Greene also spoke, but said little new.

**EMFX** was exclusively lower against the Greenback, ex-ARS, which continues to extend on gains with USD/ARS lower by c. 9.5% WTD, so far. In CEE, CNB held rates at 3.5%, as expected, in a unanimous decision.

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