

Stocks bid on quarter end as attention turns to government shutdown

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar flat
- **REAR VIEW:** JOLTS better-than-expected; Consumer Confidence disappoints; Hawkish RBA hold; SPOT announces leadership adjustment; OPEC+ to discuss a 500k BPD hike a month over three months, but OPEC later refutes; CRWV pens \$14bln META deal; Fed speak adds little new; Berkshire Hathaway nears \$10bln deal for OXY's Petrochemical unit
- **COMING UP:** **Data:** Japanese Tankan (Q3), US, EZ & UK Final Manufacturing PMI (Sep), EZ Flash HICP (Sep), US ADP (Sep), ISM Manufacturing (Sep), Atlanta Fed GDP. **Events:** RBI Policy Announcement; BoC Minutes; Labour Party Conference (29th Sept - 1st Oct) **Speakers:** Fed's Logan, Barkin; ECB's Elderson, de Guindos, Rehn; BoC's Rogers **Supply:** Australia, UK, Germany

MARKET WRAP

US indices broadly saw slight strength to settle around highs as they saw a bid through the US afternoon and into month/quarter-end, although the Russell 2000 did still close marginally in the red. There was little headline driver for the paring of losses seen, while US data via JOLTS and Consumer Confidence were in focus. There are arguably additional eyes on the metrics, and also ADP on Wednesday, given the potential US Government shutdown, which would see neither NFP nor initial jobless claims reported, so these metrics give us the latest insight into the labour market. JOLTS impressed and was above expectations, but Consumer Confidence widely disappointed. As such, T-notes saw two-way moves, falling on the better-than-expected JOLTS and then rising on the weak consumer confidence. Ultimately, Treasuries closed the day mixed, with the short-end firmer and the long-end weaker. The Dollar was slightly weaker, with AUD outperforming following a hawkish hold overnight, while the crude complex was lower and ultimately weighed on by OPEC sources, to which OPEC later refuted (more below). Sectors were mixed, but with a green bias, as Energy lagged and weighed on by the aforementioned oil prices, while Health sat atop of the pile and was supported by Pfizer (+6.5%), in the wake of a raft of Trump announcements. Spot gold reversed earlier losses to continue its ascent higher and printed a new ATH.

US

JOLTS: US Job Openings rose by 7.227mln in August, improving from the prior (revised up) 7.208mln, above the expected 7.185mln. Both hires and total separations were little changed at 5.1mln. Within separations, both quits (3.1mln) and layoffs and discharges (1.7mln) were little changed. The Vacancy Rate was unchanged at 4.3%, while the quits rate fell to 1.9% from 2.0%. Oxford Economics wrote that the report is consistent with a roughly balanced labour market, and overall did not show a material change so implications for the Fed are minimal. However, with the government at risk of a shutdown, market participants may be putting more onus on other reports about market reports (like JOLTS, ADP) if the weekly claims data and monthly NFP reports cannot be produced amid the shutdown.

CONSUMER CONFIDENCE: Consumer Confidence for September fell to 94.2 from 97.8, the lowest since April '25, and beneath the expected 96.0. The Present Situation Index dropped to 125.4 from 132.4, while Expectations fell to 73.4 from 74.7. Consumers' assessments of current business conditions deteriorated, with 19.5% saying conditions were "good" (prev. 21.8% M/M) and 15.4% saying they were "bad" (prev. 14.6%). Views of the labour market cooled further, as 26.9% said jobs were "plentiful" (prev. 30.2%), and 19.1% said "hard to get," unchanged M/M. Consumers were more worried about the labour market outlook, although income prospects were slightly more positive. Moreover, consumers were a bit more pessimistic about future business conditions, with 18.7% (prev. 20.2%) expecting conditions to improve. Senior Economist, Global Indicators at The Conference Board, Guichard said "consumers appraisal of current job availability fell for the ninth straight month to reach a new multiyear low. This is consistent with the decline in job openings". Guichard added, "Consumers' write-in responses showed that references to prices and inflation rose, while references to tariffs declined. Nonetheless, consumers' average 12-month inflation expectations inched down to 5.8% in September (prev. 6.1% M/M), but is still notably above 5.0%, the level at the end of 2024."

FED'S COLLINS (2025 voter) said it may be appropriate to cut rates again if data supports easing, adding she supported the recent cut given the risks to the Fed's mandate. She said a modestly restrictive policy is appropriate due to inflation, and although the inflation threat remains, upside risks have waned. Collins also suggested she cannot rule out worse outlooks for inflation and the job market, and the baseline outlook is relatively benign. Collins expects hiring to rebound once firms become accustomed to tariffs, and expects inflation to be elevated into 2026, before easing. On rates, she said the Fed did not lay out a preset path at the September FOMC, noting they are not out of the woods on inflation. She expects tariffs to feed through, but only resulting in a small impact.

FED'S JEFFERSON (voter) said the labour market is softening and could see stress if not supported; expects disinflation to resume after 2025. Sees growth to remain around 1.5% for the rest of 2025 (Fed SEP median is 1.6% for '25), and is uncertain where the neutral rate is (Fed SEP median is 3%). Jefferson added that if labour force growth continues to slow, it will impact the GDP and output gap, and added that they do not need to see further softening in the labour market. On the balance sheet, he added that the size of it is something Fed members think differently about, and it continues to shrink in an orderly way.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLE HALF A TICK LOWER AT 112-16

T-Notes see two-way action on mixed data before settling flat as US government heads for shutdown. At settlement, 2-year - 2.3bps at 3.610%, 3-year -1.5bps at 3.619%, 5-year -0.4bps at 3.737%, 7-year +0.6bps at 3.930%, 10-year +0.9bps at 4.150%, 20-year +1.8bps at 4.703%, 30-year +2.5bps at 4.729%.

INFLATION BREAKEVENS: 1-year BEI -3.4bps at 3.209%, 3-year BEI +0.2bps at 2.707%, 5-year BEI +0.5bps at 2.451%, 10-year BEI +0.5bps at 2.349%, 30-year BEI +0.9bps at 2.248%.

THE DAY: T-Note futures saw two-way trade, initially rising in the morning to peak at 112-25+ in the wake of the US JOLTS and Consumer Confidence report. T-Notes saw two-way action on the data with JOLTS rising above forecast, beating expectations, while Consumer Confidence disappointed. Nonetheless, T-Notes sold off gradually thereafter to settle at lows - which was ultimately little changed on the day. The US government looks set to enter into a shutdown from tonight, with the CR bills both set to fail as 60 votes would be needed. This has implications for data this week, with the BLS and DoL announcing the NFP report on Friday, and Jobless Claims data on Thursday will not be released. This likely puts more onus on the ADP report on Wednesday for an up-to-date understanding of the labour market in September. Elsewhere, Fed speak saw Collins, Goolsbee, and Jefferson. Jefferson leant dovish, noting the labour market is softening and it could see stress if not supported, Collins was neutral, while Goolsbee continued to speak on inflation concerns, particularly services inflation.

SUPPLY

- US sold 6-week bills at a high rate of 4.020%, B/C 2.58x
- US sold 1-year bills at a high rate of 3.540%, B/C 2.92x
- US to sell USD 67bln of 17-week bills (prev. 65bln) on October 1st, USD 90bln of 8-week bills (prev. 85bln) and USD 105bln of 4-week bills (prev. 100bln) on October 2nd; all to settle on October 7th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: Oct 24bps (prev. 22bps), Dec 44bps (prev. 42bps), January 54bps (prev. 51bps).
- NY Fed RRP op demand at USD 49.1bln (prev. 56bln) across 28 counterparties (prev. 26)
- EFR at 4.09% (prev. 4.09%), volumes at USD 89bln (prev. 95bln) on September 29th.
- SOFR at 4.13% (prev. 4.16%), volumes at USD 2.893tln (prev. 2.917tln) on September 29th.

CRUDE

WTI (X5) SETTLES USD 1.08 LOWER AT 62.37/BBL; BRENT (Z5) SETTLES USD 1.06 LOWER AT 66.03/BBL

The crude complex was lower and ultimately weighed on by OPEC sources, to which OPEC later refuted. Benchmarks saw immediate downside in the US morning after BBG, citing a delegate, said OPEC+ is to discuss a 500k BPD hike a month over three months [at their meeting on Sunday], and the group is to discuss fast-tracking its latest round of supply hikes in three monthly instalments of about 500k BPD. Following this, Reuters sources suggested OPEC+ is considering a larger November oil output increase of 411k BPD and could consider a hike as much as 500k BPD for November. However, some of this move was pared as the OPEC Secretariat announced it firmly rejected the recent media reports and these claims are wholly inaccurate and misleading. Elsewhere, US President Trump said there's not much room to negotiate with Hamas, and will give Hamas 3/4 days to respond to his ceasefire proposal, Trump's 20-point plan. Reminder, on Monday, Trump said that "If Hamas rejects the deal, Israel has his full backing to destroy Hamas". WTI traded between USD 62.03-63.26/bbl and Brent USD 65.64-66.84/bbl, ahead of private inventory data after hours: Expectations (bbls): Crude +1.0mln, Distillate -1.1mln, Gasoline +0.7mln.

EQUITIES

- **CLOSES:** SPX +0.41% at 6,688, NDX +0.28% at 24,680, DJI +0.18% at 46,398, RUT +0.05% at 2,436
- **SECTORS:** Consumer Discretionary +2.25%, Communication Services +1.12%, Industrials +1.09%, Financials +1.00%, Real Estate +0.64%, Energy +0.60%, Technology +0.55%, Health +0.36%, Materials +0.23%, Consumer Staples +0.09%, Utilities -0.16%
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.36% at 5,527, Dax 40 +0.57% at 23,880, FTSE 100 +0.54% at 9,350, CAC 40 +0.19% at 7,896, FTSE MIB +0.40% at 42,725, IBEX 35 +1.08% at 15,482, PSI -0.30% at 7,958, SMI +0.73% at 12,094, AEX +0.11% at 943.

STOCK SPECIFICS:

- **CoreWeave (CRWV):** Signed a pact with **Meta (META)** worth as much as USD 14.2bln, to supply computing power.
- **Oklo (OKLO):** US DoE reportedly picks Oklo (OKLO) and Triso-X for nuclear fuel line projects, according to Bloomberg
- **Progress Software (PRGS):** EPS & revenue beat; Strong FY guidance
- **Alcoa (AA):** Will permanently close its Kwinana alumina refinery in Western Australia.
- **Vail Resorts (MTN):** Deeper loss per shr. than expected & revenue missed.
- **CenterPoint Energy (CNP):** Announced USD 65bln investment plan & raised 25 EPS outlook
- **Jefferies (JEF):** Despite EPS & rev. beating expected
- **EchoStar (SATS):** Verizon is in talks to acquire EchoStar's AWS-3 wireless spectrum licences.
- **Exxon Mobil (XOM):** Reportedly cutting 2k jobs
- **Lamb Weston (LW):** Adj. EPS & revenue topped expectations.
- **Spotify (SPOT):** Announced leadership transition; Daniel Ek to become executive Chairman, with Alex Norström and Gustav Söderström to become Co-CEOs; Downgraded to 'Neutral' from 'Buy' at Goldman Sachs

- US President Trump on **Pfizer (PFE)**, said they agreed to offer discounts, and are going to be paying the lowest price; 50-100% off price and some cases more than that. All US medications will be sold at most favourable nation prices. Pfizer will offer all of their prescription medications to Medicaid at MFN prices.
- US FTC sues **Zillow (Z)** and Redfin over illegal agreement to suppress rental advertising competition.
- Upside in **Target (TGT)** attributed to speculation on potential PE takeover target, via account on X citing Fox Business - unconfirmed.
- **Civitas Resources (CIVI)** reportedly explores a potential sale, according to Bloomberg.
- **Berkshire Hathaway (BRK.B)** is reportedly in talks to buy **Occidental Petroleum's (OXY)** chemical unit for USD 10bln, via WSJ.

US FX WRAP

The Dollar saw slight losses on Tuesday as we come to month and quarter-end, with attention on Tuesday surrounding Fed speak, US data and Government shutdown. On the former, Goolsbee, Jefferson, and Collins hit the wires but little new was said. On Government shutdown, which is due to go into effect from midnight (EDT) tonight, Trump said they'll probably have one and can do things in a shutdown that are "irreversible". Data-wise, BLS previously confirmed they wouldn't publish data if the Government is in shutdown, while the US Labour Dept. today clarified that the Weekly Jobless Claims report will not be released in the event of a shutdown. As such, it is looking increasingly likely that Friday's NFP is in jeopardy. As a result, other labour data will take on greater importance as participants continue to see how the Fed will attempt to balance both sides of the dual mandate. Today, JOLTS topped expectations, but consumer confidence widely disappointed. Looking to Wednesday, ADP and ISM Mfg. are the highlights.

G10 FX was broadly firmer vs. the Buck with AUD outperforming post-RBA, and closely followed by the Yen and its Kiwi counterpart. Back to the Aussie, it saw a first bout of strength after a firmer CNY fixing, and then was further buoyed by a hawkish RBA hold – maintained its Cash Rate at 3.60%, and accompanied by remarks that said the decline in underlying inflation has slowed. At the press conference, Governor Bullock said she would not be giving any forward guidance and will have more data in November. AUD/USD traded between 0.6572-6628.

For the **Pound**, UK Q2 GDP was better-than-expected Y/Y at 1.4% (exp. & prev. 1.2%), with Q/Q in line, and unchanged, at 0.3%. In BoE speak, Lombardelli said policymakers may want to respond to temporary rises in inflation if they think they may have more persistent effects. Meanwhile, hawkish Mann stated that the inflation persistence scenario is playing out, but doesn't mean no rate cuts on the horizon. Cable topped out at 1.3467 against earlier lows of 1.3414.

Central speak was aplenty on Tuesday, with SNB's Schlegel comments in fitting with the September announcement and press conference remarks, while ECB President Lagarde said that risks to inflation appear contained. Elsewhere, for the single-currency, there was a wide range of regional EZ CPI releases ahead of the bloc-wide print on Wednesday. France was softer-than-expected, whilst Germany was above St. consensus. EUR/USD chopped between a pretty narrow 1.1713-61, and sits in the middle of that range, at the time of writing, while USD/CHF had a range of 45 pips.

EMFX was mixed. Overnight, aside from the aforementioned firmer CNY fixing, Chinese PMIs widely impressed. In LatAm, the Colombian central bank held interest rates steady at 9.25%, in line with expectations, in a majority decision, while Brazilian u/e rate held steady at 5.6%, as anticipated. Looking ahead, RBI is overnight and they are expected to hold the Repo Rate steady at 5.50%, as most economists see the MPC maintaining the pause amid strong GDP growth and benign inflation, though some still call for a cut.

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