

Markets chop as lack of data keeps participants in the dark

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude down, Dollar up, Gold down
- **REAR VIEW:** Challenger layoffs ease in September; Chicago Fed estimates Sept unemployment rate steady at 4.3%; Fed's Logan keeps hawk view, Goolsbee repeats inflation concerns; EU plans to hike steel import tariffs to 50%; US to provide Ukraine intelligence for deep strikes in Russia; TSLA Q3 deliveries beat.
- **COMING UP:** **Data:** Japanese Unemployment (Aug), Turkish CPI (Sep), EZ & UK Final Composite PMIs (Sep), EZ Producer Prices (Aug), ISM Services (Sep). Due to the US gov't shutdown, the following data will not be released: US NFP (Sep). **Speakers:** BoJ's Ueda; ECB's Lagarde, Schnabel; Fed's Williams, Jefferson; BoE's Bailey. **Supply:** Australia, Japan.

MARKET WRAP

Markets were choppy as the government shutdown continues to hold back key US data, with no weekly jobless claims released today. Stocks closed the day in the green, paring some of the risk-off moves seen at the opening bell. The majority of sectors still closed red with Energy, Real Estate and Consumer Discretionary, and Consumer Staples lagging, while Materials, Tech and Industrials outperformed. The stock highlight was arguably Tesla (TSLA) after posting strong Q3 delivery numbers. Shares were initially boosted, but questions over outdated forecasts and frontloaded buys amid EV credit expiration saw the stock pare and close red. Elsewhere, the Dollar caught a broad bid as stocks sold off, and this weighed on G10 FX while gold prices also pared from record highs. Once risk sentiment started to improve with Europe leaving, the Dollar moved off its best levels, and gold started to climb again. Amid the data shutdown, there was no clear driver of price action with markets in limbo as we await key economic data. No jobless claims were released today, and no NFP will be released on Friday. The Challenger Layoffs report today saw layoffs ease in September, but sparked little reaction. Meanwhile, the Chicago Fed's own estimate of the BLS unemployment rate was unchanged at 4.3% (in line with the consensus for what would be Friday's release). On Fed speak, Goolsbee continued to sound concerned over inflation while Logan reiterated her hawkish tone. Both were wary about overly front-loading rate cuts. Energy prices pushed lower throughout the day, perhaps supported by the latest Reuters OPEC survey, which saw OPEC boost production by 330k BPD in September. Albeit the survey noted Algeria, Iraq, Kuwait, Saudi Arabia, and the UAE were to raise output by 415k BPD before the effect of compensation cuts of 170k BPD, which should have resulted in an increase of 245k BPD when accounting for the cuts in September, but the survey fund actual production from these five members was 102k BPD over the 245k BPD at 347k BPD.

US

FED'S LOGAN (2026 voter): Inflation is running above target and trending higher, but highlighted there are risks on both sides of the Fed's mandate. The Dallas Fed President noted the decline in payroll gains - a known theme while Powell has stated the new breakeven is between 0-50k jobs. Further on the labour market, Logan remarked it is appropriate to see a little more cooling and her forecast is for unemployment to rise a little bit, but not too far. She reiterated her known hawk stance saying need to be very cautious when it comes to rate cuts and must not ease too much and have to reverse course later. Re. inflation, said even if tariffs have a one-time impact, the longer it takes and uncertainty extends, the increased risk to inflation expectations.

CHALLENGER LAYOFFS: US Challenger Layoffs printed 54.064k in September, down from August's 85.979k print. Given the lack of other labour market data, such as jobless claims and US nonfarm payrolls, due to Government shutdown, other labour market metrics such as this one, ADP, and ISM Employment PMIs may take on more importance. Andy Challenger, Senior VP and labor expert for Challenger, Gray & Christmas, said "It's very likely job cut plans are going to surpass a million for the first time since 2020". Challenger adds, "Right now, dealing with a stagnating labor market, cost increases, and a transformative new technology. With rate cuts on the way, we may see some stabilizing in the job market in Q4, but other factors could keep employers planning layoffs or holding off hiring".

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 2+ TICKS HIGHER AT 112-29+

T-notes chop as traders struggle to find a narrative amid the data blackout. At settlement, 2-year -0.2bps at 3.543%, 3-year -0.1bps at 3.555%, 5-year -0.8bps at 3.672%, 7-year -1.4bps at 3.861%, 10-year -1.9bps at 4.087%, 20-year -2.3bps at 4.656%, 30-year -2.1bps at 4.694%.

INFLATION BREAKEVENS: 1-year BEI +0.1bps at 3.216%, 3-year BEI -0.5bps at 2.668%, 5-year BEI -1.9bps at 2.406%, 10-year BEI -1.0bps at 2.320%, 30-year BEI -0.4bps at 2.235%.

THE DAY: T-notes flattened on Thursday after the bull steepening seen on Wednesday post ADP. With the government shutdown, there was little data to digest today aside from the Challenger Layoffs, which eased to 54k from 86k, while the Chicago Fed released its own estimate of the BLS unemployment rate, which it sees at 4.34%, vs the prior 4.32% - in line with the unemployment rate consensus of 4.3%, albeit with the government shutdown we will not see the September NFP report this week. T-notes initially peaked at 112-30+ overnight and matched that high in the US morning before pushing lower throughout the start of US trade. T-

notes hit a low of 112-12+ before then paring into settlement, ultimately hitting fresh peaks of 112-31. On Fed speak, Logan was her usual hawkish self, noting inflation is still running above target and trending higher, they are very close to maximum employment, while labour appears fairly balanced but slowing gradually. On rates, she said the Fed needs to be very cautious with rate cuts and must not ease too much, causing them to have to reverse course later. Attention turns to the ISM Services PMI on Friday.

SUPPLY

Notes/Bonds

- US Treasury to sell USD 58bln in 3yr notes on Oct 7th, USD 39bln of 10yr notes on Oct 8th and USD 22bln in 30yr bonds on Oct 9th; all to settle October 15th; sizes all as expected

Bills

- US sold USD 90bln of 8-week bills at a high rate of 3.960%, B/C 3.01x
- US sold USD 105bln of 4-week bills at a high rate of 4.060%, B/C 2.67x
- US to sell USD 90bln in 6-week bills (prev. 85bln) on October 7th, USD 84bln in 13-week bills (prev. 82bln) and USD 75bln in 26-week bills (prev. 73bln) on October 6th.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 24bps (prev. 25bps), Dec 47bps (prev. 47bps), January 59bps (prev. 59bps).**
- NY Fed RRP op demand at USD 8bln (prev. 10bln) across 10 counterparties (prev. 15)
- EFFR at 4.09% (prev. 4.09%), volumes at USD 103bln (prev. 92bln) on October 1st.
- SOFR at 4.20% (prev. 4.24%), volumes at USD 3.075tln (prev. 3.148tln) on October 1st.
- Treasury Buyback (Liquidity Support, 20-30yr, Max USD 2bln): Buys USD 2bln of 21.666bln offered, accepts 3/34 eligible issues. Offer to cover: 10.83x

CRUDE

WTI (X5) SETTLED USD 1.30 LOWER AT 60.48/BBL; BRENT (Z5) SETTLED USD 1.24 LOWER AT USD 64.11/BBL

Oil was lower and downside accelerated through the US afternoon to settle at session troughs, albeit with a lack of headline driver. In the European morning, initial weakness was seen, and while no clear catalyst, some pointed towards a BBG piece which noted unsold Middle Eastern crude cargoes are directing to early signs that an expected global oil surplus could begin to emerge. As mentioned, newsflow and particularly oil headlines, were light on Thursday, although Russian President Putin gave some remarks on Europe – he said it is impossible to believe that Russia will attack NATO, noting they will not do it due to Russia's security, adding "shall we take counter measures to the militarisation of Europe?". Putin said if someone seeks to compete in the military sphere, Russia has proved more than once they'll respond fast, and Russia should not be provoked, and weakness is unacceptable. Benchmarks also saw a bout of weakness on a Reuters OPEC survey, within in, it noted five OPEC+ members (Algeria, Iraq, Kuwait, Saudi Arabia, UAE) were to raise output by 415k BPD in September before the effect of compensation cuts totalling 170k BPD for Iraq, Kuwait and the UAE. However, and according to the survey, the actual increase [by those 5 countries] was 347k BPD, greater than the 245k expected (when accounting for compensation cuts). WTI traded between USD 60.40-62.54/bbl and Brent USD 64.00-66.16/bbl with no US payrolls on Friday due to the US Government shutdown.

EQUITIES

CLOSES: SPX +0.06% at 6,715, NDX +0.37% at 24,893, DJI +0.17% at 46,520, RUT +0.66% at 2,458

SECTORS: Energy -1.02%, Consumer Discretionary -0.69%, Real Estate -0.54%, Consumer Staples -0.53%, Utilities -0.20%, Health -0.19%, Financials -0.09%, Industrials +0.24%, Communication Services +0.26%, Technology +0.49%, Materials +1.05%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.13% at 5,644, Dax 40 +1.35% at 24,439, FTSE 100 -0.20% at 9,428, CAC 40 +1.13% at 8,057, FTSE MIB +0.00% at 43,078, IBEX 35 -0.27% at 15,496, PSI +0.06% at 8,046, SMI +0.46% at 12,417, AEX +1.13% at 959

STOCK SPECIFICS:

- **Apple (AAPL)** halted Vision Pro overhaul to focus on AI glasses.
- JPM raised PT for **Alibaba's (BABA)** Hong Kong shares by nearly 45% to HKD 240, a St. high.
- Berkshire Hathaway confirmed it is to acquire **Occidental Petroleum's (OXY)** Chemical unit, OxyChem, for USD 9.7bln.
- **Fair Isaac (FICO)** rolled out direct mortgage score licensing, eliminating reliance on the three nationwide credit bureaus; of note for **Equifax (EFX)** and **TransUnion (TRU)**.; FHFA Director Pulte lauded the move and encouraged the Credit Bureaus to also take similar actions, making markets more competitive.
- **Rivian Automotive (RIVN)** narrowed FY25 delivery guidance.
- **Mondelez (MDLZ)** downgraded to 'Hold' from 'Buy' at Berenberg.
- **Rivian (RIVN)** announced Q3 deliveries and FY guidance; Q3 deliveries topped and narrowed '25 delivery outlook range to 41.5-43.5k units (exp. 42.4k units).
- **Tesla (TSLA):** Q3 deliveries surpassed expectations.
- **Humana (HUM)** - Said it has 14% of members in 4.5-star plans in 2026, 1.2mln members in 4-star and above plans for 2026 (vs 3% in 2025); affirmed FY 25 adj. EPS guidance of c. USD 17.00 (exp. 17.03). After incorporating the 2026 MA Star Rating thresholds into its forecasting process, the Company continues to anticipate a return to Top Quartile results for the 2027 MA Star Ratings.

- Arkansas Economic Development Commission says **Google (GOOGL)** invests USD 4bln to develop data centre in West Memphis.
- US President Trump is reportedly making plans to send billions in cash bailouts to farmers with taxpayer money, according to Politico.

FX

The Dollar eked out modest gains against G10 peers as the US government shutdown entered its second day. The usual weekly claims report was absent amid the shutdown, leaving Challenger layoffs the highlight, with layoffs easing to 54k from 86k in September. Also helpful in gauging labour developments, given that NFP won't be released on Friday, was the Chicago Fed estimate on the unemployment rate, which stood firm at 4.3% from the initial September 23rd reading. From the Fed, Logan (2026 voter) maintained her hawk stance seen earlier in the week, with Goolsbee (2025 voter) again highlighting concerns over inflation. DXY rose to ~ 97.83 from earlier 97.52 lows.

G10 FX moved lower on Thursday, led by NOK's reversal of Wednesday's outperformance, with AUD and GBP also experiencing modest pressure. NZD outperformed. Similar to the US, Newsflow/data was generally light in the space. Overnight, the Yen was temporarily supported by BoJ's Uchida, who noted the Tankan survey showed positive business sentiment as the US tariff outlook recedes; BoJ to raise rates if the economic outlook is realised. On trade, updates concerned the EU, with further reports pointing towards the EU hiking steel import tariffs to 50%, according to a draft seen by Bloomberg. Additionally, the US is considering easing tariffs on Scotch whisky. EUR/USD heads into overnight trade marginally lower at ~ 1.1720 within an intraday range of 1.1684-1.1758.

EMFX: Performance in EMs was skewed to the downside due to the broad USD strength. TRY underperformed ahead of Sept inflation due on Friday, exp. 2.6% M/M (prev. 2.04%). In Latam, Brazilian Industrial output is also due, expected to rise 0.3% M/M in August (prev. -0.2%) and fall 0.8% Y/Y (prev. 0.2%).

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