

### Stocks chop in thin trade as shutdown prevents payrolls

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude higher, Dollar down, Gold up.
- **REAR VIEW:** ISM Services falls beneath bottom end of forecast range, with business activity tumbling; China reportedly pushes Trump to drop curbs; Trump threatens Hamas to make a deal by Sunday evening; Hamas agrees to release all Israeli hostages; OPEC+ reportedly set for Sunday hike, size unclear; Trump considering significant tariff relief for US auto production; Fed speak adds little new.
- **COMING UP: Data:** EZ Construction PMI (Sep), Sentix (Oct), Retail Sales (Aug), US Employment Trends (Sep), New Zealand NZIER (Q3). **Speakers:** ECB's de Guindos, Lane, Escriva, Lagarde; BoE's Bailey. **Earnings:** Constellation Brands. **Holiday:** China.
- **WEEK AEHAD:** Highlights include FOMC Minutes, ECB Minutes, RBNZ, Canada jobs, OPEC+, Japan LDP leadership election. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBNZ, FOMC Minutes, ECB Minutes; Reviewing RBA and RBI. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Thin earnings docket with PEP the standout. [Click here for the full report.](#)

### MARKET WRAP

US indices closed the final session of the week mixed, with the tech-heavy Nasdaq 100 (-0.4%) lagging, and the small-cap Russell 2000 (+0.7%) outperforming. The former was weighed on by weakness in NVDA, AMZN, META, TSLA, and PLTR, which saw large-cap sectors Consumer Discretionary, Communication Services, and Technology as the only sectors in the red. Utilities and Health were the clear outperformers. Newsflow was very thin on Friday, with ISM Services and Fed speak the highlights given the postponement of the US payrolls report due to the US government shutdown. ISM Services disappointed on the headline and fell to 50.0 (exp. 51.7, prev. 52.0) and beneath the bottom end of the forecast range. Business activity and new orders tumbled, with the latter into contractionary territory, while employment and prices paid both ticked incrementally higher. The Dollar was lower with NZD and GDP the G10 outperformers, while the Yen lagged amid Ueda comments overnight. Treasuries were weaker across the curve as newsflow/data failed to have a lasting impact on direction. The crude complex saw gains, but still ended the week notably in the red ahead of the OPEC meeting on Sunday, whereby the latest source reports noted OPEC+ is set for a further oil output increase, although the size is still unclear. Spot gold firmed but couldn't breach USD 3.9k/oz to the upside.

### US

**ISM SERVICES PMI:** The ISM Services PMI was soft, the headline fell to 50.0 - the line between contraction and growth - from the 52.0 reading in August, and below the 5.17 consensus, and also beneath the most pessimistic analyst forecast. The drop in the headline was led by a hit to new orders, falling to 50.4 from 56.0, while business activity fell to 49.9 from 55.0. The prices paid remained elevated at 69.4 while employment remained in contractionary territory at 47.2, above the prior 46.5. Within the report, it noted "Commentary in general indicated moderate or weak growth, with more isolated observations of supplier delivery challenges. Employment continues to be in contraction territory, thanks to a combination of delayed hiring efforts and difficulty finding qualified staff." Due to the Government agency-produced data being on pause at the moment due to the shutdown, Federal Reserve officials will have to rely on private market data to get a temperature check on the economy. As such, Oxford Economics adds that neither the ISM nor ADP reports this week paint a particularly robust picture of the labour market; With all measures of employment pointing to contraction, an October rate cut seems locked in.

**FED'S MIRAN (Governor):** Said access to data is important to making policy and is hopeful Fed will have the needed data by next FOMC; Fed policy should be forward-looking. Re. inflation expects serious disinflation in services inflation due to housing and population shifts, and adds that inflation expectations are reasonably well anchored; does not expect broad-based inflation increase after tariffs. On rates, the real neutral rate is about 0.5%, and doesn't think the position on the neutral rate is extreme, just wants to get there faster. The method of using backwards-looking data is misguided, and financial conditions may not give a good read for Fed policy.

**FED'S GOOLSBEE (2025 voter):** When asked about the lack of data, said the Chicago Fed employment measure (released 2nd Oct) tracks unemployment at 4.3%, which was unchanged M/M and in line with analyst expectations for the delayed official BLS report. Chicago Fed President said market expects cuts, Fed will act on data; uptick in services inflation is probably not from tariffs and reiterated he is wary about front-loading rate cuts. On the potential lack of data given the Government shutdown, he remarked that there are a lot of private sector gauges on the labour market, but not so much for inflation.

**FED'S LOGAN (2026 voter):** Worried about non-housing services inflation that's been elevated and stuck there. She acknowledged that there are also upside risks to good prices even after the tariff effect fades. The 2026 voter described policy as likely just modestly restrictive. Risks that tariff effects are more prolonged raise the risk of a rise in long-term inflation expectations.

### FIXED INCOME

## T-NOTE FUTURES (Z5) SETTLED 8 TICKS LOWER AT 112-21+

**T-Notes sold as the government shutdown extends into the weekend.** At settlement, 2-year +2.5bps at 3.574%, 3-year +3.1bps at 3.590%, 5-year +3.5bps at 3.710%, 7-year +3.6bps at 3.901%, 10-year +2.9bps at 4.119%, 20-year +2.3bps at 4.681%, 30-year +1.6bps at 4.713%.

**INFLATION BREAKEVENS:** 1-year BEI +0.6bps at 3.217%, 3-year BEI +0.4bps at 2.657%, 5-year BEI +0.9bps at 2.408%, 10-year BEI +0.9bps at 2.323%, 30-year BEI +0.8bps at 2.241%.

**THE DAY:** T-notes saw narrow trade on Friday with the NFP report delayed until the government reopens. T-notes hit a peak of 112-31+. Choppy trade was seen in response to the ISM Services PMI report, which missed all analyst expectations, falling to 50.0, the line between growth and contraction, primarily led by a drop in New Orders and Business activity. Prices paid were little changed but still elevated, while employment improved but remained in contractionary territory. There were several Fed speakers, but little new information was added. Goolsbee continued to reiterate caution against front-loading rate cuts, while Miran exclaimed he is taking a forward-looking approach and believes tariffs will not lead to inflation. Attention next week turns to 3, 10 and 30-year supply.

## 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 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. 24bps), Dec 46bps (prev. 47bps), January 57bps (prev. 59bps).**
- NY Fed RRP op demand at USD 25bln (prev. 8bln) across 14 counterparties (prev. 10)
- EFR at 4.09% (prev. 4.09%), volumes at USD 102bln (prev. 103bln) on October 2nd.
- SOFR at 4.20% (prev. 4.20%), volumes at USD 3.022bln (prev. 3.075tln) on October 2nd.

## CRUDE

**WTI (V5) SETTLED USD 0.40 HIGHER AT USD 60.88/BBL; BRENT (Z5) SETTLED 0.42 HIGHER AT 64.53/BBL**

**The crude complex saw gains on Friday, but still ended the week notably in the red ahead of the OPEC meeting on Sunday.** Source reports noted OPEC+ is set for a further oil output increase, although the size is still unclear (full Newsquawk preview available in here). Prior to this, in the European morning, benchmarks saw modest upside after a senior Hamas official told Saudi media that they informed mediators they need more time for consultations regarding the Trump plan, and Hamas demands some "fundamental changes" in some of the plan's clauses. Later in the session, and once again aiding some upside, Trump posted on Truth that an agreement must be reached with Hamas by Sunday evening at 18:00EDT, and "if this last chance agreement is not reached, all hell...will break out against Hamas". While no market move, Ukraine is said to have hit Russia's Orsk refinery (130k bpd). In the weekly Baker Hughes rig count, oil fell 2 to 422, natgas rose 1 to 118, leaving the total unchanged at 549. For the record, WTI traded between USD 60.55-61.38/bbl and Brent 64.20-65.02.

## EQUITIES

**CLOSES:** SPX +0.01% at 6,716, NDX -0.43% at 24,786, DJI +0.51% at 46,758, RUT +0.72% at 2,476

**SECTORS:** Consumer Discretionary -0.81%, Communication Services -0.64%, Technology -0.32%, Consumer Staples -0.06%, Industrials +0.14%, Materials +0.20%, Real Estate +0.38%, Energy +0.67%, Financials +0.74%, Health +1.13%, Utilities +1.15%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.11% at 5,652, Dax 40 -0.15% at 24,386, FTSE 100 +0.67% at 9,491, CAC 40 +0.31% at 8,082, FTSE MIB +0.42% at 43,258, IBEX 35 +0.57% at 15,585, PSI +0.86% at 8,115, SMI +0.66% at 12,510, AEX +0.27% at 962

### STOCK SPECIFICS:

- **Applied Materials (AMAT)** said expanding existing export restrictions will cut Q4 revenue by ~ USD 110mln & FY26 revenue ~ USD 600mln.
- **Boeing (BA)** 777x will likely be delayed by a year.
- Large fire broke out at **Chevron's (CVX)** El Segundo refinery.
- **USA Rare Earth (USAR)** CEO Barbara Humpton said it was in close discussions with the White House, via CNBC.
- **GameStop (GME)** filed an automatic mixed securities shelf.
- Republican Senator Moreno, US President Trump considering significant tariff relief for US auto production. **General Motors (GM)** and **Ford (F)** saw upside on the news.

### BROKER MOVES:

- **Apple (AAPL)** downgraded to 'Underperform' from 'Hold' at Jefferies; said better demand for iPhone 17, likely driven by no price hike in the Pro and Pro Max. models and "an effective price cut" on the 17 base model, is already in the price, which has

led to "excessive expectations" on the replacement cycle and prospects of the 18 Fold.

- **Occidental Petroleum (OXY)** upgraded at HSBC & Mizuho.
- **Freeport-McMoRan (FCX)** upgraded at UBS to 'Buy' from 'Neutral'.
- **Bumble (BMBL)** downgraded to 'Neutral' from 'Buy' at Goldman Sachs.

## FX

**The Dollar** heads into the weekend weaker on the week, finishing in around the midpoint of Friday's thin trading range of 97.601-97.949. Similar to the days that have followed the government shutdown, a narrative driving market moves has been absent. Services PMIs were due from S&P Global (final revised higher) and ISM (headline fell more than expected), albeit both releases had little bearing on market moves. Within ISM, Business Activity saw a steep decline, unexpectedly moving into contractionary territory, the first time since May 2020. Prices Paid marginally move higher, but remained elevated at its second-highest reading since October 2022. Multiple Fed speakers were once again on the wires, albeit little new was said, with Governor Miran unsurprisingly remaining a dove and Logan (2026 voter) a Hawk.

**NZD, GBP, and CHF** led G10 gains, while the **Yen** lagged behind ahead of the LDP election. The theme across FX was the same for USD, headlines/data having a muted reaction on direction. Overnight, the Yen briefly weakened in response to BoJ Governor Ueda saying "must maintain an accommodative monetary environment and support the economy". Now USD/JPY trades ~ 147.50 within a narrow intraday range of 147.10-81. [Click here for the Newsquawk LDP Preview.](#)

In Europe, Services PMIs were revised lower, ECB's Wunsh reiterated the general tone that they are in a good place, and ECB's President Lagarde said that the Euro Area has shown more resilience than anticipated. EUR/USD was unfazed by said events, trading higher at ~1.1740 from earlier lows of 1.1714.

**EMFX:** The Turkish Lira was once again sold, underperforming in the space as the carry trade continues. Turkish inflation in September was hotter than expected, 3.23% M/M (exp. 2.6%), 33.29% Y/Y (exp. 32.5%). ING expect USD/TRY to head towards 45.00 at the end of the year (currently ~41.7), but is still very well compensated on the carry side. In Brazil, industrial output surprised on the upside, rising 0.8% M/M (exp. 0.3%), -0.7% Y/Y (exp. -0.8%).

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