

Stocks catch bid while gold and silver hit fresh record highs

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up, Gold up
- **REAR VIEW:** FOMC Minutes lean hawkish; Weak US 10yr auction; Parties involved in Israel/Hamas negotiations reportedly optimistic on deal being reached this week; Macron to name new PM in 48 hours; EIA crude stocks build more than expected, but demand is resilient; RBNZ cuts OCR by 50bps; NVDA CEO says Blackwell demand is really high.
- **COMING UP:** **Data:** German Trade Balance (Aug), Atlanta Fed GDP, New Zealand Manufacturing PMI. **Suspended:** US Jobless Claims (4 Oct w/e), Wholesale Sales (Aug). **Events:** ECB Minutes (Sep), Eurogroup Meeting, Banxico Minutes. **Speakers:** BoE's Mann; BoC's Rogers; Fed Chair Powell, Bowman, Barr, Kashkari; ECB's Lane. **Supply:** Japan, US. **Earnings:** Delta Air, PepsiCo.

MARKET WRAP

Stocks were bid on Wednesday with upside led by the Nasdaq as tech stocks, namely NVDA, outperformed while the Dow lagged. Progress on the government shutdown was lacking, but there was some optimism in France regarding political instability and optimism on a Gaza deal, which appears very close to an agreement. Meanwhile, in the US, the Fed minutes were hawkish, and the 10-year T-note auction was weak. T-notes settled flat with the curve flattening slightly - early upside was seen tracking EGBs higher on hopes of progress towards the French budget, albeit T-notes had pared the move in US trade ahead of the minutes and auction. The auction saw T-notes push to lows, but little reaction was seen to the minutes. Within the Fed Minutes, it revealed a few participants saw merit in keeping rates unchanged in September, or that they could have supported such a decision, while Miran was the only member to support a 50bps rate cut. In FX, the Dollar added to recent gains thanks to weakness in the Euro, Yen and Franc, but the Euro was off lows into the APAC session after French Caretaker PM Lecornu. He said there is a majority in parliament that is against the dissolution of parliament, and he said there could be a new PM within 48 hours (later confirmed by Elysee reports, citing Macron). The Kiwi underperformed after the RBNZ cut rates by 50bps overnight vs split market expectations and pricing. Oil prices chopped once again but settled in the green, albeit off peaks, on reports that a Gaza deal is very close and likely to be signed within the next two days. Gold and Silver prices continued to rally, albeit heading into APAC trade off the earlier peaks, with both precious metals earlier printing fresh record highs.

US

FOMC MINUTES: The FOMC Minutes had some hawkish and dovish elements. On the hawkish side, some participants said financial conditions suggest policy may not be particularly restrictive. Those members judged that a cautious approach to future policy was warranted. Moreover, a few participants saw merit in keeping the Fed funds rate unchanged in September, or that they could have supported such a decision. Also, the minutes confirmed Miran was the only member to support a 50bps rate cut - even among the non-voting members. However, offsetting some of the hawkishness was that most participants judged the downside risks to employment had increased, while upside risks to inflation had either diminished or not increased. Although, the majority emphasised upside risks to their outlooks of inflation. When describing the labour market, the minutes acknowledged the low number of monthly job gains, with several expecting it to remain low, citing low net immigration and workers nearing retirement age. However, when looking at other metrics (other than headline payrolls), participants generally assessed that recent readings did not show a sharp deterioration in labour market conditions. Following the minutes, Pantheon Macroeconomics highlights that a 25bps rate cut remains a solid bet, but there will likely be some hawkish dissent.

FIXED INCOME

T-NOTE FUTURES SETTLED 2 TICKS LOWER AT 112-19+

T-notes fade early, EGB led upside ahead of an ultimately weak 10-year auction and hawkish-leaning FOMC minutes. At settlement, 2-year +1.4bps at 3.586%, 3-year +1.5bps at 3.601%, 5-year +1.6bps at 3.722%, 7-year +0.9bps at 3.911%, 10-year +0.2bps at 4.129%, 20-year -0.3bps at 4.686%, 30-year -0.4bps at 4.722%.

INFLATION BREAKEVENS: 1-year BEI +0.6bps at 3.269%, 3-year BEI +1.3bps at 2.703%, 5-year BEI +0.7bps at 2.433%, 10-year BEI +0.7bps at 2.346%, 30-year BEI +0.9bps at 2.267%.

THE DAY: T-notes moved higher overnight and throughout the US morning before then completely paring the gains to settle roughly flat. The government shutdown continues to see quiet treasury trade amid the lack of government data releases, and with no sign of a breakthrough anytime soon, there is a real risk that the CPI and Retail Sales reports will be delayed next week. This leaves the Fed in the dark for the October 29th meeting, with the blackout set to kick in from the end of next week, so even if there is a resumption of data, there will still likely be a lack of communication from the Fed on how they view the data. The upside throughout the morning largely tracked EGBs moving higher on some signs of optimism from the French government on a budget in an attempt at a last-minute deal. There was little data to digest other than a slight drop in the 30-year MBA mortgage rate, with applications dropping 4.7%. The focus was largely on the Fed Minutes and the auction. The Minutes leaned hawkish, revealing some noted financial conditions suggest policy may not be particularly restrictive, and those judged a cautious approach ahead was warranted. Also, a few saw merit in keeping rates unchanged or that they could have supported such a decision. Note, there was

little reaction to the minutes. Marginal weakness was observed in the wake of the weak 10-year auction, seeing T-notes settle flat (more below).

SUPPLY

Notes/Bonds

- **10-Year:** Overall, the auction was soft. The US sold USD 39bln of 10-year notes at a high yield of 4.117%, a lower yield when compared to the six auction average of 4.308%, but above the prior 4.033%. This tailed the when issued by 0.3bps, a much softer sign of demand when compared to the prior stop through of 1.3bps and the six auction average of a 0.9bps stop through. This was the fourth tail in the 10-year auctions this year vs six stop-throughs. The bid-to-cover was also soft, falling to 2.48x from 2.65x, below the 2.57x average. The breakdown, however, was more mixed, with direct demand jumping to 24.1% from 12.7%, above the 16.3% average, but indirect demand slumped to 66.8% from 83.1%, below the 73.7% average. This left dealers with 9.1% of the auction, above the prior 4.2%, but more aligned with the 10% six-auction average.
- US Treasury to sell USD 22bln in 30yr bonds on Oct 9th; all to settle October 15th; sizes all as expected

Bills

- US sold 6-week bills at a high rate of 4.000%, B/C 2.69x
- US to sell USD 95bln of 8-week bills (prev. 90bln), to sell USD 69bln of 17-week bills (prev. 67bln) on October 8th; to sell USD 110bln of 4-week bills (prev. 105bln); all to settle on October 14th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 23bps (prev. 24bps), Dec 44bps (prev. 45bps), January 55bps (prev. 55bps).**
- NY Fed RRP op demand at USD 5.2bln (prev. 4.6bln) across 12 counterparties (prev. 16)
- EFFR at 4.09% (prev. 4.09%), volumes at USD 81bln (prev. 84bln) on October 7th.
- SOFR at 4.14% (prev. 4.15%), volumes at USD 2.946tln (prev. 2.981tln) on October 7th.

CRUDE

WTI SETTLED USD 0.82 HIGHER AT USD 62.55/BBL; BRENT (Z5) SETTLED USD 0.80 HIGHER AT 66.25/BBL

Crude benchmarks extended on weekly gains as oil consumption proved resilient. The EIA weekly report had limited downward pressure on the space, with WTI and Brent resuming their trend higher shortly after. Crude stocks posted a bigger-than-expected build, albeit by a lesser margin when considering the crude build seen in Tuesday's private inventory report. Bearish views drawn from the crude stock build were offset by the bigger increase in oil consumption. Additionally, distillates and gasoline posted a steeper than expected draw while crude oil US production rose 0.92% W/W. An analyst at Price Futures Group writes, "Demand numbers are pretty strong, and that should keep the market support". On geopolitics, parties involved in the Israel/Hamas ceasefire talks spoke well of progress thus far, with Jerusalem's Post sources noting that "It seems the Gaza deal situation is not if a deal is reached, but when it will be announced". WTI and Brent settled in the upper end of the intraday ranges of USD 62.05-65.92/bbl and USD 65.76-66.54/bbl, respectively.

EQUITIES

- **CLOSES:** SPX +0.58% at 6,754, NDX +1.19% at 25,137, DJI +0.00% at 46,602, RUT +1.04% at 2,484
- **SECTORS:** Energy -0.57%, Financials -0.52%, Consumer Staples -0.52%, Real Estate -0.50%, Communication Services +0.02%, Health +0.18%, Materials +0.52%, Consumer Discretionary +0.56%, Utilities +0.69%, Industrials +0.85%, Technology +1.52%.
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.63% at 5,649, Dax 40 +0.98% at 24,624, FTSE 100 +0.69% at 9,549, CAC 40 +1.07% at 8,060, FTSE MIB +0.96% at 43,484, IBEX 35 +1.15% at 15,706, PSI +0.40% at 8,149, SMI +0.95% at 12,651, AEX -0.01% at 961

STOCK SPECIFICS

- **Confluent (CFLT):** Reportedly exploring a sale.
- **Penguin Solutions (PENG):** Revenue & FY26 guidance disappointed.
- **Joby Aviation (JOBY):** To sell USD 500mln in common stock.
- **Live Nation Entertainment (LYV):** To offer USD 1.3bln in convertible senior notes.
- **Equifax (EFX):** Cut mortgage credit score prices by over 50%.
- **Rocket Lab (RKLK):** Signed multi-launch deal with with IQPS.
- **Cisco (CSCO):** Seeks to challenge Broadcom (AVGO) in connecting AI data centres, also unveiled the Silicon One P200 chip, and a 51.2T routing system.
- **AST SpaceMobile (ASTS):** Announced the signing of a definitive commercial agreement with Verizon (VZ) to provide direct-to-cellular AST SpaceMobile service when needed for Verizon customers starting in 2026.
- **FedEx (FDX):** Downgraded at JPMorgan to 'Neutral' from 'Overweight'.
- **Southern Copper (SCCO):** Upgraded at Morgan Stanley to 'Equal Weight' from 'Underweight'.
- **Freshpet (FRPT):** Downgraded at BofA to 'Neutral' from 'Buy'.
- **Paramount Skydance (PSKY):** Talking to buyout firms in Warner Bros Discovery (WBD) bid, NYP reports.
- **BlackRock (BLK):** Seeking cash from **Jefferies (JEF)** fund hit by First Brands, according to Bloomberg.

FX WRAP

The Dollar was bid across peers despite lacking newsflow. US data was once again absent, but FOMC Minutes offered further details on the September meeting. The minutes confirmed Governor Miran as the sole dissenter amongst voters and non-voters, while a few participants saw merit in keeping the FFR unchanged at the September meeting, or that they could have supported such a decision. Likely explaining the latter perspective was some participants noting that financial conditions suggested policy may not be particularly restrictive; those participants judged that a cautious approach to future policy was warranted. DXY rose to ~98.9 from 98.637 lows.

G10FX was largely sold with AUD & CAD, the exceptions, trading little changed vs USD at the time of writing. CHF & JPY continue to lack a haven appeal despite the ongoing US government shutdown, while gold surged above USD 4,000/oz for the first time. For the Euro, some relief was found to boost EUR/USD further off lows after the outgoing French PM Lecornu said they could have a new PM in 48 hours. EUR/USD came off earlier 1.1599 lows to ~ 1.1620 ahead of overnight trade. In Germany, data disappointed again on the downside, with Industrial Orders falling 4.3% in August (exp. -1.0%). Albeit, the report notes "The marked decrease may be explained, at least in part, by the combination of annual plant closures for holidays and production changeovers."

NZD came under pressure after the RBNZ cut the OCR by 50bps and kept the door open for further easing. The rate decision was anticipated by some (11/26 economists Reuters surveyed), but saw the central bank remain open to further easing as required for inflation to settle sustainably near the 2% target mid-point in the medium term. NZD/USD currently trades around 0.5780.

PLN: EUR/PLN saw modest upside after the NBP unexpectedly cut rates by 25bps to 4.5%, citing an improved inflation outlook for the coming period. The central bank reiterated a data-dependent approach going forward and that it may intervene in the FX market. At ING, they see a growing likelihood that the key interest rate will be kept at 6.5% for a significant part, or even all of 2026.

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