

Stocks and precious metals fall from ATH territory while Dollar catches bid

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar up, Gold down
- **REAR VIEW:** Fed's Williams supports further rate cuts, Barkin argues caution on further easing; Trump says might impose more sanctions on Russia; Treasury announces more Iran sanctions; China's MOFCOM announce export controls on some rare earth equipment; Average US 30yr note auction; Israel & Hamas agree to implement Trump plan; Takaichi doesn't want to trigger excessive JPY weakness; US Treasury buys Argentine Pesos; Strong PEP earnings; DAL earnings beat; RACE provides underwhelming guidance
- **COMING UP:** Data: Norwegian CPI (Aug), Canadian Employment Report (Sep), US Uni. of Michigan Prelim. (Oct), Chinese M2/New Yuan Loans (Sep). **Speakers:** Fed's Daly, Goolsbee, Musalem. **Supply:** Australia

MARKET WRAP

Price action on Thursday largely appeared to be a retracement of some of the moves seen in recent weeks, with stocks and precious metals selling off from record high territory while the Dollar saw notable upside - there wasn't a specific headline for the driver, but likely profit taking or extended positioning/over crowded positions. US/China relations saw a knock however, with China implementing rare earth export controls, and Trump implied "maybe" they will have to stop importing massive amounts from China. The weakness in stocks was broad-based, with the majority of sectors red and the equal-weighted S&P lagging. The Nasdaq "outperformed" thanks to continued gains in NVIDIA (NVDA), which hit highs of USD 195/shr. Consumer Staples was the only sector in the green, buoyed by strong Pepsi (PEP) earnings, while Delta Airlines (DAL) earnings were also strong, buoying United Airlines (UAL), albeit American Airlines (AAL), JetBlue (JBLU), and Southwest (LUV) tumbled. T-notes saw gradual selling pressure throughout the day on little fresh drivers amid the government shutdown, but Fed speak saw Williams lean somewhat dovish, while Barr was somewhat hawkish. Meanwhile, the 30-year bond auction was average. In FX, the Dollar outperformed while the Yen saw fleeting strength following LDP Leader Takaichi's comments that they do not want an excessively weak Yen. Albeit JPY was a relative G10 outperformer vs USD. GBP and NZD lagged. Oil prices settled in the red as the Dollar strength offset the initial upside, while, as expected, Israel and Hamas came to a peace agreement. Meanwhile, US President Trump announced he may impose more sanctions on Russia, and the Treasury issued new sanctions on Iran. Attention on Friday turns to the UoM data and more Fed speak. Federal Budget data will be delayed.

US

FED'S WILLIAMS (voter): The NY Fed president, in a NYT interview, said he supports further rate cuts, but notes policy is not as restrictive as it was last year, labelling it modestly restrictive. He described the recent rate cut as a risk management cut, echoing Fed Chair Powell. Williams added his view is that they are on a journey back towards neutral, and said, "In my view, the neutral interest rate is still relatively low, probably somewhat below 1%". On the labour market, he said the most recent September indicators are consistent with a gradual cooling in the labour market, and not one that is showing any acceleration. Meanwhile, underlying inflation seems to be moving lower towards 2%, but notes tariffs have boosted inflation by perhaps 0.25-0.50%. He also does not think the US economy is on the verge of a recession.

FED'S BARR (voter): The Governor spoke in a cautious tone on any further easing, citing uncertainty surrounding both sides of the mandate. Barr, who hasn't spoken on policy/outlook since June, said the September rate cut was appropriate, but current policy is still modestly restrictive. On inflation, he said tariffs have only a modest impact, but he is sceptical that the Fed can completely look through tariff-driven inflation. He added that the modest impact of tariffs on inflation so far likely means the period of adjustment will continue longer as firms adapt. Barr expects core PCE inflation to be over 3% at the end of this year. Barr said the job market balance is coming through, with slowing supply and hiring, suggesting vulnerability to shocks. Regarding the economy, Barr noted that since the Sept meeting, consumer spending has been strong and stronger PCE inflation has been confirmed. Barr said recent spending data suggests GDP growth remained strong in Q3. 2026 voter Kashkari, who was present with Barr today at the Economic Club of Minnesota in Golden Valley, Minnesota, said he "basically agrees" with everything Fed's Barr said.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 4 TICKS LOWER AT 112-15+

T-notes see gradual selling pressure despite volatility elsewhere. At settlement, 2-year +1.1bps at 3.595%, 3-year +1.2bps at 3.612%, 5-year +1.6bps at 3.738%, 7-year +1.4bps at 3.925%, 10-year +1.3bps at 4.144%, 20-year +0.8bps at 4.695%, 30-year +0.5bps at 4.729%.

INFLATION BREAKEVENS: 1-year BEI +0.1bps at 3.275%, 3-year BEI -0.5bps at 2.696%, 5-year BEI -0.6bps at 2.428%, 10-year BEI -0.8bps at 2.340%, 30-year BEI -0.5bps at 2.262%.

THE DAY: T-notes saw marginal losses on Thursday with a gradual downside starting overnight to see lows just ahead of settlement. Some upside was seen in the European morning, but this faded in the US session. For T-notes, it was a quiet session, but elsewhere, stocks and precious metals took a beating, while the Dollar rallied. Price action didn't appear to be driven by any

fresh newsflow, but likely just a reversal of kinds following the moves seen in recent weeks. T-notes hit lows after the mixed 30-year bond auction (more below), but the moves were marginal. Elsewhere, Fed speak saw Williams lean somewhat dovish, supporting further rate cuts, while Barr was hawkish, urging caution ahead, noting that October will be a difficult decision. Note, Fed Chair Powell and Bowman speeches focused on community banking, while Kashkari said he "basically agrees" with everything that Barr said. With the government still in shutdown, Treasury vol remains low, but tomorrow sees the release of the preliminary October UoM survey, while the Federal Budget data will be delayed -Treasury Secretary Bessent said they will release the Treasury budget statement once the government reopens. Note, the Senate has cancelled recess next week, but the House remains on 48-hour notice to return to Washington, which Punchbowl says is a sign the House does not plan to come back next week as of now.

SUPPLY

Notes/Bonds

30-Year: Overall, an average auction. US Treasury sold USD 22bln of 30-year bonds at a high yield of 4.734%, a higher yield than the prior offering, albeit it tailed by 0.4bps - a weak sign of demand when looking at the prior offering printing on the screws, with a six-auction average today of a stop through of 0.2bps. However, the bid-to-cover was unchanged M/M, in line with the average. The breakdown saw a slight drop in direct demand (to 26.9% from 28%) and a slight increase in indirect demand (to 64.5% from 62%), both slightly above six auction averages. This left dealers with 8.66% of the auction, below the prior 10.0% and six-auction average of 13%.

Bills

- US sold USD 100bln of 4-week bills at a high rate of 4.030%, B/C 2.92x; sold USD 95bln of 8-week bills at a high rate of 3.955%, B/C 2.88x.
- US to sell USD 95bln in 6-week bills (prev. USD 90bln), USD 86bln in 13-week bills (prev. USD 84bln) and USD 77bln in 26-week bills (prev. 75bln) on Oct. 14th; all to settle Oct. 16th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 24bps (prev. 23bps), Dec 45bps (prev. 44bps), January 55bps (prev. 55bps).**
- NY Fed RRP op demand at USD 4.5bln (prev. 5.2bln) across 10 counterparties (prev. 12)
- EFFR at 4.09% (prev. 4.09%), volumes at USD 76bln (prev. 81bln) on October 8th.
- SOFR at 4.12% (prev. 4.14%), volumes at USD 2.924tln (prev. 2.946tln) on October 8th.

CRUDE

WTI (X5) SETTLED USD 1.04 LOWER AT 61.51/BBL; BRENT (Z5) SETTLED USD 1.03 LOWER AT 65.22/BBL

Crude prices trimmed weekly gains as a rising dollar sparked a reversal of the initial upside seen in commodities. WTI and Brent, similar to precious metals, initially saw gains despite the risk premium being reduced after Israel and Hamas reached an agreement to get US President Trump's peace plan underway. The USD strength that held throughout the day had an eventual impact on the earlier upside, causing WTI and Brent to hit lows of USD 61.25/bbl and 64.96/bbl, respectively. Accelerating the move, Trump said gasoline is to be below USD 2 in the near future, albeit further details were not disclosed. Ahead, the implementation of the Israel/Hamas peace plan will be in focus, and as to whether either sides violate the terms of the deal. So far, Hamas have declared an end to the war, while some Israeli officials have said similar, Israel's cabinet will vote on the matter first to formalise the matter (expected to pass). Ceasefire implementation is expected over the next couple of days, with an IDF withdrawal within 24 hours; Trump expects hostages to be released Monday/Tuesday. Elsewhere, the weekly EIA nat gas changed posted an 80bcf build, larger than the expected 77bcf.

EQUITIES

CLOSES: SPX -0.28% at 6,735, NDX -0.15% at 25,098, DJI -0.52% at 46,358, RUT -0.61% at 2,469

SECTORS: Materials -1.52%, Industrials -1.44%, Energy -1.30%, Real Estate -0.44%, Financials -0.33%, Utilities -0.23%, Consumer Discretionary -0.20%, Health -0.16%, Technology -0.07%, Communication Services -0.05%, Consumer Staples +0.61%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.40% at 5,627, Dax 40 +0.22% at 24,652, FTSE 100 -0.41% at 9,509, CAC 40 -0.23% at 8,041, FTSE MIB -1.59% at 42,792, IBEX 35 -0.48% at 15,603, PSI +0.99% at 8,230, SMI -0.38% at 12,604, AEX -0.23% at 958

STOCK SPECIFICS

- **PepsiCo (PEP):** EPS & revenue beat, affirmed guidance; announced new CFO
- **Delta Air Lines (DAL):** Adj. EPS & revenue beat; FY25 profit outlook raised
- **NVIDIA (NVDA):** The US approved several billion dollars worth of NVDA chip exports to the UAE; PT raised to \$300 at Cantor
- **Akero Therapeutics (AKRO):** Novo Nordisk (NVO) to acquire AKRO for USD 4.7bln
- **AZZ (AZZ):** Adj. EPS, revenue & guidance missed
- **Tesla (TSLA):** NHTSA probes ~2.9mln TSLA cars over traffic safety violations with FSD engaged.
- **Klarna (KLAR):** Entered a strategic AI partnership with Google Cloud.
- **Ferrari (RACE):** FY25 guidance disappointed
- **HSBC (HSBC):** To take Hong Kong's Hang Seng Bank private in a \$37B deal
- **Citizens Financial Group (CFG):** Upgraded at BofA to 'Buy' from 'Neutral'
- **Oklo (OKLO):** Initiated with a 'Buy' & \$175 PT at Canaccord.
- Retail pharmacies and **GoodRx (GDRX)** are reportedly in talks with the Trump administration on TrumpRX participation,

according to CGTN, citing reports.

- US reportedly considers action against China-connected router giant TP-Link, according to Bloomberg. US competitor NETGEAR (NTGR) rose on the news.
- **Microsoft (MSFT)** forecasts show data centre crunch persists into 2026. Some customers turned away from Azure due to Cloud constraints.

FX

The Dollar rally continued on Thursday, seemingly regaining its haven appeal as desks cite a crowded gold trade, unattractive CHF fundamentals, and political uncertainty surrounding JPY. Data was absent, leaving Fed speak dominating the headlines. Vice Chair Williams supports further rate cuts and continues to view the [real] neutral interest rate likely below 1%. Meanwhile, Governor Barr, who hadn't spoken on policy/outlook since June, argued for a cautious approach, stating that recent spending data suggests GDP growth remained strong in Q3. 2026 voter Kashkari said he basically agreed with what Barr said in his speech. Friday will provide markets with data, namely, the preliminary UoM figures for October. Albeit recent UoM reports have had limited reactions on markets, as Fed officials have highlighted the lacklustre predictive ability of consumer sentiment surveys and actual spending. DXY hovers just below 99.564 highs at pixel time.

JPY saw some relative outperformance within the G10 space as LDP's Takaichi sparked choppy trade. Takaichi briefly supported the Yen after saying she doesn't want to trigger an excessive Yen decline. Additionally, she said she does not see an immediate need to revise the government-BoJ agreement (has previously suggested revisiting the agreement). USD/JPY trades at ~153.2 from earlier lows of 152.23.

Elsewhere, the NZD and GBP lagged. At the BoE, Mann reiterated her views, arguing policy needs to remain restrictive for longer, both to squeeze out inflation persistence.

Meanwhile, the ECB Minutes were a non-event, reiterating no immediate pressure to change rates at the current meeting. EUR/USD traded lower at ~1.1550 from overnight 1.1648 highs.

CNY: US-China relations took a dip on Thursday, as China strengthened its export controls on rare earth equipment. WSJ's Lingling Wei described it as a major escalation, marking a notable shift in Beijing's strategy for leverage ahead of trade talks. USD/CNH trades around 7.138 at the time of writing, with Chinese ADRs largely sold since the US cash open, albeit the general US risk-off tone was likely also behind the move.

ARS: US Treasury Secretary Bessent said after meetings with Argentine officials, they have purchased Argentine Pesos as the country faces a "moment of acute illiquidity". The US has also finalised a USD 20bln currency swap framework with Argentina's central bank.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com