

Stocks rally on TACO trade but gold prints another ATH

- **SNAPSHOT:** Equities up, Treasuries futures flat, Crude up, Dollar up, Gold up.
- **REAR VIEW:** Trump softens tone on China, after touting 100% tariff on Friday; Bessent says 100% tariffs do not have to happen & Trump on track to meet Xi in Korea; AVGO/OpenAI deal; Fed's Paulson toes a dovish/neutral stance & is aligned with median SEP dot plot; Middle East peace plan begins.
- **COMING UP:** **Data:** UK Unemployment/Wages (Aug), German ZEW (Oct), US NFIB (Sep) **Events:** RBA Minutes (Sep), IEA OMR, Fed Discount Rate Minutes **Speakers:** ECB's Cipollone, Villeroy; BoE's Taylor, Bailey; Fed's Powell, Waller, Collins, Bowman; BoC's Rogers; RBA's Hunter, Hauser **Supply:** Australia, Netherlands, Italy, Germany **Earnings:** BlackRock, JPMorgan, Goldman Sachs, Citi, Wells Fargo, Johnson & Johnson, LVMH.
- **WEEK AHEAD:** Highlights include Potential Retail Sales data, start of earnings season, China inflation and trade, UK GDP. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBA Minutes; Reviewing FOMC Minutes and RBNZ. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Big banks to start earnings season. [Click here for the full report.](#)

MARKET WRAP

Stocks rallied on Monday, paring some of the downside seen on Friday. US President Trump announced China will face a 100% tariff from November 1st, late on Friday, but later suggested that everything will be "fine". Treasury Secretary Bessent today said the 100% tariffs do not have to happen and that things are still in place for a Trump meeting with Chinese President Xi. The toning down of aggression on China trade from Trump had boosted sentiment and largely reversed a lot of the price action seen on Friday. Outperformance was seen in the Nasdaq and Russell, with tech gains buoying the former following a slew of deals, namely the OpenAI and Broadcom (AVGO) strategic partnership. In FX, the Dollar was bid but Antipodeans outperformed on hopes of US/China tensions easing, paring some of the underperformance seen on Friday, while haven FX lagged but gold went on to print a fresh ATH. Oil prices settled in the green due to risk-on trade, while Treasury trade was quiet with cash trade closed on account of Columbus Day, with futures settling flat. There was no data today, but Fed speak saw Paulson talk on the economy and policy for the first time since she became President of the Philly Fed, where she took a neutral/dovish tone (recap of comments below). On geopolitics, the Middle East peace deal began, with seemingly no hitch, as Hamas released hostages, although Israel Defense Minister Katz condemned Hamas' announcement about handing over four hostages' bodies as a "failure to meet commitments" - Hamas told mediators it does not know the location of some of the other 24.

US

PAULSON (2026 Voter): The Philadelphia Fed President spoke for the first time since becoming President of the regional bank, where she ultimately took a dovish/neutral tone. She said she is aligned with the median dot plot for the rate view by year-end, but noted that policy should be focused on balancing risks to maximum employment and price stability. She called for gradual rate cuts over this year and into next, noting that gradual cuts should keep the jobs market close to full employment. She said the 25bps cut in September made sense, and she sees policy as modestly restrictive. Paulson also echoed arguments from Waller and Bowman that policy should look through tariff effects, as the price impacts are not persistent, but she shared the view of Goolsbee that strength in services prices bears watching. On the labour market, she suggested momentum is to the downside, noting that tariff inflation impact is smaller than expected so far. Paulson suspects the breakeven rate is lower than 75k per month.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED HALF A TICK HIGHER AT 113-05

Treasury futures meander with cash trade closed for Columbus Day.

THE DAY: Treasury futures traded sideways with Columbus Day seeing cash trade closed, and vol largely non-existent. T-Note futures remain above 113-00 at pixel time after reclaiming the level on Friday following the heavy bout of risk off in the wake of Trump's tariff threat on China. Just before the futures close on Friday, Trump announced China will be subject to 100% tariffs from November 1st, seeing futures close the week at peaks. However, futures reopened lower on Sunday night as Trump announced, "Don't worry about China, it will all be fine!... The U.S.A. wants to help China, not hurt it!!!", helping improve the risk environment on Monday. T-Notes saw lows overnight of 112-30, a level hit several times, before moving a few ticks higher by settlement in quiet trade. Fed speak today saw Paulson make remarks on monetary policy and the economy for the first time since being the Philadelphia Fed President, where she towed a neutral/dovish tone. She said she is in line with the median view for the rate path by the end of 2025. However, she agreed with doves like Waller and Bowman that monetary policy should look through tariff effects on prices, as it won't leave a lasting imprint. She did warn about the strength in service prices too.

SUPPLY

Bills

- 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 25bps (prev. 25bps), Dec 48bps (prev. 48bps), January 61bps (prev. 60bps).

CRUDE

WTI (X5) SETTLED USD 0.59 HIGHER AT 59.49/BBL; BRENT (Z5) SETTLED USD 0.59 HIGHER AT 63.32/BBL

The crude complex was firmer to start the week and buoyed by risk-on sentiment as Trump seemingly cooled his stance towards China on Sunday. On Friday, Trump threatened China with "massive" tariffs, but over the weekend, he softened his tone and suggested the Xi meeting is not cancelled and "might" still happen, and added the US wants to help, not hurt China, although Trump did not withdraw his tariff threat, but suggested everything will be "just fine". c. Further on the Middle East, Trump said Iran wants to make a deal, and he is ready when Iran is and it would be the best decision they (Iran) make. Finally, on Russia/Ukraine, Ukrainian President Zelensky plans to meet with US President Trump on Friday, and shared with Trump a vision of how many Tomahawk missiles Ukraine needs, noting this will be discussed on Friday. Elsewhere, OPEC MOMR saw little new, and garnered no reaction, as 2025 and 2026 global oil demand forecasts were left unchanged from last month's assessment. WTI traded between USD 59.00-60.17/bbl and Brent 62.90-63.95.

EQUITIES

CLOSES: SPX +1.55% at 6,654, NDX +2.18% at 24,750, DJI +1.30% at 46,073, RUT +2.62% at 2,457.

SECTORS: Technology +2.45%, Consumer Discretionary +2.29%, Communication Services +1.77%, Materials +1.54%, Energy +1.42%, Industrials +1.04%, Financials +0.93%, Utilities +0.75%, Real Estate +0.49%, Health -0.10%, Consumer Staples -0.37%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.70% at 5,570, Dax 40 +0.55% at 24,375, FTSE 100 +0.16% at 9,443, CAC 40 +0.21% at 7,934, FTSE MIB +0.29% at 42,168, IBEX 35 +0.42% at 15,542, PSI +0.69% at 8,226, SMI +0.05% at 12,488, AEX +1.21% at 952.

STOCK SPECIFICS:

- OpenAI and **Broadcom (AVGO)** announce a strategic partnership to deploy 10 Gigawatts of OpenAI-Designed AI accelerators; FT notes the deal, and recent AMD (AMD) deal, are intended to reduce OpenAI's reliance on NVIDIA (NVDA) and help it control costs and bring chip prices down over time.
- **Warner Bros Discovery (WBD)** reportedly rejected **Paramount Skydance's (PSKY)** initial takeover bid of c. USD 20/shr. NY Post later said, WBD CEO wants PSKY to offer possibly upwards of USD 30/shr to close a deal.
- **Blackstone (BX)** is in advanced talks to sell around GBP 1bln of logistics assets to Tritax Big Box Reit.
- Trump mulls **Boeing (BA)** export controls.
- **JPMorgan (JPM)** unveiled USD 1.5tn plan to boost investments in US strategic industries.
- **Bloom Energy (BE)** announced a USD 5bln strategic partnership with Brookfield to implement AI infrastructure.
- **AstraZeneca (AZN)** to lower consumer drug prices in exchange for tariff relief.
- Morgan Stanley seeking to redeem cash from **Jefferies' (JEF)** Point Bonita fund.
- **Fastenal (FAST)** EPS was light alongside downbeat commentary.
- **Apple (AAPL)** is in late stage talks to acquire the engineers and technology of Prompt AI.
- **Tesla (TSLA)** launched its lower-priced Model Y Standard variant in Europe.
- Taylor Swift announced new programming schedule for **Disney+ (DIS)** in December.
- **Estee Lauder (EL)** and **Applied Materials (AMAT)** upgraded at Goldman Sachs and BofA, respectively, to 'Buy' from 'Neutral'.
- **NVIDIA (NVDA)** Spectrum-X ethernet switches speed up networks for Meta (META) and Oracle (ORCL). Of note for **Arista Networks (ANET)**.
- Starboard builds stake in **Keurig Dr Pepper (KDP)** after unpopular Peet's deal, according to FT.

FX

The Dollar started the week with gains, retracing some of the notable weakness on Friday, as Trump cooled his rhetoric on China. As a reminder, late Friday evening Trump threatened 100% tariffs on China, but on Sunday Trump posted on Truth, "Don't worry about China, it will all be fine!... The U.S.A. wants to help China, not hurt it!!!" Further echoing these comments, Treasury Secretary Bessent said 100% tariffs do not have to happen, and Trump is on track to meet with Chinese President Xi in Korea. Elsewhere, for China overnight, albeit taking a backseat, imports and exports both printed above expectations. Back to the Dollar, Fed's Paulson (2026 voter) spoke for the first time since becoming President of Philly Fed, where she ultimately took a dovish/neutral tone. She said she is aligned with the median dot plot for the rate view by year-end but noted that policy should be focused on balancing risks to maximum employment and price stability. She called for gradual rate cuts over this year and into next, noting that gradual cuts should keep the jobs market close to full employment.

G10 FX was at the whim of the Dollar, with Antipodeans the only currencies posting gains and the Aussie being the clear outperformer, buoyed by the risk-on sentiment and unwinding some of Friday's flows and US/China woes. Highlighting this, AUD/USD traded between 0.6492-6532 on Monday, vs. Friday's 0.6469-0.6573.

GBP, CAD, and EUR all saw varying degrees of losses, albeit with a lack of direct newsflow. For the Pound, BoE's Greene said activity is stronger than thought a year ago, and there is a case for higher for longer rates and skipping cuts. Regarding the EUR, focus is likely on French politics where Lecornu returning as French PM and with a new, but similar government. Recent reports in French

press said the government to present a budget aiming to cut costs by EUR 31bn, which would cut EUR 17bn in spending, and aims to cut the deficit to 4.7% by end-2026.

JPY and CHF were the clear laggards, as haven FX unwound some of the recent "flight to safety" flows from Friday. USD/JPY reached a high of 152.44, in contrast to Friday's low of 151.14.

EMFX was mixed, but largely firmed against the Greenback. ZAR was one of the better performers as spot-gold hit another new ATH, with the lower inflation target attracting portfolio flow, writes ING. ING adds that carry [trade] should remain a key driver for the high yielders in Turkey, LatAm and Hungary – ING will watch the HUF carefully, however, in case NBH turns less hawkish. CZK remains ING's favourite currency in CEE.

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