

Stocks and gold grind higher in quiet trade

- **SNAPSHOT:** Equities up, Treasuries up, Crude flat/down, Dollar flat, Gold up
- **REAR VIEW:** Trump reiterates 155% tariffs will come to China unless a deal is made; Bessent to meet with China this week; Hasset thinks government shutdown will end sometime this week; US and Australia sign critical minerals agreement; Strong China Activity data; Japan's LDP and Ishin effectively agree to form coalition; AMZN AWS outage.
- **COMING UP:** **Data:** UK PSNB (Sep), Canadian CPI (Sep). **Events:** NBH Policy Announcement, CCP 4th Plenum (20th-23rd). **Speakers:** BoJ's Himino; ECB's Nagel, Lane, Lagarde; Fed's Waller; BoE's Bailey, Breeden. **Supply:** Japan, Australia, UK, Germany. **Earnings:** Netflix, Intuitive, Texas Instruments, Capital One Financial, Coca-Cola, GE Aerospace, Elevance Health, Lockheed Martin, Philip Morris, RTX, General Motors, 3M, Nasdaq, Danaher

MARKET WRAP

US indices saw gains in risk-on trade amid very light newsflow to start the week amid the Fed blackout and lack of US data given the Government shutdown. On which, White House Economic adviser Hasset thinks the shutdown is likely to end sometime this week, but did not give any reason why, and added if the shutdown doesn't end, the White House is to look at stronger measures. While headline action was sparse, US President Trump comments largely echoed recent remarks, noting if a deal is not made with China, they will face 100% tariffs (existing tariffs + 100% additional tariff threat). He said that he wants the US and China to thrive together, and stressed he will be meeting Chinese President Xi in South Korea, and thinks they'll end up with a strong trade deal. Sectors, ex-Consumer Staples, closed in the green with Communication Services, Industrials, and Technology leading the gains, with the latter buoyed by a trifecta of positive Apple (AAPL) newsflow (see stock specifics). In FX, the Dollar eked out mild gains with Antipodeans profiting off of risk-on sentiment, while the Yuan was boosted overnight after better-than-expected Q3 GDP Q/Q. The crude complex saw choppy trade as focus continued to reside on geopolitics, with the Israel/Hamas ceasefire just about maintained, despite reports over the weekend that Hamas violated the ceasefire agreement, which Israel then responded to, before resuming the ceasefire thereafter. Meanwhile, Trump continues to try and sort a Russia/Ukraine ceasefire. T-Notes saw mild gains in quiet trade, while spot gold printed another ATH.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLE 4 TICKS HIGHER AT 113-19

T-Notes saw mild gains in quiet trade. At settlement, 2-year -0.3bps at 3.461%, 3-year -0.6bps at 3.465%, 5-year -1.6bps at 3.576%, 7-year -2.0bps at 3.763%, 10-year -2.3bps at 3.986%, 20-year -2.8bps at 4.547%, 30-year -2.6bps at 4.577%.

INFLATION BREAKEVENS: 1-year BEI -3.1bps at 3.161%, 3-year BEI -1.2bps at 2.579%, 5-year BEI -1.6bps at 2.311%, 10-year BEI -0.9bps at 2.248%, 30-year BEI -0.8bps at 2.197%.

THE DAY: It was a very quiet trading session on Monday, with the Fed in blackout and the government in shutdown, there wasn't much for participants to sink their teeth into. A lot of the focus today remained on US/China trade with the WSJ reporting the administration is quietly watering down some tariffs and exempting more products from the levies in recent weeks. Bessent and China Vice Premier He spoke on Friday night, and the two are set to meet in person this week, while Trump touted lowering China tariffs but China will have to do things for the US in return. Trump also spoke on China, largely reiterating recent commentary and that he wants the US and China to thrive together, but stressed he will be meeting Chinese President Xi in South Korea. On the shutdown, NEC Director Hasset gave some optimism that he thinks it will be resolved soon, albeit he did not elaborate. Focus this week is largely on US CPI due Friday (delayed on account of shutdown, but still being released due to social security payments). There is also 20-year bond issuance and 5-year TIPS.

SUPPLY

Notes

- US Treasury to sell USD 13bln of 20-year bonds on October 22nd and USD 26bln of 5-year TIPS on October 23rd; all to settle October 31st.

Bills

- US Treasury sold USD 86bln of 3-month bills at a high rate of 3.810%, B/C 3.01x; Sold USD 77bln of 6-month bills at a high rate of 3.660%, B/C 3.02x
- US Treasury to sell USD 95bln of 6-week bills on October 21st; all to settle October 23rd.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing:** Oct 25bps (prev. 25bps), Dec 51bps (prev. 50bps), January 64bps (prev. 65bps).
- NY Fed RRP op demand at USD 5.9bln (prev. 4.1bln) across 9 counterparties (prev. 6)

- NY Fed Repo op demand at USD 2bln (prev. 0bln)
- EFRF at 4.11% (prev. 4.11%), volumes at USD 79bln (prev. 85bln) on October 17th
- SOFR at 4.18% (prev. 4.30%), volumes at USD 3.022tln (prev. 3.045tln) on October 17th. Rate falls back within FFR target range.

CRUDE

WTI (X5) SETTLES USD 0.02 LOWER AT 57.52/BBL; BRENT (Z5) SETTLES USD 0.28 LOWER AT 61.01/BBL

The crude complex saw choppy trade to start the week, but settled flat/lower amid a very light newsflow day. In the energy space, attention continues to reside on geopolitics, whether that be Russia/Ukraine or Israel/Hamas. On the former, and in wake of Trump and Zelensky's meeting on Friday, Trump today said he thinks they'll get there, he suggested Ukraine could still win the war, albeit he does not think this will happen, but said "anything could happen" but they are in the process of trying to make a deal. In the Middle East, both Israel and Hamas accused each other of breaking the ceasefire, but Trump stressed the truce remained in place and he "wants to make sure it's going to be very peaceful". In most recent remarks, Trump remarked that the Hamas situation will be taken care of quickly and they are taking lots of steps to maintain the ceasefire. He also warned "we are going to eradicate Hamas if we have to", albeit he has not told Israel to go back in yet, as he will give Hamas a chance. Elsewhere, US natgas saw gains as near-record LNG flows and colder weather flows caused a bout of speculative short covering. WTI traded between USD 55.96-57.43/bbl and Brent USD 60.07-61.55/bbl.

EQUITIES

- **CLOSES:** SPX +1.07% at 6,735, NDX +1.30% at 25,141, DJI +1.12% at 46,707, RUT +1.95% at 2,500
- **SECTORS:** Communication Services +1.52%, Materials +1.24%, Industrials +1.19%, Financials +1.15%, Technology +1.14%, Real Estate +1.08%, Health +1.07%, Consumer Discretionary +1.00%, Energy
- **EUROPEAN CLOSES:** Euro Stoxx 50 +1.35% at 5,683, Dax 40 +1.93% at 24,291, FTSE 100 +0.52% at 9,404, CAC 40 +0.39% at 8,206, FTSE MIB +1.52% at 42,392, IBEX 35 +1.46% at 15,828, PSI +0.71% at 8,325, SMI -0.18% at 12,622, AEX +1.10% at 966.

STOCK SPECIFICS:

Stories

- **Amazon (AMZN)** AWS experienced an outage, taking down many other apps too but the underlying problem has been fixed.
- **Apple (AAPL):** iPhone 17 outsells iPhone 16 by 14% in early China & US sales.
- **Tripadvisor (TRIP):** Starboard to detail need for change at Tripadvisor at conference
- **Boeing (BA):** Received FAA approval to raise 737 MAX output to 42 planes per month
- **Cleveland-Cliffs (CLF):** Shallower loss per shr. than exp. & lower than exp. FY expenses guide
- **Hologic (HOLX):** Blackstone (BX) & TPG in advanced talks to acquire HOLX, according to Bloomberg.
- **Cooper Companies (COO):** Jana Partners acquired a stake in the Co., planning to push for strategic alternatives, according to WSJ.
- **NVIDIA (NVDA):** Unveiled the first US-made Blackwell wafer produced at TSMC's (TSM) Phoenix plant
- **Sable Offshore (SOC):** US Energy Secretary Wright voiced support for Cos. stalled California oil project.

Broker Moves

- **Apple (AAPL)** was upgraded to buy from Hold at Loop Capital, raising its price target to USD 315 from USD 226 saying they see stronger fundamentals and improving demand trends supporting upside for the stock. Evercore maintained its Outperform rating on AAPL with a USD 290 PT, but added Apple to its 'Tactical Outperform List' into earnings.
- **Rivian (RIVN):** Downgraded at Mizuho.

US FX WRAP

The **Dollar** saw slight gains on Monday, albeit in very light newsflow as the Fed is on blackout and a lack of US data given the Government is still on shutdown. Although, White House Economic adviser Hasset thinks the shutdown is likely to end sometime this week, but did not give any reason why, and added if the shutdown doesn't end, the White House is to look at stronger measures. On US/China, Trump remarked that China has been respectful of them, and potential 155% tariffs come November 1st unless they make a deal; meeting with Chinese President Xi in South Korea, and think they'll end up with a strong trade deal after the meeting. DXY traded between a very narrow 98.384-638 as traders await earnings, US CPI (Fri), and the Fed next week.

G10 FX was mixed vs. the Dollar, but as earlier mentioned newsflow was light to start the week. Antipodeans were the G10 outperformers and buoyed by the overall risk sentiment, to see AUD/USD and NZD/USD peak at 0.6521 and 0.5753, respectively, ahead of RBA's Jones and New Zealand trade data. CHF also saw slight gains.

EUR, JPY, CAD, and GBP all saw marginal losses and to see a similar degree, but highlighting the range bound trade Cable saw a low of 1.3401 against a peak of 1.3443.

Early strength in the **Yen** was underpinned by improved risk sentiment across APAC and expectations that Japan's LDP leader will secure victory in Tuesday's parliamentary vote for PM. However, the move faded in wake of hawkish remarks from BoJ's Takata, who reiterated that policy remains accommodative even as the inflation target comes into view. Note, limited reaction was seen to reports suggesting the BoJ is likely to maintain its assessment of moderate economic recovery despite US tariff headwinds and

may slightly revise up FY25 growth forecasts at the upcoming October meeting

For the **Loonie** watchers, the BoC Q3 Business Outlook Survey noted businesses continue to expect cost increases due to tariffs and trade uncertainty, while the BoC Q3 Survey of Consumer Expectations saw that consumers continue to think tariffs will generate inflationary pressures. USD/CAD traded between 1.4006-51.

EMFX largely firmer against the Dollar, although COP and ARS notably weakened. Chinese Q3 GDP Q/Q was better than expected, as was Y/Y Industrial output, which saw Barclays lift its China 2025 GDP growth forecast to 4.8% (prev. 4.5%). Ahead of CBRT on Thursday, JPMorgan now expects the central bank to cut its one-week repo rate by 100bps (prev. expected 150bps), and anticipates CBRT to cut rates by 100bps at each MPC meeting in 2026, ending the year at 30.5%. Moreover, JPM revises year-end inflation forecast for Turkey up to 32.0% (prev. 31.5%), and sees upside risks to inflation and policy rate forecasts both this year and next.

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