

Stocks mixed and Gold slammed amid profit taking & easing credit concerns

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar up, Gold down.
- **REAR VIEW:** Takaichi confirmed as new Japanese PM; WBD has put itself up for sale; ZION said large loss stemmed from a few faulty loans rather than broad credit stress; KO, GE, GM, MMM earnings all impress; Hotter-than-expected Canadian CPI; Trump/Putin summit "on hold"; OpenAI announces new browser; US to buy 1mln bbls for SPR
- **COMING UP:** **Data:** Japanese Trade Balance (Sep), UK CPI (Sep) **Events:** CCP 4th Plenum (20th-23rd), BoJ SLOOS **Speakers:** ECB's de Guindos, Lagarde, Fed's Barr **Supply:** Australia, Germany, US **Earnings:** SAP, Barclays, Akzo Nobel, Tesla, IBM, Kinder Morgan, Alcoa, Lam Research, GE Vernova, Hilton, AT&T, Thermo Fisher.

MARKET WRAP

Stocks were mixed on Tuesday, with the SPX and NDX ultimately closing little changed in choppy trade, while the DJI was bid and RUT hit. Sectors were mixed amid a flurry of earnings. Consumer Discretionary and Industrials outperformed following strong earnings from General Motors (GM), boosting auto names, while Industrials benefitted from upside in 3M (MMM) and RTX (RTX), albeit Lockheed Martin (LMT) and Northrop Grumman (NOC) earnings disappointed. Utilities, Communications, and Materials lagged, with the latter hit by tumbling precious metal prices. Gold saw its largest absolute drop on record, which fell from near ATH levels earlier in the session at USD 4,375/oz, with a fall to a low of USD 4,087/oz later in the session, with profit taking, easing credit concerns, and a more friendly tone towards China from Trump all cited for the move. T-Notes were bid, led by the long-end, perhaps as the sharp downside in gold saw those opt for a less volatile traditional safe-haven asset. In FX, the Yen was weaker after LDP Leader Takaichi was elected as PM after the party formed a coalition with the Innovation Party, enabling the Takaichi trade. CAD was the strongest following a hot CPI report. Crude prices were choppy, seeing downside on Trump pushing back against a move into Gaza from Middle Eastern countries to "straighten out" Hamas, but rallied on reports that the planning of a Trump/Putin meeting has come to a halt, with highs seen on reports that the US is to buy 1mln bbls of oil for the SPR.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 5 TICKS HIGHER AT 113-24

T-Notes gains lead by long-end while gold sees the largest one-day decline on record . At settlement, 2-year -1.1bps at 3.453%, 3-year -1.6bps at 3.450%, 5-year -2.4bps at 3.555%, 7-year -3.1bps at 3.733%, 10-year -3.3bps at 3.955%, 20-year -3.4bps at 4.515%, 30-year -3.7bps at 4.542%.

INFLATION BREAKEVENS: 1-year BEI +0.9bps at 3.170%, 3-year BEI +1.4bps at 2.595%, 5-year BEI +1.4bps at 2.330%, 10-year BEI +0.6bps at 2.257%, 30-year BEI +0.0bps at 2.200%.

THE DAY: T-Notes were bid on Tuesday with gains led by the long-end. The upside in Treasuries coincided with notable selling pressure in gold after its record rally to fresh ATHs. Gold prices fell almost USD 300/oz from the peaks to the lows in one trading session. Typically, you would expect gold and T-Notes to move in tandem if the move was risk-driven (both havens), but today's price action in gold is extraordinary and is the largest one-day decline on record. The sharp outflows of the traditional haven metal may have led to some inflows into USTs as flows rotate from one traditional haven to another following its record run and sharp weakness today. The risk environment overall was choppy on Tuesday, as was price action in oil. Oil prices sold off aggressively when Trump told the Middle East, including Israel, "not yet", in regards to re-entering Gaza to "straighten out" Hamas. The downside in oil appeared to also support upside in T-Notes, with lower oil prices helping ease inflationary pressures. T-Notes also moved off peaks when oil prices rebounded, following reports that work has stopped on planning a Trump/Putin meeting, while the US is also set to buy 1mln bbls of oil for the SPR. There is a lot of focus on US CPI due Friday amid the government shutdown ahead of the Federal Reserve Rate decision next week.

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 6-wk bills at high rate 3.940%, covered 2.93x.
- US to sell USD 110bln in 4-week bills and USD 95bln of 8-week bills on October 23rd, and USD 69bln of 17-week bills on October 22nd; to settle October 28th.

STIRS/OPERATIONS

Market Implied Fed Rate Cut Pricing: Oct 24bps (prev. 25bps), Dec 49bps (prev. 51bps), January 64bps (prev. 64bps). * NY Fed RRP op demand at USD 4.7bln (prev. 5.9bln) across 10 counterparties (prev. 9). * NY Fed Repo op demand at USD 0bln (prev. 2bln).

* EFR at 4.11% (prev. 4.11%), volumes at USD 82bln (prev. 79bln) on October 20th. * SOFR at 4.16% (prev. 4.18%), volumes at USD 2.945tln (prev. 3.022tln) on October 20th.

CRUDE

WTI (Z5) SETTLED USD 0.22 HIGHER AT 57.24/BBL; BRENT (Z5) SETTLED USD 0.31 HIGHER AT 61.32/BBL

The crude complex was ultimately firmer in a choppy day of trade, amid a deluge of headline risk. In the European morning, benchmarks rose to initial intra-day highs after Russia's Foreign Minister Lavrov noted Russia hasn't changed its position since Anchorage, and a halt at the current frontline means to forget war causes. Thereafter, WTI and Brent started to move lower, which was further accentuated after Trump posted on Truth, that he told Middle Eastern countries, including Israel, "NOT YET!", regarding going into Gaza to "straighten out" Hamas. However, he added, "There is still hope that Hamas will do what is right. If they do not, an end to Hamas will be FAST, FURIOUS, & BRUTAL!" - this saw WTI and Brent fall to session troughs of USD 56.35/bbl and 60.35, respectively. Once again, these moves reversed with benchmarks coming off lows in wake of NBC citing a White House official saying that planning towards a Trump/Putin summit in Budapest is "on hold" at the moment - this was later confirmed by the White House. Finally, WTI and Brent spiked to session highs of USD 58.08/bbl and 62.10 after BBG reports that US is to buy 1mln bbls for SPR, and buying oil for delivery in Dec '25 and Jan '26. Nonetheless, benchmarks came off peaks to settle with gains and well within the day's range.

EQUITIES

CLOSES: SPX -0.01% at 6,735, NDX -0.06% at 25,127, DJI +0.47% at 46,925, RUT -0.52% at 2,487.

SECTORS: Consumer Discretionary +1.32%, Industrials +0.88%, Health +0.21%, Financials -0.13%, Technology -0.15%, Energy -0.20%, Consumer Staples -0.34%, Real Estate -0.35%, Materials -0.70%, Communication Services -0.85%, Utilities -0.99%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.11% at 5,687, Dax 40 +0.37% at 24,349, FTSE 100 +0.25% at 9,427, CAC 40 +0.64% at 8,259, FTSE MIB +0.60% at 42,648, IBEX 35 -0.39% at 15,767, PSI -0.64% at 8,272, SMI -0.04% at 12,630, AEX +0.02% at 967.

EARNINGS:

- **Coca-Cola (KO):** EPS & rev. beat.
- **Philip Morris (PM):** Reversed earlier pre-market strength after top & bottom-line topped exp. as CEO said smoke-free portfolio is "outgrowing the industry by a clear margin".
- **Crown Holdings (CCK):** Strong earnings w/ stellar guidance.
- **3M (MMM):** Profit, rev. topped & lifted FY outlook.
- **General Electric (GE):** Q3 metrics surpassed exp. & raised FY view.
- **Northrup Grumman (NOC):** Top line light & lowered FY rev. guidance.
- **RTX (RTX):** EPS & rev. beat alongside raising FY outlook.
- **Haliburton (HAL):** Q3 metrics impressed.
- **Elevance Health (ELV):** EPS & rev. beat.
- **General Motors (GM):** EPS, rev. & vehicle sales topped; Raises FY view.
- **PulteGroup (PHM):** Net new orders fell 6% while home sale gross margin weakened Y/Y.
- **Lockheed Martin (LMT):** Solid earnings & guidance.
- **Zions (ZION):** Said a large Q loss stemmed from a few faulty loans rather than broad credit stress.

STOCK SPECIFICS:

- Starboard Value has taken nearly a 5% stake in **Fluor (FLR)** and plans to push for ways to boost its share price.
- **Epam Systems (EPAM)** announces new USD 1bln stock buyback programme.
- ISS recommends investors reject **CoreWeave's (CRWV)** USD 9bln all-stock acquisition of **Core Scientific (CORZ)**, citing the latter's strong standalone performance.
- CNBC's Faber said **Warner Bros. Discovery (WBD)** is putting itself up for sale and multiple parties are interested, including **Comcast (CMCSA)** and **Netflix (NFLX)**. Reuters sources said WBD board rejected a PSKY offer of between USD 23-24shr. Note, earlier in October it was reported that WBD CEO wants PSKY to offer possibly upwards of USD 30/shr to close a deal.
- **OpenAI** confirmed it is launching ChatGPT Atlas, an AI-powered web browser built around ChatGPT. Note, **Alphabet (GOOGL)** was hit on the news.
- Anonym builds stake in **Baker Hughes (BKR)** and pushes for breakup, according to Bloomberg.
- Activist investor Engaged has built stake in **Cognex (CGNX)** and said stock could double in two years with cost cuts.

FX

The Dollar was firmer on Tuesday in a busy day of newsflow, with the Buck seemingly supported by the ease of credit market concerns, which was reinforced by Zion Bancorp's earnings, as they noted a large quarterly loss stemmed from a few faulty loans rather than broad credit stress. There was no tier 1 data as the Government remains on shutdown, with all attention on US CPI on Friday ahead of the Fed next week, whereby the central bank is widely anticipated to cut by 25bps and likely announce an end to its balance sheet runoff. Elsewhere, the Putin/Trump meeting is on hold, while Trump said he will discuss a lot of things with Chinese President Xi in two weeks, and reiterated they are going to do well in that negotiation.

G10 FX was largely lower against the Greenback, but **CAD** was the sole gainer and profited from firmer than expected Canadian CPI, which saw USD/CAD fall to lows of 1.4004, and money market pricing moving hawkish over the shorter time frame. However, while

the stronger-than-expected CPI inflation print raises the odds that the BoC will pause next week, Oxford Economics notes underlying inflation remains contained, and with the economy struggling to grow and slack in the labour market, the consultancy expects another 25bps rate cut.

JPY was the clear laggard, with USD/JPY topping out at 152.17 after the Japanese election, whereby Takaichi was confirmed as the new Japanese PM. Although the Yen did see some strength as the new PM said she does not see the need to review the BoJ-Government accord now, and the method of implementing monetary policy lies with the BoJ. As such, attention turns to the BoJ next week, 30th October, where money markets currently price a c. 20% chance of a 25bps hike.

GBP, EUR, AUD, and CHF all saw losses to similar degrees, with not much currency-specific newsflow, and more a function of wider trade. Cable traded between 1.3362-3416 ahead of inflation metrics on Wednesday, while the ECB added little new. EU Trade Commissioner Sefcovic said he held a video call with his Chinese counterpart this morning, and invited Chinese authorities to Brussels in the coming days, and they accepted. On the single currency, ING quips that EUR/USD remains almost entirely driven by US credit/equity sentiment, and further stabilisation could take EUR/USD to 1.160, with levels below that harder to justify unless the US CPI on Friday comes in hotter than expected.

EMFX broadly saw weakness, with HUF largely unmoved after the NBH held rates steady, as expected. In LatAm FX, Brazil Finance Minister Haddad said the interest rate is too restrictive, inflation is already approaching the upper band in the target, and Brazil's real interest rate is over 10%.

Spot gold tumbled in the largest move on record (on absolute change), albeit after testing another ATH early this morning as it continued its initial march higher. Some had cited easing credit concerns and Trump taking a more friendly tone to China. However, given the magnitude of the move, large profit-taking was likely driving price action following its recent rally.

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