

NVDA supports stock rally as Fed & Mag-7 earnings await

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar down, Gold down.
- **REAR VIEW:** US consumer confidence beat; ADP debuted new weekly report; US and Japan signed a rare earth agreement and released an investment fact sheet; PYPL signs deal with OpenAI; Trump thinks meeting with Xi will work out well & to discuss lowering China tariffs for fentanyl crackdown; MSFT & OpenAI sign new pact; Israel carries out Gaza attacks as says Hamas breaks ceasefire; Soft 7yr auction; NVDA GTC 2025 brings slew of announcements.
- **COMING UP:** **Data:** Australian CPI (Sep & Q3), UK Mortgage Approval/Lending (Sep), US Pending Homes (Sep). **Events:** FOMC & BoC Policy Announcements; US President Trump to meet South Korea's Leader. **Speakers:** Fed Chair Powell, BoC's Macklem. **Supply:** UK, Germany, US. **Earnings:** Meta, Microsoft, Alphabet, Google, ServiceNow, Starbucks, eBay, Verizon, Boeing, CVS, Caterpillar, Etsy, Centene, Phillips 66, UBS, BASF, Mercedes-Benz, Deutsche Bank, Equinor, Santander, GSK, Airbus.

MARKET WRAP

SPX and NDX closed higher on Tuesday, with NVIDIA largely responsible for the move as breadth across sectors was poor. NVIDIA's (NVDA, +5%) gains came amid CEO Huang's keynote address at GTC, where new lines of products and roadmaps were unveiled, including NVIDIA Arc, 17 quantum builders, and 7 new AI supercomputers. The Co. sees USD 500bln of business in the next five quarters. Also supporting Tech was Microsoft (MSFT, +2%), gaining after signing a new pact with OpenAI, which includes OpenAI being contracted to purchase USD 25bln of Azure services as well as removing fundraising constraints for OpenAI. On the flip side, Real Estate was the biggest loser with poor guidance from Alexandria Real Estate (ARE, -19.2%) weighing. In FX, the Dollar was broadly weaker against peers. AUD outperformed as optimism over US-China trade relations improved, with the latest WSJ reports suggesting that US President Trump and China's President Xi to discuss lowering China tariffs in exchange for a crackdown on fentanyl. Details/outcome on an agreement will be dependent on the meeting between the two leaders this week. GBP underperformed as fiscal concerns remain, and easing in BRC food inflation adds to recent dovish BoE bets. Separately, Treasuries were slightly bid across the curve, showing little reaction towards US data and supply. The US 7yr note auction was met with soft direct demand, leaving a higher dealer take-down and a larger-than-average tail. Data saw ADP's first preliminary estimate of an average increase of 14,250 jobs in the four weeks ending on October 11th. Meanwhile, Consumer Confidence fell one point as concerns remain over tariffs/inflation, but topped expectations, while the Richmond Fed improved in September, driven by increases in shipments, new orders, and employment. Regarding commodities, crude prices were weighed by continued concerns over OPEC+ supply increases outweighing the Gaza ceasefire coming to a halt as Israel strikes Gaza in response to Hamas violations earlier in the day. Gold fell for the third consecutive day as profit-taking persists.

US

CONSUMER CONFIDENCE: US Consumer Confidence fell to 94.6 from an upwardly revised 95.6. Originally, expectations were for a decline to 93.2 from 94.2. The Present Situation Index rose 129.3 from 127.5, and the Expectations Index declined 2.9 points to 71.5. Consumers' average 12-month inflation expectations inched up to 5.9% from 5.8%. Consumers indicated that they will likely buy fewer goods in the upcoming holidays if tariffs inflate the price of imported items. 27.8% of consumers said jobs were "plentiful" (prev. 26.9% in September), while 18.4% said jobs were "hard to get" (prev. 18.2%). Ahead six months: 15.8% of consumers expected more jobs to be available (prev. 16.6%), 27.8% anticipated fewer jobs (prev. 25.7%), 12.5% expected their incomes to decrease (prev. 11.7%); Consumers' perceived likelihood of a US recession over the next 12 months declined in October, but more consumers thought a recession had already started. Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board, writes, "Consumers' write-in responses were led by references to prices and inflation, which continued to be the main topic influencing consumers' views of the economy. References to tariffs declined further this month but remained elevated. References to US politics were up notably, with the ongoing government shutdown mentioned multiple times as a key concern."

RICHMOND FED: In October, the Composite index rose to -4 from -17 in September. All three of the component indices lifted - shipments notably rose to 4 from -20, while new orders and employment remain negative but printed -6 (prev. -15) and -10 (prev. -15), respectively. Local business conditions improved to -1 from -12, while the index for future business conditions fell to -5 from -1. Elsewhere ahead, shipments lifted to 13 (prev. 0), new orders to 12 (prev. 8), while employment was nearly unchanged at 2. On the inflationary gauges, prices paid and received notably fell in October, while looking ahead, they also saw a chunky decline. Backlog of orders lifted, but remains firmly below 0, while lead time decreased to 6 from 10.

FED PREVIEW: The Federal Reserve is widely expected to cut rates by 25bps to 3.75-4.00% at the October confab, and within the rate decision, participants will be eyeing any dissenters, with Governor Miran expected to vote for a 50bps reduction. In recent remarks, he noted that a 25bps pace is too slow, but he does not think moving by more than 50bps increments is necessary. There will also be a focus on any balance sheet adjustments. Rabo Bank notes that the FOMC will likely end the balance sheet runoff, but that is not necessarily the consensus view. While some analysts now expect the Fed to end its balance sheet runoff, citing recent money market turbulence that could threaten interest rate control, some see a gradual wrap-up; others anticipate a full halt, with mortgage bonds likely to continue running off slowly due to housing market conditions. In the following press conference, Chair Powell may not give much forward guidance for December, given the limited data availability. Given the ongoing US government shutdown, there has been a lack of data for the Fed to see, although the recent CPI data was cooler-than-expected, which will be

welcomed. In FX, ING wouldn't expect any FOMC-day USD rally to be particularly long-lasting unless the Fed delivers clear hawkish signals, and they expect the broader information flow to point to renewed dollar softness, especially heading into a seasonally weak year-end, with their EUR/USD target for December remaining at 1.20. [Click here for the full Newsquawk Preview.](#)

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 1+ TICKS HIGHER AT 113-15

T-Notes saw marginal gains ahead of FOMC. At settlement, 2-year -0.1bps at 3.494%, 3-year -0.4bps at 3.500%, 5-year -0.5bps at 3.613%, 7-year -0.9bps at 3.778%, 10-year -1.6bps at 3.981%, 20-year -1.9bps at 4.523%, 30-year -2.1bps at 4.548%.

INFLATION BREAKEVENS: 1-year BEI -10.1bps at 3.020%, 3-year BEI -2.4bps at 2.549%, 5-year BEI -1.1bps at 2.308%, 10-year BEI +0.1bps at 2.270%, 30-year BEI +0.4bps at 2.222%.

THE DAY: T-Notes traded sideways overnight before selling off in the US morning with weakness seen ahead of the 7yr supply. Some of the downside also followed in wake of an update from the ADP, which released its first estimate of the ADP National Employment report, which is set to be released weekly until the release of the monthly data. The estimate today saw an increase of 14,250 jobs, down from the 32.5k reported in September - the full ADP data will be released on November 5th. There was a lot of focus on trade amid Trump's visit to Asia and ahead of his meeting with Xi on Thursday, but WSJ reported that Trump and Xi will be discussing lowering tariffs related to fentanyl, albeit T-Notes were not phased by the positive development. Meanwhile, the 7yr auction was soft (more below). Attention also turns to the FOMC rate decision on Wednesday, and any alterations to the balance sheet will be eyed too. Participants are expecting the Fed to announce the end of its balance sheet run-off of Treasury security holdings, and return to reinvesting full maturing amounts, but it will likely continue to allow mortgage-backed securities to roll off the balance sheet to get to a Treasury-only composition.

SUPPLY

Notes

- The US sold USD 44bln of 7-year notes at a high yield of 3.790%, a lower yield than the September offering of 3.953%. This tailed the When Issued by 0.8bps, a larger tail than the prior 0.6bps and average of 0.2bps. The bid-to-cover saw an improvement at 2.46x vs the prior 2.40x, but not as strong as the six-auction average of 2.58x. Looking at the breakdown, direct demand fell to 27.9% from 31.6%, but remained above the 23.1% average. Indirect demand rose to 59.01% from 56.4%, below the 67.3% average. Overall, a soft auction due to the tail, soft direct demand and high dealer takedown. US to sell USD 30bln in 2-year FRN's on October 29th, to settle October 31st.

Bills

- US sold USD 100bln of 6-week bills at a high rate of 3.880%, B/C 2.87x; sold USD 52.8bln of 12-month bills at a high rate of 3.445%, B/C 3.21x
- US to sell USD 68bln of 17-week bills on October 29th; to sell USD 95bln of 8-week bills and USD 110bln of 4-week bills on October 30th; all to settle on November 4th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 25bps (prev. 24bps), Dec 48bps (prev. 49bps), January 61bps (prev. 61bps).**
- NY Fed RRP Op demand at USD 14.1bln (prev. 10.6bln) across 13 counterparties (prev. 13).
- NY Fed Repo Op demand at USD 7.7bln (prev. 8.4bln).
- EFFR at 4.12% (prev. 4.11%), volumes at USD 88bln (prev. 90bln) on October 27th.
- SOFR at 4.27% (prev. 4.24%), volumes at USD 2.019tln (prev. 3.002tln) on October 27th. Rose above top-end of Fed Funds target range.

CRUDE

WTI (Z5) SETTLED USD 1.16 LOWER AT USD 60.15/BBL; BRENT (Z5) SETTLED USD 1.22 LOWER AT USD 64.40/BBL

The crude complex was lower, as reports of OPEC+ hiking supply on Sunday and participants digesting Russia sanctions seemingly weighed. On Tuesday, energy-specific newsflow was fairly sparse as traders largely await FOMC and Mag-7 earnings on Wednesday, but the Israel/Hamas ceasefire has come to a halt. Israeli PM Netanyahu instructed the military to immediately carry out "powerful" strikes on Gaza, as Israel accused Hamas of a "clear violation" of the ceasefire deal - Hamas said Israel is seeking "to fabricate false pretexts in preparation for taking new aggressive steps" in Gaza. WTI and Brent saw modest upside on the headlines, but have remained in the red for the duration of the session. Highlighting this, WTI traded between USD 59.76-61.50/bbl and Brent USD 64.00-65.76/bbl.

EQUITIES

CLOSES: SPX +0.23% at 6,891, NDX +0.74% at 26,012, DJI +0.34% at 47,706, RUT -0.60% at 2,507

SECTORS: Real Estate -2.22%, Utilities -1.66%, Energy -1.05%, Consumer Staples -0.95%, Industrials -0.73%, Health -0.68%, Financials -0.64%, Communication Services -0.26%, Materials +0.14%, Consumer Discretionary +0.31%, Technology +1.64%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.14% at 5,703, Dax 40 -0.10% at 24,284, FTSE 100 +0.44% at 9,697, CAC 40 -0.27% at 8,217, FTSE MIB +0.51% at 43,129, IBEX 35 +0.53% at 16,085, PSI -0.04% at 8,349, SMI -1.43% at 12,348, AEX -0.75% at 975.

STOCK SPECIFICS:

- **NVIDIA (NVDA) GTC:** CEO Huang unveiled new line of products called Nvidia Arc. CEO said Nokia to make Nvidia Arc its future base station. Introduces NVQLink, connecting quantum and GPU computing for 17 quantum builders and nine scientific labs. US DoE partnering with NVDA to build seven new AI supercomputers. NVIDIA sees USD 500bln of business in the next five quarters; 20mln Blackwell Rubin GPUs to be shipped and Blackwell projections do not include China; hasn't sought a license to ship Blackwell to China and assumes the Chinese market to remain at zero for NVIDIA. NVDA also announced a slew of new partnerships, including MSFT, SMCI, HPE, JNJ, amongst others.
- **NVIDIA (NVDA)** to make USD 1.0bln equity investment in Nokia (NOK) in addition to a new strategic partnership. Nokia to issue 166,389,351 new shares. NVDA will subscribe for shares at a subscription price of USD 6.01/shr.
- **Microsoft (MSFT)** signed new pact with OpenAI; MSFT supports OpenAI board moving forward with formation of a public benefit corporation and recapitalization; MSFT now hold USD 135bln investment in Open AI Group PBC. OpenAI is contracted to purchase incremental USD 25bln of Azure services.
- **Tesla (TSLA)** eyes internal CEO candidate if Musk leaves over pay vote, Bloomberg reports.
- **Paypal (PYPL)** signed a deal with OpenAI to become the first payments wallet in ChatGPT; Strong earnings, guidance & initiates quarter dividend.
- **Qorvo (QRVO)** and **Skyworks Solutions (SWKS)** agreed to combine in a cash-and-stock deal that creates a c. USD 22bln Co.
- **Amazon (AMZN)** to cut its corporate workforce by 14k; Rtrs sources said on Mon. it could be as many as 30k.
- **Eastman Chemical Company (EMN)** to be replaced in the S&P 500, effective November 4th.

EARNINGS:

- **United Parcel Services (UPS):** Stellar report; EPS, revenue beat with better than expected next quarter revenue outlook.
- **Regeneron Pharmaceuticals (REGN):** EPS & revenue surpassed Wall St. expectations.
- **VF Corp (VFC):** Strong Q metrics with solid next Q top line guidance.
- **UnitedHealth Group (UNH):** Top & bottom line beat alongside raising FY profit view.
- **NXP Semiconductors (NXPI):** EPS & revenue topped.
- **Corning (GLW):** Revenue light.
- **Royal Caribbean Cruises (RCL):** Revenue marginally missed with weak guidance.
- **D.R Horton (DHI):** Revenue light.
- **Alexandria Real Estate (ARE):** AFFO missed with weak FY AFFO outlook.

FX

The Dollar Index edged lower on Tuesday, advancing on Monday's modest decline. Updates for the buck concerned US data and trade relations with China. The ADP's first weekly Prelim US Estimate saw an increase of 14,250 jobs in the four weeks ending on October 11th 2025. Meanwhile, US Consumer Confidence fell one point in October to 94.6, as consumers' write-in responses were led by references to prices and inflation, which continued to be the main topic influencing consumers' views of the economy. On trade, WSJ reported that US President Trump and China's President Xi are to discuss lowering China tariffs in exchange for a crackdown on the export of chemicals that produce fentanyl. Details of an agreement are expected to be found in upcoming negotiations, but will be contingent on the outcome of the meeting between the two leaders this week. Both parties are expected to reduce port fees on each other's ships. DXY now trades around 98.65 from earlier 98.95 highs.

AUD continues to extend on US-China trade optimism, with AUD/USD set for a fourth consecutive day of gains, reaching ~0.6590. In Japan, the meeting between Trump and Japan's PM Takaichi offered support for the Yen, with both sides signing an agreement on a framework for securing the supply of critical minerals and rare earths. Briefly, the Yen faced slight pressure after the Finance Minister Katayama noted that they didn't think the remarks from US Treasury Secretary Bessent encouraged a rate hike from the BoJ.

GBP was the notable underperformer in the G10 space as fiscal woes continue to cloud an optimistic narrative on the currency. The weakness continued in the aftermath of the FT report on Monday that the OBR is expected to cut its trend productivity growth forecast by about 0.3%, which would threaten a GBP 20bln hit to UK public finances. Today's updates included data from the BRC that food inflation in October fell to 3.7% (prev. 4.2%), adding to recent expectations of a more dovish BoE policy path. ING writes that given that sterling is quite an expensive sell with one-week rates above 4.00%, interest may emerge to explore the downside in GBP/NOK and GBP/AUD, because of both the high yields available in Norway and Australia and the supportive environment for commodity prices. Currently, Cable resides at ~1.3280 from earlier 1.3369 highs.

EMFX: ZAR, BRL, HUF, and CNH capitalised on the broad US weakness, with the latter also benefiting from the aforementioned trade updates, while the COP was the laggard as lower crude prices weighed. For the INR, traders said the RBI is likely selling USD to support the INR; USD/INR was flat. Elsewhere, the BoK is said to consider buying gold for the first time since 2013.

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