

Equity weakness extends in wake of big tech earnings and Trump/Xi meeting

- **SNAPSHOT:** Equities down, Treasuries down, Crude flat, Dollar up, Gold up
- **REAR VIEW:** GOOG tops expectations; MSFT mixed guidance; META profit miss; US to reduce reciprocal and fentanyl tariffs on China; China to delay rare earth export controls on US; BoJ holds rates as expected, no imminent hike signalled; ECB holds as expected; Hot German Inflation; META looks to raise at least USD 25bln in bond sale, met with strong demand.
- **COMING UP:** **Data:** Chinese NBS/Composite PMIs (Oct), German Import Prices (Sep), Retail Sales (Sep), EZ Flash HICP (Oct), Italian CPI, Dallas Fed (Sep), Chicago PMI (Oct). **Suspended Releases:** US PCE (Sep), Employment Costs (Q3). **Events:** BoJ Outlook for Economic Activity and Prices (Oct 2025), ECB Bulletin. **Speakers:** Fed's Logan; Bostic, RBNZ's Gai. **Supply:** Australia, Japan. **Earnings:** Exxon Mobil, Chevron, AbbVie, AON, CaixaBank, Intesa Sanpaolo.

MARKET WRAP

Stocks saw further pressure on Thursday with the hawkish Powell still weighing, while shares of Meta (META) and Microsoft (MSFT) were hit following earnings last night, but Google (GOOGL) saw upside. Attention turns to Apple (AAPL) and Amazon (AMZN) tonight. On trade, the overall tone of the Trump/Xi meeting was positive, with the two sides agreeing to a one-year trade truce while the US will halve the fentanyl-related tariffs on China and delay tech export controls for a year. In return, China will pause the latest rare-earth export curbs for a year and purchase US soybeans. The majority of sectors were red, with Consumer Discretionary, Communications and Tech all underperforming, while Real Estate, Financials and Healthcare outperformed in the green. T-notes were sold across the curve, albeit led by the long-end after Meta (META) announced a USD 25bln bond sale in 5-40-year bonds. Oil prices were choppy but ultimately settled flat. In FX, the Dollar outperformed with upside continuing post-Powell, while the Yen lagged post-BoJ. The euro was hit by the rising buck, but the ECB rate decision had little impact, given it was all as expected. The Pound was pressured with concerns around the Chancellor and growing calls for her to resign or be sacked amid a house rental scandal, but PM Starmer reiterated full support for her today.

GLOBAL

ECB: As was very much expected, the ECB opted to stand pat on the Deposit Rate at 2.0%. The decision to do so was based on the lack of incremental shifts in data since the September meeting and confidence that indicators of underlying inflation are consistent with the ECB's target. Additionally, the ECB retained its meeting-by-meeting and data-dependent approach. At the follow-up press conference, President Lagarde reaffirmed that policy is in a "good place" but it is not a fixed point and the GC will do whatever is necessary to stay in a good place. With regards to the decision itself, the President stated that it was a unanimous one. In terms of the economic assessment, Lagarde stated that some of the downside risks to growth have abated. However, the same cannot be said for inflation. Overall, despite some of the risks surrounding the Eurozone outlook (US trade policies, appreciation in the EUR, French politics), the ECB remains confident in the bloc's growth outlook, whilst cautious of potential upside inflation risks. As such, the bar for a rate cut in the near-term remains a high one. Market pricing concurs with just 1bps of loosening seen for the December confab. The next inflection point will likely come via the next round of macro projections in December, which will include the debut 2028 forecast. In the evening, Reuters via sources, reported that ECB policymakers are preparing for a December showdown on inflation and rates; some think 2028 inflation projection would warrant rate cut debate, others favour giving little weight to any small undershooting three years ahead.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 6+ TICKS LOWER AT 112-22+

T-note weakness extends in the wake of the Fed, while the Meta bond sale also weighs. At settlement, 2-year +2.6bps at 3.612%, 3-year +2.6bps at 3.613%, 5-year +2.3bps at 3.722%, 7-year +3.1bps at 3.899%, 10-year +3.7bps at 4.095%, 20-year +4.9bps at 4.629%, 30-year +5.0bps at 4.649%.

INFLATION BREAKEVENS: 1-year BEI -2.5bps at 2.880%, 3-year BEI -0.5bps at 2.526%, 5-year BEI +0.5bps at 2.324%, 10-year BEI +0.0bps at 2.282%, 30-year BEI -0.3bps at 2.229%.

THE DAY: T-Notes saw further pressure with the hawkish signal from Fed Chair Powell still weighing across the curve. Meanwhile, also adding to pressure was the jumbo bond sale from Meta (META), who is looking to raise at least USD 25bln from its bond sale, and reportedly drew over USD 125bln of demand. The bond issuance is also mainly fixated in the long end of the curve, ranging from 5-40-year bonds, seeing the curve steepen. Elsewhere, the BoJ rate decision overnight was net dovish following commentary from BoJ Governor Ueda, who said there is no pre-set path regarding the next rate hike, while the statement itself avoided any overly hawkish signals. The ECB rate decision was largely a non-event and very much in line with expectations, but sources suggest there will be debate in December over inflation projections and interest rates. On trade, there were mixed views regarding Trump's meeting with Xi; a sense of caution was seen overnight after the meeting ended after just an hour and a half, with no immediate readout from both sides. However, both sides later announced that the results of the talks were positive and the two sides agreed on a one-year trade truce. Next week, we will see the ADP data and Challenger Layoffs data, but due to the government shutdown, NFP or JOLTS will not be released. We will also get the next financing estimates on Monday, followed by the quarterly refunding announcement on

Wednesday.

SUPPLY

Bills

- US sold USD 110bln of 4-week bills at a high rate 3.910%, B/C 2.64x; sold USD 95bln of 8-week bills at high rate of 3.89%, B/C 2.88x
- US to sell USD 77bln of 26-wk bills and USD 86bln of 13-wk bills on November 3rd; to sell USD 95bln of 6-wk bills on November 4th; all to settle on November 6th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 18bps (prev. 17bps), January 27bps (prev. 27bps), March 35bps (prev. 36bps).**
- NY Fed RRP op demand at USD 19.1bln (prev. 19.5bln) across 18 counterparties (prev. 15)
- NY Fed Repo Op demand at USD 6.2bln (prev. 10.2bln) across two operations.
- EFFR at 4.12% (prev. 4.12%), volumes at USD 98bln (prev. 92bln) on October 29th.
- SOFR at 4.27% (prev. 4.31%), volumes at USD 3.061tn (prev. 3.067tn) on October 29th. Remains above the top-end of the Fed Funds target range on that date.

CRUDE

WTI (Z5) SETTLED USD 0.09 HIGHER AT 60.57/BBL; BRENT (Z5) SETTLED USD 0.08 HIGHER AT 65.00/BBL

The crude complex settled flat, in what was a choppy day of price action but within contained ranges. The main story in the wake of hawkish Powell, was Mag-7 earnings and Xi/Trump meeting, whereby the latter noted the meeting was amazing and lots of decisions were made. Trump rated it a 12/10, and confirmed that the US-China agreed on a 1-year trade truce. Elsewhere, energy-specific newsflow was fairly sparse, with Hamas/Israel tensions continuing to mount, although Hamas said it would hand over the bodies of two dead hostages, which it stuck to. Little else was fresh, ahead of Baker Hughes and a slew of large oil company earnings on Friday, from the likes of Chevron and Exxon. WTI traded between USD 59.64-60.79/bbl and Brent between USD 64.06-65.15/bbl.

EQUITIES

CLOSES: SPX -0.99% at 6,822, NDX -1.47% at 25,735, DJI -0.23% at 47,522, RUT -0.76% at 2,466

SECTORS: Real Estate +0.66%, Financials +0.34%, Health +0.25%, Consumer Staples +0.02%, Industrials -0.22%, Utilities -0.38%, Energy -0.68%, Materials -0.99%, Technology -1.38%, Communication Services -2.08%, Consumer Discretionary -2.51%

EUROPEAN CLOSES: Euro Stoxx 50 -0.15% at 5,697, Dax 40 +0.06% at 24,139, FTSE 100 +0.04% at 9,760, CAC 40 -0.53% at 8,157, FTSE MIB -0.09% at 43,202, IBEX 35 -0.72% at 16,034, PSI +0.73% at 8,446, SMI -0.10% at 12,301, AEX +0.64% at 982.

STOCK SPECIFICS/EARNINGS

- **Alphabet (GOOGL):** EPS, revenue & cloud revenue topped.
- **Microsoft (MSFT):** EPS & revenue beat, but some are concerned re. capex; Next Q guidance was mixed.
- **Meta (META):** Profit way short, but includes a one-time non-cash income tax charge of USD 15.93bln; expects total expenses to grow significantly Y/Y
- **Cardinal Health (CAH):** EPS & revenue beat with better-than-expected FY25 EPS.
- **Roblox (RBLX):** Bookings beat w/ strong guidance.
- **Estee Lauder (EL):** Top & bottom lines topped; Expanded op. margin for the first time in four years.
- **Fox (FOXA):** Strong earnings & announced USD 1.5bln share buyback programme.
- **Eli Lilly (LLY):** Stellar report; EPS, revenue surpassed Wall St. expectations with upbeat guidance.
- **ServiceNow (NOW):** EPS, revenue, subscription revenue topped & authorised five-for-one stock split; Strong next quarter & FY subscription revenue guide.
- **Comcast (CMCSA):** All major metrics topped & lost fewer domestic broadband customers than anticipated
- **Starbucks (SBUX):** Profit light & noted Q margins were hurt by coffee prices, tariffs & labour investments in turnaround.
- **eBay (EBAY):** Weak next quarter profit view.
- **Chipotle Mexican Grill (CMG):** Top line missed & 2025 comp. restaurant sales guidance disappointed.
- **FMC Corp (FMC):** Revenue massively missed & slashed next Q & FY outlook.
- **Core Scientific (CORZ):** Shareholders reject the CoreWeave (CRWV) merger, failing to secure the required number of votes.
- **Chewy (CHWY):** To acquire Smarterequine, all cash. Expected to be EBITDA margin accretive. Reaffirmed FY25 guidance.
- **DocuSign (DOCU)** announced that Docusign's Intelligent Agreement Management (IAM) platform will soon be available in ChatGPT through the Model Context Protocol (MCP).
- **Meta (META):** Looks to raise at least USD 25bln from bond sale, according to Bloomberg; jumbo bond sale draws record USD 125bln of demand.
- **Canva:** Announced the launch of its creative operating system, adding new AI tools; news weighed on **Adobe (ADBE).**
- **United Airlines (UAL):** CEO said seeing some economic impact due to government shutdown.
- **GlobalStar (GSAT):** Said to draw SpaceX interest in sales process; said to work with adviser and weigh potential suitors, Bloomberg reports.
- Upside in **Moderna (MRNA)** attributed to takeover chatter.

FX

The Dollar strengthened broadly against peers as markets continue to reprice a conflicted Fed on a December policy decision. Also encouraging for USD was the outcome of the Trump-Xi meeting. The US is to lower its reciprocal and fentanyl tariffs on China, while China will delay its rare earth export controls for one year. DXY's gains were helped by broad strength in USD pairs, but JPY weakness played a major role. DXY sits around 99.50, off earlier 99.724 highs.

JPY was the G10 laggard after the BoJ refrained from explicitly guiding towards another hike in 2025. The central bank held rates as expected at 0.5%, with said dovish interpretations having a greater influence on FX movement than the hawkish dissenters, Takata, and Tamura, who proposed a 25bps rate hike. In the press conference, further downside was sparked in the Yen as Governor Ueda said there's no preset idea about the timing of the next rate hike. The BoJ continued to stress high uncertainty on trade policy and the impact on the economy, and views underlying consumer inflation as likely to stagnate due to slowing growth before gradually increasing. USD/JPY remains higher at ~154.0, markedly off the 152.2 lows.

The ECB's decision to hold rates at 2.00% was a non-event. The decision to do so was based on the lack of incremental shifts in data since the September meeting and confidence that indicators of underlying inflation are consistent with the ECB's target. The accompanying statement offered little as policymakers' views on the inflation outlook were broadly unchanged. **EUR/USD** was unfazed by the decision, trading lower at ~1.1570 on USD strength into overnight trade. ECB sources via Reuters said some think the 2028 inflation projection would warrant a rate cut debate, others favour giving little weight to any small undershooting three years ahead.

GBP and Gilts were briefly and modestly weighed by concerns over UK Chancellor Reeves' future as the PM spokesperson said they have received new information on Reeves' house rental error. The PM had previously ruled out the investigation but still has full confidence in Chancellor Reeves despite the recent development. Cable incurred its third consecutive day of losses, hitting lows of 1.3117, a level not seen since April.

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