

Stocks mixed ahead of House vote on government shutdown

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar flat, Gold up.
- **REAR VIEW:** Fed's Williams says 'it will not be long' before Fed needs to expand holdings again; Fed's Bostic notes price stability is the clear and urgent risk & favours keeping FFR unchanged; WH Press Sec says Oct. CPI & NFP 'likely never to be released'; OPEC MOMR fuels oversupply concerns; Russia reportedly ready to resume talks with Ukraine; AMD predicts sales growth on data center demand; IBM announces IBM Quantum Nighthawk; Anthropic to spend USD 50bn on US data centers; Weak US 10yr auction.
- **COMING UP:** **Data:** Australian Jobs, UK GDP (Sep/Q3), EZ Industrial Production (Sep), US Cleveland Fed (Oct), New Zealand Manufacturing PMI (Nov). **Events:** IEA OMR, BoE Minutes of the Market Participants Group Meeting. **Speakers:** BoE's Greene; Fed's Daly, Kashkari, Musalem, Hammack; ECB's Elderson; SNB's Tschudin, Moser. **Supply:** Japan, Italy, US. **Earnings:** Zealand Pharma, Burberry, Siemens, Applied Materials, Disney, JD.com.

MARKET WRAP

The risk tone was mixed on Wednesday, with European indices rallying across the board, but US indices were mixed. The SPX, NDX, and RUT closed little changed, but the DJI saw strong outperformance thanks to upside in heavyweights UnitedHealth (UNH) and Goldman Sachs (GS). Cisco (CSCO) also saw upside ahead of earnings. Breadth was more positive with the RSP rising while sectors were mixed - Health Care, Financials and Materials outperformed, but Energy, Communication and Consumer Discretionary lagged. Tech was flat despite the upside in AMD (AMD) after its analyst day. Crude prices plummeted on Wednesday, with pressure seen in the wake of Tass reporting that Russia is open to speaking to Ukraine, while the latest OPEC MOMR raised oversupply concerns after 2025 and 2026 world oil demand forecasts were left unchanged, but the 2025 supply forecast was raised. Meanwhile, in the STEO, the EIA marginally revised up world oil production and demand forecasts for 2025 and 2026, all by 0.1mIn BPD, aside from the 2026 production forecast, which was revised up by 0.2mIn BPD. In FX, the Dollar was flat, while CHF added to recent and the Yen underperformed. Gold and Silver rallied while T-Notes bull flattened with cash trade resuming from Veterans Day, which saw the soft weekly ADP report on Tuesday. Fed speak had little impact, but Bostic was hawkish, Miran was dovish, while Williams and NY Fed's Perli spoke on the need for a technical expansion of the Fed's balance sheet soon.

FED

WILLIAMS (voter): The NY Fed President believes that it will not be long before they reach ample reserves, and when they do, they will resume gradual bond buying. Williams described it as an 'inexact science' to determine whether the reserves are ample. Williams called the renewed balance sheet expansion technical, not monpol. He is closely watching markets for liquidity signals and said the standing repo facility is effective and should be used when needed, even without stigma.

BOSTIC (2027 voter): The Atlanta Fed announced that Bostic will be retiring as President from the end of February 2026, when his term expires. He issued a speech thereafter where he emphasised that price stability remains the clearer and more urgent risk, favouring keeping the Fed funds rate steady until there is clear evidence that inflation is moving toward the 2% target. He described policy as marginally restrictive, and signalled openness to changing stance if conditions shift. While the labour market is shifting rather than weakening, and real-time indicators show a curious state of balance, he sees no unambiguous signs of a cyclical downturn that would justify easing policy while inflation remains elevated. The Atlanta Fed President noted that core services and core goods prices remain high, and that inflation pressures—particularly from services ex-housing and firms' pricing intentions—are expected to persist well into 2026. He warned against assuming a quick fade in inflation pressures, especially with tariff impacts and upward-drifting inflation expectations. Bostic also cautioned that surveys and other forward-looking indicators suggest inflation is unlikely to decline substantially for some time. That raises the concern that inflation expectations could drift upward and trigger behaviours which produce higher actual inflation.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 1 TICK LOWER AT 113-00

T-Notes bull flatten as cash trade resumes following Veterans Day. At settlement, 2-year -2.5bps at 3.566%, 3-year -3.2bps at 3.561%, 5-year -4.0bps at 3.670%, 7-year -4.4bps at 3.853%, 10-year -4.1bps at 4.069%, 20-year -4.0bps at 4.639%, 30-year -3.6bps at 4.666%.

INFLATION BREAKEVENS: 1-year BEI -0.9bps at 2.793%, 3-year BEI -2.0bps at 2.484%, 5-year BEI -3.0bps at 2.304%, 10-year BEI -1.8bps at 2.268%, 30-year BEI -1.0bps at 2.228%.

THE DAY: T-Notes traded within a tight range on Wednesday on the return from Veterans Day, with 10-year T-Note futures trading between 112-27 to 113-02+. There was little data today, but we appear to be nearing the reopening of the government, where missed data points will start to be released in drips and drabs. However, WH Press Secretary Leavitt suggested the October NFP and CPI reports may never be released, although reports suggested there has been no official word from the BLS on this. There were plenty of Fed Speakers, though, Williams suggested that when reserves reach an ample level, gradual bond-buying will begin

again, but noted that renewed balance sheet expansion is technical and not monetary policy related. Bostic leaned hawkish, noting that despite shifts in the labour market, the clearer and urgent risk is still price stability. He also favours keeping rates steady until they see clear evidence of inflation moving towards target. Miran remained dovish, saying policy is too restrictive. Collins is set to speak on the closing bell, while Paulson and Waller did not speak on policy. Meanwhile, the 10-year auction saw soft demand, but only slight, fleeting pressure was seen in T-Note futures. Attention turns to the 30-year bond auction on Thursday.

SUPPLY:

Notes

- The Treasury will be selling USD 25bln of 30-year bonds on Thursday.
- The US Treasury sold USD 42bln of 10-year notes at a high yield of 4.074%, tailing the when issued by 0.6bps. This is a larger tail than the 0.3bps tail previously, and much softer than the six-auction average of a 0.3bps stop through. The bid-to-cover was also soft at 2.43x, beneath the prior 2.48x and 2.54x average. Within the breakdown of demand, Direct bidders fell to 22.6% from 24.1%, but remained above the 20.1% average. Indirect demand was little changed at 67%, but still below the 70.2% average. This left dealers with an above-average 10.5% of the auction, rising from 9.1% previously. Overall, a soft reception to the 10-year auction. Note, the high yield was lower than the prior and average (4.074% vs 4.117%, 4.255%, respectively).

Bills

- US to sell USD 110bln of 4-wk bills and USD 95bln of 8-wk bills on November 13th; all to settle on November 18th.
- US sold 17-week bills at high rate 3.75%, B/C 3.18x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 16bps (prev. 17bps), January 26bps (prev. 27bps), March 37bps (prev. 39bps).**
- NY Fed RRP Op demand at USD 5.9bln (prev. 7.2bln) across 18 counterparties (prev. 11)
- NY Fed Repo Op demand at USD 6.05bln across two operations today (prev. 0.003bln).
- EFFR at 3.87% (prev. 3.87%), volumes at USD 77bln (prev. 83bln) on November 10th.
- SOFR at 3.95% (prev. 3.93%), volumes at USD 3.135tln (prev. 3.069tln) on November 10th.
- Treasury Buyback (10- to 30-year TIPS, max USD 500mln): Accepts USD 142mln of USD 1.392bln offers, accepts 5 out of 15 eligible issues. Offer-to-cover 9.80x.

CRUDE

WTI (Z5) SETTLED USD 2.55 LOWER AT 58.49/BBL; BRENT (F6) SETTLED USD 2.45 LOWER AT 62.71/BBL

The crude complex tumbled amid oversupply concerns and positive Ukraine/Russia rhetoric. All in all, WTI and Brent sold off through the duration of the day to settle at lows. In terms of catalysts, in the European morning, Tass reported that Russia is ready to resume talks with Ukraine in Istanbul, and while no immediate pressure was seen, benchmarks soon sold off to print initial intra-day troughs. Thereafter, the OPEC MOMR, which indicated oversupply, was the next bearish catalyst; 2025 and 2026 global oil demand forecasts were maintained, although the 2025 supply forecast was revised slightly higher. In the monthly EIA STEO release, world oil production and demand were revised marginally up for both 2025 and 2026; 2025 production and demand were lifted by 0.1mln BPD, while 2026 production rose by 0.2mln BPD, but demand by "only" 0.1mln BPD. After-hours traders will be awaiting the weekly private inventory data, which was delayed a day on account of US Veterans Day, whereby current expectations are (bbls): Crude +2mln, Distillate -2mln, Gasoline -1.9mln.

EQUITIES

CLOSES: SPX +0.08% at 6,852, NDX -0.06% at 25,517, DJI +0.68% at 48,255, RUT -0.26% at 2,452.

SECTORS: Health +1.36%, Financials +0.91%, Materials +0.76%, Technology +0.25%, Utilities +0.24%, Industrials +0.09%, Consumer Staples -0.22%, Real Estate -0.77%, Consumer Discretionary -1.05%, Communication Services -1.18%, Energy -1.42%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.17% at 5,793, Dax 40 +1.22% at 24,381, FTSE 100 +0.12% at 9,911, CAC 40 +1.04% at 8,241, FTSE MIB +0.80% at 44,793, IBEX 35 +1.39% at 16,616, PSI +1.21% at 8,294, SMI +0.80% at 12,803, AEX -0.21% at 969.

STOCK SPECIFICS:

- **AMD (AMD)** sees FY25 GM between 55-58% (exp. 54%); Expects annual data centre chip rev. to reach USD 100bln within 5yrs & earnings to more than triple by 2030.
- **BILL Holdings (BILL)** is exploring strategic options, incl. a potential sale.
- **Chevron (CVX)** outlines plan for sustained cash flow growth; reduces capex guidance range to \$18-21bln/yr.
- **Clearwater Analytics (CWAN)** is considering a potential sale after receiving takeover interest, Bloomberg reports.
- **GlobalFoundries (GFS):** Beat on EPS, rev. & net income.
- **IBM (IBM)** announced IBM Quantum Nighthawk, its most advanced quantum processor yet.
- **On Holding (ONON):** EPS & revenue topped with better than expected FY sales outlook.
- **TransDigm (TDG):** Top and bottom-line surpassed exp.; FY profit guide was light.
- **United Microelectronics (UMC)** double downgraded at BofA to 'Underperform' from 'Buy'.
- **Waymo (GOOGL)** to roll out driverless taxis on highways in three US cities, according to FT.
- Anthropic intends to spend USD 50bln on data centres for AI networks within the US; it intends to create 800 permanent and

2.4k construction jobs at the sites.

- EU reportedly readies fresh investigation into **Google (GOOGL)** over news publisher rankings, according to FT.
- Spruce Point short on **IperionX (IPX)**.

FX

The Dollar Index was flat after Tuesday's ADP weakness, as JPY weakness failed to offset EUR and CHF strength. Markets will now be awaiting data from the inflation side of the Fed's mandate to gain a balanced view on the dollar's next move. The House is expected to pass the recently approved Senate bill in the US evening ahead to end the government shutdown. Updates for the day that concerned the dollar were contained to the Fed. Williams believes it won't be long before they resume gradual bond buying. Meanwhile, Fed's Bostic, who is now set to retire in February 2026, kept to his hawkish stance, arguing that the labour market signals are not strong enough to warrant an aggressive monetary policy response vs. the risk of ongoing inflation pressures. The latest Reuters poll on the Fed unveiled 36/52 economists believe that US job growth has remained about the same since the government shutdown started, while the remaining 16 said it has gotten worse. The majority expect a rate cut in December.

JPY and GBP were the G10 laggards, with USD/JPY briefly reclaiming the 155 handle. Overnight, more verbal intervention from Japanese officials came. Finance Minister Katayama highlighted "one-sided and sharp" FX moves and stressed close monitoring with a "high sense of urgency. Meanwhile, political uncertainty in the UK left Sterling offered, before later recovering the majority of the move. The UK Health Secretary pushed back on reports of a plot to oust the PM, affirming his support for the PM. Cable now trades at 1.3130 within the intraday range of 1.3085-1.3157. CityAM reported that Chancellor Reeves is weighing potential tax increases on alcohol in line with inflation, though no formal proposals have been announced.

The CHF rally persisted on Wednesday as we near the reported time (Thursday/Friday) of Switzerland and the US reaching a deal to slash tariffs on Switzerland to 15% from 39%. The Euro was flat with German CPI and HICP was unrevised, while at the ECB, Kocher said it would not be too surprising if the ECB holds rates steady in 2026, while Schnabel still sees stickiness in services inflation.

PLN: In Poland, NBP's Wniorowski said they need to see new forecasts in March before deciding on the next move. The Polish Monetary Policy Council gave its opinion on the budget, arguing persistently high deficit of the public finance sector limits room for monetary policy easing.

ZAR: USD/ZAR saw weakness following the South African Mid-Year budget. The release finalised the prior agreement for the government to endorse a new inflation target of 3% (prev. 3-6%), with growth forecasts for 2025 & 26 raised.

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