

Strong China tech updates hits US tech, souring sentiment

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar down, Gold down.
- **REAR VIEW:** US Government reopens; Hawkish Fed speak, ex-Daly; UK GDP and manufacturing falls short; Hot Australian jobs report; EIA posts larger-than-expected crude build; IEA raises 2025 & '26 demand and supply outlooks; BABA overhauls AI apps; Tencent tops earnings expectations; Strong CSCO report & guidance; Weak 30yr bond auction.
- **COMING UP: Data:** Chinese Retail Sales (Oct), German Wholesale Price Index (Oct), French/Spanish CPI Final (Oct), EU Trade Balance (Sep), EU GDP Flash Estimate (Q3). **Speakers:** ECB's Cipollone, Elderson, Lane; Fed's Bostic, Schmid, Logan. **Supply:** Australia. **Earnings:** Swiss Re, Allianz, Siemens Energy.

MARKET WRAP

It was risk-off on Thursday with Nasdaq and big tech names leading the losses, seemingly driven by concerns over the US position in the AI race against China after a slew of positive commentary from China tech companies overnight ([see full summary here](#)). The SPX sold off by over 100 points at the close, with RUT and NDX clearly underperforming. Sectors were predominantly lower, with the homes of the heavy weights, Consumer Discretionary, Tech and Communications lagging. Energy, Consumer Staples and Health Care outperformed. Energy stocks tracked crude prices higher as Russia appeared frustrated with Ukraine's lack of negotiations but crude did settle well off the highs amid the downbeat risk tone while inventory data saw a chunky build, weighing on prices. Over supply forecasts were also seen in the IEA oil market report for 2026. T-Notes and SOFR futures were lower throughout the session, seemingly on the reopening of the government but also on several hawkish Fed speakers. On the Wednesday close Collins, who typically is more neutral, had a clearly hawkish tone, noting the bar is high for more easing. Kashkari also revealed he did not support the October rate cut. Musalem supported rate cuts so far, but said the Fed needs to proceed with caution. Hammack's focus remains on inflation, but she did admit she is worried about the labour market. Daly, meanwhile, is more concentrated on labour market weakness. In FX, the Franc continued on its recent run of outperformance with EUR/CHF approaching 0.9200. The Dollar was dold which supported the Pound despite weak growth data. Antipodes and CAD lagged due to the risk tone, with AUD paring overnight gains after a strong labour market report. Gold prices were sold throughout the US session, paring all gains overnight, seeing the yellow metal fall from USD 4,245/oz to USD 4,146/oz peak to trough.

US

DALY (2027 Voter): It is premature to say whether there will or won't be a rate cut in December, noting that while uncertainty has come down quite a bit, the Fed still has work to do to bring inflation down to 2%. She described inflation as stubborn but on its way down and acknowledged the labour market has slowed quite a bit. She emphasized there is a premium on waiting for more information before deciding on rates, and confirmed she has not made a final decision yet for the December meeting. She also said "unequivocally no", when asked about raising the 2% inflation target. She also was dovish in noting that she thinks risks are in balance at the moment, but still slightly higher on employment.

HAMMACK (2026 voter): Worried about the labour market, but expects high inflation to stick around. Hammack said she understood why some of her colleagues are concerned about the employment piece of the Fed's mission, given recent sluggishness in the labour market, however, she's not taking her focus away from prices. In the Q&A, Hammack noted that Fed policy needs to remain somewhat restrictive to push inflation pressures down. The Cleveland Fed President added monpol is currently barely restrictive, if at all, and it is likely the neutral rate has been trending upward. Echoing colleagues recently, Hammack said it probably won't be too long before the Fed expands the balance sheet again on technical factors, and expects firms to use the standing repo facility if it makes sense.

KASHKARI (2026 voter): Inflation is still too high at 3%, and there are mixed signals in the economy. Noted some sectors in the labour market look under pressure. He said it seems there are real pockets of weakness in the labour market, but data suggests more of the same since the October meeting. He revealed he did not support the last rate cut, and he is undecided on December.

MUSALEM (2025 voter, hawk): When speaking on data, said it is critical to return to having readily available official data that has integrity, but stressed they are not flying blind and have a reasonable picture of what the economy is doing. He added the economy is pretty resilient, and expects Q4 weakness, rebound in Q1 with next year at or above potential. The St. Louis Fed President expects the labour market to stay around full employment, likely to soften a little, and get to 4.5%. On tariffs, he expects the impact of tariffs to fade by H2 next year, provided they have an appropriate monopoly. On monpol, Musalem supported rate cuts so far to protect the labour market, but need to proceed with caution now. The hawk remarked there is limited room to ease without becoming overly accommodative, and policy is closer to neutral than modestly restrictive.

COLLINS (2025 voter): The Boston Fed President usually toes a neutral tone on the FOMC. However, the latest set of remarks were hawkish. She said it is likely appropriate to keep the policy rate on hold for some time, with a relatively high bar for easing in the near term. She described policy as mildly restrictive and warned that further monetary support risks stalling progress on inflation, which she expects to remain elevated into early 2026 due in part to tariffs. She emphasized that rate cuts should wait until inflation is durably on track to 2%, and said she is hesitant to ease further without notable labour market deterioration. While unemployment is expected to climb modestly, she has not seen an increase in downside employment risks since summer.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 7+ TICKS LOWER AT 112-24+

T-Notes sold on Fed commentary and government reopening. At settlement, 2-year +2.5bps at 3.591%, 3-year +2.9bps at 3.590%, 5-year +3.7bps at 3.705%, 7-year +3.8bps at 3.888%, 10-year +3.2bps at 4.112%, 20-year +4.3bps at 4.677%, 30-year +4.0bps at 4.703%

INFLATION BREAKEVENS: 1-year BEI +2.3bps at 2.781%, 3-year BEI +1.2bps at 2.493%, 5-year BEI +1.6bps at 2.316%, 10-year BEI +1.2bps at 2.276%, 30-year BEI +1.0bps at 2.234%.

THE DAY: T-Notes saw choppy trade on Thursday but ultimately settled lower. There was a move higher in the European Morning, tracking Gilts higher after the weak growth market data in the UK. T-Notes peaked at 113-01+ but failed to hold above 113-00 for long. As the US morning arrived, T-Notes pared the earlier upside and sold off throughout the session to hit a low of 112-22. A rebound was attempted, but cut short after a weak 30-year bond auction.

There was also a notable move in money market pricing for the Fed, with markets now just pricing in a 25bps rate cut at a 50% probability, vs. a 64% probability on Wednesday. The downside in SOFR futures and Treasuries appeared to be led by the reopening of the government after the House passed the Senate bill last night, with Trump swiftly signing the bill. However, this was largely expected following reports in recent sessions. Nonetheless, also weighing may have been commentary from Fed's Collins on the closing bell on Wednesday. She typically is a more neutral member on the FOMC, but her comments were clearly on the hawkish side. The 2025 voter said it is likely appropriate to keep policy rates on hold for some time, and there is a relatively high bar for additional easing in the near term. Fed's Daly, however, said she has not made a final decision yet on a December rate move. Hammack expressed concern about the labour market, but caveated that she is not taking away her focus on prices. Kashkari also warned that inflation is still too high. Musalem spoke up on the economy, and said they need to continue leaning against inflation. He said the Fed needs to proceed with caution, and there is limited room to ease without becoming overly accommodative.

SUPPLY:

Notes

- Overall, a weak 30-year bond auction. The Treasury sold USD 25bln of 30-year bonds at a high yield of 4.694%, below the prior 4.734%. This tailed the when issued by 1bps, larger than the prior 0.4bps tail and six-auction average tail of 0.3bps. The bid-to-cover was also soft at 2.29x, below the 2.38x prior and 2.36x average. Direct demand plummeted to just 14.5% from 26.9%, well below the 26% average, but indirect demand rose to 71% from 64.5%, above the 61.6% average. However, this was not enough to offset the weak Direct demand, leaving dealers with an above-average 14.5% of the auction, up from October's 8.7%. The soft 30-year auction follows the weak 10-year supply on Wednesday, but the 3-year offering was solid. Showing more demand for shorter-dated paper.
- US to sell USD 16bln of 20-year bonds on November 19th, to settle December 1st; to sell USD 19bln of 10-year TIPS on November 20th, to settle November 28th.

Bills

- US to sell USD 86bln of 13-week bills on Nov 17, to settle on Nov 20.
- US to sell USD 77bln of 26-week bills on Nov 17, to settle on Nov 20.
- US to sell USD 95bln of 6-week bills on Nov 18, to settle on Nov 20.
- US sells USD 110bln 4-week bills at a high rate of 3.900%, B/C 2.73x
- US sells USD 95bln 8-week bills at a high rate of 3.835%, B/C 2.87x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 12bps (prev. 16bps), January 23bps (prev. 26bps), March 34bps (prev. 37bps).**
- NY Fed RRP op demand at USD 3.9bln (prev. 3.76bln) across 8 counterparties (prev. 18)
- NY Fed Repo Op demand at USD 6.05bln across two operations today (prev. 6.052bn).
- EFFR at 3.87% (prev. 3.87%), volumes at USD 77bln (prev. 77bln) on November 12th.
- SOFR at 3.98% (prev. 3.95%), volumes at USD 3.209tln (prev. 3.135tln) on November 12th.

CRUDE

WTI (Z5) SETTLED USD 0.20 HIGHER AT 58.69/BBL; BRENT (F6) SETTLED USD 0.30 HIGHER AT 63.01/BBL

The crude complex was marginally firmer, albeit settling well off peaks, as oil attempted to pare some of Wednesday's extensive losses. Through the European morning, WTI and Brent saw upside to hit highs of USD 59.21/bbl and 63.10, respectively, and saw a boost after the Kremlin said Ukraine must negotiate with Russia "sooner or later" and that its negotiation position is worsening by the day. Prior to that, and following the bearish OPEC MOMR yesterday, the IEA OMR raised 2025 and 2026 demand growth forecasts, and also '25 and '26 supply forecasts, but no follow-through was seen. For 2026, the IEA raised 2026 demand by 70k barrels, and 2026 supply by 120k - signalling more oversupply. However, downside was seen after the weekly EIA data, which saw a much larger than expected crude build, accompanied by weekly crude production rising 211k BPD W/W to 13.862mln bbls. The energy space continued to push lower on the broader risk-off sentiment in the US as equities, led by tech, saw heavy selling, as did the Dollar and spot gold.

EQUITIES

CLOSES: SPX -1.64% at 6,739, NDX -2.05% at 24,993, DJI -1.65% at 47,457, RUT -2.78% at 2,383.

SECTORS: Consumer Discretionary -2.73%, Technology -2.37%, Communication Services -1.74%, Industrials -1.52%, Utilities -1.40%, Real Estate -1.31%, Financials -1.30%, Materials -0.75%, Health -0.02%, Consumer Staples unchanged, Energy +0.31%.

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:

- **Alibaba (BABA)** overhauled AI apps.
- **Baidu (BIDU)** unveiled two new AI chips the M100 and M300, and intended for release in 2026 and 2027, respectively.
- **Cisco (CSCO):** EPS, rev. beat & strong guidance w/ strong AI-fuelled equipment demand
- **Disney (DIS):** Revenue short; Profit at the traditional TV unit fell 21% & income from ESPN slipped too.
- **Dollar Tree (DLTR)** double-downgraded at Goldman Sachs.
- **Flutter Entertainment (FLUT):** Rev. light & cut guidance
- **JD.com (JD):** EPS & rev. topped Wall St. consensus w/ upbeat CEO commentary.
- **Repsol (REP SM)** said to consider a merger of its USD 19bn upstream unit with **APA Corp (APA)**, according to Bloomberg.
- **Sealed Air (SEE)** reportedly in advanced talks to be taken private by Clayton Dubilier & Rice.
- **Tencent (TCEHY)** had a stellar earnings report as growth remained broad-based as it continues to avoid large AI-infrastructure spending.
- **Tesla (TSLA)** developed support for **Apple (AAPL)** CarPlay in a long-requested move, according to Bloomberg; TSLA mulls CarPlay rollout in coming months following tests.
- **Tesla (TSLA)** is recalling the Powerwall 2 AC battery system due to burn and fire hazards, via USCPSC; covers c. 10.5k units.
- **Verizon (VZ)** is reportedly planning to cut roughly 15k jobs, looking to reduce costs as it contends with increased competition for Wireless Service and home Internet, according to WSJ, citing sources.
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- Japanese Co. Kioxia did not provide FY outlook after results; in earnings, rev. for 6mths -13% Y/Y w/ op. profit -55.2% Y/Y; US memory names all lower **Seagate (STX)**, **Western Digital (WDC)**, **Sandisk (SNDK)**, and **Micron (MU)**.
- [For a US/China AI Newsquawk analysis piece, please click here.](#)

FX

The Dollar was heavily sold on Thursday, as USD-denominated assets were hit hard, as risk-off sentiment was seen through the duration of the US session. Some of the reasoning for that was the bullish China tech updates overnight, which weighed heavily on mega-cap US names, and continues to support the comments NVDA CEO Huang made last week that China “will win the AI race”. Overnight, Trump signed the bill to end the Government shutdown, as expected, and as such we now await the release of the delayed data, albeit no schedule has been announced yet. On that, White House Advisor Hassett said the jobs part will be released for one month, but not the unemployment rate, because of the shutdown. There were plenty of Fed speakers however, Fed pricing moved markedly hawkish today with only 12bps of cuts priced in by year-end vs. 16bps on Wednesday. Seemingly driven by the reopening of the government and hawkish Fed speak.

G10 FX was mixed. Antipodeans and CAD lagged and saw slight losses against the Dollar, as they were likely hit by wider risk-off sentiment as opposed to profiting off the weakening Buck. For the Aussie, it saw mild strength overnight following the better-than-expected jobs report – the economy added 42.2k jobs in October, above the expected 20k and prior 14.9k. AUD/USD traded between 0.6524-80, while NZD/USD drifted to lows of 0.5635 from a high of 0.5682.

CHF, GBP, EUR, and JPY all saw strength, and in that order, with the Swissy the notable outperformer and continuing to extend on its recent strength. USD/CHF hit a low of 0.7909 against its weekly peak of 0.8072. EUR/CHF tested 0.92. The Pound also pared all its losses seen in wake of the disappointing September GDP data, which declined -0.1% M/M against the expected 0.0% and previous 0.1%. Sterling paring its weakness was likely a function of the broad Dollar selling, as Cable topped out at 1.3215 against an earlier low of 1.3101. EURGBP was flat.

Out of **Europe** there was a bit of ECB rhetoric, but little new was added, while BoJ Governor Ueda remarked if long-term rates rise sharply in a way out of step with usual market moves, the BoJ is ready to respond flexibly, such as by increasing bond buying. USD/JPY traded between 154.14-155.01 and the pair rebounded from its high amid the aforementioned Dollar selling. However, ING earlier noted that as USD/JPY continues to creep higher in the low-volatility, risk-on environment and as Japan’s MoF continues to send warning signs, they definitely believe they are entering FX intervention territory, but even if intervening is the plan, there is an argument for the MoF to wait until US data releases resume.

EMFX was mixed, albeit in thin currency-specific newsflow. In data, Brazilian retail sales in September unexpectedly fell M/M, while the Y/Y gain was a lot less than anticipated. In LatAm FX, desks note Latin America is heading into 2026 with carry still its calling card, but politics will decide who gets paid.

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