

**Stocks pressured amid continued AI valuation concerns as NVDA earnings approach**

- **SNAPSHOT:** Equities down, Treasuries steepen, Crude up, Dollar flat, Gold up.
- **REAR VIEW:** Sluggish US labour market data, initial jobless claims (w/e 17th Oct.) 232k, Weekly ADP sheds 2.5k jobs a week; HD earnings report disappoints; AMZN & MSFT downgraded at Rothschild; Trump says he has begun interviews for Fed Chair; Verbal intervention from Japanese Finance Minister
- **COMING UP:** **Data:** UK CPI, EZ HICP (Final), US International Trade (Aug) **Event:** FOMC Minutes **Speakers:** Fed's Williams, Logan, Barkin, Miran; BoE's Dhingra **Supply:** Australia, Japan, UK, US **Earnings:** NVIDIA, Target, Lowe's.

**MARKET WRAP**

US indices were lower, albeit settling well off troughs, as mega-cap sectors Consumer Discretionary and Technology underperformed amid continued concerns regarding AI overvaluation. These worries were heightened on Tuesday, as Rothschild downgraded both Amazon and Microsoft, saying it's time to take a more cautious stance on AI hyperscalers. For the record, Health and Energy sit atop of the sectorial breakdown, with the latter buoyed by strength in the crude complex, albeit not on any specific headline driver. US data painted a sluggish picture of the labour market, as jobless claims printed 232k (w/e 18th Oct), while weekly ADP saw 2.5k jobs shed a week for the four weeks ending 1st Nov, an improvement W/W but still languishing. The Dollar is more-or-less flat, at the time of writing, and has been choppy as CAD, AUD, and NZD outperformed, with the former two supported by rising commodity prices. CHF and JPY are in the red, and the Yen continues to be weighed on by broader domestic concerns, although saw slight strength overnight amid Japanese finance minister jawboning. Treasuries are curve steepening, with the short-end seeing gains and the long-end lower. Bitcoin pared initial losses and bounced off its sub-USD 90k trough earlier, and now resides around USD 93k. Fed speak via Barr and Barkin hit, but little new was said. Ahead, NVDA earnings on Wednesday are the clear risk event, as well as FOMC Minutes, ahead of the delayed US September payrolls report on Thursday.

**US**

**WEEKLY ADP:** The Weekly ADP report saw private employers cut an average of 2,500 jobs per week in the four weeks ending 1st November, 2025. This is not as steep as the 11,250 job cuts reported in the prior week's report. It noted, however, that new hires are on the upswing, but job growth is sluggish. It noted that in October, new hires accounted for 4.4% of all employees, up 3.9% from a year ago. ADP suggests that "Employers are taking on a bigger share of new hires, even amid a slowdown in job creation. This suggests that more workers are heading for the exits" it also noted that "hiring is no longer driven primarily by customer demand and economic fluctuations, but by a need to replace a growing number of departing workers."

**NAHB:** US NAHB Housing Market Index for November rose to 38.0, above the expected, and above the prior 37.0. Current sales conditions rose two points to 41, sales expectations in the next six months declined three points to 51, and traffic of prospective buyers marginally rose to 26 from 25. Within the report, and in a further sign of ongoing challenges for the housing market, the latest HMI survey revealed 41% of builders reported cutting prices in November, a record high in the post-COVID period. In addition, the average price cut was 6% in November, unchanged M/M, and the use of sales incentives was 65%, the same as in Sept. and Oct. Ahead, Oxford Economics think builders are likely scale back the use of those incentives next year as their inventory declines and the economy improves.

**BARKIN (2027 voter):** Pressures remain on both sides of the mandate, with job growth slowing and labour supply weakening. Described inflation as above target but not likely to accelerate, while also noting it's unclear whether it's moving back to 2%. The Richmond Fed President believes policy is still modestly restrictive and sees no clear case for action without compelling data. While the labour market is softening, he doesn't expect significant further deterioration and sees unemployment edging up only modestly. Echoed Chair Powell in saying a December cut is not a foregone conclusion.

**FIXED INCOME****T-NOTE FUTURES (Z5) SETTLED 4+ TICKS HIGHER AT 112-25**

**Treasury curve ultimately steepens in two-way trade.** At settlement, 2-year -2.9bps at 3.581%, 3-year -2.8bps at 3.579%, 5-year -2.3bps at 3.698%, 7-year -1.5bps at 3.886%, 10-year -0.8bps at 4.125%, 20-year +0.7bps at 4.714%, 30-year +1.1bps at 4.747%.

**INFLATION BREAKEVENS:** 1-year BEI -6.1bps at 2.676%, 3-year BEI -2.0bps at 2.459%, 5-year BEI -1.5bps at 2.294%, 10-year BEI -1.0bps at 2.266%, 30-year BEI -0.8bps at 2.231%.

**THE DAY:** T-Notes saw two-way price action with upside seen overnight and through the morning, with T-Notes peaking at 113-02, with the 10-year yield at 4.085%. The upside was supported by risk-off trading conditions amid ongoing concerns about AI valuations. JPM's Pinto warned of a possible correction in AI valuations, while Google (GOOGL) CEO warned nobody is safe if an AI bubble bursts. The SPX opened lower to hit lows of 6,574 but pared back to reclaim 6,660, the reversal happened around the time Europe left for the day and was perhaps supported by some positive commentary from CoreWeave. The reversal from lows in equities pressured T-Notes from highs, which saw T-Note futures fall back to c. 112-20 with yields rising to peaks of around 4.14%.

Some of the pressure may have also been ahead of supply on Wednesday and Thursday (20-year bond and 10-year TIPS), while Pfizer (PFE) also announced a USD 5bln bond sale for its acquisition of Metsera.

In the US, the weekly ADP report saw 2,500 jobs shed on average per week over the last four weeks, not as steep as the 11,250 jobs reported in the prior report - it noted job growth is sluggish, but new hires are on the upswing, noting that employers are hiring to replace existing workers, not increase headcount. The DoL also released the weekly jobless claims data from w/e 18th October, which saw 232k claims, in fitting with the estimate from Oxford Economics at the time, who looked at the individual state releases. Note, the DoL said that jobless claims data would be released on Thursday. We will also see the September NFP report on Thursday. Fed's Barkin said he agreed with Fed Chair Powell that a December rate cut is not a foregone conclusion.

#### SUPPLY:

#### Notes

- US to sell USD 16bln of 20-year bonds on November 19th, to settle December 1st. US to sell USD 19bln of 10-year TIPS on November 20th, to settle November 28th.

#### Bills

- US sold USD 100bln of 6-week bills (USD 5bln SOMA) at a high rate of 3.850%, B/C 2.80x.
- US to sell USD 69bln 17-week bills on November 19th, to settle Nov 25th.
- US to sell USD 110bln 4-week bills on November 20th; to settle Nov. 25th.
- US to sell USD 95bln of 8-week bills on November 20th; to settle Nov. 25th.

#### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 11bps (prev. 10bps), January 22bps (prev. 21bps), March 33bps (prev. 30bps).**
- NY Fed RRP op demand at USD 0.905bln (prev. 3.2bln) across 8 counterparties (prev. 7)
- NY Fed Repo Op demand at USD 0.008bln across two operations today (prev. 5.57bln).
- EFFR at 3.88% (prev. 3.88%), volumes at USD 75bln (prev. 72bln) on November 17th.
- SOFR at 4.00% (prev. 3.95%), volumes at USD 3.278tln (prev. 3.195tln) on November 17th.
- Treasury Buyback (5 to 7-year nominal coupons, max USD 4bln): Accepts USD 3.387bln of USD 8.437bln offers, accepts 10 of 26 eligible issues Offer to cover: 2.49x

## CRUDE

**WTI (Z5) SETTLED USD 0.83 HIGHER AT 60.74/BBL; BRENT (F6) SETTLED USD 0.69 HIGHER AT 64.89/BBL**

The crude complex saw gains, albeit on no specific headline, but upside coincided with Trump's/Saudi Crown Prince conference . Through the European session, benchmarks were contained, and within very tight ranges, with a broader focus on the macro environment and upcoming risk events. However, as mentioned, WTI and Brent rose to highs of USD 60.84/bbl and 65.05, respectively, amid US/Saudi comments. Recapping some of the main remarks, Trump said Iran wants to make a deal very badly, and the Saudi Crown Prince said they'll do their best on an Iran deal. Meanwhile, the Saudi Crown Prince stated they will raise investment in the US to USD 1tn, and Trump stated they have reached a defense agreement with Saudi. On the supply footing, Reuters sources reported that crude loading from Russia's Novorossiysk port is 2-3 days behind schedule as the Ukrainian attack damaged a key jetty. Separately, Nigeria's Dangote refinery pushed crude distillation unit maintenance to end January and shortens the period to 7 days. Ahead, weekly private inventory metrics are due after-hours, whereby current expectations are (bbls): Crude - 0.6mln, Distillate -1.2mln, Gasoline -0.2mln.

## EQUITIES

**CLOSES:** SPX -0.83% at 6,617, NDX -1.20% at 24,503, DJI -1.05% at 46,103, RUT +0.21% at 2,346.

**SECTORS:** Energy +0.61%, Health +0.54%, Real Estate +0.36%, Consumer Staples +0.15%, Communication Services +0.11%, Materials +0.01%, Financials -0.19%, Utilities -0.43%, Industrials -0.48%, Technology -1.68%, Consumer Discretionary -2.50%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -1.85% at 5,536, Dax 40 -1.77% at 23,173, FTSE 100 -1.27% at 9,552, CAC 40 -1.86% at 7,968, FTSE MIB -2.12% at 42,839, IBEX 35 -2.14% at 15,827, PSI -1.55% at 8,119, SMI -1.00% at 12,472, AEX -1.53% at 931.

#### STOCK SPECIFICS:

- **Akzo Nobel (AKZOY)** and **Axalta Coating Systems (AXTA)** agreed an all-stock merger creating a \$25bln coatings group.
- **Alphabet (GOOGL)** upgraded at Loop Capital.
- **Amazon (AMZN)** and **Microsoft (MSFT)** downgraded at Rothschild.
- **Cloudflare (NET)** hit by outage, albeit a fix has now been implemented.
- **CoreWeave (CRWV)** exec said Co. has almost doubled its revenue backlog in the last quarter; supply environment impacted Co. in the form of one provider that is delayed on data center deliveries by a few weeks.
- Elliott Management has built a large stake in **Barrick Mining (B)**.
- **Intuit (INTU)** agreed to a multiyear partnership with OpenAI.
- iPhone 17 models lifted Oct. smartphone sales in China by 37%, giving **Apple (AAPL)** a 25% market share for the first time since 2022.
- **Merck's (MRK)** Winrevair has met its primary endpoint in a phase 2 study in adults w/ CPCPH/
- **Meta's (META)** Chief Revenue Officer exits in broad leadership reshuffle, Bloomberg reports. In other news, Meta wins FTC

antitrust trial over Instagram and WhatsApp deals, according to Bloomberg, judge rules the acquisitions did not create an illegal monopoly.

- **Microsoft (MSFT), Nvidia (NVDA)** and Anthropic have announced a strategic partnerships.
- **Tesla (TSLA)** reported three new Robotaxi crashes.

#### EARNINGS:

- **Medtronic (MDT)**: Top & bottom line beat w/ strong outlook
- **PDD (PDD)**: Revenue fell short of Wall St. exp.
- **Home Depot (HD)**: EPS & SSS light alongside lowering outlook.

## FX

**The Dollar** was more-or-less flat, with DXY trading between 99.396-662. US jobs data on Tuesday painted a sluggish picture of the labour market - Initial jobless claims printed 232k (w/e Oct. 18th), in line with signals from state-level metrics, while the weekly ADP employment change showed 2.5k jobs shed a week, for the 4-weeks ending Nov 1st, albeit an improvement W/W. As such, the sluggish labour market in the US is set to sustain expectations for additional Fed easing, posing a possible headwind for the Buck. Looking ahead, participants await the delayed US payrolls for September on Thursday, while the DoL said that claims data will also be released on Thursday.

**G10 FX** was mixed. CAD, AUD, and NZD were the clear gainers, GBP and EUR were flat, while JPY and CHF saw weakness. CAD and AUD were buoyed by firmer commodity prices, and that came despite little move seen in the Aussie overnight on RBA Minutes. As a reminder, they noted it is appropriate in this environment to remain cautious and data dependent, and members are determined they could remain patient while assessing incoming data on the extent of spare capacity. USD/CAD saw a low of 1.3972, while AUD/USD topped out at 0.6518.

**For the Yen**, while the recent sell-off in US equities would usually be a prime opportunity for a recovery in the oversold Yen, its own domestic factors continue to keep USD/JPY bid. On the geopolitical footing, the recent back-and-forth between itself and China has triggered retaliatory measures from Beijing, including travel restrictions, intended to hurt Japan's tourism business. As such, ING notes that while high-level diplomatic talks are already scheduled, and risks of further escalation do not seem too high, it is so far enough to cast more doubts about the ability of the BoJ to raise rates in December. Overnight, the Yen saw modest strength after verbal intervention from the finance minister, who noted he is alarmed over FX moves. USD/JPY traded between 154.82-155.73.

**EUR/USD and Cable** were in very narrow ranges in light currency-specific newsflow, as many of the Pound watchers await the budget next Wednesday (26th Nov). There was plenty of ECB and BoE talk, but failed to move the needle. On EUR/USD, ING's year-end target remains 1.1800 and adds while the path higher may not resemble the one-way bullish traffic seen earlier this year, positive December seasonality could help smooth the move.

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