

Traders pare Fed rate cut bets after BLS delays data, hawkish FOMC Minutes

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar up, Gold up
- **REAR VIEW:** BLS delays Oct. & Nov. US NFP report to after Dec. FOMC meeting; FOMC minutes highlight split Committee; US to propose peace plan to end Ukraine/Russia war; Japanese Finance Minister did not have specific discussions on FX with BoJ Governor; TGT SSS decline more than expected; GOOGL Gemini 3 release impresses; UK CPI eases, as expected
- **COMING UP: Data:** German Producer Prices (Oct), EZ Consumer Confidence Flash (Nov), US NFP (Sep), US Jobless Claims (w/e 15 Nov), New Zealand Trade Balance (Oct), Australian Flash PMIs (Nov), Japanese Nationwide CPI (Oct) **Events:** PBoC LPR; SARB Policy Announcement **Speakers:** BoJ's Koeda; Fed's Cook, Barr, Hammack, Paulson, Miran, Goolsbee; BoE's Dhingra, Mann **Supply:** Spain, France, US **Earnings:** Gap, Walmart; ThyssenKrupp; Investec

MARKET WRAP

US indices were choppy, but ultimately settled in the green as participants await NVIDIA earnings after-hours, which is the next big catalyst and will be viewed through a lens of AI valuation concerns. Back to Wednesday trade, sectors were mixed with Tech and Communications the clear outperformers, with the latter buoyed by Alphabet's strength on positive reviews on Gemini 3. Energy was the clear laggard and was weighed on by notable weakness in the crude complex, which was due to the US proposing a peace plan to end the Ukraine/Russia war. The Dollar was notably firmer, to the detriment of most global peers, amid a hawkish repricing in Fed money markets. The first catalyst for this was in the wake of the BLS announcing its new data schedule, which shows the FOMC will not see the November or October US jobs reports before the December 10th meeting, increasing the chances that the Fed will not cut again. As a reminder, Chair Powell gave a driving in the fog analogy in October regarding the lack of data, and said if you're "driving in the fog, you could slow down", hinting at a Dec. pause if data remained scarce. The second catalyst was FOMC Minutes, and while they largely added little new, there was a hawkish skew and continued to highlight the division in the Committee ahead of the December confab. In FX, while all G10 saw losses, the Pound was weighed on by UK CPI and the Yen was hit after Finance Minister Katayama said she did not have specific discussions on FX with BoJ Governor Ueda. Treasuries were lower across the curve, spot gold traded either side of USD 4.1k/oz, and Bitcoin hit a fresh low not seen since late April.

US

FOMC MINUTES: The minutes showed a committee divided over the appropriate pace of easing, with many favouring a 25bp cut while several preferred holding rates and one advocating a more forceful 50bp reduction. Supporters of a cut pointed to rising downside risks in employment and limited evidence of renewed inflation pressures, whereas those opposed stressed stalled progress toward 2% and insufficient confidence that inflation was on a sustainable path. Despite broad agreement that policy was moving gradually toward neutral, views diverged on how restrictive current settings remained, and participants noted that financial conditions were generally supportive. Views also diverged on the outlook; most judged that further cuts are appropriate, but several did not see a December cut as likely. Several said another cut could be appropriate in December if the economy evolved as expected, but many judged it likely appropriate to keep rates unchanged for the rest of the year. Inflation commentary reflected persistent concern, with many highlighting core non-housing services pressures, expected tariff pass-through and the risk that prolonged overshoots could lift expectations, although some observed inflation excluding tariffs was close to target and that productivity gains or a softer labour market could curb price pressures. Labour market conditions were seen as softening gradually, shaped by structural factors including AI-driven investment, while activity remained moderate with strength concentrated in higher-income households. Most supported concluding balance-sheet runoff on December 1st and favoured a larger Treasury bill share to enhance flexibility. Several warned that elevated asset valuations, particularly in AI-related equities, left markets vulnerable to disorderly corrections. The minutes also touched on asset prices, where several highlighted the possibility of a disorderly fall in stock prices, especially in the event of an abrupt reassessment of AI-related prospects. Money market pricing saw further rate cut bets pared in the wake of the minutes, with just 6bps of easing priced, implying just a 24% probability of a rate cut in December vs 7bps pre-FOMC Minutes. Rate cut bets had begun to ease beforehand after the BLS delayed the October and November jobs reports to December 16th, after the December 10th FOMC, leaving the FOMC still in the fog. Pantheon Macroeconomics highlight that December hangs in the balance, but substantial easing probably still lies ahead.

FIXED INCOME**T-NOTE FUTURES (Z5) SETTLE 3 TICKS LOWER AT 112-22**

Traders pare rate cut bets as BLS pushes back Oct and NFP job reports, while FOMC minutes lean hawkish . At settlement, 2-year +0.8bps at 3.589%, 3-year +1.0bps at 3.586%, 5-year +1.1bps at 3.705%, 7-year +1.3bps at 3.895%, 10-year +1.0bps at 4.131%, 20-year +1.1bps at 4.720%, 30-year +1.1bps at 4.752%.

INFLATION BREAKEVENS: 1-year BEI -5.3bps at 2.633%, 3-year BEI -1.5bps at 2.443%, 5-year BEI -0.5bps at 2.289%, 10-year BEI -0.3bps at 2.263%, 30-year BEI -0.4bps at 2.227%.

THE DAY: T-Notes were slightly lower across the curve on Wednesday, with yields lower by c. 1-1.5bps. Albeit yields are little changed, there was a notable shift in December market pricing for the Fed. Fed Funds Futures were sold aggressively after the BLS

announced that the October and November Nonfarm payrolls report (ex the October Unemployment rate), would be released on December 16th, after the December 10th FOMC. This push back of data extends the Fed's lack of visibility on the economy, and with Chair Powell quipping in October, "when there is fog, you could slow down", it emboldens the probability of rates being left on hold in December as the Fed awaits more visibility. We are yet to get an announcement when the CPI data will resume, but October PCE is due November 26th, and November PCE is due December 19th. Meanwhile, the FOMC minutes noted that many judged it likely appropriate to keep rates unchanged for the rest of the year, and largely confirmed the split range of views on the outlook at the Fed. Elsewhere, it is worth noting in UK trade, Gilts were hit on reports left-leaning Labour MPs are looking to oust PM Starmer, albeit USTs saw little follow-through - Gilts had already been pressured following the earlier Gilt auction too, but pre-UK open CPI eased. Back in the US, the 20-year bond auction was soft (more below). Attention turns to the September NFP report on Thursday.

SUPPLY:

Notes

- US sold USD 16bln of 20-year bonds at a high yield of 4.706%, tailing the when issued by 0.2bps. The tail showed weak demand at the auction when compared to the prior 1.2bps stop through and 0.3bps stop through average. The bid-to-cover was also weak at 2.41x, well below the 2.73x prior and 2.66x average. The breakdown was not as soft, however, with a slight rise in direct demand to 29.2% from 26.3% (above the 22.7% avg) offsetting some of the drop in indirect demand to 59.5% from 63.6% (vs 65.3% avg). This left dealers, forced surplus buyers, with 11.4% of the auction, above the 10.0% previous but below the 11.9% average.
- US to sell USD 19bln of 10-year TIPS on November 20th, to settle November 28th.

Bills

- US sold USD 69bln of 17-wk bills at a high rate 3.750%, B/C 3.15x
- 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 7bps (prev. 11bps), January 21bps (prev. 21bps), March 31bps (prev. 33bps).
- NY Fed RRP op demand at USD 1.1bln (prev. 0.905bln) across 8 counterparties (prev. 8)
- NY Fed Repo Op demand at USD 0.006bln across two operations today (prev. 0.008bln).
- EFFR at 3.88% (prev. 3.88%), volumes at USD 78bln (prev. 75bln) on November 18th.
- SOFR at 3.94% (prev. 4.00%), volumes at USD 3.278tln (prev. 3.220tln) on November 18th.

CRUDE

WTI (Z5) SETTLES USD 1.30 LOWER AT 59.44/BBL; BRENT (F6) SETTLES USD 1.38 LOWER AT 63.51/BBL

WTI and Brent saw heavy selling on the US's proposed Ukraine/Russia peace plan. In the European morning, the downside began on the reports, before extending throughout the session. The Politico article said that US officials are close to unveiling a major new peace agreement with Russia to end the Ukraine conflict, expected to be agreed by all parties by the end of November, and possibly as soon as this week. Later, Reuters, citing sources, remarked that US proposals to end the war include Ukraine ceding territory and some weapons, alongside reducing the size of its armed forces. The sources added the US has signalled to Zelensky it must accept the framework and its main points, so it remains to be seen if Ukraine are on board with the proposal, and what the consequences could, or would, be.

Russia Deputy PM Novak said Russia may reach OPEC+ oil output quota levels by the end of the year, and it is steadily increasing oil output in November, with growth slightly higher than in October; adding sanctions against Rosneft and Lukoil have not affected Russia's oil output.

WTI traded between USD 58.66-60.470/bbl and Brent USD 62.86-64.85/bbl.

EIA: In the weekly EIA data, crude stocks saw a larger-than-expected draw, vs. the private inventory metrics, which saw an unexpected build. Distillates and Gasoline both saw surprising builds, in fitting with the private metrics, while crude production fell 28k W/W to 13.834mln.

EQUITIES

- **CLOSES:** SPX +0.38% at 6,642, NDX +0.56% at 24,641, DJI +0.10% at 46,139, RUT -0.04% at 2,348
- **SECTORS:** Technology +0.93%, Communication Services +0.72%, Materials +0.46%, Financials +0.42%, Industrials +0.36%, Consumer Discretionary +0.05%, Health -0.14%, Consumer Staples -0.61%, Real Estate -0.79%, Utilities -0.81%, Energy -1.30%
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.13% at 5,541, Dax 40 +0.10% at 23,204, FTSE 100 -0.47% at 9,507, CAC 40 -0.18% at 7,954, FTSE MIB -0.44% at 42,651, IBEX 35 +0.39% at 15,889, PSI -0.57% at 8,073, SMI +0.51% at 12,545, AEX +0.26% at 933.

STOCK SPECIFICS:

- **Abbott (ABT)** reportedly close to a deal for Exact Sciences (EXAS), according to Bloomberg.
- **Block (XYZ)** announces USD 5bln increase to its share buyback programme. Adj. EPS expected to grow in low 30% range annually through 2028 to USD 5.50. Sees 2026 adj. EPS at USD 3.20.

- **DoorDash (DASH)** upgraded at Jefferies.
- **ON Semiconductor (ON)** authorised new USD 6bn share repurchase programme over 3yrs starting January 1st.
- **Paramount Skydance (PSKY)** has reportedly spoken to Middle East funds regarding investing in **Warner Bros. Discovery (WBD)**, according to WSJ, citing sources; PSKY to submit bid of approx. USD 23.50/shr this week.
- **Semrush (SEMR)** to be acquired by Adobe for USD 12/shr; SEMR closed Tuesday at USD 6.76/shr.
- **Tesla (TSLA)** receives permit for ride-hailing service in Arizona.

EARNINGS:

- **Lowe's Companies (LOW)**: Profit beat and raised FY25 revenue view.
- **Target (TGT)**: Top line light and SSS declined more than expected; trimmed top end of FY profit range.
- **TJX Companies (TJX)**: EPS, revenue and comparable sales topped; strong FY guidance.

US FX WRAP

The Dollar saw buying on Wednesday, and to the detriment of all G10 peers (more details below), amid a notable hawkish repricing in Fed money markets, helping the Buck extend on earlier gains. Markets now only assign a c. 26% chance of a 25bps cut in December (prev. 48%) after the new BLS data schedule shows the FOMC will not see the Nov. or Oct. US jobs reports before the December 10th meeting. As a result, it increases the chances that the Fed will not cut again, as Chair Powell signalled a willingness to drive slow when there is a lack of visibility. Elsewhere, FOMC Minutes added little new but emphasised how divided the camp is on the Dec. decision, but overall tilted hawkish with "many" expecting no change in December. In the wake of the minutes and BLS update, the Dollar moved to fresh highs. DXY reached a peak of 100.22 against an earlier trough of 99.493 with all eyes on NVIDIA earnings after-hours.

As mentioned, **G10 FX** saw losses across the board, and while most of it was Dollar-driven, there was some currency-specific newsflow; Yen saw notable weakness after the Japanese Finance Minister Katayama said she did not have specific discussions on FX with BoJ Governor Ueda. This added to the pressure seen in the overnight APAC session as Kyodo reported that the Chinese government issued a renewed ban on Japanese seafood imports. USD/JPY printed a high of 157.04, and while verbal intervention remains on the lips, ING's view remains that the MoF prefers to intervene in the FX market after a USD-negative event, like it did in July 2024, and also thinks any line in the sand may be closer to 160, so it could see further upside pressure in the coming days.

Cable traded between 1.3044-3155, with the Pound seeing weakness on UK CPI. Recapping, headline figures were in line with expectations, whilst the services figures were cooler-than-expected. Mixed views following the report, with ING focusing on the "stickiness" of CPI whilst Pantheon Macro thinks it pretty much "nails on" a December cut. On the political footing, and continuing to add to Starmer pressure, a left-leaning group of UK Labour MPs are reportedly preparing a move against the PM; they reportedly have the 80 parliamentarians required to begin a leadership contest. However, they have yet to decide on a candidate to support.

EMFX was lower against the Greenback on known themes, but SocGen notes the recent rally in Brazil and Colombia may face challenges from general elections in Brazil, Colombia, and Mexico next year, adding "the outlook for fiscal and monopol, and by extension, LatAm assets, is closely tied to election outcomes in Brazil and Colombia."

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

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