

Stocks rally while traders boost Dec rate cut bets

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar flat/down, Gold up
- **REAR VIEW:** Fed's Waller reiterates case for December cut, Daly also backs December cut; Trump & Xi hold phone call, Trump to visit Beijing in April, Xi to visit US later in 2026; US 2yr note auction met with average demand; US officials say talks with Ukraine went well; Kremlin aide rejects EU counter proposals; White House reportedly set to delay healthcare proposal; Germany's Ifo sends mixed signals; AAPL cuts dozens of jobs across sales division; NVO drug trials disappoint.
- **COMING UP: Data:** German GDP (Q3), US Weekly Prelim Estimate ADP, US PPI (Sep), Retail Sales (Sep), Consumer Confidence (Nov), Richmond Fed (Nov). **Events:** PBoC MLF. **Speakers:** ECB's Cipollone, Makhlouf. **Supply:** Australia, UK, Italy, Germany, US. **Earnings:** Dell.
- **WEEK AHEAD:** Highlights include US Retail Sales, RBNZ, UK Budget, Australian CPI, Tokyo CPI. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBNZ, PBoC MLF, ECB Minutes, BoK; Reviewing FOMC Minutes, RBA Minutes, PBoC LPR. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings wind down with highlights including ADI, DELL, BABA. [Click here for the full report.](#)

MARKET WRAP

Stocks rose sharply on Monday, with the SPX reclaiming 6,700, posting broad-based gains, though the Nasdaq outperformed as AI names clawed back some recent losses. Communications jumped 4%, led by Alphabet after more upbeat commentary on its latest AI updates, while tech and consumer discretionary gained about 2.5% (led by Broadcom, AVGO +11%) and 2.0%, respectively. Support also came from firmer expectations of a December rate cut after Governor Waller reaffirmed backing for a 25bps move, and Daly (a 2027 voter) also endorsed such a reduction. Markets priced a December cut at a 76% probability, up from 56% on Friday after dovish remarks from Williams. The Dollar eased slightly, but the DXY stayed above 100, with the AUD outperforming while the yen shed part of Friday's gains. Focus turns to US PPI and retail sales on Tuesday ahead of the Thanksgiving holiday on Thursday. Oil prices were bid despite reports of further progress on Ukraine-Russia peace talks, though details remain scarce and traders appear sceptical of meaningful advances. Gold gained through the session, tracking equities higher, while Bitcoin recovered some of last week's losses but failed to break above USD 90k, holding at session highs into APAC trade. Separately, US President Trump and China's President Xi held a call in which Trump accepted Xi's invitation to visit Beijing in April and extended a reciprocal invitation for later in the year.

FED

WALLER (voter, dove): The Fed Governor reiterated his case for a rate cut at the December meeting, saying data since the last FOMC shows not much change, with weakness seen in the labour market while inflation is not a big problem. While inflation has ticked up slightly, he expects it to start falling, estimating ex-tariff inflation at 2.4–2.5%. Waller described the September jobs number as likely to be revised down and noted its concentrated nature is not a good sign. He emphasised a meeting-by-meeting approach going forward, with January posing challenges due to a flood of new data. Stated tariff effects on inflation are modest and one-off, and reiterated that if the data rebounds, the Fed can be more cautious.

DALY (2027 voter): The San Francisco Fed President said in a WSJ interview that she backs a December rate cut, because she sees a sudden deterioration in the job market as both more likely and harder to manage than an inflation flare-up. "On the labour market, I don't feel as confident we can get ahead of it." "It's vulnerable enough now that the risk is it'll have a nonlinear change." Concerning an inflation breakout, she noted that it's a lower risk given how tariff-driven cost increases have been more muted than anticipated earlier this year. Daly still believes the Fed can bring inflation back to its 2% target without an increase in unemployment. While the economy has settled in a "low-hiring, low-firing" equilibrium for some time, the 2027 voter sees greater risks that the balance ultimately would break in a negative direction. She added, "I'm not willing to assume our hands are tied next year" in a way that either forecloses the option to cut rates further if the economy weakens more abruptly or to raise rates "if that's what's needed." Regarding the divergence amongst the FOMC, she said it reflects genuine uncertainty, not dysfunction. On the December meeting, Daly said the decision requires a judgment call about where the risks of not moving are, and where the risks of moving are. As such, Daly puts the risks of moving [rates down] a little bit lower than others, and the risk of not moving a little bit higher than others.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 4 TICKS HIGHER AT 113-12

T-notes add to recent gains on more dovish Fed speak. At settlement, 2-year -1.1bps at 3.503%, 3-year -1.1bps at 3.490%, 5-year -1.3bps at 3.605%, 7-year -1.9bps at 3.794%, 10-year -2.5bps at 4.038%, 20-year -3.5bps at 4.643%, 30-year -3.4bps at 4.682%.

INFLATION BREAKEVENS: 1-year BEI -3.2bps at 2.622%, 3-year BEI -1.7bps at 2.390%, 5-year BEI -2.4bps at 2.228%, 10-year BEI -1.8bps at 2.215%, 30-year BEI -1.3bps at 2.189%.

THE DAY: T-notes bull flattened on Monday with markets still pricing in a December rate cut after the dovish Fed's Williams on

Friday. Waller also spoke today, reiterating his preference for a 25bps cut, while Fed's Daly (2027 voter) also revealed she would back a cut in December. Money markets now price a December cut with a 76% probability vs 56% probability on Friday, albeit views on the Fed are still very much split, likely seeing the December vote as a very close call. Among voting members, WSJ's Timiraos has three participants (Powell, Jefferson and Cook) as an unclear vote, with Barr, Collins, Goolsbee, Musalem and Schmid favouring a pause in December, while he expects Bowman, Miran, Waller and Williams to vote for a cut. Elsewhere, the US Treasury sold USD 69bln of 2-year notes, which saw an average reception ahead of the 5- and 7-year on Tuesday and Wednesday, respectively.

SUPPLY:

Notes

- The US sold USD 69bln of 2-year notes at a high yield of 3.489%, matching the when-issued. This compares to the prior tail of 0.1bps and the six auction average for a 0.5bps stop through. The bid-to-cover was better than the prior and average, while the breakdown saw direct demand ease, but remained in line with recent averages, while indirect demand rose, also in line with recent averages. This left dealers with 11.2% of the auction, in line with the prior and average. There was little reaction to the largely in-line auction. US Treasury to sell: USD 70bln of 5-year notes on November 25th, USD 44bln of 7yr notes on November 26th; all to settle December 1st.

Bills

- US sold USD 90bln of 3-month bills at high-rate 3.745%, B/C 2.85x; sold USD 80bln of 6-month bills at a high-rate 3.670%, B/C 2.77x
- US Treasury to sell USD 85bln 6-week bills on Nov 25th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 19bps (prev. 14bps), January 27bps (prev. 25bps), March 33bps (prev. 31bps).**
- NY Fed RRP op demand at USD 1.1bln (prev. 2.5bln), across 7 counterparties (prev. 12)
- NY Fed Repo Op demand at USD 0.001bln across two operations today (prev. 0.000bln).
- EFFR at 3.88% (prev. 3.88%), volumes at USD 81bln (prev. 75bln) on November 21st.
- SOFR at 3.93% (prev. 3.91%), volumes at USD 3.203tln (prev. 3.17tln) on November 21st.

CRUDE

WTI (F6) SETTLED USD 0.78 HIGHER AT 58.84/BBL; BRENT (F6) SETTLED USD 0.81 HIGHER AT USD 63.37/BBL

The crude complex saw strength, albeit in choppy trade, as Ukraine/Russia peace talks dominate the tape. Benchmarks were initially subdued on seemingly positive geopolitical developments, but later turned around and edged higher through the US session, with a lack of details around said progress leaving traders sceptical. At the tail end of last week, Trump issued a Thanksgiving deadline for Ukraine to accept the peace agreement, and while Zelensky welcomed "important steps" made during peace talks with the US in Geneva, warned one of the key issues surrounds Ukraine ceding land to Russia. In latest reports, WaPo citing sources, said the US peace plan on Ukraine now contains 19 points but is not yet finalised. As such, while an agreement appears closely, there is still a long way to go. In addition, some oil downside coincided with Chinese state media reports that Xi and Trump held a call. Separately, and on the supply side, ING, citing reports suggested that the Kuwait Al-Zour refinery (615k BPD) is poised to begin raising output through December, after facing issues since October that kept it operating at only around a third of capacity. For the record, WTI traded between USD 57.42-58.90/bbl and Brent USD 61.34-62.76/bbl. As a reminder, it is a holiday-shortened week due to Thanksgiving, so volume may be a bit thinner than usual.

EQUITIES

CLOSES: SPX +1.55% at 6,705, NDX +2.62% at 24,874, DJI +0.44% at 46,448, RUT +1.89% at 2,414.

SECTORS: Consumer Staples -1.32%, Energy -0.32%, Real Estate +0.18%, Industrials +0.28%, Materials +0.28%, Financials +0.47%, Health +0.47%, Utilities +1.12%, Consumer Discretionary +1.86%, Technology +2.49%, Communication Services +3.94%.

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)** relaunched Qwen AI app surpassed 10mln downloads in its first week, supporting the stock.
- **Alphabet (GOOGL)** continuing to extend gains post Gemini 3 release; over the weekend, Salesforce (CRM) Benioff said, "I've used ChatGPT every day for 3 years. Just spent 2 hours on Gemini 3. I'm not going back".
- **Anglo American (NGLOY)** rejected BHP's latest takeover proposal, deciding it was not superior to its planned combination with TECK.
- **Baidu (BIDU)** upgraded at JPM.
- **Grindr (GRND)** said the special committee unanimously determined that further discussions with proposing shareholders with respect to the proposal are not in the best interests.
- **Micron (MU)** denied reports it is redesigning its HBM4 following claims it failed to meet Nvidia's data-transfer demands.
- **Novo Nordisk (NVO)** Evoke Phase III trials did not demonstrate a statistically significant reduction in Alzheimer's disease progressions.
- US reviewing whether **NVIDIA (NVDA)** can sell its H200 AI chips to China as bilateral ties warm.
- White House will include a 2yr extension of the Affordable Care Act subsidies due to expire next month, according to Politico;

admin will also set new limits on eligibility. Of note for **Oscar Health (OSCR)**, **Centene (CNC)**, and **Molina Healthcare (MOH)**. In the US afternoon, it was reported that the White House is to delay its healthcare proposal, according to MS Now.

- **Amazon (AMZN)** to invest up to USD 50bln to expand AI and supercomputing infrastructure for US government agencies. Meanwhile, Amazon plans to invest USD 15bln in Northern Indiana to build new data centre campuses and advance AI innovation

FX

The Dollar Index was lower to start the week as strength in the Euro offset weakness in the Japanese Yen. The main topic over the weekend and into Monday has been the Ukraine peace plan, proposed by the US, to which the Washington Post reported it is now a 19-point plan, down from 28. Talks are expected to continue; meanwhile, a Kremlin aide rejected the EU's counter-proposals. Domestic updates in the US were light, with the US reportedly set to delay the healthcare proposal, which included an extension of the Obamacare subsidies. With the recently passed bill extending support for most federal agencies until January 30th, discussions on healthcare are likely to remain at the forefront of US politics. From the Fed, Governor Waller (voter) reiterated the case for a cut in December, which lent a hand to dovish expectations, resulting in an uptick in rate cut bets and some modest downward pressure on the USD. 2027 voter Daly accelerated the move in dovish Fed expectations after WSJ reported that she'd back a rate cut as she sees a sudden deterioration in the job market as both more likely and harder to manage than an inflation flare-up. Tuesday will see the release of US PPI (Sep) and Retail Sales (Sep), with the latter expected to ease to 0.4% from 0.6%.

EUR, AUD, and GBP outperformed in the G10 space while **JPY** lagged in the red. EUR led gains perhaps on growing optimism on the conflict between Russia and Ukraine, while JPY underperformance came amid the increased risk appetite across markets as US equities extended on their Friday rebound. EUR/USD moved higher to ~ 1.1530 from 1.1503 lows (a mixed German Ifo report had little bearing on price action), while USD/JPY trades around 156.80 off earlier 157.18 highs.

Ahead of UK Chancellor Reeves' budget on Wednesday, more updates arrived, with the latest reporting indicating that Reeves told her peers that the budget will include cutting three priorities: The cost of living, NHS waiting lists and the cost of debt. Meanwhile, Sky News reported that the OBR said lower in 2026 and every Parliament year in the budget. Cable now trades higher at ~1.3110 within the 1.3081-1.3117 intraday range.

ILS: The Israeli Shekel was firmer against the dollar in the aftermath of the Israel Central Bank decision to cut rates by 25bps, as expected to 4.25%. Governor Yaron cited moderating inflation on reduced supply constraints, a stronger Shekel and a lower risk premium behind the cut. Ahead, he added, that rate cuts will be very gradual, two more cuts by September 2026 seem reasonable; not going back to zero interest rates.

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