

Markets start December choppy

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar flat, Gold up
- **REAR VIEW:** US ISM Mfg PMI unexpectedly declines; BoJ's Ueda touts December hike; UK & US agree to a zero-tariff pharma deal; China Final PMIs disappoint; Mixed European PMIs; Vanke reportedly requested 12 months to pay its bonds; BP says Olympic Pipeline returns to full service.
- **COMING UP:** **Data:** EZ Flash CPI (Nov), Unemployment Rate, US RCM/TIPP Economic Optimism. **Events:** BoE FSR. **Speakers:** Fed Chair Powell, Bowman (Fed on Blackout). **Supply:** Japan, UK, Germany. **Earnings:** Marvell, CrowdStrike.
- **WEEK AHEAD:** Highlights include Potential Fed Chair pick, US ISM PMIs, US PCE, EZ CPI, Canada Jobs, Swiss CPI. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing potential Fed Chair pick, RBI; Reviewing RBNZ, ECB Minutes, BoK. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Highlights include CRWD, MRVL, SNOW, DLTR, and DG. [Click here for the full report.](#)

MARKET WRAP

Stocks ultimately finished the first session of December trading lower. The session was choppy with equity futures sold overnight alongside caution in APAC trade in response to soft China PMIs. Pressure extended once Europe arrived, with the DAX lagging amid a downward revision to the German manufacturing PMI. However, around the opening bell, the risk tone in equities started to improve throughout the afternoon, before fading into the closing bell. T-notes were sold across the curve in a steeper fashion. The downside tracked JGBs overnight following hawkish commentary from BoJ Governor Ueda, while rising energy prices also weighed. However, the sharp selling occurred during US trade amid a slew of corporate supply, namely Merck's (MRK) USD 8bln 8-parter, which led to rate lock selling. The US highlights included the ISM Manufacturing PMI, which surprisingly fell alongside a drop in New Orders, while Prices Paid accelerated, and employment dropped. Meanwhile, over the weekend, US President Trump said he knows who he is going to pick for Fed Chair Powell's successor, and Hasset said he would accept the job if it were offered to him. Energy prices were higher after Ukraine continued its attacks on Russian oil facilities, tensions increasing between the US and Venezuela, while OPEC+ held output steady over the weekend, as expected. In FX, the Dollar was flat while CAD lagged on weak energy prices and Yen outperformed on the Ueda commentary, which touted a December rate hike from the BoJ.

US

ISM: The US ISM Manufacturing PMI fell to 48.2 from 48.7, despite expectations for a rise to 49.0 - remaining in contractionary territory for the ninth consecutive month. Within the report, however, the overall economy continued in expansion for the 67th month (Manufacturing PMI of 42.3 or above generally indicates expansion in the overall economy). New Orders dropped to 47.4 from 49.4, showing the third straight month of contraction. The Production index returned to expansion, rising to 51.4. Meanwhile, supplier deliveries indicated faster delivery performance after three consecutive months (and 14 of the previous 16 months) in slower territory, falling to 49.3 from 54.2. Inventories rose to 48.9 from October's 45.8. Meanwhile, the Prices Paid component rose to 58.5 from 58.0, despite expectations for a fall to 57.0 (some had anticipated 59.0), showing price increases accelerated slightly in November vs October. The report notes, "The Prices Index reading continues to be driven by increases in steel and aluminium prices that impact the entire value chain, as well as tariffs applied to many imported goods." The employment index fell to 44 from 46, posting its tenth consecutive month of contraction, with 36 of the last 43 months contracting. The report noted that "For every comment on hiring, there were 3.4 on reducing headcounts, equaling the ratio in October. Companies continued to focus on accelerating staff reductions due to uncertain near- to mid-term demand. The main head-count management strategies remain layoffs and not filling open positions."

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 16+ TICKS LOWER AT 112-26+

T-notes sold on a slew of corporate issuances. At settlement, 2-year +4.8bps at 3.539%, 3-year +6.3bps at 3.553%, 5-year +7.5bps at 3.673%, 7-year +7.6bps at 3.864%, 10-year +7.7bps at 4.096%, 20-year +7.9bps at 4.711%, 30-year +7.4bps at 4.745%.

INFLATION BREAKEVENS: 1-year BEI +1.2bps at 2.721%, 3-year BEI +2.4bps at 2.427%, 5-year BEI +0.8bps at 2.241%, 10-year BEI +1.3bps at 2.229%, 30-year BEI +1.8bps at 2.209%.

THE DAY: T-notes were lower across the curve on Monday, with global fixed income weighed on overnight after BoJ Governor Ueda hinted at a December rate hike, while rising crude prices bolstered inflation expectations. However, the downside in T-notes accelerated once US trade was underway, seemingly led by rate lock selling in response to corporate supply, with c. eight IG deals announced today. The Merck (MRK) deal was the highlight, looking to sell USD 8bln in an 8-parter. The curve bear steepened with the long-end yields rising the most in response to the corporate issuance, but also perhaps on rising term premium. US President Trump told reports that he knows who he is going to pick for the next Fed Chair, while NEC Director Hasset said he would be happy to take the job from Chair Powell. Kalshi prediction markets have Hasset as the clear favourite, rising to 79% today from just above the 50% probability seen on Friday. The rise in term premium is in response to a potentially less independent Federal Reserve if

Hassett takes the helm, given his close proximity to US President Trump. Meanwhile, oil prices saw notable upside as Ukraine struck two Russian tankers in the Black Sea as well as more Russian oil refineries, reducing the chances of a ceasefire and further impacting supply. The higher oil prices weighed on Bunds on fears of higher energy costs in Europe, which also pressured USTs. There is no Fed speak due to the blackout period ahead of next week's rate decision and projections, but Chair Powell is scheduled to speak overnight, albeit it will not be about current monetary policy or the economic outlook. The data highlight was the ISM Manufacturing PMI, which surprisingly declined while Prices Paid accelerated and employment slowed. The data briefly stopped the decline in T-notes, but it was short-lived, and T-notes sold off gradually into settlement.

SUPPLY:

Bills

- US sold USD 79bln of 6-month bills at a high rate of 3.635%, B/C 3.02x
- US sold USD 88bln of 3-month bills at a high rate of 3.725%, B/C 2.82x
- US to sell USD 75bln of 6-week bills on December 2nd (prev. 85bln)

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 23bps (prev. 19bps), January 30bps (prev. 27bps), March 36bps (prev. 35bps).**
- NY Fed RRP op demand at USD 3.24bln (prev. 7.56bln) across 9 counterparties (prev. 8)
- NY Fed Repo Op demand at USD 26bln (prev. 24.4bln) across two operations
- EFFF at 3.89% (prev. 3.88%), volumes at USD 90bln (prev. 89bln) on November 28th
- SOFR at 4.12% (prev. 4.05%), volumes at USD 3.361tn (prev. 3.297tn) on November 28th.

CRUDE

WTI (F6) SETTLED 0.77 HIGHER AT 59.32/BBL; BRENT (G6) SETTLED USD 0.79 HIGHER AT USD 63.17/BBL

Crude prices rose on continued Ukrainian attacks on Russian oil refineries, the OPEC+ decision to pause output through Q1'26, and diminishing US-Venezuela relations. The Ukrainian attacks resulted in the Caspian Pipeline Consortium suspending loadings at its terminals. The operator said mooring 2 was significantly damaged by unmanned boats and cannot continue operating, disrupting shipments of most of Kazakhstan's crude exports routed through Russia. Meanwhile, OPEC+ kept oil output unchanged for Q1 2026, as widely expected, maintaining ~3.24mln bpd of output cuts, after releasing 2.9mln bpd since April 2025. Members also approved a mechanism to assess maximum production capacity between January and September 2026 for setting 2027 baselines. WTI and Brent peaked in overnight trade at USD 59.97/bbl and USD 63.35/bbl, respectively, before paring around half of the gains afterwards. Another subject that poses a risk to oil supply is US President Trump's souring relations with Venezuela, with the latest escalation coming from Trump, who is considering closing the airspace over Venezuela. Separately, BP's Olympic Pipeline (325k bpd) returned to full service.

EQUITIES

CLOSES: SPX -0.53% at 6,813, NDX -0.36% at 25,343, DJI -0.89% at 47,289, RUT -1.25% at 2,469

SECTORS: Utilities -2.35%, Health -1.49%, Industrials -1.49%, Real Estate -1.39%, Communication Services -1.01%, Financials -0.86%, Materials -0.34%, Consumer Staples -0.19%, Consumer Discretionary +0.02%, Technology +0.07%, Energy +0.91%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.01% at 5,669, Dax 40 -1.00% at 23,597, FTSE 100 -0.18% at 9,703, CAC 40 -0.32% at 8,097, FTSE MIB -0.22% at 43,259, IBEX 35 +0.11% at 16,389, PSI -0.04% at 8,107, SMI +0.01% at 12,835, AEX +0.45% at 948.

STOCK SPECIFICS

- **Synopsys (SNPS):** NVIDIA (NVDA) invested USD 2bln in SNPS stock at USD 414.79/shr.
- **Leggett & Platt (LEG):** Somnigroup (SGL) proposes to buy LEG in an all-stock deal.
- **Tesla (TSLA):** Tesla's November registrations in France, Denmark and Sweden halved from a year earlier.
- **PTC Therapeutics (PTCT):** Downgraded at RBC Capital to 'Sector Perform' from 'Outperform'.
- **American Tower (AMT):** Downgraded at Barclays to 'Equal Weight' from 'Overweight'.
- **Zscaler (ZS):** Downgraded at Bernstein to 'Market Perform' from 'Outperform'.
- **Chime Financial (CHYM):** Upgraded at Goldman Sachs to 'Buy' from 'Neutral'.
- **Google (GOOGL)** is bringing Gemini3 to AI mode in Google search in nearly 120 countries and territories in English.
- **NVIDIA (NVDA)** released a new open-source software aimed at speeding up the development of self-driving cars using new "reasoning" techniques in AI.
- **Interactive Brokers Group (IBKR)** November Daily Average Revenue Trades (DARTs): 4.27mln, -4% M/M.
- Bidders for **Warner Bros Discovery (WBD)** say they've been given every indication from the WBD board that either a winner or a new round of bids will be announced this week after second-round bids are delivered today, Fox reports.
- **Microsoft (MSFT)** CEO said his co. is increasingly looking to Europe as a key region for its AI strategy, according to Politico.

FX

The Dollar Index was flat to start the week as JPY outperformance was offset by weakness in GBP, CHF, and CAD. Through the European morning, USD was sold broadly, with JPY strength behind the bulk of the move, thanks to hawkish BoJ Ueda remarks. Also weighing is the strengthening call across Wall St. that the Fed will be cutting by 25bps at the December meeting. Now, money markets assign ~92% chance of a cut, after being ~70% before Thanksgiving Day. The ISM Manufacturing PMI report showed a

surprise decline in the headline, indicating a worsening outlook for the sector as declines in New Orders and Employment weighed. DXY hit lows of 99.01 in the US morning before paring losses into the evening.

JPY gathered all the focus to start the week following overnight comments from BoJ Governor Ueda. Overall, the remarks were seen as hawkish, with Morgan Stanley highlighting the unusual move from the Governor to refer to a specific meeting in such a speech ('make decisions as appropriate'), and as such, believe the likelihood of a December rate hike has further increased. Citi also pointed out that such phrasing is similar to that of Deputy Governor Himino before the hike in January this year: "The board will discuss whether to raise the policy rate or not". As it stands, a 33% chance of a 25bps hike is priced in, with USD/JPY now hovering at ~155.50, but off 154.67 lows.

European Manufacturing PMIs were mixed for November. Germany and EZ missed, France was in line, and Italy and Spain topped expectations. The releases had little bearing on **EUR/USD**, with focus on US data this week (ADP, Challenger, PCE), as well as US Envoy Wiktoff's visit to Russia this week. The latter comes after a stall in a possible Ukraine/Russia ceasefire, as Russia rejected Ukraine's shortened version of Trump's peace plan.

Antipodes were modestly firmer but with strength capped by a disappointing Chinese PMI report, with Manufacturing once again deteriorating while services surprised with a contraction. G10 currencies at pixel time that are weaker vs USD include CAD, GBP, and CHF. Sterling failed to hold onto earlier strength, which was somewhat supported by the UK and US agreeing to a zero-tariff pharma deal, but calls for the UK NHS to increase the net price it pays for new medicines by 25%; Cable now sits lower at 1.3210 from earlier 1.3275 highs.

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