

Stocks and bonds rise amid mixed data

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down, Gold up
- **REAR VIEW:** US ADP turns negative again; ISM Services PMI tops headline expectations; EIA shows surprise crude stock build; Aussie GDP falls short; Swiss CPI comes in soft; EU to propose Russian oil import ban in early 2026; Glencore lowers copper production guidance; US mulls allowing Maduro to relocate to Qatar; MSFT denies reports that it lowered its AI sales quotas.
- **COMING UP: Data:** Swedish CPIF (Nov), EZ Retail Sales (Oct), US Challenger Layoffs (Nov), Jobless Claims (w/e 29 Nov), Revelio Public Labor Statistics, Chicago Fed Labour Market Indicators (Final), Durable Goods (Sep), Factory Orders (Sep), Atlanta Fed GDP. **Events:** BoE DMP. **Speakers:** BoE's Mann; ECB's Lane, Cipollone, de Guindos; Fed's Bowman. **Supply:** Japan, Spain, France, UK. **Earnings:** Kroger, Dollar General.

MARKET WRAP

Stocks trended higher throughout the session, but futures were knocked on reports in the Information that Microsoft (MSFT) is lowering AI software quotas as multiple sales teams failed to hit quotas for AI product sales last year, which hit MSFT and other AI names in the pre-market. However, stocks had started to pare before accelerating once MSFT denied the story and equities moved higher throughout the US session. Gains were led by the Russell with the majority of sectors green, led by energy and financials, while tech and utilities closed red. T-notes saw two-way trade, largely in response to US data. T-notes hit peaks after the woeful ADP report, which saw employers shed jobs by 32k in November, vs expectations for a 10k increase in employment. However, T-notes then sold off on the better-than-expected ISM Services PMI, which also saw an uptick in unemployment and a downtick in inflation. However, the move was short-lived, and T-notes gradually moved higher into settlement with the curve bull steepening. Oil prices settled firmer as further remarks from US/Russian officials continue to suggest a lacklustre meeting on Tuesday. Nat gas futures hit a 35-month high on record flows to LNG export plans and forecasts for colder weather. In FX, the Dollar was sold on the Hasset trade while cyclical currencies outperformed as stocks rallied. Gold prices were choppy, but both gold and silver head into APAC trade flat.

US DATA

US ISM SERVICES PMI: The Headline ISM Services PMI rose to 52.6 from 52.4, despite expectations for a decline to 52.1. Within the report, business activity was little changed at 54.5, while new orders fell to 52.9 from 56.2. Employment rose marginally to 48.9 from 48.2, but remained in contractionary territory while prices paid saw a drop to 65.4 from 70.0. Analysts at Pantheon Macroeconomics note that the rise in the headline, to its highest level since February, provides little reassurance on Q4 GDP growth given its decoupling from the official data in the last three years. Regarding the employment print, Pantheon Macroeconomics writes, "Its three-month average points to gains in private services payrolls averaging 50K over the three months to November, continuing the run of sub-breakeven growth". While for prices, it read the drop as a signal of fading momentum in tariff-related price rises. Pantheon adds that "The drop in the prices paid index brings it much closer in line with other survey measures of service sector prices, which suggest the tariffs are not having second-round effects."

ADP: The ADP survey of private payrolls saw 32k jobs lost in November, missing the +10k expectation and falling from the prior 47k, which was revised up from 42k. The data was within the analyst forecast range of -50 to +50k. The report noted that "Hiring has been choppy of late as employers weather cautious consumers and an uncertain macroeconomic environment. And while November's slowdown was broad-based, it was led by a pullback among small businesses." On wages, the median change in annual pay for job stayers eased to 4.4% from 4.5%, while for job changers it eased to 6.3% from 6.7%. This report is one of the last employment gauges the Fed will see before the December FOMC; the November and October BLS NFP reports will be released on December 16th, after the Dec 10th FOMC meeting. Based on Fed commentary, rate views are very split. Several are favouring a cut, and several are favouring a hold; the weak data may help those who are undecided on voting for a cut in December. Money markets price a 25bps cut with an 84% probability - before the Fed, we will see the latest JOLTS data on the 9th December.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7 TICKS HIGHER AT 113-03+

T-notes chop to soft ADP, and ISM Services PMI beat. At settlement, 2-year -3.0bps at 3.486%, 3-year -3.2bps at 3.501%, 5-year -3.5bps at 3.624%, 7-year -3.5bps at 3.819%, 10-year -3.0bps at 4.058%, 20-year -2.2bps at 4.683%, 30-year -1.5bps at 4.726%.

INFLATION BREAKEVENS: 1-year BEI -0.7bps at 2.726%, 3-year BEI +0.2bps at 2.413%, 5-year BEI -0.1bps at 2.228%, 10-year BEI +0.3bps at 2.225%, 30-year BEI +0.2bps at 2.210%.

THE DAY: T-notes see two-way trade but settle firmer with the curve holding a steeper bias. T-notes rose to peaks in the wake of the ADP November Employment report, which saw employers shed 32k jobs - a worrying sign in one of the last labour market reports the Fed will see before the December rate decision, with NFP pushed back to Dec 16th. Note, JOLTS will be released on the 9th, one day before the Fed. The ADP move had pared, but T-notes saw brief support in the risk-off trade sparked by reports in The

Information that Microsoft (MSFT) was lowering AI software quotas as multiple sales teams failed to hit quotas for AI product sales last year. The news hit MSFT stock and weighed on indices and other AI names. Attention then turned to the ISM Services PMI, which took T-notes to session lows following the headline beat and rise in employment, albeit the drop in prices was a welcome sign. The downside was short-lived, however, and T-notes gradually pared throughout the rest of the US session. Meanwhile, on Hasset as Fed Chair, there were several reports that Wall St and bond investors had been privately warning the US administration against naming him as Fed Chair, but prediction markets still saw the odds of Hasset as Fed Chair rise back to 81%. Another topic getting attention has been Besseent in recent weeks, noting that Fed presidents should be from the districts they represent. At first, it may appear somewhat innocent; however, it brings back concerns over Fed independence as some of the hawkish-leaning Fed presidents are not originally from the districts where their banks are from.

SUPPLY:

Bills

- US sold 17-week bills at a high rate of 3.62%, B/C 3.17x
- US to sell USD 80bln 8-week bills (prev. 90bln) on December 4th US to sell USD 90bln 4-week bills (prev. 100bln) on December 4th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 21.6bps (prev. 21.2bps), January 30.0bps (prev. 29.48bps), March 38.3bps (prev. 36.6bps).**
- NY Fed RRP op demand at USD 2.51bln (prev. 5.62bln) across 40 counterparties (prev. 11)
- NY Fed Repo Op demand at USD 0.001bln (prev. 10.257) across two operations.
- EFFR at 3.89% (prev. 3.89%), volumes at USD 91bln (prev. 85bln) on December 2nd.
- SOFR at 4.01% (prev. 4.12%), volumes at USD 3.407tn (prev. 3.454tn) on December 2nd.

CRUDE

WTI (F6) SETTLED USD 0.31 HIGHER AT USD 58.95/BBL; BRENT (G6) SETTLED USD 0.22 HIGHER AT 62.67/BBL

Crude prices were firmer as further remarks from US/Russian officials continue to suggest a lacklustre meeting on Tuesday, while the EU said a legislative proposal to ban Russian oil imports will be put forward in early 2026. Additionally, Ukraine struck Russian facilities again, hitting the oil depot in the Oryol region on Tuesday. In the US morning, prices were weighed by a NY Post report that the US could allow Venezuelan President Maduro to relocate to Qatar, with some citing the pressure due to the prospect of greater supply in such a scenario, as ties between the US and Venezuela are more likely to improve. Highs of USD 59.64/bbl and 62.91/bbl were reached in WTI and Brent in the European morning, before trimming over half of the upside into settlement. The EIA weekly report (was slightly delayed) unveiled a surprise build in crude stocks, 574k (exp. -821k), and bigger than expected builds in distillates and gasoline, 2.059mln (exp. 0.707mln), and 4.518mln (exp. 1.458mln), respectively; production was little changed, and so were crude prices.

EQUITIES

CLOSES: SPX +0.30% at 6,850, NDX +0.20% at 25,607, DJI +0.86% at 47,883, RUT +1.91% at 2,512

SECTORS: Technology -0.42%, Utilities -0.32%, Communication Services +0.09%, Consumer Staples +0.16%, Real Estate +0.21%, Health +0.46%, Materials +0.51%, Consumer Discretionary +0.83%, Industrials +0.95%, Financials +1.27%, Energy +1.83%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.24% at 5,700, Dax 40 -0.12% at 23,682, FTSE 100 -0.10% at 9,692, CAC 40 +0.16% at 8,087, FTSE MIB +0.06% at 43,381, IBEX 35 +0.68% at 16,586, PSI +0.12% at 8,220, SMI -0.27% at 12,856, AEX +0.51% at 950

STOCK SPECIFICS

- **Marvell Tech (MRVL):** Earnings beat; will buy Celestial AI for USD 3.5bln.
- **CrowdStrike (CRWD):** Earnings beat fails to impress investors.
- **Dollar Tree (DLTR):** EPS, revenue & guidance beat.
- **Pure Storage (PSTG):** Q3 earnings beat underwhelmed as no hyperscaler win was announced.
- **American Eagle Outfitters (AEO):** Profit & revenue beat.
- **Acadia Healthcare (ACHC):** Cut FY25 EPS view: Downgraded at BofA & Leerink.
- **Box (BOX):** FY26 EPS guidance missed.
- **Oracle (ORCL):** Initiated with an 'Overweight' rating at Wells Fargo.
- **Uber (UBER):** Upgraded at Arete to 'Buy' from 'Neutral'.
- **Regeneron Pharmaceuticals (REGN):** Downgraded at Morgan Stanley to 'Equal Weight' from 'Overweight'.
- **Microsoft (MSFT)** spokesperson said the company has not lowered AI sales quotas, via CNBC. The remarks are in response to The Information report that Microsoft lowered its AI software sales quotas; the company has lowered expectations for how quickly it can get its customers to spend on newer products, specifically 'agents'.

FX

The Dollar was broadly sold against peers with the prospect of a more dovish Fed Chair in 2026 (Hasset) remaining the driver for USD performance. US data sent mixed signals. ADP printed a surprise negative reading (-32k vs exp. 10k), marking the fourth consecutive contraction in private employment this year. Meanwhile, ISM Services PMI beat on the headline, supported by an uptick

in employment. USD was fairly muted towards said data, with DXY hitting lows of 99.82. Reports today suggested participants across Wall St. have spoken with the Treasury in November, expressing caution over NEC Director Haseett as the new Fed Chair. The decision, like many other major actions under the Trump administration, will ultimately be up to the US president, who has shown no reason to suspect anyone other than Haseett for now, despite Fed independence concerns that came to life once attacks on Powell ensued.

Cyclical currencies benefited from USD weakness, with GBP and NZD leading the strength. Domestic newsflow was generally quiet in the space, but AUD/USD witnessed choppy trade overnight following weaker-than-expected GDP readings for Q3; AUD initially weakened before recovering losses on broad dollar downside. Perhaps also supportive of AUD buying ahead of the RBA meeting next week, a JPM analyst writes that "Australia's fixed income market continues to stand out as one of the few places where global investors can still find USD-like yields".

EUR/CHF saw short-lived upside in response to Swiss CPI Y/Y (Nov) coming in flat, beneath the expected and prior 0.1% reading. The move pared, leaving the cross unchanged on the day, while USD/CHF notably declined over the day, hitting lows of 0.7992 from earlier 0.8032 highs. Next week, the SNB is expected to hold at 0.00%, though inflation continuing to print below forecast means a cut into negative rates cannot be ruled out.

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