

### Stocks mixed and bonds sold on encouraging labour market data

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up, Gold flat
- **REAR VIEW:** US initial and continued claims drop more than expected; US Factory Orders miss expectations; BoJ sources point towards a likely hike in Dec., govt reportedly not to attempt to intervene; US issues travel alert to Venezuela; META CEO expected to cut metaverse resources meaningfully; Trump admin to discuss whether to give NVDA license to export H200 to China.
- **COMING UP:** **Data:** German Industrial Orders (Oct), French Trade Balance (Oct), Italian Retail Sales (Oct), EZ Employment Final (Q3), EZ GDP Revised (Q3), Canadian Jobs Report (Nov), US PCE (Sep), US University of Michigan Prelim (Dec). **Events:** RBI Announcement. **Speakers:** ECB's Lane. **Supply:** Australia.

### MARKET WRAP

Stocks finished Thursday mixed, with the Russell posting notable gains while the Nasdaq underperformed in the red, with the S&P 500 roughly flat. Futures were supported briefly in pre-market trade on reports that Meta (META) is cutting 30% of its budget on Metaverse spending, which gave a boost to Meta shares and US indices as the tech giant puts more effort into AI. However, the move was only short-lived for the indices, but Meta still closed with gains of c. 3.5%. Meanwhile, T-notes were lower across the curve with pressure during the APAC and European sessions tracking JGBs lower on reports of a December rate hike from the BoJ. Meanwhile, focus then turned to US data, which showed a slowdown both in challenger layoffs and in the total non-farm payroll losses M/M reported by RevelioLabs. There was also a minor M/M improvement on the Chicago Fed unemployment rate estimate for November. Meanwhile, both initial and continued jobless claims came in below all analyst forecasts, helping ease some recent labour market concerns. The overall encouraging labour market metrics weighed on T-notes across the curve. T-notes hit lows on the IJC print but swiftly pared amid questions around its accuracy due to Thanksgiving last week. Nonetheless, T-notes gradually sold off to settle around the earlier lows thereafter. Oil prices settled in the green with little progress seen from the US/Russia talks on Ukraine, with oil prices continuing to pare the peace optimism seen on Tuesday. In FX, the Dollar saw mild gains in the higher yield environment following the US labour market metrics, but gains were capped on the Yen strength following the aforementioned BoJ hike reports. Gold prices were flat, continuing to hover around USD 4,200/oz, while silver prices were sold. Elsewhere, reports noted that Senators are looking to block the Trump administration from loosening rules that restrict Beijing's access to AI chips for 2.5 years. This includes sales of NVIDIA's (NVDA) H200 and Blackwell chips.

### US DATA

**JOBLESS CLAIMS:** The Weekly Initial Jobless claims saw a notable drop in the latest week to just 191k from the prior 218k, the lowest print since September 2022. The data came in below the 220k forecast and beneath the lowest estimate of 205k. The big divergence from expectations may be due to issues around reporting during the Thanksgiving week; however, when looking back to the 2024 Thanksgiving week, there was not much divergence in weekly claims. Pantheon Macroeconomics highlights that the low claims number is largely due to a sloppy seasonal adjustment. Note, the non-seasonally adjusted data fell 49k to 197k, with seasonal factors expecting a 21k decrease. Given the weekly release of the data, one print should not be read as a clear signal, but if claims in the week ahead continue to print lower than recent averages, it would suggest the labour market is not as weak as feared. Meanwhile, continued claims, for the preceding week, fell to 1.939m from 1.943m, despite expectations for a rise to 1.961m.

**LABOUR MARKET PROXIES:** Thursday also saw the release of several other labour market metrics from the Chicago Fed and other private releases. The Chicago Fed Unemployment rate estimate for November was unchanged from the mid-month read of 4.44%, and is down slightly from October's 4.46%. Meanwhile, the November RevelioLabs total non-farm payrolls estimate saw a decline of 9k in November, with the prior revised to -15.5k from -9.1k. Challenger Layoffs saw the pace of job cuts slow in November to 71k from 153k. "Layoff plans fell last month, certainly a positive sign. That said, job cuts in November have risen above 70,000 only twice since 2008: in 2022 and in 2008," said Andy Challenger, workplace expert and chief revenue officer for Challenger, Gray & Christmas.

### FIXED INCOME

#### T-NOTE FUTURES (H6) SETTLED 12+ TICKS LOWER AT 112-23

**T-notes sold on US labour market data and hawkish BoJ reports ahead of supply next week.** At settlement, 2-year +4.5bps at 3.531%, 3-year +5.0bps at 3.552%, 5-year +5.7bps at 3.682%, 7-year +5.6bps at 3.877%, 10-year +5.0bps at 4.108%, 20-year +4.3bps at 4.725%, 30-year +4.1bps at 4.766%.

**INFLATION BREAKEVENS:** 1-year BEI +0.9bps at 2.735%, 3-year BEI +2.6bps at 2.445%, 5-year BEI +2.4bps at 2.260%, 10-year BEI +2.1bps at 2.252%, 30-year BEI +1.1bps at 2.228%.

**THE DAY:** T-notes were lower across the curve on Thursday with pressure seen overnight and in the European morning, tracking JGBs lower on more reports suggesting a BoJ rate hike in December. However, T-notes extended to lows on US labour market data. The downside extended after challenger layoffs saw the pace of layoffs slow to 71k in November from 153k in October, with T-notes

gradually moving lower after the release. T-notes hit session lows in wake of the jobless claims data, which saw initial claims print the lowest number since September 2022 at 191k, down from the prior 218k and well below the 220k forecast. It was also below the lowest forecast of 205k. However, it is likely largely related to seasonal effects from Thanksgiving last week, which saw the move swiftly pare. However, if claims remain around this level in the weeks ahead, it would likely help offset recent labour market fears. Elsewhere, the Revelio NFP report saw job losses of 9k in November vs the revised -15.5k in October, while the Chicago Fed unemployment rate was maintained from the mid-month read of 4.44%, a slight improvement from the 4.46% in October. Attention turns to JOLTS on Tuesday for another look into the labour market ahead of the Dec 10th FOMC. PCE on Friday will also be gauged. T-notes gradually sold off throughout the session to test the post IJC lows, which ultimately found support at 112-22, and settled just above the session low.

#### SUPPLY:

#### Notes

#### US Treasury to sell:

- USD 58bln of 3-year notes on 8th Dec.
- USD 39bln in 10-year notes on 9th Dec.
- USD 22bln of 30-year bonds on Dec 11th.

#### Bills

- US sold USD 80bln of 8-week bills at a high rate of 3.620%, B/C 2.98x;
- US sold USD 90bln of 4-week bills at high rate of 3.680%, B/C 2.69x
- US to sell USD 75bln of 6-week bills on December 9th
- US to sell USD 86bln of 13-week bills on December 8th.
- US to sell USD 77bln of 26-week bills on December 8th.

#### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 21.3bps (prev. 21.6bps), January 29.6bps (prev. 30.0bps), March 36.7bps (prev. 38.3bps).**
- NY Fed RRP op demand at USD 2.2bln (prev. 2.5bln) across 39 counterparties (prev. 40)
- NY Fed Repo Op demand at USD 0.002bln (prev. 0.001bln) across two operations.
- EFFR at 3.89% (prev. 3.89%), volumes at USD 85bln (prev. 91bln) on December 3rd.
- SOFR at 3.95% (prev. 4.01%), volumes at USD 3.360tln (prev. 3.407tln) on December 3rd.
- Treasury Buyback (10-20 year, max USD 2bln): Accepts USD 2bln of 28.4bln offers; Accepts 2 eligible issues out of 34 offered

## CRUDE

**WTI (F6) SETTLED USD 0.72 HIGHER AT USD 59.67/BBL; BRENT (G6) SETTLED USD 0.59 HIGHER AT USD 63.26/BBL**

Crude prices were firmer on Thursday, continuing to pare the optimistic-induced downside seen on Tuesday when US officials met with Russian President Putin. Geopolitical updates continued to suggest progress is at a halt. Putin viewed the meeting as necessary but said it was "too early to say" and claimed Russia would take control of Donbas and Novorossiia by military means or otherwise. In the US morning, a bout of pressure was seen in the complex, seemingly weighed from the Saudi Arabia OSP premium to Asia against the Oman/Dubai average coming in on the low end of analysts' expectations (act. +USD 0.60/bbl, exp. 0.60-0.70/bbl, prev. 1.00/bbl). Crude prices briefly moved into the red before hitting new highs shortly after, despite quiet newsflow. Tensions between Venezuela and the US remain elevated amid the US issuing a travel alert to Venezuela, and as such is likely to bolster the risk premium in the space. Rystad Energy's Jorge Leon says the rising tensions are likely to push oil prices higher, especially as China and India rely heavily on Venezuelan crude. Leon expects continued volatility, with geopolitical risks firmly embedded in the market.

## EQUITIES

**CLOSES:** SPX +0.11% at 6,857, NDX -0.10% at 25,582, DJI -0.07% at 47,851, RUT +0.76% at 2,531

**SECTORS:** Health -0.73%, Consumer Staples -0.73%, Consumer Discretionary -0.48%, Materials -0.48%, Utilities -0.21%, Real Estate -0.12%, Financials +0.24%, Energy +0.38%, Communication Services +0.42%, Technology +0.43%, Industrials +0.51%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.41% at 5,718, Dax 40 +0.85% at 23,894, FTSE 100 +0.19% at 9,711, CAC 40 +0.43% at 8,122, FTSE MIB +0.32% at 43,519, IBEX 35 +0.97% at 16,747, PSI +0.23% at 8,239, SMI +0.41% at 12,910, AEX -0.20% at 948

#### STOCK SPECIFICS

- **Salesforce (CRM):** Earnings & revenue guidance beat
- **Snowflake (SNOW):** Reported weak operating margin outlook
- **Dollar General (DG):** Earnings beat with FY EPS outlook above expectations.
- **Hormel Foods (HRL):** Profit beat.
- **Five Below (FIVE):** Q3 metrics surpassed forecasts
- **Guidewire Software (GWRE):** Earnings beat and FY guidance was raised
- **UiPath (PATH):** Q3 metrics & guidance beat
- **HealthEquity (HQY):** EPS & revenue topped.

- **PVH (PVH)**: Issued downbeat forecasts
- **Toast (TOST)**: Upgraded at JPM to 'Overweight' from 'Neutral'.
- **PayPal (PYPL)**: Downgraded at JPM to 'Neutral' from 'Overweight'.
- US senators seek to block **NVIDIA (NVDA)** sales of advanced chips to China for 30 months and would target NVDA's H200 and Blackwell chips, via FT.
- **Imax (IMAX)** guided initial FY26 adj. EBITDA margin at or above 45%, via investor slides.
- US reportedly plans more stakes in mineral companies, according to a Trump official cited by Bloomberg.
- **Pepsi (PEP)** reportedly close to an agreement with activist investor Elliott, via WSJ

## FX

**The Dollar Index** was slightly firmer on Thursday as EUR & CHF selling more than offset the gains in JPY. The bigger-than-expected drop in the weekly claims report offered a nice touch for the Fed on the labour side of the dual mandate, given the recent ADP figure solidified labour market concerns as the driving force behind policy decisions. Both initial and continued claims dropped beneath the analyst's lowest forecast range, with initial back to Sept 2022 levels while continued remains elevated. That said, the drop has the potential to be a one-off, with some desks citing a poor seasonal adjustment over the Thanksgiving period. DXY was little phased by the data failing to track the move in US yields higher throughout the session; DXY hovers around 99.00.

**JPY** was firmer as both Reuters and Bloomberg reports pointed towards an increasing chance of a BoJ hike in December. Reuters sources noted that the BoJ is likely to hike rates in December, with both news outlets' sources noting that the government wouldn't try to circumvent such a decision. JPY strength tracked the move higher in JGB yields, which saw the 20-year yield move to its highest level since mid-1999 and the 30-year to a record high. Now, a 66% chance of a December hike is priced in. USD/JPY hit lows of 154.52 before rebounding to ~155.00.

**CHF** and **Scandi FX** were the worst G10 performers, with softer-than-expected inflation reports this week weighing on CHF and SEK. In Sweden, CPI Flash Y/Y (Nov) printed 2.3% (exp. 2.5%), resulting in marginal SEK pressure at the time, which increased over the day. EUR/SEK rose to ~10.97 from earlier 10.9345 lows while USD/CHF trades around 0.8034 highs from the 0.7995 trough.

**CNY**: The Chinese Yuan faced pressure from the PBoC's softer-than-expected reference rate setting following the CNY rising to a 14-month high. After, Reuters reported that Chinese State-owned banks reportedly bought USD on the onshore spot market this week in a bid to rein in CNY strength, to which, Bloomberg reported similarly that China gave its most forceful signal since 2022 to slow Yuan gains.

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