

### Stocks give up recent gains on AI concerns

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar flat, Gold up
- **REAR VIEW:** Trump reportedly leaning towards Warsh or Hasset to lead Fed; Ton of Fed speak, Schmid & Goolsbee cite high inflation behind dissent, Hammack continues to play hawk, while Paulson speaks dovish; BoJ reportedly said to see hiking cycle likely extending beyond 0.75%; UK GDP falls short; AVGO AI order backlog disappoints; ORCL denies reports that it has had delays for OpenAI.
- **COMING UP: Data:** Chinese Activity Data (Nov), German Wholesale Price Index, EZ Industrial Production (Oct), Canadian CPI (Nov), US Advance Goods Trade Balance (Sep), Australian PMI (Dec), Japanese Tankan Survey. **Speakers:** Fed's Miran; Fed's Williams; RBA's Jones.
- **WEEK AHEAD:** Highlights include US NFP, CPI and Retail Sales, BoJ, BoE, ECB, UK Jobs, UK CPI, and Japan CPI. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing BoJ, BoE, ECB, Norges, Riksbank; Reviewing FOMC, RBA, SNB, BoC, CBRT. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Highlights include MU, NKE, FDX, CTAS, ACN. [Click here for the full report.](#)

### MARKET WRAP

Stocks were sold on Friday, paring some of the strength seen this week post-Fed. Pressure was largely observed since the opening bell, with the Nasdaq underperforming as Broadcom's (AVGO, -11.4%) Q4 earnings showed its AI order backlog fell short of expectations, adding to the AI concerns seen post Oracle (ORCL, -4.6%) earnings. Oracle shares were trading lower since the bell and extended after reports that data centres for OpenAI are reportedly delayed to 2028 from 2027; largely due to labour and material shortages. Later, Oracle denied the reports, with shares paring some of the downside seen from the initial report. Sectors were primarily lower, with Tech slumping 3%, while energy and communication also lagged - but to a lesser extent. Consumer Staples outperformed, rising 0.8% but Health Care and Materials were flat - but still relative outperformers. Elsewhere, in FX, price action was muted with slight underperformance in the Yen and Aussie, while the Dollar was flat. T-notes saw further steepening, but with the long-end sold and front-end unchanged, as attention turns to NFP and CPI next week. Gold added to recent gains, rising above USD 4,300/oz, but currently trades around that level. Silver, meanwhile, gave back some of its recent gains but remains above USD 61/oz. There were several Fed speakers today (see below), but also updates regarding the next Fed Chair. WSJ, in an interview with Trump, found that Trump is leaning towards former Fed Governor Warsh or NEC Director Hasset as the next Fed Chair. This saw Kalshi prediction markets pare the likelihood of Hasset as next Fed chair, while Warsh increased, but Hasset still remains the favourite.

### FED

**GOOLSBEE** (2025 voter): The Chicago Fed President explained his dissent today, but note Goolsbee does not vote again until 2027. He dissented from the recent rate cut decision, arguing that the Fed should have waited for more information—particularly on inflation—before easing policy. However, he said he was optimistic that rates can come down significantly over the next year, but expressed concern about cutting too early given the inflationary environment of recent years. Nonetheless, he did state later that his 2026 dot is below the Fed median for one rate cut, implying he sees two or more cuts next year. Regarding his decision, Goolsbee noted that most data indicate stable economic growth, with the labour market only moderately cooling. He emphasised that waiting would have been a more prudent course with little additional risk, while offering the benefit of incorporating updated economic data into decision-making. On inflation, he warned that while the recent rise may be tied to tariffs and could prove transitory, the risk is that it becomes more persistent. He pointed out that inflation has been above target for four and a half years, with progress having stalled and both consumers and businesses citing prices as a key concern. Regarding the labour market, Goolsbee saw little evidence of deterioration significant enough to justify immediate rate cuts and said the Fed could have comfortably waited until early 2026 to act.

**SCHMID** (2025 Voter): The Kansas City Fed President explained why he voted to hold again on Wednesday. He argued that not enough had changed to justify a policy shift. He noted that while the data is still incomplete, inflation remains too high, and the job market appears largely in balance. Schmid emphasised that he continues to hear inflation concerns from constituents in his district and believes monetary policy is currently only modestly—if at all—restrictive. He warned against complacency, stressing that one of the Fed's key achievements has been building credibility on inflation, and that this should be carefully protected. He described the US economy as showing strong momentum but reiterated that inflation remains too hot, reinforcing his view that policy should stay modestly restrictive for the time being.

**HAMMACK** (2026 voter): Hammack recounted the Fed meeting this week as complicated, noting that balancing the mandate is challenging with the labour market gradually cooling but with inflation above target. Hammack argues the economy will get a boost from fiscal stimulus and is watching to see if price increases come from the delayed tariff impact and if jobs stabilise. Similar to Chair Powell, she noted that no government data has created a "bit of fog for the Fed" and makes reading inflation harder. Hammack describes policy right now as around neutral and would prefer for Fed policy to be a little more restrictive than the current level. Will be watching carefully to see if inflation moderates and jobs stabilise. Lastly, Hammack said private credit does not

currently pose significant systemic risk due to its limited size; she would like more visibility into private credit.

**PAULSON** (2026 voter): The Philadelphia Fed President said Fed rate cuts have taken out some insurance against job market risks, and is more concerned about job risks relative to inflation. Paulson described current policy as "somewhat restrictive", suggesting her view on the neutral range differs from Chair Powell, who suggested rates are in a plausible range of neutral, but to the high end of that range. Paulson argued that most of 2025's high inflation is driven by trade tariffs, but says she's not seeing tariffs translate into widespread price increases. Further, she sees a decent chance inflation will moderate into next year, but still calls inflation too high, while the job market is bending, but not breaking. The 2026 voter described economic data as stale, but argued that if there was a big change in conditions, they would expect to hear from contacts. Paulson acknowledged that the Fed will have much more info in hand at the January FOMC meeting.

## FIXED INCOME

### T-NOTE FUTURES (H6) SETTLED 9+ TICKS LOWER AT 112-05+

**T-notes steepen as long-end leads the losses.** At settlement, 2-year +0.3bps at 3.533%, 3-year +1.6bps at 3.587%, 5-year +3.6bps at 3.751%, 7-year +4.1bps at 3.956%, 10-year +5.5bps at 4.196%, 20-year +6.7bps at 4.823%, 30-year +6.9bps at 4.859%..

**INFLATION BREAKEVENS:** 1-year BEI -2.3bps at 2.627%, 3-year BEI -0.8bps at 2.393%, 5-year BEI +0.0bps at 2.238%, 10-year BEI +1.2bps at 2.257%, 30-year BEI +2.3bps at 2.246%

**THE DAY:** The long end of the curve gave back some of the post-FOMC gains on Friday in what was likely profit-taking, but also positioning for next week with plenty of data due. Tuesday sees the October and November NFP prints, while Thursday sees the November CPI release - October data has been cancelled due to the government shutdown. The front end relatively outperformed on dovish Fed prospects following the dovish FOMC earlier in the week, but also likely with NEC Director Hassett still seen as the front-runner for Fed Chair. However, Barron's highlighted that JPMorgan CEO Dimon said behind closed doors that former Fed Governor Warsh would make a great Fed Chair. Trump is expected to announce the new Fed Chair in January. We still don't know whether Powell will stay on as Governor or not, but typically, the Fed Chair steps down once their term as Chair expires.

Meanwhile, Fed speak today saw commentary from Schmid and Goolsbee, who explained their dissent - Schmid was clearly hawkish, but Goolsbee said his 2026 median dot is lower than the median and he wanted to hold rates due to the lack of inflation data - he was also concerned about the lack of inflation progress, but is optimistic the Fed can cut further in 2026. 2026 voter Paulson, meanwhile, was dovish, expressing concerns about the labour market, but noting that policy is still somewhat restrictive - suggesting further room for downside. Hammack was her usual hawkish self, noting she would prefer for Fed policy to be a little more restrictive than the current level, noting right now, policy is right around neutral.

### SUPPLY:

#### Notes

- US Treasury to sell USD 13bln of 20-year bonds on 17th December and USD 24bln of 5-year TIPS on 18th Dec; to settle on 31st Dec

#### Bills

- US sold USD 85bln of 4-week bills at a high rate of 3.610%, B/C 2.67x.
- US sold USD 80bln of 8-week bills at a high rate of 3.610%, B/C 2.79x.
- US to sell USD 86bln of 13-week bills and USD 77bln of 26-week bills on December 15th.
- US to sell USD 75bln of 6-week bills on December 16th; all to settle on December 18th.

### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 6bps (prev. 6bps), March 13bps (prev. 13bps), April 20bps (prev. 19bps), December 55bps (prev. 56bps).**
- NY Fed RRP op demand at USD 0.84bln (prev. 2.87bln) across 6 counterparties (prev. 7).
- NY Fed Repo Op demand at USD 0.001bln (prev. 0.001bln) across two operations.
- EFFR at 3.64% (prev. 3.89%), volumes at USD 99bln (prev. 98bln) on December 11th.
- SOFR at 3.66% (prev. 3.90%), volumes at USD 3.299tln (prev. 3.222tln) on December 11th.

## CRUDE

### WTI (F6) SETTLED USD 0.16 LOWER AT USD 57.44/BBL; BRENT (G6) SETTLED USD 0.16 LOWER AT 61.12/BBL

**Oil prices were marginally lower on Friday, finishing the week over 4% lower as oversupply concerns and optimism on a Ukraine-Russia peace deal continue to dominate the narrative.** Throughout the day, the complex was largely unreactive to geopolitical developments. Ukrainian drones struck a primary crude distillation unit and loading dock at Russia's Slavneft-Yanos oil refinery (300k BPD) in Yaroslavl, according to Reuters, citing sources; the refinery has suspended output. Additionally, Ukrainian drones hit a Russian oil rig in the Caspian Sea for the second time in two days. A Ukraine meeting was set to take place on Saturday in Paris; however, the French Presidency said there is no meeting, and still no joint document between Ukraine, the Europeans and the US. On energy, Russian Deputy PM Novak confirmed OPEC data cited by Reuters yesterday that suggested Russia increased oil output in November M/M. WTI and Brent's intraday range are as follows: USD 57.15-58.19/bbl, and USD 60.81-61.86/bbl. Baker Hughes Rig Count (Dec 12th): Oil +1 at 414, Natgas -2 at 127, Total -1 at 548.

## EQUITIES

**CLOSES:** SPX -1.07% at 6,827, NDX -1.91% at 25,197, DJI -0.51% at 48,458, RUT -1.51% at 2,551

**SECTORS:** Technology -2.87%, Energy -0.94%, Communication Services -0.69%, Industrials -0.64%, Utilities -0.47%, Real Estate -0.11%, Financials +0.11%, Consumer Discretionary +0.11%, Materials +0.19%, Health +0.30%, Consumer Staples +0.93%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.66% at 5,716, Dax 40 -0.34% at 24,211, FTSE 100 -0.56% at 9,649, CAC 40 -0.21% at 8,069, FTSE MIB -0.43% at 43,514, IBEX 35 -0.17% at 16,854, PSI +0.09% at 8,001, SMI -0.19% at 12,881, AEX -0.78% at 940

#### STOCK SPECIFICS

- **Oracle (ORCL)** says there have been no delays to any sites required to meet their contractual commitments, and all milestones remain on track; Site selection and delivery timelines established in close coordination with OpenAI following execution of the agreement and were jointly agreed. Oracle's comments were in response to reports that its data centres for OpenAI are reportedly delayed to 2028 from 2027, largely due to labour and material shortages.
- **NVIDIA (NVDA):** Evaluating raising production of its H200 AI chips due to strong Chinese demand.
- **Broadcom (AVGO):** AI order backlog fell short of expectations.
- **Costco Wholesale (COST):** Earnings failed to clear high expectations.
- **Lululemon Athletica (LULU):** Profit and revenue beat; announced CEO transition plan.
- **Eli Lilly (LLY):** FDA has pressed reviewers to speed up its evaluation of the weight-loss pill.
- **Citigroup (C):** Upgraded at JPMorgan to 'Overweight' from 'Neutral'.
- **Bristol-Myers Squibb (BMY):** Upgraded at Guggenheim to 'Buy' from 'Neutral'.
- **Veeva Systems (VEEV):** Downgraded at KeyBanc to 'Sector Weight' from 'Overweight'.
- Fuzzy Panda said they are short **New Era Energy & Digital (NUAI)**.
- **Google (GOOGL)** said it's bringing Gemini's translation capabilities to Google Translate for Text; Launching a beta experience for live speech-to-speech translations with headphones. The update weighed on Duolingo (DUOL) shares.

## FX

**Dollar** weakness seen post-Fed took a breather on Friday as higher US yields likely offered the buck support against major peers. Fedspeak was heavy to end the week as we heard dissenters, Schmid and Goolsbee (both 2025 voters who wanted unchanged rates). The common argument was high inflation, with Goolsbee arguing that waiting until Q1 for rate cuts would allow the Fed to be assured that inflation is coming down. Despite his hawkish dissent, Goolsbee remains optimistic that rates can come down a significant amount over the next year. DXY has now fallen for the third consecutive week, now trading around 98.37.

**EUR** and **CAD** were flat vs USD, while **GBP**, **JPY**, and **AUD** saw modest weakness to end the week. GBP downside was in response to the UK GDP Estimate for October missing expectations, printing -0.1% M/M (exp. 0.1%), Services -0.3% (exp 0.0%). Services have now shown no growth in the last three months, the ONS said. Cable now trades at ~1.3370 from earlier 1.3399 highs.

Ahead of the BoJ rate decision next week, where the central bank is expected to raise rates by 25bps, Bloomberg sources noted that the BoJ is likely to see the hiking cycle extending beyond 0.75%. Choppy trade was seen in **USD/JPY**, with the report in fitting with money market expectations, which see ~68bps of hikes by the end of 2026 from the current 0.5% rate. USD/JPY is a touch lower since the report, trading ~155.80, but the initial reaction to it was Yen strength.

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