

Ongoing tech woes hit stocks

- **SNAPSHOT:** Equities down, Treasuries flat, Crude up, Dollar up, Gold up
- **REAR VIEW:** Fed's Waller continues to argue for moderate rate cuts amid job environment; Trump designates Venezuela as terrorist organisation, ordering a total and complete blockade of sanctioned oil tankers entering & leaving Venezuela; US reportedly readies Russian energy sanctions if it rejects Ukraine peace deal; Soft UK CPI; ORCL \$10B Michigan data centre funding talks stall; Chinese researchers said to have complete a working EUV prototype; EIA crude stocks draw more than expected; STLD & NUE cut next Q EPS outlook.
- **COMING UP:** **Data:** US CPI (Nov), Jobless Claims (w/e 13 Dec), Philly Fed (Dec), Japanese CPI (Nov), NZ Trade Balance (Nov). **Events:** ECB Announcement, BoE Announcement, Norges Bank Announcement, Riksbank Announcement, CNB Announcement, Banxico Announcement. **Speakers:** US President Trump; Norges Bank's Bache; Riksbank's Thedeen; ECB's Lagarde; BoE's Bailey. **Supply:** US. **Earnings:** Carnival, Nike, FedEx.

MARKET WRAP

Stocks were hit on Wednesday, with the Nasdaq underperforming as the tech sector was sold. The sector was hit by reports by the FT that Oracle's (ORCL) USD 190bln Michigan data centre deal is in limbo after funding talks with Blue Owl (OWL) stalled. Oracle said the equity deal is still on schedule; however, ORCL shares still slid c. 5%. Meanwhile, chip names were weighed on (NVDA - 3.9%, AMD -5.3%) on Reuters reports that Chinese researchers completed a working EUV prototype in early 2025 and are targeting 2028 for working chips, adding more competition in the tech space and reducing the need for chips from US companies in China. Meanwhile, Google (GOOGL) is reportedly set to collaborate with Meta (META) to expand software support for AI chips, according to Reuters; the project aims to make TPU run well on PyTorch as an alternative to NVIDIA (NVDA). In FX, the Dollar saw mild gains, but the Yen was the clear laggard, giving up some of its recent gains ahead of the BoJ on Friday. Gold and silver added to recent gains, with silver hitting a fresh record high. T-notes ultimately settled flat, but commentary from Fed Governor Waller took T-notes off low, before paring ahead of the 20-year bond auction, which was ultimately in line with recent averages. Energy prices were bid, driven by worsening US-Venezuela relations and potential new energy sanctions on Russia from the US. Looking ahead, the focus on Thursday is the CPI and Jobless Claims data, while the BoE and ECB rate decisions are due - BoE widely expected to cut by 25bps, with the ECB widely expected to keep rates on hold. 86,967 Stocks hit on fresh tech concerns

FED

WALLER (voter): The influential Governor spoke extensively on a wide range of topics. On monpol, he noted that the Fed is 50-100bps over neutral, and there is no rush to cut rates given the outlook, he further added that the Fed can continue to bring the rate down, but it is unclear how much support there is for that on the Fed. As a reminder, in the post-FOMC press conference, Powell said the Fed rate is in a "plausible range of neutral", but it is "at the upper end." Re. the labour market, Waller noted it is "very soft" and current payrolls are weak, which are 50-60k overstated, close to zero growth, once again echoing Powell, who said jobs are 60k overstated. The Governor added that the job market says the Fed should continue to cut rates, and is not seeing the job market go off a cliff. On the other side of the mandate, inflation, Waller said, expectations are anchored, and it is above target but should come down over the next few months. Ahead, Waller expects 1.6% GDP growth this year, vs. the Fed SEP median 2025 GDP growth of 1.7%. In addition, he reiterated familiar rhetoric that he does not expect to see more big increases in tariffs. Lastly, the balance sheet says new Fed asset buying is not stimulus, and reserves are "pretty" close to ample. Waller noted that the balance sheet is at the level the Fed wants.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED HALF A TICK LOWER AT 112-16

T-notes settle little changed amid commentary from Fed's Waller and the 20-year bond auction. At settlement, 2-year +0.6bps at 3.485%, 3-year +0.8bps at 3.529%, 5-year +0.3bps at 3.697%, 7-year +0.6bps at 3.908%, 10-year +0.4bps at 4.153%, 20-year +0.8bps at 4.785%, 30-year +0.7bps at 4.830%.

INFLATION BREAKEVENS: 1-year BEI +6.0bps at 2.456%, 3-year BEI +1.0bps at 2.315%, 5-year BEI +0.8bps at 2.178%, 10-year BEI +0.5bps at 2.216%, 30-year BEI -0.4bps at 2.218%.

THE DAY: T-notes ultimately settled flat on Wednesday with attention turning to US CPI on Thursday, albeit just the Y/Y figures as the M/M numbers will not be released due to the missing October data from the government shutdown. T-notes saw two-way trade with pressure seen overnight and in the morning before paring somewhat in US trade. Upside coincided around the time of commentary from Fed's Waller, who suggested that rates are currently 50-100bps above neutral right now, indicating a need for at least two more rate cuts. However, he is in no rush to lower rates again, given the outlook, he also called for a moderate pace of easing. T-notes had then sold off ahead of the 20-year bond auction, which was ultimately in line with recent averages but better than the prior (see more below). Once the auction was out the way, T-notes resumed gradually higher to ultimately settle little changed with yields across the curve firmer by no more than 1bps at settlement. Other updates included reporting from Politico

suggesting Trump officials have privately raised doubts over Hasset being the next Fed Chair, criticising his current effectiveness as NEC Director. Focus on Thursday is the CPI and Jobless Claims data, while next week's 2-, 5- and 7-year note announcements are due - expected at USD 69, 70 and 44bln, respectively. The 2-year FRN is expected at USD 28bln. Elsewhere, the BoE and ECB rate decisions are due - BoE widely expected to cut by 25bps, with the ECB widely expected to keep rates on hold.

SUPPLY:

Notes

- Overall, an average 20-year bond auction. The US Treasury sold USD 13bln of 20-year bonds at a high yield of 4.798%, stopping through the when issued by 0.1bps. The 0.1bps stop through is an improvement from the prior 0.2bps tail, but not as strong as the 0.5bps stop through average. The bid-to-cover jumped to 2.67x from 2.41x, a touch above the 2.65x six auction average. Meanwhile, Direct demand fell to 22.2% from 29.1%, below the 25.3% average, but Indirect demand rose to 65.2% from 59.5%, above the 63.7% average. This left Dealers with 12.6% of the auction, above the prior 11.4% and the average 11.0%.
- US Treasury to sell USD 24bln of 5-year TIPS on 18th Dec; to settle on 31st Dec.

Bills

- US sold 17-week bills at a high rate of 3.540%, B/C 3.27x
- US Treasury to sell USD 80bln (prev. 80bln) of 8-week bills and USD 80bln (prev. 85bln) of 4-week bills on December 18th; all to settle Dec 23rd

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 6bps (prev. 6bps), March 14.4bps (prev. 14.4bps), April 21.8bps (prev. 21.6bps), December 59.8bps (prev. 59.8bps).**
- NY Fed RRP Op demand at USD 10.4bln (prev 1.55bln) across 17 counterparties (prev. 2)
- NY Fed Repo Op demand at USD 0.001bln (prev. 4bln) across two operations.
- EFR at 3.64% (prev. 3.64%), volumes at USD 95bln (prev. 97bln) on December 16th.
- SOFR at 3.69% (prev. 3.75%), volumes at USD 3.319tln (prev. 3.270tln) on December 16th.
- Treasury Buyback (3- to 5-year, Liquidity Support; Max purchase amount USD 4bln): Buys 3.7bln of 11.94bln offered, accepts 16 of 48 eligible issues. Offer to cover: 3.23x
- NY Fed Reserve Management Bill Purchases: Buys USD 8.17bln of the USD 58.21bln submitted. Offer to cover: 7.12x

CRUDE

WTI (F6) SETTLED USD 0.67 HIGHER AT 55.94/BBL; BRENT (G6) SETTLED USD 0.76 HIGHER AT 59.68/BBL

WTI and Brent were firmer on Wednesday, driven by worsening US-Venezuela relations and potential new energy sanctions on Russia from the US. Trump kick-started the upside with a Truth Social post, designating Venezuela as a terrorist organisation and ordering a total and "complete blockade" of all sanctioned oil tankers entering and leaving Venezuela; Venezuela later rejected Trump's "grotesque threat". Thereafter, a Bloomberg report via sources noted that the US is readying new Russian energy sanctions in the scenario that Russia rejects a Ukraine peace deal; they could potentially be announced this week. Options include targeting vessels in Russia's "shadow fleet" of tankers used to transport Moscow's oil. That said, the White House said that Trump has made no decisions at this time on the matter. Existing gains held despite the WH push back, with prices trading sideways into settlement after the EIA weekly inventory data. Crude stocks showed a bigger draw than expected, -1.724mln (exp. -1.066mln) with Production falling by 10k. WTI and Brent hit their highs in the EU morning of USD 56.74/bbl and 60.40/bbl, respectively.

EQUITIES

CLOSES: SPX -1.16% at 6,721, NDX -1.93% at 24,648, DJI -0.47% at 47,886, RUT -1.07% at 2,492

SECTORS: Technology -2.19%, Communication Services -1.90%, Industrials -1.64%, Consumer Discretionary -1.22%, Utilities -0.79%, Health -0.22%, Financials -0.03%, Real Estate +0.28%, Materials +0.43%, Consumer Staples +0.45%, Energy +2.21%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.58% at 5,685, Dax 40 -0.50% at 23,956, FTSE 100 +0.92% at 9,774, CAC 40 -0.25% at 8,086, FTSE MIB +0.25% at 44,099, IBEX 35 +0.10% at 16,938, PSI +0.10% at 8,070, SMI -0.25% at 13,024, AEX -0.59% at 930

STOCK SPECIFICS:

- **Oracle's (ORCL):** Blue Owl Capital will not proceed with backing a planned USD 10bln, 1-GW Oracle data centre in Michigan, FT reports. Oracle responded to the report, saying the equity deal on the Michigan data centre is still on schedule, via Bloomberg, adding Related Digital chose 'the best equity partner' on the deal.
- **Google (GOOGL) -** To collaborate with Meta (META) to expand software support for AI chips, via Reuters sources; the project aims to make TPU run well on PyTorch as an alternative to NVIDIA (NVDA).
- **Nucor (NUE):** Q4 EPS guidance missed expectations.
- **Steel Dynamics (STLD):** Q4 EPS view disappointed.
- **General Mills (GIS):** Profit & revenue beat.
- **Lennar (LEN):** EPS fell short.
- **Warner Bros Discovery (WBD):** Unanimously recommended to stockholders to reject Paramount Skydance (PSKY); Paramount later affirmed its commitment to a USD 30/shr offer for Warner Bros.

- **Jabil (JBL):** EPS & revenue beat with guidance strong.
- **Hut 8 (HUT):** Announced an AI infrastructure partnership with Anthropic & Fluidstack.
- **Gap (GAP):** Upgraded at Baird to 'Outperform' from 'Neutral'.
- **Fortinet (FTNT):** Downgraded at JPMorgan to 'Underweight' from 'Neutral'.

FX

DXY is now trading firmer than it was before the Oct/Nov jobs reports on Tuesday, as small upticks in US yields likely added support. The usual significance of the releases was likely dampened by a few factors, US government shutdown, a higher BLS standard of error, and the delayed resignations arising from the DOGE layoffs earlier in the year. As such, the path of the dollar is likely to remain more uncertain than usual, with upcoming unemployment rates likely to be somewhat distorted. Key updates included those on the Fed, with reporting from Politico suggesting Trump officials have privately raised doubts over Haseet being the next Fed Chair, criticising his current effectiveness as NEC Director. Meanwhile, Fed's Waller continued to call for cuts as the job market says so, arguing rates are 50-100bps over neutral, meaning Waller's neutral rate view is more or less around the Fed median view of 3.0%. DXY hit highs of 98.641 before retracing to ~98.38.

GBP was weighted by soft CPI data. Headline Y/Y eased more than anticipated to 3.2% (exp. 3.5%, prev. 3.6%), mainly driven by a drop in food prices. Core CPI M/M -0.2% (exp. 0.1%, prev. 0.3%). The report solidified bets for a 25bps BoE rate cut, with markets now assigning ~99.7% chance of an outcome from the 91% seen before the release. [Click here for the Newsquawk BoE Preview.](#)

JPY was the worst G10 performer against the buck, paring its WTD strength. Events throughout the day did little to change the dynamics in Japan. Imports fell shy of expectations in November, while Exports and Machinery Orders beat. Japanese Government member Nagahama said the BoJ's monetary policy appears to be heavily influenced by FX moves. "If the BoJ were to raise rates this week, it might be to combat the weak Yen that reduces the positive effect of government measures to cushion the blow from the rising cost of living." USD/JPY hit highs of 155.70 from earlier 154.52 lows.

EUR finished the day unchanged vs USD, unreactive to data points in the morning, which did little to change the expected unchanged outcome from the ECB meeting on Thursday. Nonetheless, the German Ifo hit its lowest level since May, weighed by deteriorations in current conditions and expectations. [Click here for the ECB Newsquawk Preview.](#)

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