

### Stocks gain as tech leads upside while Yen is sold post BoJ

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up, Gold up.
- **REAR VIEW:** Fed's Williams doesn't have a sense of urgency on changing policy, has some room to get back to neutral; Fed's Waller reportedly had a "strong interview" for Fed Chair role; UoM revised lower; BoJ hikes as expected, but holds back from detailing the future policy path; Japanese Finance Minister gives verbal invention; Ukraine drones strike Russian oil rig in the Caspian sea; Ukraine to receive an EU EUR 90bln loan to cover military/budget needs; UK Retail Sales unexpectedly decline; TikTok to sell US entity, investors include ORCL.
- **COMING UP:** **Data:** Italian Producer Prices (Nov), Canadian Producer Prices (Nov). **Events:** PBoC LPR. **Supply:** US.
- **WEEK AHEAD:** Highlights include Christmas Day, PBoC LPR, BoC Minutes, RBA Minutes, and Tokyo CPI; FOMC Minutes (30th Dec). [Click here for the full list.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC LPR, RBA Minutes, BoC Minutes, FOMC Minutes (30th Dec); Reviewing BoJ, BoE, ECB, Norges Bank, Riksbank, Banxico. [Click here for the full list.](#)

### MARKET WRAP

Stocks were bid by the US afternoon with Tech leading the gains, and as such the Nasdaq outperformance, which saw tailwinds from Oracle (ORCL) after reports TikTok is to sell its US entity. The haven sectors were lagging with Consumer Staples, Discretionary and Utilities all lagging. Discretionary names were weighed on by Nike (NKE) earnings which saw the stock plummet on weak China sales. T-Notes were lower across the curve with pressure felt from downside in JGBs overnight post BoJ, and also commentary from Fed's Williams that he is in no rush to change policy, albeit he believes there is still room to move lower. In FX, the Dollar was bid primarily supported by Yen weakness. There was a bout of Yen strength in wake of some official jawboning from the Finance Minister Katayama, who said that moves are clearly one-sided and rapid - which is usually a criterion that has to be met before the Finance Ministry intervenes in FX. However, the move did fade. Crude saw gains with price action supported after a Russian oil rig was hit by Ukrainian drones in the Caspian Sea. Gold and silver extended on recent upside with Gold rising above USD 4,350/oz while silver pushed to a fresh record high above USD 67/oz.

### US

**WILLIAMS:** Speaking on CPI, said the recent data was encouraging and shows more disinflation, although data was distorted in some categories which pushed down the reading. Williams said he will need more to get a good read on inflation, and added that new jobs data shows steady private sector job gains. The unemployment rate may have been pushed up by distortions, but it is not a surprising read, and jobs data does not show sharp deterioration in the hiring market. The influential member said data broadly consistent with recent trends and recent Fed cut. When asked about if recent data changes his rate outlook, said it is only a bit of data, there is a lot more due. NY Fed President doesn't have a sense of urgency on changing monpol, and policy is well positioned. Added policy is mildly restrictive, and has some room to get back to neutral. Looking ahead, Williams wants to see how the economy performs as the data comes in, and the Fed is in a good position to balance its goals. On forecasts, projects GDP growth for this year between 1.5-1.75%, and 2026 GDP c. 2.25%. Expects inflation to come down next year and in 2027, citing one time tariff impact and higher productivity growth. Williams feels pretty good about the economic base case. On the balance sheet, Williams reiterated the Fed is not doing QE, and Fed is buying T-Bills to provide reserves to banking system Current asset buying is not designed to move long-term rates, and it is a technical move.

**UOM FINAL:** The December Sentiment reading was unexpectedly revised lower to 52.9 from 53.3 (exp. 53.4). Other components were revised lower. Conditions finished at 50.4 from 50.7, and Expectations moved to 54.6 from 55.0. Looking at the inflation expectations, 1yr shifted higher to 4.2% from 4.1%, while the 5yr expectation was unrevised at 3.2%.

**EXISTING HOME SALES:** Existing Home Sales rose 0.5% in November to 4.13mln from 4.11mln, falling short of the expected 4.15mln. By region, sales increased in the Northeast and South, showed no change in the West, and fell in the Midwest. NAR Chief Economist Lawrence Yun writes, "Inventory growth is beginning to stall. With distressed property sales at historic lows and housing wealth at an all-time high, homeowners are in no rush to list their properties during the winter months."

### FIXED INCOME

**T-Notes sold across curve, pressured by JGBs after BoJ.** As of 13:00 EST, 2-year +2.6bps at 3.486%, 3-year +3.2bps at 3.529%, 5-year +3.1bps at 3.692%, 7-year +3.4bps at 3.903%, 10-year +2.9bps at 4.145%, 20-year +2.3bps at 4.779%, 30-year +2.2bps at 4.822%.

**INFLATION BREAKEVENS (as of 13:00EST):** 1-year BEI +3.5bps at 2.447%, 3-year BEI +1.5bps at 2.308%, 5-year BEI -0.8bps at 2.171%, 10-year BEI -0.8bps at 2.216%, 30-year BEI -0.6bps at 2.216%.

**THE DAY:** T-Notes were sold across the curve on Friday with pressure seen overnight, tracking JGBs lower after the BoJ rate decision. The BoJ hiked rates by 25bps as expected, which saw JGBs take a leg lower, weighing on global fixed income. The press conference from Governor Ueda left markets in the dark on when the next rate hike from BoJ will be. Ueda also noted that they will

make a decision on the rate hike after checking the impact on the economy. Once this was digested, the move in the Yen was clearly dovish with the Yen falling, but JGBs remained pressured - as did T-Notes. Some pressure was seen in the wake of commentary from Fed's Williams, who suggested he is in no rush to change policy, but did acknowledge there is still room to move lower. T-Notes attempted to recoup some lost ground after the UoM Consumer Sentiment revisions, which saw downward revisions to both conditions and expectations, seeing the headline fall to 52.9 from 53.3. T-Notes moved from 112-15 to 112-21 - a level it hit twice overnight - before paring gradually thereafter.

#### SUPPLY:

##### Bills

- US to sell USD 86bln of 13-week bills and USD 77bln of 26-week bills on December 22nd.
- US to sell USD 75bln 6-week bills and USD 50bln of 52-week bills on December 23rd.

#### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 5.5bps (prev. 6.6bps), March 13.9bps (prev. 16.2bps), April 22.0bps (prev. 21.8bps), December 59.6bps (prev. 62.0bps).**
- EFFR at 3.64% (prev. 3.64%), volumes at USD 88bln (prev. 94bln) on December 18th
- SOFR at 3.66% (prev. 3.69%), volumes at USD 3.273tln (prev. 3.289tln) on December 18th.

## CRUDE

The crude complex was firmer on Friday, but still looks to be closing out the week with losses. Today, and this week, focus has been surrounding Russia/Ukraine developments as the US looks to get closer to a resolution to end the war. Nonetheless, benchmarks saw upside as US players got to their desk amid reports Ukrainian drones hit Russian oil rig in Caspian Sea, and prior to this Putin said Ukraine's attacks on tankers won't hurt oil supplies and Russia will always retaliate when asked about Ukraine's strikes on Russian vessels and civilian targets. Furthermore, the EU agreed EUR 90bln loan for Ukraine, while Putin said they do not see Ukraine being ready for talks, ready and want to end the conflict via peaceful means. Elsewhere, via NBC, Trump said "I do not rule out a war with Venezuela" and said there will be additional seizures of oil tankers near Venezuela. WTI traded between USD 55.61-56.56/bbl and Brent between USD 59.40-60.37/bbl, ahead of Christmas next week, where trade and volume is likely to be thinner.

## EQUITIES

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.29% at 5,758, Dax 40 +0.40% at 24,296, FTSE 100 +0.58% at 9,895, CAC 40 +0.01% at 8,151, FTSE MIB +0.61% at 44,734, IBEX 35 +0.22% at 17,170, PSI +1.03% at 8,212, SMI +0.20% at 13,159, AEX +0.48% at 945

#### STOCK SPECIFICS:

- **Oracle (ORCL):** TikTok has signed a deal to sell its US entity to a joint venture controlled by American investors, including Oracle.
- **Nike (NKE):** China/Converse metrics missed; rev. outlook disappointed.
- **WhiteFiber (WYFI):** Signed a 10yr 40MW colocation agreement for NC-1 data centre campus.
- **CoreWeave (CRWV):** Joined the DoE's Genesis Mission; Citi resumed CRWV coverage with a 'Buy' rating and a USD 135 PT.
- **Palo Alto Networks (PANW):** Announced a significant expansion of its strategic partnership with Google Cloud; reportedly valued near USD 10bln.
- **Paychex (PAYX):** Earnings beat; raised FY26 profit outlook.
- **KB Home (KBH):** FY26 housing revenue outlook missed.
- **Lamb Weston (LW):** FY26 revenue view fell short.
- **Lyft (LYFT):** Downgraded at Wedbush to 'Underperform' from 'Neutral'.
- **Elevance Health (ELV):** Downgraded at Deutsche Bank to 'Hold' from 'Buy'.

## FX

The Dollar Index was firmer, largely a result of JPY weakness post BoJ. US updates for USD were limited, with NY Fed President Williams the highlight. Williams doesn't have a sense of urgency on changing policy, describing policy as well-positioned and mildly restrictive; he believes they have some room to get back to neutral. Aside from the above, the main focus was on the Yen/BoJ, where the central bank hiked by 25bps as expected to 0.75%. Heading into the meeting, reports noted the BoJ is said to see a hiking cycle likely extending beyond 0.75%; however, such language was absent in the statement and Governor Ueda's press conference. Ueda said, "Will make a decision on a rate hike after checking the impact on the economy," but did add that delaying a rate hike could force a significant hike later. Thereafter, a blip of JPY strength was seen in response to jawboning from the Finance Minister Katayama; however, the move swiftly pared. USD/JPY now trades ~157.50 from earlier 155.51 lows.

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