

Stocks trend higher in quiet trade ahead of data

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down, Gold up.
- **REAR VIEW:** Miran refuses to commit to January decision; Further Japanese officials jawboning; Japanese FinMin says they have "free hand" to take bold action on the JPY; Trump could name new Fed Chair in first week of Jan.; Soft US 2yr auction; NVDA plans to begin first shipments of H200 AI chips to China before mid-Feb; HON cuts guidance; Wells Fargo says ORCL is undervalued.
- **COMING UP: Data:** German Import Prices (Nov), Spanish GDP Final (Q3), US Richmond Fed (Dec), Durable Goods (Oct), GDP Advance (Oct), PCE Prices (Q3), Industrial Production, Consumer Confidence, Canadian GDP **Events:** RBA Minutes (Dec Meeting), BoC Minutes (Dec Meeting), BoJ Minutes (Oct) **Supply:** US.

MARKET WRAP

The trading day was quiet, but stocks trended higher throughout Europe and the US sessions before paring slightly into the close - the Russell led the gains. Materials, Financials and Energy outperformed sector wise with Materials benefitting from upside in metals prices. The Energy sector was buoyed by gains in crude prices as geopolitical tensions mount with regard to Venezuela, Russia/Ukraine, and Syria. There are also concerns regarding Israel and Iran after Iran conducted missile drills. Regarding the laggards, Staples was the only sector in the red, while Tech and Utilities also underperformed, albeit still closed green. Chip names were firmer with SMH and SOXX ETF rising over 1% with NVIDIA (NVDA) gaining on reports it is preparing to export H200 chips to China from mid-February in 2026, albeit it is still awaiting government approval. T-Notes settled slightly lower across the curve ahead of supply this week, while the 2-year note auction was lacklustre, albeit with little reaction. Miran also spoke, who hinted at slowing down his rate cut votes to 25bps from his usual 50bps dissent, but also no move was seen with the Fed largely expected to hold in January following the guidance tweak in December. In FX, the Dollar lagged while Antipodes outperformed on the upside in stocks and base metals. The Yen also strengthened after more commentary from Finance Minister Katayama - who said they have a free hand to take bold action on the Yen. Attention turns to the quarterly PCE and GDP data on Tuesday, as well as Consumer Confidence and Industrial production. Treasury traders will be eyeing the auctions ahead of Christmas.

US

MIRAN (dove): The Governor refused to commit to a January decision, as when he was asked about reducing rates by 50bps in January, the uber-dove said given policy moves thus far, the need for him to dissent and vote for 50bps again has become a bit less, and he needs to see the data before making a decision. The Trump appointee added the Fed can get to a point of 'micro managing' the policy rate when they get closer to neutral, but they are not there yet. On data, Miran remarked there were some anomalies in the inflation metrics from the shutdown, and the data suggests the Fed should be moving in a dovish direction. Re. the neutral rate, Miran said it has shifted lower, policy needs to reflect this, and it is important that the policy rate continues to be adjusted down, as if not, the risk of recession increases. Lastly, he is unsure if he will stay on at the Fed, but noted if no one is confirmed for his seat by end-January, will assume he is staying on.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLE 5 TICKS LOWER AT 112-11

T-Notes see mild pressure overnight, tracking JGBs, with limited price action in the US trading session ahead of data . At settlement, 2-year +2.12bps at 3.507%, 3-year +3.06bps at 3.556%, 5-year +2.46bps at 3.714%, 7-year +2.87bps at 3.929%, 10-year +2.55bps at 4.167%, 20-year +1.24bps at 4.794%, and 30-year +2.14bps at 4.841%.

INFLATION BREAKEVENS: 5-year TIPS +2.4bps at 1.447%, 10-year TIPS +2.3bps at 1.919%, 30-year TIPS +1.9bps at 2.639%.

THE DAY: T-Notes see slight pressure across the curve in very quiet trade ahead of the Christmas holiday. The majority of pressure was seen overnight tracking JGBs lower as pressure continues post-BoJ in the tail end of last week. The only data to digest from the US was the Chicago National Fed Activity Index for September, which saw further weakness, and briefly lifted USTs a couple of ticks slightly before paring thereafter. Fed speak saw Governor Miran on Bloomberg TV, who toed his usual dove stance noting there is still room to go before reaching the neutral rate. He had not made up his mind yet for January when asked if he would vote for a 25 or 50bps cut, but noted given policy moves thus far, the need for him to dissent and vote for 50bps again has become a bit less. As such, it could mean if the Committee decides to hold, he could dissent in favour of a 25bps reduction. Miran also added he wants to see the data, but also noted as they get closer to neutral they can "micro manage" the policy rate, as opposed to taking bigger steps - T-Notes were unphased by Miran's comments and largely traded sideways throughout the US session. Then came the 2-year auction (more below), which was on the softer side but had little impact on prices. Tuesday will likely be the highlight before Christmas with quarterly GDP and PCE data due, as well as Industrial Production and Consumer Confidence. There will also be the 5-year T-Note auction and 2-year FRN.

SUPPLY:

NOTES:

- The US Treasury sold USD 69bln of 2-year notes at a high yield of 3.499%, tailing the when issued by 0.3bps, a worse sign of demand when compared to the prior auction (which came in on the screws) and the six auction average for a 0.4bps stop through - it was also the largest tail since April, and the fourth tail in 2025. The bid-to-cover of 2.54x was also soft vs the prior 2.68x and average 2.61x. The breakdown saw direct demand rise to 34.1% from 30.7% (above the 31.7% average), offsetting most of the drop in indirect demand to 53.2% from 58.1% (six auction average 57.1%), leaving dealers with 12.7% of the auction, slightly above the prior and average of 11.2%. Overall, a soft auction but with little price reaction.
- US to sell USD 70bln 5-year notes on December 23rd; to sell USD 44bln 7-year notes on December 24th

Bills

- US sold USD 90bln of 3-month bills at high-rate of 3.560%, B/C 2.86x;
- US sold USD 80.5bln of 6-month at high-rate 3.485%, B/C 3.18x
- 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 5bps (prev. 5.5bps), March 15bps (prev. 13.9bps), April 22bps (prev. 22.0bps), December 55.7bps (prev. 59.6bps).
- NY Fed RRP Op demand at USD 1.523bln (prev. 3.075bln) across 7 counterparties (prev. 12).
- NY Fed SOMA Reserve Management T-Bill Purchases: Buys USD 6.8bln of USD 43.351bln offered; Offer to cover 6.4x.
- EFRR at 3.64% (prev. 3.64%), volumes at USD 93bln (prev. 88bln) on December 19th
- SOFR at 3.66% (prev. 3.66%), volumes at USD 3.238tln (prev. 3.273tln) on December 19th.

CRUDE

WTI (G6) SETTLED USD 1.49 HIGHER AT 58.01/BBL; BRENT (G6) SETTLED USD 1.60 HIGHER AT 62.07/BBL

The crude complex was firmer to start the holiday-truncated week, amid a raft of geopolitical concerns. Energy saw gains as geopolitical tensions mount about Venezuela, Russia/Ukraine, and Syria, in addition to concerns regarding Israel and Iran after Iran conducted missile drills. On the former, over the weekend, US authorities seized a second Venezuelan oil tanker, whereby a US official said the pursuit was related to a "sanctioned dark fleet vessel that is part of Venezuela's illegal sanctions evasion", with the latest news stating US is pursuing a third oil tanker linked to Venezuela. Meanwhile, according to Axios sources, Israeli officials warned the Trump admin that an Iranian IRGC missile exercise could be preparations for a strike on Israel, but separate reports noted US intelligence currently has no indication an Iranian attack is imminent. As such, and amid the oil-bullish geopolitics, benchmarks ground higher throughout the duration of the EU and US session, to see WTI hit a high of USD 58.13/bbl and Brent USD 62.16/bbl. Looking ahead, the calendar is very thin, and in a day of light newsflow as participants await the upcoming Christmas holidays.

EQUITIES

CLOSES: SPX +0.56% at 6,873, NDX +0.46% at 25,462, DJI +0.47% at 48,363, RUT +1.08% at 2,557.

SECTORS: Materials +1.35%, Financials +1.25%, Industrials +1.12%, Energy +1.08%, Real Estate +0.71%, Health +0.66%, Consumer Discretionary +0.63%, Communication Services +0.57%, Utilities +0.42%, Technology +0.40%, Consumer Staples -0.41%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.32% at 5,742, Dax 40 +0.03% at 24,296, FTSE 100 -0.32% at 9,866, CAC 40 -0.37% at 8,121, FTSE MIB -0.37% at 44,594, IBEX 35 -0.07% at 17,158, PSI -0.25% at 8,191, SMI -0.08% at 13,161, AEX -0.20% at 943.

STOCK SPECIFICS:

- **Adeia (ADEA)** entered into a long-term media IP license agreement with **Disney (DIS)**; ADEA also raised FY25 revenue view to USD 425-435mln (exp. 365.75mln, prev. 360-380mln).
- **Alphabet (GOOGL)** is to acquire Intersect for USD 4.75bln cash plus debt. Note, **First Solar (FSLR)** saw strength as Intersect is one of their customers.
- **Apple (AAPL)** will reportedly launch two new AI wearable devices next year, including AI glasses and AI AirPods.
- **Cintas (CTAS)** proposes to acquire **UniFirst (UNF)** for USD 275/shr in cash; UNF closed Friday at USD 170.16/shr.
- **Clearwater Analytics (CWAN)** entered into a definitive agreement to be acquired for ~USD 8.4bln or 24.55/shr in cash; CWAN closed Friday at 22.25/shr
- **Honeywell International (HON)** lowered FY and Q4 guidance.
- **Janus Henderson (JHG)** confirmed that the Co. is to be acquired by Triam Fund Management and General Catalyst for USD 49/shr in a USD 7.4bln deal.
- **NVIDIA (NVDA)** plans to begin first shipments of H200 AI chips to China before mid-February. Initial shipments of H200 chips to China are expected to be ~40-80k units, but sources noted significant uncertainty remains as Beijing has yet to approve any H200 purchases, and the timeline could shift depending on government decisions, according to Reuters citing sources.
- **Paramount Skydance (PSKY)** amended its USD 30/shr all-cash offer for **Warner Bros. Discovery (WBD)**; Larry Ellison has agreed to provide an irrevocable personal guarantee of USD 40.4bln of the equity financing for the offer and any damages claims against Paramount.
- UBS now sees **Tesla's (TSLA)** Q4 deliveries now seen at 415k (prev. 429k); updated forecast is informed by weaker US deliveries given the ending of the USD 7.5k EV consumer tax credit at the end of September.
- Wells Fargo says recent AI-related pessimism has left **Oracle (ORCL)** undervalued and reiterates an 'Overweight' rating with a PT of USD 280.
- **Strategy (MSTR)** increased its cash reserve to USD 2.2bln but paused purchases in Bitcoin.

FX

The Dollar was weaker on Monday, in a lack of headline-driven newsflow and thin liquidity as participants count down the days to the Christmas break. While scheduled events were thin for today, Tuesday sees the release of quarterly GDP and PCE data, as well as US Consumer Confidence. Fed's most dovish member, Miran, spoke, who appeared to tone down his uber-dove tone since his appointment. When asked about a 50bps January cut, the Governor said given policy moves thus far, the need for him to dissent and vote for 50bps again has become a bit less, and he needs to see the data before making a decision. Elsewhere on the Fed footing, and in fitting with recent reports, CNBC cited sources, said Trump could name the new Fed chair by the first week of January. DXY printed a low of 98.196, vs. an earlier high of 98.699.

G10 FX was all higher and profited off the flailing Buck, as Antipodeans and GBP outperformed, and CAD 'underperformed', but still saw solid gains vs. the Greenback. In the G10 space, the main story was the Yen, where we saw some more jawboning from Top Currency Diplomat Mimura overnight; said he is recently seeing one-sided, rapid moves, will take appropriate action against excessive moves, and concerned about FX moves. Despite there being little move, the Yen saw notable strength in wake of the Finance Minister Katayama stating they have a "free hand" to take bold action on the JPY. Immediately, USD/JPY tumbled to c. 156.85 from 157.40, with the pair printing a further low of 156.71, and currently residing around 157.

Antipodeans were buoyed by the broader risk-on sentiment and the upside in underlying metals prices, which saw NZD/USD and AUD/USD hit peaks of 0.5801 and 0.6660, respectively.

For the **Euro** watchers, ECB's Kazimir, Vujcic, and Schnabel spoke, albeit with little market reaction. Vujcic said the next Deposit Rate move could be in either direction, while the latter remarked one should not expect a rate hike at present or in the foreseeable future, and at some point they will need to raise rates, but not in the foreseeable future.

EMFX was mixed with little currency-specific newsflow. In LatAm, focus in Venezuela resides around US continuing to seize oil cargoes, while in Brazil, Senator Flavio Bolsonaro, ex-President Jair Bolsonaro's son, stated the presidential platform is to include tax cuts and privatisations, eyeing postal service and Petrobras divestments. Lastly, China's Commerce Ministry is to impose levies of up to 42.2% on EU dairy products, effective 23rd December, following its anti-subsidy probe.

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