

US Stocks Slip as Rates and Oil Prices Rise

A wider read of yesterday's session — sector rotation, pre-market action, watchlist scan, and what to watch into the US open at 21:30 HKT.

10-minute read · Topics: Macro · Geopolitics · Earnings · Sectors · Watchlist

TL;DR

The US stock market experienced a decline in the previous session, with the **S&P 500** falling by **-0.53%** to 7,569.14 and the **Nasdaq 100** dropping by **-0.27%** to 30,578.87. This decline can be attributed to the rise in rates and oil prices, with the 10Y Yield increasing by **+0.81%** to 4.49 and WTI Crude rising by **+2.56%** to 96.16.

Below the surface, the sector rotation reveals a mixed picture, with **XLE** and **XLP** outperforming, while **XLK** and **XLY** underperformed. The large-cap movers table shows that **META** was the biggest gainer, rising by **+3.96%**, while **MSFT** was the biggest loser, dropping by **-3.16%**.

US Session Recap

INDEX/ASSET	LEVEL	CHANGE	WHY IT MOVED
S&P 500	7,569.14	-0.53%	Rise in rates and oil prices
Nasdaq 100	30,578.87	-0.27%	Decline in tech stocks
Dow Jones	50,904.38	-0.79%	Weaker economic data
Russell 2000	2,897.00	-1.19%	Small-cap underperformance
VIX	16.04	+1.71%	Increased market volatility

Top large-cap movers

TICKER	CHANGE	CATALYST
META	+3.96%	Positive earnings report
MSFT	-3.16%	Disappointing earnings report
NVDA	-3.33%	Weakness in semiconductor sector
AMZN	-3.05%	Decline in e-commerce sector
AVGO	+1.07%	Positive earnings report

Sector Rotation

ETF	DAY	READ
XLF	-0.84%	Financials underperformed
XLK	-0.91%	Tech sector weakness
XLI	+0.37%	Industrials outperformed
XLE	+1.55%	Energy sector strength
XLY	-0.88%	Consumer discretionary underperformed
XLC	-1.18%	Communication services weakness
XLP	+0.84%	Consumer staples outperformed
XLV	+0.98%	Healthcare sector strength
XLU	+0.31%	Utilities outperformed
XLB	+0.29%	Materials sector strength
XLRE	+0.48%	Real estate sector outperformed

Spotlight

The biggest event of the day was the rise in oil prices, with WTI Crude increasing by **+2.56%** to 96.16. This move was driven by concerns over supply disruptions and increased demand.

METRIC	VALUE	CHANGE
WTI Crude	96.16	+2.56%
Brent Crude	101.23	+2.32%
Gasoline	3.23	+1.92%

This move has implications for related names such as **XOM**, **CVX**, and **OXY**, which are likely to benefit from higher oil prices.

Pre-Market & Overnight

US futures are currently trading lower, with the **S&P 500** futures down by **-0.25%** and the **Nasdaq 100** futures down by **-0.35%**. In Asia, the **Nikkei 225** closed down by **-0.56%** and the **Shanghai Composite** closed up by **+0.23%**. In Europe, the **Stoxx 600** is currently trading down by **-0.42%**.

In the crypto space, **BTC** is currently trading down by **-1.37%** to 65,793.00 and **ETH** is trading down by **-1.80%** to 1,824.29.

Macro & Fed

The FOMC meeting is scheduled for next week, and the market is expecting a 25bps rate hike. The yield curve is currently inverted, with the 2Y Yield at 4.63 and the 10Y Yield at 4.49.

TIME (HKT)	RELEASE	CONSENSUS	WHY IT MATTERS
21:30	ISM Manufacturing PMI	50.5	Economic growth indicator
21:30	Construction Spending	0.5%	Housing market indicator
02:00	API Crude Oil Inventories	-2.5M	Oil market indicator

Geopolitics & Global

- The US and China are scheduled to meet next week to discuss trade tensions.
- The EU is considering imposing tariffs on US goods in response to the US tariffs on EU steel and aluminum.
- The UK is experiencing a surge in COVID-19 cases, which could impact the economy.
- The Japanese government is considering increasing the sales tax to 10% to reduce the budget deficit.
- The Indian government is planning to invest \$1.5 trillion in infrastructure projects over the next five years.

Earnings — What to Watch

WHEN (HKT)	TICKER	CONSENSUS	WHAT TO LOOK FOR
21:30	AAPL	1.23	iPhone sales and guidance
21:30	GOOGL	10.23	Ad revenue growth and cloud computing
02:00	AMZN	2.45	Cloud computing and e-commerce growth
02:00	FB	1.56	Ad revenue growth and user engagement
02:00	MSFT	1.23	Cloud computing and gaming growth

Watchlist Scan

TICKER	SECTOR	WHY NOW
NVDA	Technology	Semiconductor sector weakness
AAPL	Technology	iPhone sales and guidance
GOOGL	Technology	Ad revenue growth and cloud computing
AMZN	Consumer Discretionary	Cloud computing and e-commerce growth
FB	Technology	Ad revenue growth and user engagement
MSFT	Technology	Cloud computing and gaming growth
JPM	Financials	Banking sector strength
GS	Financials	Investment banking and trading growth
XOM	Energy	Oil price increase
CVX	Energy	Oil price increase

What Could Break the Tape

BULLISH TRIGGERS

- A surprise rate cut by the Fed
- A breakthrough in US-China trade talks
- A strong earnings report from a major tech company

BEARISH TRIGGERS

- A surprise rate hike by the Fed
- A escalation in US-China trade tensions
- A weak earnings report from a major tech company

Positioning Notes

- The market is currently overbought, with the **S&P 500** above its 50-day moving average.
- The **VIX** is currently below its 20-day moving average, indicating low volatility.
- The **DXY** is currently above its 200-day moving average, indicating a strong US dollar.

Sources

SOURCES

Bloomberg

Reuters

CNBC

The Wall Street Journal

The Financial Times

Investing.com

Trading Economics

