

newsquawk

US Market Wrap - 3rd January 2025

Bonds and Dollar sold, while stocks end the first week of 2025 firmer

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** US ISM Mfg beats on headline, prices paid hot and employment slumps; Fed's Barkin in the camp of staying restrictive given possible upside inflation risks; US Republican Johnson re-elected as US House Speaker; PBoC said it would likely cut interest rates from the current level at an appropriate time; EIA Nat-gas draws less than expectations; Houthi's reject a US proposal to negotiate and stop attacks on Israel; Phone Shipments within China fall in November; US President Biden blocks sale of US Steel to Nippon Steel; MSFT plans to spend USD 80bln to build out AI this FY.
- **COMING UP:** **Data:** Chinese Caixin Services PMI, EZ Sentix Index, German CPI, US Services PMI (Final), Factory Orders. **Speakers:** Fed's Daly. **Supply:** US.
- **WEEK AHEAD:** Highlights include US NFP, FOMC Minutes, ISM Services PMI, Inflation data from China, EZ and Australia. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC minutes; Reviewing Riksbank Minutes. [To download the full report, please click here.](#)

MARKET WRAP

US indices saw strong gains on Friday with outperformance in the tech-heavy Nasdaq 100 (+1.7%) supported by gains in Nvidia (NVDA) (+4.5%) and Tesla (TSLA) (+8.3%). Newsflow was sparse to the end of the week as participants continued to return from the holidays ahead of risk events picking up next week in the form of FOMC Minutes and US jobs report. Despite saying this, ISM Mfg. PMI beat on the headline, and above the top end of the analyst forecast range, while internals were more mixed as prices paid rose above expectations and employment disappointed. Out of Washington, US Republican Mike Johnson was re-elected US House Speaker and was then congratulated by President-elect Trump, who had previously endorsed him. On the Fed footing, Barkin (2027 voter) said the baseline outlook for 2025 is positive with more upside risk than downside risks to growth and is in the camp of staying restrictive for longer given possible upside inflation risks. Sectors were all in the green with Consumer Discretionary and Tech outperforming, buoyed by the aforementioned stocks, while Materials was the relative laggard and weighed on by President Biden formally blocking Nippon Steel's acquisition of US Steel (X) (-6.5%). Elsewhere, the Dollar is lower with GBP and EUR as the G10 outperformers and CAD as the laggard. Crude prices were firmer and extended higher throughout the US session, given the broader Dollar weakness and ongoing geopolitical concerns. Lastly, T-Notes ultimately saw slight weakness after ISM beat ahead of supply, FOMC Minutes and NFP next week.

US

ISM: The ISM Manufacturing PMI beat on the headline, rising to 49.3 from 48.4, above the consensus, 48.4, and above the top end of the analyst forecast range. New Orders rose to 52.5 from 50.4, while production rose to 50.3 from 46.8, returning to expansion after six months in contractionary. Elsewhere, prices paid rose to 52.5 from 50.3, above the 51.7 forecast but within the 49.0-53.5 range. Employment, meanwhile, ahead of NFP next week, fell to 45.3 from 48.1, beneath the 48.0 consensus and the analyst forecast range. It also highlighted that of the six large manufacturing sectors, not a single one expanded employment in December. Overall, the upside in new orders and production is encouraging, although the downbeat employment metric is a concern. Looking ahead, amid the threat of Trump tariffs, ING writes that "US manufacturing activity looks set to remain subdued at least until there is some clarity on the trading environment they face."

Fed's Barkin (2027 voter) said the baseline outlook for 2025 is positive with more upside risk than downside risks to growth, noting how as long as employment and asset values remain strong, consumers will spend. He acknowledged the labour market is more likely to break towards increased hiring than towards layoffs. On inflation, Barkin says there is still more work to do as it is not yet back to target, while there are also some potential upside risks to inflation. Barkin still perceives core underlying inflation is coming down nicely, and the message from businesses is loud and clear that consumers are becoming more price sensitive. He expects 12mth inflation to decline in the coming months, particularly given base effects over the prior year. Barkin is in the camp of staying restrictive for longer due to possible upside inflation risks, and noted the conditions for cutting rates again include confidence in inflation's return to 2% or weakening of demand. He noted how the Fed is well positioned to respond to economic developments, but added the story of 2025 will be less about monetary policy and more about economic fundamentals, and perhaps geopolitics. He said that uncertainty in financial markets appears to have fallen and the market predicted policy path seems aligned with the Fed median.

FIXED INCOME

T-NOTE (H5) FUTURES SETTLED 5+ TICKS LOWER AT 108-20+

T-Notes ultimately see slight weakness after ISM beat ahead of supply, FOMC Minutes and NFP next week. At settlement, 2s +3.3bps at 4.281%, 3s +3.5bps at 4.319%, 5s +3.0bps at 4.410%, 7s +2.7bps at 4.507%, 10s +2.3bps at 4.598%, 20s +1.9bps at 4.886%, 30s +1.8bps at 4.816%.

INFLATION BREAKEVENS: 5yr BEI +1.3bps at 2.422%, 10yr BEI +0.9bps at 2.345%, 30yr BEI +0.4bps at 2.321%.

THE DAY: T-Notes saw gradual upside overnight before briefly rising above 109-00 to an interim peak of 109-01. The majority of the overnight gains had pared thereafter once European trade was underway, but as US players arrived the bid was reignited, taking T-Notes marginally above the earlier peaks to 109-01+. There was some chop ahead of the ISM Manufacturing PMI data, which ultimately came in hotter than expected, taking T-Notes to initial lows of 108-23+. To recap the data, the headline beat but remained in contractionary territory with upside in new orders and prices paid but employment fell ahead of the NFP next week. Meanwhile, Fed's Barkin spoke, although he does not vote again until 2027, noting the labour market is more likely to break towards increased hiring than towards layoffs, adding there are some potential upside risks to inflation. He also noted that uncertainty in markets has fallen and the predicted policy path seems aligned with the Fed median. T-Notes saw further selling pressure into settlement in quite trade, to see a trough of 108-19+, and ultimately settling with mild losses. Attention next week turns to supply with Treasury auctions through Monday-Wednesday while c. USD 50bln is expected to be issued from corporates. Elsewhere, NFP and FOMC Minutes will be in focus.

NEXT WEEK SUPPLY:

US Treasury to sell USD 58bln of 3yr notes on 6th January, USD 39bln of 10yr notes on 7th January and USD 22bln of 30yr bonds on 8th January; all to settle January 15th; as expected. US to sell USD 72bln in 26wk bills and USD 84bln of 13wk bills on 6th January; to sell USD 85bln in 42day CMBs on 7th Jan; all to settle January 9th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 3bps (prev. 3bps), March 13bps (prev. 14bps), May 18bps (prev. 19bps), December 2025 39bps (prev. 43bps).**
- NY Fed RRP Op demand at USD 237bln (prev. 240bln) across 57 counterparties (prev. 64).
- SOFR at 4.40% (prev. 4.49%), volumes at USD 2.501tn (prev. 2.474tn).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 106bln (prev. 53bln).

CRUDE

WTI (G5) SETTLED USD 0.83 HIGHER AT USD 73.96/BBL; BRENT (H5) SETTLED USD 0.58 HIGHER AT USD 76.51/BBL

The crude complex was firmer and extended higher throughout the US session, given the broader Dollar weakness and ongoing geopolitical concerns. WTI and Brent reversed initial losses seen in the EZ morning, whereby they printed lows of USD 72.70/bbl and 75.53/bbl, respectively, as they eventually continued on the momentum seen on Thursday, albeit in thin headline newsflow and a lack of macro drivers on the aforementioned geopolitics and the Buck weakness. On the former, Sky News Arabia reported that Israel Hayom, on security sources, said the Houthis rejected a US proposal to negotiate and stop attacks on Israel, and their next destination is to escalate the confrontation. Although, a senior Hamas official later said that a new round of ceasefire talks resumed in Doha on Friday, and it is serious to reach a deal in the nearest time possible, with focus on a permanent ceasefire and Israel withdrawal. Into settlement WTI and Brent came off best levels, which were USD 76.73/bbl and 74.35/bbl. For the record, the weekly Baker Hughes rig count saw oil fall 1 to 482, nat gas rise 1 to 103, leaving the total unchanged at 589.

EQUITIES

CLOSES: SPX +1.26% at 5,942, NDX +1.67% at 21,326, DJIA +0.80% at 42,732, RUT +1.65% at 2,268.

SECTORS: Materials +0.03%, Consumer Staples +0.1%, Financials +0.79%, Communication Services +0.79%, Energy +0.9%, Health +0.99%, Utilities +1.1%, Industrials +1.11%, Real Estate +1.36%, Technology +1.62%, Consumer Discretionary +2.42%.

EUROPEAN CLOSES: DAX: -0.58% at 19,909, FTSE 100: -0.44% at 8,224, CAC 40: -1.51% at 7,282, Euro Stoxx 50: -0.95% at 4,871, AEX: -0.29% at 885, IBEX 35: -0.22% at 11,652, FTSE MIB: -0.72% at 34,128, SMI: +0.17% at 11,621, PSI: +0.51% at 6,445.

STOCK SPECIFICS:

- **TSMC (TSM):** Due to high costs and limited capacity, TSMC's 2nm chips are delayed until 2026, prompting companies like Apple (AAPL), Nvidia (NVDA), and Qualcomm (QCOM) to explore Samsung's (SSNLF) 2nm process.
- **Tesla (TSLA):** China-made EV sales were +8.8% in 2024 to a record high 657,000 units. For the December period, EV sales were +12.8% M/M to 83,000 units.
- **US Steel (X):** President Biden is set to block Nippon Steel's (NPSCY) USD 14.9bln acquisition of US Steel despite concessions, due to national ownership concerns.
- **Smartphones:** China smartphone shipments fell 5.1% Y/Y in November to 29.61mln handsets. Reuters calculated those shipments of foreign-branded phones, including Apple's (AAPL) iPhone -47.4% Y/Y in the month (vs -44.3% Y/Y in October).
- **Energy:** President Biden preparing to issue an executive order permanently banning new offshore oil and gas drilling in certain US coastal waters.
- **JPMorgan (JPM):** Upgraded at Wolfe as it says JPM's NII guidance is conservative, its higher expense risk is well telegraphed and share gains "are unmatched."
- **Block (SQ):** Upgraded to 'Outperform' from 'Market Perform' at Raymond James; stated its "deep dive" into the building blocks of seller gross payment volume leaves it with greater confidence in the 2025 acceleration story.
- **Las Vegas Sands (LVS):** Upgraded to 'Buy' from 'Hold' at Jefferies citing improving macro conditions in Macau WHICH will increase the strength of the mass segment consumer, and believes the setup is Macau is "ideal" for LVS to gain market share.
- **Getty Images (GETY)** said to explore merger with **Shutterstock (SSTK)**, according to Bloomberg.
- **Microsoft (MSFT)** plans to spend USD 80bln to build out AI this FY, according to CNBC

US FX WRAP

The Dollar trimmed weekly gains into the weekend with DXY slipping back onto a 108 handle, albeit just. Losses were present pre- and post-ISM PMIs, where Manufacturing unexpectedly rose in December, although still in contractionary territory, with a hot prices paid component, Employment sinking and new orders rising, highlighting the strongest level of demand for new goods in 11 months. On Fed speak, Barkin (2027 Voter) noted the market-predicted policy path seems aligned with the Fed median. For reference money market pricing sees ~40bps of easing in 2025, less than the 50bps expected by the Fed. On Monday, markets will be attentive to S&P's PMI Services Final for December, Factory Orders (exp. -0.3%) and Fed's Daly. Later in the week, the focus will turn to ISM Services, FOMC Minutes, ADP, and NFP.

G10 FX largely recouped losses endured on Thursday, with prior laggards GBP and EUR amongst the top performers. Direct newsflow continued to be light for the most part as TTF gas prices took a breather after Thursday's rally, with the Pound likely benefiting given it has the largest negative correlation with gas in the G10. Data was contained to Europe, whereby unemployment in Germany increased less than expected, leaving the unemployment rate unchanged at 6.1% despite expectations of a tick higher to 6.2%; EUR/USD heads into the weekend marginally above 1.03. Ahead for the Euro, is Germany's state CPI, with Nationwide Prelim figures later reported on Monday, as well as Final HCOB Services PMIs for Germany and the EZ. On the flip side, CAD was the weakest in the G10 with USD/CAD climbing further into 1.44 ahead of the jobs report next Friday, where expectations are for 25k jobs to get added (prev. 50.5k) and an unemployment rate rising to 6.9% (prev. 6.8%).

Havens gained on dollar selling with Yen managing to erase Thursday's losses and USD/CHF retreating from weekly highs of 0.9137 (failed to remain above 200 DMA of 0.9124), though still weakened for a fourth consecutive week. The Swiss Franc was little bothered by Swiss Mfg PMI, which came in at 48.4 in December, still in contractionary territory, although was slightly better than feared (exp. 48.3, prev. 48.5).

EMFX: USD/CNY continued its march higher above 7.3, a level not seen since 2023 and a level that the PBoC sought to put a floor at. Overnight the PBoC said it plans a policy overhaul as pressure mounts on the economy and said it was likely it would cut interest rates from

the current level of 1.5% at an appropriate time, according to FT. Meanwhile, later reports noted that meetings between the PBoC and institutional investors have become regular recently, summoning fund managers to warn against frenzied buying of govt bonds that resulted in yields at record lows. Elsewhere, softer-than-expected Turkish CPI weighed on the Lira, with USD/TRY climbing deeper into 35.0. ING notes, that despite the start of the FX carry-cutting cycle, TRY remains attractive, which should keep market attention this year.

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

Copyright © {{ copyright-year }} 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