

# newsquawk

## US Market Wrap - 6th January 2025

### Markets chop as Trump refutes Tariff reports

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude down, Dollar down
- **REAR VIEW:** President-elect Trump rejects reports he will pare back his tariff policy; Factory orders decline more than expected; Final US S&P Global Svs & Composite PMIs revised down; Fed's Cook says Fed can be cautious with further rate cuts; Weak US 3yr note auction; Fed's Barr to resign from VC for Supervision role in late Feb, will continue as governor; Hot Germany Inflation; China Caixin Svs PMI beats; EU gas storage depletes at fastest rate since 2018; French PM to go to China to make progress on cognac tariffs.
- **COMING UP:** **Data:** Swiss CPI, ECB SCE, EZ HICP & Unemployment, US ISM Services PMI, JOLTS Job Openings, International Trade, Canadian Imports/Exports. **Speakers:** Fed's Barkin, Nvidia CEO Huang. **Supply:** Japan, UK, Germany, 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

Stocks were predominantly green on Monday with the upside led by the Nasdaq. Large caps performed well while semis were bid, supported by commentary from Microsoft (MSFT) which is to spend USD 80bln on AI data centres; attention now turns to CES this week with NVDA CEO speaking overnight. Equity futures were bid early on supported by reports in the Washington Post that US President-elect Trump's trade policies are going to focus on certain sectors, essentially a watered-down tariff proposal from what Trump was gunning for during the election. However, Trump ultimately refuted the Post's claims, saying the story that he will pare back his tariff policy is wrong. Initially, stocks, bonds, gold and oil were bought on the reports but had pared from peaks as Trump denied the story. The dollar saw huge selling initially to see DXY fall from a peak of 109.06 to a low of 107.74, before ultimately paring back above 108. The dollar was a laggard in G10 FX but the Yen was the worst performer with GBP, CAD and EUR outperforming alongside the CAD helped by the resignation of PM Trudeau and the Euro supported by hot German inflation. T-notes peaked on the WaPo reports but pared on Trump's denial and ahead of supply this week with USD 50bln of corporate issuance expected while there were c. 20 IG deals announced on Monday. The 3yr note auction ultimately came in soft overall, tailing by 1.2bps ahead of the 10 and 30yr supply on Tuesday and Wednesday. Elsewhere, the focus turns to the ISM Services PMI on Tuesday and NFP on Friday.

### US

**TARIFFS:** There were mixed updates on upcoming Tariffs from the Trump Presidency. Initially, the Washington Post, citing sources, said that Trump aides are looking at universal import duties, but only on certain sectors - where tariffs would be applied to every country, but only cover critical imports, a shift from his promises during the Presidential Campaign which was more aggressive on tariffs. The imports or industries that would face tariffs was not immediately clear, but prelim discussions focused largely on several key sectors that Trump wants to bring back to the US, including the defense industrial supply chain (through tariffs on steel, iron, aluminium and copper); critical medical supplies (syringes, needles, vials and pharmaceutical materials), and energy production (batteries, rare earth minerals and even solar panels). However, Trump later posted on Truth Social denying that he is going to pare back his tariff policy.

**US FACTORY ORDERS:** Factory orders fell by 0.4%, greater than the 0.3% decline forecasted, with the October figure revised up to 0.5% from 0.2%. Excluding transport, orders rose 0.2% (rev. 0.2%, prev. 0.1%). Regarding internals, new orders for manufactured durable goods fell 1.2% to USD 284.8bln, driven by a large 3% drop in transportation equipment to USD 95.4bln. Meanwhile, new orders for manufactured non-durable goods increased by 0.4% hitting USD 301.4bln. For shipments, they fell for the fourth consecutive month by 0.2% to USD 284.9bln, while unfilled orders rose 0.3% to ~ USD 1.4tln. Concerning inventories of manufactured durable goods, they increased by 0.4% to USD 529bln with inventories of manufactured non-durable goods bouncing off a two-month decrease, rising 0.2% to 329.6bln. Lastly, the unfilled orders-to-shipments ratio was up to 7.07 (prev. 7.04) as well as inventories-to-shipments to 1.47 up from 1.46.

**S&P GLOBAL SERVICES PMI:** The Final S&P global services PMI was revised lower to 56.8 in December from 58.5 but reached a 33-month high following November's reading of 56.1. Within the report, employment increased for the first time in five months as a renewed rise came as output growth strengthened. In addition, it was the sharpest growth of output and new orders since March 2022 while business confidence was at an 18-month high. There were further signs of cost pressures moderating as the pace of inflation eased for the third consecutive month to the weakest since last February. Within the release, it noted that expectations of faster growth in the new year are based on the anticipation of more business-friendly policies from the incoming Trump admin. Further on the new admin, Cos. suggested that client demand had improved, with customers more willing to commit to new projects following the outcome of the Election. It adds, "survey data point to another robust expansion of the economy in Q4 after the 3.1% GDP growth seen in Q3", and that "with growth as strong as this, it's understandable that policymakers are taking a more cautious approach to lowering interest rates".

**FED COOK (Voter):** Fed Governor Cook said the Fed can proceed more cautiously in cutting rates given labour market resilience and stickier inflation, noting that risks to inflation and employment are roughly in balance. She stated it will be appropriate to cut towards neutral over time, noting the labour market has cooled in the past year but it remains solid. She also expects inflation to move down gradually, but unevenly, to the 2% goal.

**FED KUGLER (Voter):** On Friday evening, Governor Kugler said the economy ended 2024 in a good place with good growth, and the process of disinflation has kept going. On the labour market, the Governor said that it remains resilient and has been cooling gradually, and real wages are still up even with labour market cooling. The Governor added the key is that the job market has cooled gradually, and the current unemployment rate remains historically low. Commenting on the President-elect Trump's admin, noted she will not comment on policies and is uncertain what will happen with immigration trends, and what tariffs will do to the economy and monetary policy. Looking ahead, Kugler reiterated data will drive what the Fed does with policy and that there is a view that the Fed can take time on future rate cuts.

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLED 3+ TICKS LOWER AT 108-17

**T-notes chop as Trump refutes he is dialling back his tariff policies.** At settlement, 2s -0.9bps at 4.270%, 3s -0.3bps at 4.315%, 5s +1.2bps at 4.422%, 7s +1.9bps at 4.524%, 10s +2.5bps at 4.620%, 20s +2.2bps at 4.905%, 30s +2.3bps at 4.838%

**INFLATION BREAKEVENS:** 5yr BEI +1.1bps at 2.423%, 10yr BEI +1.3bps at 2.350%, 30yr BEI +1.5bps at 2.329%.

**THE DAY:** T-notes had meandered overnight with upside seen in the morning on reports that Trump tariffs may not be as aggressive as initially thought. T-notes peaked at 108-25+, up from the overnight lows of 108-12, on reports in the Washington Post suggesting that Trump aides are looking at universal import duties, but only on certain sectors. The moves were short lived however with T-notes largely paring the move as Trump denied the reports he is set to pare back his tariff policy, seeing T-notes fall to fresh lows of 108-10+. Nonetheless, downside had pared ahead of the 3yr note auction. Elsewhere, data saw the S&P Global Services PMI revised down with attention turning to ISM Services PMI on Tuesday and NFP on Friday. Factory orders for November were softer than expected but offset by an upward revision to the prior while Durable Goods data was revised down. Fed speak saw Governor Cook toe a neutral line, stating the Fed can proceed more cautiously in cutting rates due to labour market resilience and stickier inflation, echoing the statement that risks to inflation and employment are roughly in balance. Aside from Trump, data and Fed speak, there was a plethora of supply announced with 20 IG deals announced on Monday with USD 50bln expected to be announced this week with Treasury supply also due. The 3yr note auction was met with weak demand (more below), seeing T-notes move lower into settlement.

**3YR:** Overall, the 3yr note auction was soft. The US Treasury sold USD 58bln of 3yr notes at a high yield of 4.332%, tailing the 4.320% WI by 1.2bps. The 1.2bps tail was larger than the prior 0.1bp tail and worse than the six auction average for a stop-through of 0.2bps. The Bid-to-Cover ratio of 2.62x was above the prior and six-auction average of 2.58x. However, the breakdown was soft with weak indirect demand. Indirect demand fell to 61% from 64.2%, beneath the 66.4% average. Direct demand was stable at 19.67%, slightly down from the prior 20.7% but above the average of 17.9%. The weak indirect demand and stable direct demand saw dealers, forced surplus buyers, take home 19.36% of the auction, above the prior 15.1% and the average of 15.8%.

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 2bps (prev. 3bps), March 12bps (prev. 13bps), May 16bps (prev. 18bps), December 2025 39bps (prev. 39bps).**
- NY Fed RRP Op demand at USD 232bln (prev. 237bln) across 57 counterparties (prev. 57)
- SOFR at 4.31% (prev. 4.40%), volumes at USD 2.398tln (prev. 2.501tln).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 102bln (prev. 106bln).
- US sold USD 89bln in 3-month bills at 4.205%, covered 3.01x; sold USD 76bln of 6-month bills at 4.110%, covered 3.20x

## CRUDE

**WTI (G5) SETTLED USD 0.40 LOWER AT 73.56/BBL; BRENT (G5) SETTLED USD 0.21 LOWER AT 76.30/BBL**

**The crude complex chops to Trump trade reports while Saudi raises prices to Asia.** In the EZ morning benchmarks saw gains to print highs of USD 73.20/bbl and 77.50/bbl, respectively, after DXY was heavily sold in wake of Washington Post reports that President-elect Trump's aides are looking at universal import duties, but only on certain sectors. However, Trump later refuted the claims which saw the Buck pare pare from its lows, and as such saw WTI and Brent reversed to lows of USD 73.20/bbl and 75.94/bbl. Geopolitically, Israel wants to keep some sites outside the northern border in Lebanon indefinitely. On the supply side, the December Bloomberg OPEC survey showed crude output fell 120k BPD to 27.05m BPD. Separately, Saudi Arabia raised crude prices for Asia for the first time in three months: February Arab light crude OSP to Asia at Oman/Dubai + USD 1.50/bbl (prev. USD 0.90/bbl), according to Reuters. Saudi Aramco February Crude OSP: Arab light to US at + USD 3.50/bbl vs ASCI (prev. 3.80); Arab light to NW Europe at + USD 0.05/bbl to ICE Brent (prev. 0.15), via Aramco.

## EQUITIES

**CLOSES:** SPX +0.55% at 5,975, NDX +1.09% at 21,559, DJIA -0.06% at 42,707, RUT -0.08% at 2,267

**SECTORS:** Real Estate -1.4%, Utilities -1.09%, Consumer Staples -0.98%, Financials -0.42%, Energy -0.41%, Industrials -0.21%, Health -0.02%, Consumer Discretionary +0.61%, Materials +0.66%, Technology +1.44%, Communication Services +2.13%.

**EUROPEAN CLOSES:** DAX: +1.53% at 20,210, FTSE 100: +0.31% at 8,250, CAC 40: +2.24% at 7,446, Euro Stoxx 50: +2.35% at 4,986, AEX: +0.79% at 892, IBEX 35: +1.34% at 11,808, FTSE MIB: +1.91% at 34,781, SMI: +0.49% at 11,681, PSI: -0.15% at 6,435.

## STOCK SPECIFICS:

- **MicroStrategy (MSTR):** To target a capital raise of up to USD 2bln of preferred stock.
- **Uber (UBER):** Named in the best ideas list at Wedbush and announced a USD 1.5bln accelerated share buyback programme.
- **US Steel (X), Nippon Steel** - File lawsuits after Biden blocks USD 14.9bln deal. Later, sources close to US Steel cited by CNBC, noted the deal never presented risks to national security.
- **Disney (DIS):** Reportedly near a deal to merge Hulu+ live into fuboTV (FUBO).
- **American Air Lines (AAL):** Upgraded at a couple of brokerages.
- **Boeing (BA):** Upgraded at Barclays; said it has shored up its balance sheet so it is no longer an overhang, while its FCF trajectory is "much more reasonable".
- **Palantir (PLTR):** MS assumes coverage with an 'Underweight' rating; noting it is winning early rounds of AI, but valuation premium negatively skews risk/reward
- **Paychex (PAYX):** Is in advanced negotiations to acquire Paycor (PYCR).
- **Foxconn's (HNHPF):** Q4 revenue hit a record USD 64.7bln, topping expected, driven by strong AI server demand.
- **Cboe (CBOE):** Downgraded at Goldman Sachs, expecting Cboe's sales growth is stagnating amid maturing trends in its flagship SPX franchise, mixed growth in VIX products and market share losses in US equities and options.
- **Tenable Holdings (TENB):** Announced unexpected passing of Chairman and CEO Amit Yoran, who had been battling cancer. Steve Vintz and Mark Thurmond have been appointed Co-CEOs. TENB said it expects to meet or exceed its Q4 and FY guidance.
- **Boeing (BA):** Judge gives Boeing and DOJ more time to finalise a plea deal over crashes, via Bloomberg.
- **Stryker Corp (SYK):** Nearing a deal to acquire **Inari Medical (NARI)**, via Reuters citing sources.
- **Qualcomm (QCOM):** Introduced new AI-capable chips for personal computers and unveils new Snapdragon X in advance of CES. Also announced technology collaboration with **Amazon (AMZN)** for delivering and redefining AI-powered experiences in the car, as well as working together to leverage the Amazon Web Services cloud.
- **Dell (DELL):** Announced new redesigned PC portfolio featuring on-device AI.
- **AMD (AMD):** Said **Dell (DELL)** will use its chips for the first time in business PCs.

## US FX WRAP

**The Dollar** saw broad-based losses, with the downside gaining momentum from a Washington Post report that US President-Elect Trump's aides are looking at universal import duties, but only on certain sectors (contrary to the more aggressive narrative Trump has put forth in the past). As such, DXY hit lows of 107.74 before gaining a reprieve from Trump rebuking the WaPo report, saying the story that he will dial back his tariff policy is wrong. A sizeable chunk of the original downside move was unwound and DXY moved back above 108, sitting just above the level heading into APAC. Elsewhere, data had little sway over the aforementioned moves, where Factory Orders fell more than expected and Final S&P Global PMI data was revised downward on both the composite and services components in December. On Tuesday, attention will mainly be on the US ISM Services PMI, which is expected to rise further into expansion territory after a beat on the ISM Manufacturing PMI on Friday. Also, Fed's Barkin is set to appear.

**G10FX** ex-JPY all gained on the mentioned Dollar weakness, with GBP and EUR the leaders in the space, while JPY lagged with modest downside. EUR/USD also took support from the hot Germany Prelim CPI release for December, as well as upward revisions to the EZ Services and Composites PMIs. However, once again, EUR/USD failed to sustain a move above its 21 DMA (1.0420). In addition, a pullback in TTF gas prices likely added comfort to both the EUR and GBP while the latter also benefitted from reports that the pct of UK businesses planning to raise prices in the coming three months rose to about 55% from 39% as tax increases and higher wage costs caused confidence to slump, via FT. Next in Europe, is Prelim CPI from France, EZ HCOB Construction PMI, EZ Flash HICP, and the EZ Unemployment Rate.

**The CAD** headed higher overnight as reports ramped up of an imminent PM Trudeau's resignation. USD/CAD also weighed on by the WaPo report and a continued rally in the crude space saw the pair hit a trough of 1.4280. However, as the dollar weakness reduced, USD/CAD clawed back above its 21 DMA (1.4330) showing little reaction to Trudeau's presser in which he gave his resignation as expected. Going forward, the PM said he would stay on in office until his Liberal Party can choose a new leader, and that parliament would be prorogued - or suspended - until 24 March.

**JPY** failed to capitalise on Dollar weakness as markets were left indifferent to BoJ's remarks overnight where Governor Ueda said he plans to increase interest rates with continued economic improvements (reiteration). USD/JPY rose to ~ the mid-157 mark, with 155.66 (21DMA) a level to watch to the downside. Those at Credit AG, point out "What we have not heard from Ueda lately is anything about the higher USD/JPY adding to such risks, which would weigh on the exchange rate." Ahead, the firm notes Japan's labour cash earnings data this week is to be watched, where "real cash earnings growth would have to return to positive territory to move market pricing on the BoJ and give the JPY a boost".

**EMFX:** The Yuan strengthened on Monday, with the upside a function of the Dollar downside as China Caixin Services PMI took the backseat. Nonetheless, the headline unexpectedly rose in December to 52.2 (exp. 51.4, prev. 51.5). On the report, Capital Economics said the data adds to evidence that growth in the sector picked up in December, more than making up for slower growth in manufacturing; that helped the average of the composite PMIs rise to a 7-month high, which is consistent with its expectation for an acceleration in Q/Q GDP growth in Q4. In the Middle East, the Israeli Central Bank kept rates steady at 4.5% as expected, sparking little reaction in ILS. Separately, the latest BCB Reuters poll showed Brazil economists raised their year-end 2025 Selic rate forecast to 15% (prev. 14.75%) and USD/BRL at 6 (prev. 5.96). MXN was supported by the aforementioned Tariff reports, despite Trump's denial.

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