

# newsquawk

## US Market Wrap - 7th January 2025

### Stocks and Bond sold while Dollar bid after hot ISM Services and JOLTS

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Hot ISM Services and JOLTS; Weak US 10yr note auction; US International Trade deficit deepens more than expected; President-elect Trump resumes tariffs threats on Canada/Mexico, and Denmark over Greenland; Soft Swiss Core CPI Y/Y; Fed's Bowman reportedly top candidate to replace Barr as Vice Chair of Supervision; NVDA unveils new products at CES 2025; AAPL & TSLA downgraded.
- **COMING UP: Data:** US Jobless Claims, Wholesale Inventory and EIA Nat Gas Change has been brought forward on account of the US Day of Mourning; Australian CPI, German Retail Sales, EZ Economic Sentiment, US ADP National Employment, Jobless Claims. **Speakers:** Fed's Waller. **Events:** FOMC Minutes, PBoC, MoF NDRC Conference. **Supply:** UK, Germany, US. **Earnings:** Jefferies.

### MARKET WRAP

US indices saw broad-based weakness on Tuesday (SPX -1.1%, DJIA -0.4%, RUT -0.7%) with underperformance in the Nasdaq 100 (-1.8%) as macro moves were seen in wake of a hot US ISM Services and JOLTS report. Recapping the data, the latter rose above the top end of analyst forecast ranges, while ISM Services topped, accompanied by a notable upside in the prices paid, and with employment little changed. As such, the data took T-Notes to lows and pushed the Dollar higher, reversing earlier session troughs, to the detriment of all G10 FX peers. In addition, Antipodeans pared European strength, and CHF was further weighed on after being hit in the EZ morning on soft core CPI. CAD was also under pressure following President-elect Trump comments that something will have to be done with Canada and Mexico trade. Elsewhere, the US 10yr was another soft auction with similar dynamics to the 3yr results on Monday, albeit garnered little market reaction. The crude complex saw slight gains and managed to hold onto its morning strength from initial Dollar weakness, despite a reversal in the Buck after a strong ISM Services report. Sectors were largely in the red with only Energy and Health in firmer territory, buoyed by crude gains and strength in vaccine names, respectively. Technology and Consumer Discretionary were the clear laggards amid broad based weakness in Mag7 names. Apple (AAPL) (-1.1%) and Tesla (TSLA) (-4.1%) were both downgraded, while Nvidia (NVDA) (-6.2%) pared its initial pre-market strength in wake of CES 2025.

### US

**ISM SERVICES:** ISM Services PMI for December lifted to 54.1 from 52.1, and above the expected 53.3. New orders and business activity rose to 54.2 (prev. 53.7) and 58.2 (prev. 53.7), respectively, while the inflationary gauge of prices paid disappointingly soared to 64.4 from 58.2. Employment was more-or-less unchanged at 51.4 (prev. 51.5). Inventories lifted, but remained sub-50, while backlog of orders and imports dipped, whereas new export orders and supplier deliveries lifted back into expansionary territory. The report added that the past relationship between Services PMI and the overall economy indicates that the headline corresponds to a 1.7ppt increase in real GDP on an annualized basis. In addition, the survey adds, many industries noted that end-of-year and seasonal factors were helping drive business activity or impact inventory management. Some of the increased business activity seems to have been driven by preparation for demand in the new year, or risk management for impacts from port strikes and potential tariffs. Furthermore, the survey states, there was general optimism expressed across many industries, but tariff concerns elicited the most panellist comments.

**JOLTS:** Headline JOLTS in November rose to 8.1mln from 7.74mln, and above the consensus 7.7mln - it was also above all analyst forecasts. Within the report, the quits rate eased to 1.9% from 2.1% while the vacancy rate rose to 4.8% from 4.7%. On the headline, Oxford Economics point out that the South accounted for 75% of the increase in job openings, and the increase in that region might be an extension of the rebound following the September drop due to Hurricane Helene. Regarding the drop in the quits rate, the consultancy notes it is consistent with the slower pace of hiring and signals further deceleration in wage growth. OxEco also note the ratio of openings to unemployed workers ticked up to 1.11 from 1.10 over a three month moving average basis, which is still below pre-pandemic levels and therefore does not signal a renewed tightening in the labour market. Overall, OxEco note this is unlikely to alter the Fed's conviction that a slower pace of normalizing interest rates in 2025 is appropriate.

**US INTERNATIONAL TRADE:** The US deficit widened to 78.2bln in November, from the prior deficit of USD 73.6bln, deeper than the expected deficit of 78bln. Exports rose by USD 7.1bln to USD 273.4bln, while imports rose USD 11.6bln to USD 351.6bln. Exports were driven by a USD 6.2bln increase in exports of goods, while exports of services rose by 0.9bln. Imports of goods rose by USD 11.6bln, while imports of services rose by less than 0.1bln. Analysts at Oxford Economics highlight that despite the widening of the deficit, net trade is on track to be slightly positive or neutral to GDP growth in Q4, the first time since Q4 2023, due to imports seeing a modest decline while exports have managed a small increase. However, the desk acknowledge there is uncertainty on this with the potential for another dockworkers strike in mid-January. Nonetheless, looking ahead uncertainty on trade policy from the Trump administration is the greater risk. Washington Post reported that Trump is to pare back his aggressive trade policy, but President-elect Trump denied this.

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLED 11+ TICKS LOWER AT 108-05+

**T-Notes were sold across the curve after hot ISM and JOLTS data and as supply continues to weigh.** At settlement, 2s +2.7bps at 4.297%, 3s +3.3bps at 4.365%, 5s +4.9bps at 4.470%, 7s +5.8bps at 4.579%, 10s +7.1bps at 4.687%, 20s +7.8bps at 4.982%, 30s +7.7bps at 4.915%.

**INFLATION BREAKEVENS:** 5yr BEI +4.0bps at 2.462%, 10yr BEI +3.7bps at 2.390%, 30yr BEI +4.0bps at 2.369%.

**THE DAY:** T-Notes saw mild upside overnight to peak in the European morning at 108-20 before paring, with more corporate deals announced ahead of US data and the 10yr auction. Meanwhile, hotter-than-expected Eurozone inflation data and supply from the UK and Germany also weighed, spilling over to USTs. T-Notes slumped in response to the above-expected JOLTS and ISM Services PMI data, seeing T-Notes go as low as 108-01+. JOLTS rose to 8mln, above all analyst forecasts, while the ISM Services PMI rose to 54.1 from 52.1, which was also accompanied by a notable upside in the prices paid, while employment was little changed. The hot JOLTS and ISM took T-

Notes to lows ahead of the 10yr auction, before paring into the announcement - perhaps aided by commentary from incoming President Trump that interest rates are too high. Trump was also threatening tariffs on Canada, Mexico, and Denmark, but it had little impact. Nonetheless, the auction was soft but little reaction was seen with T-Notes already lower across the curve in a sleeper fashion - attention turns to the 30yr on Wednesday and NFP on Friday.

**10YR:** Overall, another soft auction with similar dynamics to the 3yr results on Monday. The US Treasury sold USD 39bln of 10yr notes at a high yield of 4.680%, tailing the When Issued by 0.2bps, a worse reception than the prior stop through of 1.7bps and six auction average for a 0.1bps stop through. The Bid-to-Cover was softer than the prior at 2.53x, and slightly beneath the 2.55x average. Meanwhile, the breakdown was similar to the 3yr, with a notable step back from indirect bidders, which took 61.4% of the auction (vs the 70% prior and average), while direct demand took some of the slack, taking home 23% (prev. 19.5%, avg. 17.0%) of the auction, but dealers still took home an above average and prior 15.6% of the auction (prev. 10.5%, average 13.1%).

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 1bps (prev. 2bps), March 10bps (prev. 12bps), May 14bps (prev. 16bps), December 36bps (prev. 39bps).**
- NY Fed RRP Op demand at USD 208bln (prev. 232bln) across 58 counterparties (prev. 57)
- SOFR at 4.27% (prev. 4.31%), volumes at USD 2.349tln (prev. 2.398tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 98bln (prev. 102bln).
- US sold USD 85bln of 42-day CMB's at 4.245%, covered 2.71x.
- US to sell USD 95bln in 4wk bills and USD 90bln in 8wk bills on January 9th, and to sell USD 64bln of 17wk bills on January 8th; all to settle January 14th.

## CRUDE

**WTI (G5) SETTLED USD 0.69 HIGHER AT USD 74.25/BBL; BRENT (H5) SETTLES USD 0.75 HIGHER AT 77.05/BBL**

The crude complex saw slight gains and managed to hold onto its morning strength from initial Dollar weakness, despite a reversal in the Buck after a strong ISM Services report. On the day, WTI and Brent reversed from earlier troughs of USD 73.11/bbl and 75.91/bbl, respectively, to later highs of 74.53/bbl and 77.28/bbl. Newsflow was pretty sparse for the energy space on Tuesday, although in the geopolitical space, a Senior Israeli Foreign Ministry official said Israel is fully committed to concluding a hostage deal, and the only way to get a deal is to put pressure on Hamas. Following this, via Sky News Arabia, a Hamas representative in Lebanon stated a "ceasefire negotiations in Gaza are more serious than ever before". On a separate footing, President-elect Trump reiterated that the Biden ban on offshore oil and gas drilling in vast areas will not stand and he will reverse it immediately, and further, he will open up drilling in Alaska's arctic wildlife refuge. Ahead, participants await the weekly private inventory data after-hours, whereby expectations currently are: Crude -0.2mtn, Distillate +0.6mtn, Gasoline +1.5mtn.

## EQUITIES

**CLOSES:** SPX -1.11% at 5,909, NDX -1.79% at 21,173, DJIA -0.42% at 42,528, RUT -0.74% at 2,250

**SECTORS:** Technology -2.39%, Consumer Discretionary -2.21%, Communication Services -1.05%, Real Estate -0.72%, Utilities -0.29%, Consumer Staples -0.27%, Financials -0.15%, Industrials -0.1%, Materials -0.02%, Health +0.58%, Energy +1.06%.

**EUROPEAN CLOSES:** DAX: +0.66% at 20,350, FTSE 100: -0.05% at 8,245, CAC 40: +0.59% at 7,489, Euro Stoxx 50: +0.49% at 5,011, AEX: +0.27% at 894, IBEX 35: +0.03% at 11,812, FTSE MIB: +0.45% at 34,939, SMI: +1.15% at 11,825, PSI: -0.53% at 6,401

## M&A:

- **Phillips (PSX):** To acquire EPIC NGL for USD 2.2bln in cash, strengthening its natgas liquids portfolio.
- **Stryker (SYK):** Agreed to acquire Inari Medical (NARI) for USD 4.9bln, paying USD 80/shr; NARI closed Monday at USD 65/shr.
- **Getty Images (GETY):** Confirmed it's to merge with Shutterstock (SSTK) in a USD 3.7bln deal.
- **Cintas (CTAS):** Made a USD 5.1bln offer to buy **UniFirst (UNF)** at USD 275/shr, but the bid has been rebuffed multiple times, via WSJ. Later, UniFirst confirmed said reports.

## STOCK SPECIFICS:

- **Nvidia (NVDA):** At CES 2025 it unveiled AI-enabled tech to train robot and self-driving cars, gaming chips, and first desktop computer. **Uber (UBER), Micron (MU), and Aurora Innovation (AUR)** all gained on positive mentions. [To see a more detailed Newsquawk Nvidia analysis piece, please click here.](#) Meanwhile, CFO said said company will have 'a little bit more' Blackwell chip revenue that previously forecasted; Plans for a broader PC push; Expects strong market reception and product cycle for Blackwell GeForce GPUs with 2x performance over the last gen; Blackwell shipment is on track, as was expected; Demand continues to exceed supply.
- **Microsoft (MSFT):** Will invest USD 3bln to expand Azure cloud-computing & AI capacity in India.
- **Meta (META):** Named UFC (TKO) CEO Dana White to its board.
- **AbbVie (ABBV):** Lowered next quarter and FY profit view.
- **Ulta (ULTA):** CEO Dave Kimbell retired and appointed Kecia Steelman as new President & CEO. Also reported stronger-than-exp. holiday performance.
- **Hess (HES):** CEO said they have met or beat guidance on production in 2024, via GS conference; sees Guyana producing 1.7mtn BPD by 2030.

## BROKER MOVES:

- **Apple (AAPL):** Downgraded at Moffett Nathanson amid "steady drumbeat of bad news". News includes a federal judge declaring the payments **Google (GOOGL)** makes to Apple each year to be the default search position to be illegal; Apple's position in China having "steadily weakened", and Vision Pro disappointing even low expectations that had been set for it.
- **Tesla (TSLA):** Downgraded at BofA on execution risk & valuation.
- **Snowflake (SNOW):** Upgraded at Wells Fargo.
- **Carvana (CVNA):** Upgraded at RBC Capital to 'Outperform' from 'Sector Perform' seeing the "controversial pullback" in the shares as an opportunity.

## US FX WRAP

The Dollar strengthened across the FX space as a hot ISM Services PMI and JOLTS report offset earlier weakness in the Buck stemming

from continued digestion of the Washington Post report alleging President-elect Trump's aides will pare back his tariff policy, despite Trump later rejecting such claims. Regarding the data, it was broadly Dollar bullish, as all components in the ISM report ex-employment rose, with business activity and prices paid surging, meanwhile, JOLTS topped analysts' forecast range (7.9mln highest forecast), sending DXY to eventual highs of 108.630. Separately, Fed's Barkin offered little new in his commentary and in November the US international trade deficit deepened more than expectations. On Wednesday, FOMC Minutes from the December meeting (cut by 25bps alongside hawkish SEPs) will be the main event. Also due is ADP National Employment (exp. 140k, ahead of NFP on Friday - exp. 154k), Initial Claims (exp. 218k, prev. 211k), Fed's Waller and Wholesale Sales.

**G10 FX** was hit on the US data releases with Antipodes paring earlier strength while CHF's existing downside enlarged. On the latter, softer-than-expected Swiss core CPI Y/Y resulted in USD/CHF upside, to peaks of 0.9096. CapEco thinks the SNB will cut the policy rate by a further 25bps at its next meeting in March as disinflationary pressures intensify, not ruling out further cuts after that. For the Aussie, Bloomberg reports leveraged funds boosted their bearish Aussie wagers to the most since 2022, with a strategist at Commonwealth Bank of Australia, noting "The bets against the Aussie are unsurprising,"; "Investors are positioning for the upcoming four years of uncertain US policy-making and interest-rate path ahead of President Donald Trump's inauguration."

**The Euro** was little fazed by the series of data in the EZ, where HICP Core was hotter than expected, while the headline and the unemployment rate were in line with expectations as aforementioned dollar strength weighed, leaving EUR/USD ~1.0350. The latest ECB Consumer Expectations Survey (Nov) unveiled inflation outlooks for the next 12, and 36 months tick higher to 2.6% (prev. 2.5%) and 2.4% (prev. 2.1%), respectively. Elsewhere, renewed tariff talks from Trump sparked momentary choppy trade in USD/CAD, as Trump said something will have to be done with Canada and Mexico trade; very serious tariffs on Mexico and Canada; CAD heads into overnight modestly lower.

**JPY** ended the US session off lows, paring the US data-induced downside, though attention remains heavily on the BoJ with some desks noting possible intervention as the pair still looms near the heavily touted 160 handle (session highs - 158.42). The day saw Barclays push back their BoJ rate hike call in 2025 to March and October (prev. January, July), citing uncertainty surrounding domestic and overseas politics. Concerning the pushback for the second hike, they contend Japan's economy will need time to assess the impact of the first hike. For reference, money market pricing puts ~49bps of hikes in 2025, with the first hike expected by May.

**EMFX:** As mentioned Trump Tariff talk on Mexico/Canada weighed on the pairs with USD/MXN catching a bid, though later pared the move. Meanwhile, Brazil's Finance Minister Haddad intends to stay in the Finance Ministry until the end of Lula's term (2027), also noting Brazil will end 2024 with a primary deficit of around 0.1% of GDP, and estimates 2024 GDP growth at 3.6%. The minister also announced he will send Congress a package for taxing big tech. USD/BRL saw a second consecutive day of losses but trimmed most ahead of industrial output data on Wednesday. Despite brewing tensions between Trump and Denmark, as the former attempts to get control over Greenland (part of Denmark kingdom), announcing he would consider tariffs on Denmark over Greenland, DKK showed little reaction to the said remarks.

---

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