

## Stocks and bonds chop as attention turns to US inflation

- **SNAPSHOT:** Equities mixed, Treasuries flat/down, Crude up, Dollar up.
- **REAR VIEW:** Positive developments in Israel/Hamas ceasefire talks; Mixed NY Fed Survey of Consumer Inflation Expectations; At least 65 tankers have anchored in Asia, Russia, Middle East after US sanctions; CLF & NUE may partner to bid for US Steel; Some of NVDA's biggest customers are facing new delays in getting its most advanced AI chips up and running in data centres
- **COMING UP: Data:** US PPI, Japanese M2 Money Supply **Events:** EIA STEO, Fed Discount Rate Minutes **Speakers:** BoJ's Himino, Ryoze; ECB's Lane; BoE's Breeden, Taylor; Fed's Schmid, Williams **Supply:** Japan, Netherlands, UK, Germany **Earnings:** Lindt, Games Workshop, Persimmon, JD Sports.
- **WEEK AHEAD:** Highlights include US CPI & Retail Sales, China Activity & Trade Data, UK CPI, GDP & Retail Sales, Aussie jobs, ECB Minutes. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB Minutes and BoK; Reviewing FOMC Minutes. [To download the full report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Big banks kick us off with highlights including JPM, BAC, GS. [To see the full US Weekly Earnings Estimates, please click here.](#)

## MARKET WRAP

Indices were mixed on Monday with SPX, DJI and RUT paring some of the post NFP downside, although the Nasdaq added to losses in a tech-led sell off, particularly in semiconductors which are being weighed on by Biden export controls and also reports in The Information that some of Nvidia's (NVDA) biggest customers are facing new delays in getting its most advanced AI chips up and running in data centres. Meanwhile, the Dow was the clear outperformer due to upside in heavyweight UnitedHealth (UNH), which rallied after the US proposed a 4.3% avg. increase in Medicare Advantage plan payments for 2026. Elsewhere, T-Notes were choppy in quiet trade as attention turns to US inflation data this week (PPI on Tues, CPI on Wed) while Gilts saw further pressure with UK players looking to inflation and GDP data. In FX, the Dollar saw further upside with DXY breaking above 110.00 but failing to hold the level with the buck off highs heading into APAC trade. Antipodeans outperformed with China announcing more tools to support the Yuan while the Franc lagged. Elsewhere, Crude prices were bid, particularly front-month contracts with time spreads seeing notable upside, likely on the impact of new sanctions against Russia from the US, which saw dozens of oil tankers anchor in Asia, Russia and the Middle East.

## US

**NY FED SCE:** The New York Fed survey of consumer inflation expectations were mixed in December. The 1yr ahead expectations were unchanged at 3%, although the 3yr ahead forecast rose to 3.0% from 2.6% in November, while the 5yr forecasts fell to 2.7% from 2.9%. On job security, the mean perceived probability of losing one's job in the next twelve months declined by 1.6% to 11.9%. The mean probability of leaving one's job voluntarily in the next twelve months also declined by 2.0% to 18.2%, taking both readings to the lowest since January 2024. Meanwhile, the mean perceived probability of finding a job, if one's current job was lost, declined sharply to 50.2% from 54.1% in November, the lowest reading since April 2021. Looking into the report, December year-ahead expected food prices increased while year-ahead expected gas prices were down to the lowest since September 2022.

## FIXED INCOME

### T-NOTE FUTURES (H5) SETTLED 5 TICKS LOWER AT 107-07+

**T-Notes chop in quiet trade ahead of US inflation** . At settlement, 2s +0.4bps at 4.400%, 3s +1.0bps at 4.493%, 5s +1.7bps at 4.610%, 7s +1.8bps at 4.710%, 10s +1.6bps at 4.790%, 20s +1.5bps at 5.052%, 30s +0.3bps at 4.967%.

**INFLATION BREAKEVENS:** 5yr BEI +4.0bps at 2.569%, 10yr BEI +2.0bps at 2.460%, 30yr BEI +1.0bps at 2.390%.

**THE DAY:** T-Notes were choppy on Monday in quiet trade as attention turns to US inflation data. T-Notes initially hit a low of 107-06 in the European morning after the steep downside on Friday post-NFP, while more weakness in Gilts continued to add pressure on USTs. Nonetheless, T-Notes had pared from lows as US trade got underway to see them test the overnight peaks of 107-16, topping out at 107-15+. T-Notes then sold off into settlement in choppy trade with little fresh fundamental drivers with the curve still influenced by the hot NFP on Friday. Elsewhere, oil prices continued to rally which may have weighed due to any inflationary implications. On which, the latest NY Fed Survey of consumer inflation expectations (for December) was mixed; 1yr ahead expectations were unchanged at 3.0%. 3yr ahead rose to 3.0% from 2.6%, while the 5yr expectations fell to 2.7% from 2.9%. Elsewhere, attention turns to US CPI on Wednesday and PPI on Tuesday to help further shape Fed rate expectations after the hot NFP on Friday now sees markets price in just one 25bps rate cut this year, with a c. 8% probability of a second.

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 1bps (prev. 1bps), March 5bps (prev. 7bps), May 8bps (prev. 11bps), December 26bps (prev. 27bps).**
- NY Fed RRP op demand at USD 184bln (prev. 179bln) across 51 counterparties (prev. 48)
- SOFR at 4.30% (prev. 4.29%), volumes at USD 2.204tln (prev. 2.211tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 102bln (prev. 104bln).
- US sold USD 89bln of 3-mth bills at 4.225%, covered 3.09x; sold USD 76bln of 6-mth bills at 4.180%, covered 2.81x

## CRUDE

**WTI (G5) SETTLED USD 2.25 HIGHER AT 78.82/BBL; BRENT (H5) SETTLED USD 1.25 HIGHER AT AT 81.01/BBL**

**The crude complex saw gains to start the week, with upside largely concentrated to the front of the curve** . Recapping the day, benchmarks firmed amid the resumption of trade amid expectations of Russian crude supply disruption after the US recently toughened sanctions on Russia's energy sector targeting more than 200 entities and individuals, and as such WTI and Brent hit highs of USD 79.27/bbl and 81.68/bbl, respectively. However, gains pared amid a deluge of positive Middle East updates and a firmer Dollar. On the former, multiple sources reported that a deal between Hamas and Israel got notably closer over the weekend, with Kann News stating "Israel has softened its positions on several issues", while Fox earlier said "A deal between Israel and Hamas could be just hours away", and Reuters most recently noted "A deal to end Gaza war is closer than it's ever been and a round of talks is planned in Doha on Tuesday morning to finalise remaining details". Still, benchmarks saw gains but retraced earlier strength. Going back to US sanctions on Russia, Reuters reported that at least 65 tankers have anchored in Asia, Russia, Middle East in wake of them, possibly supporting the widening time spreads.

**Nat Gas:** European natgas saw notable strength to start the week amid the continued colder weather in Europe, in addition to the broader upside in energy markets. On TTF, Goldman Sachs suggested that TTF price risks remain skewed to the upside despite moderation in cold weather. Meanwhile, it was reported that there were lower flows to Freeport LNG's export plant in Texas which in turn can lift European gas prices and weigh on US prices.

## EQUITIES

**CLOSES:** SPX +0.16% at 5,836, NDX -0.30% at 20,785, DJI +0.86% at 42,297, RUT +0.24% at 2,194

**SECTORS:** Energy +2.25%, Materials +2.21%, Health +1.27%, Real Estate +1.25%, Industrials +1.16%, Financials +0.69%, Consumer Discretionary +0.48%, Consumer Staples -0.06%, Communication Services -0.48%, Technology -0.87%, Utilities -1.19%.

**EUROPEAN CLOSES:** DAX -0.38% at 20,137, FTSE 100 -0.29% at 8,224, CAC 40 -0.30% at 7,409, Euro Stoxx 50 -0.50% at 4,952, AEX -0.56% at 885, IBEX 35 -0.28% at 11,688, FTSE MIB -0.83% at 34,799, SMI -0.59% at 11,723.

### M&A:

- **Cleveland Cliffs (CLF)** and **Nucor (NUE)** may partner in a possible bid for **US Steel (X)**, via CNBC's Faber; the offer would be in the high USD 30s a share.
- **Intra-Cellular Therapies (ITCI)**: To be acquired by **Johnson & Johnson (JNJ)** for USD 132/shr. Note, ITCI closed Friday at USD 94.87/shr.
- **Howard Hughes (HHH): Pershing Square (PSH LN)** proposed to take over the Co. for USD 85/shr in cash. Note, HHH closed Friday at USD 71.78/shr.
- **Sage Therapeutics (SAGE): Biogen (BIIB)** has proposed acquiring all of the shares it doesn't already own in SAGE for USD 442mln, offering a 30% premium.
- **Enfusion (ENFN)**: Agreed to be acquired by **Clearwater Analytics Holdings (CWAN)** for USD 1.5bln in a cash-and-stock deal.

### STOCK SPECIFICS:

- Some of **Nvidia's (NVDA)** biggest customers are facing new delays in getting its most advanced artificial intelligence chips up and running in data centers, according to The Information.
- **Apple (AAPL)**: Faces GBP 1.5bln class action in the UK over alleged "excessive and unfair" charges on App Store software. Also, BBG reports global iPhone sales dropped 5% in the final quarter of 2024; Apple now holds 18% of the global market (prev. 19%).
- US proposed a 4.3% avg. increase in Medicare Advantage plan payments for 2026. Of note for **Humana (HUM)**, **UnitedHealth (UNH)** and **CVS Health (CVS)**.
- **Macy's (M)**: Sees Q4 sales at or slightly below low-end of guidance and comp. sales roughly flat QTD.
- **Moderna (MRNA)**: Cut 2025 outlook; to reduce 2025 cash costs by USD 1bln and intends USD 0.5bln of additional cost savings in 2026.
- **Abercrombie & Fitch (ANF)**: FY net sales growth fell marginally shy of expectations.
- **Exact Sciences (EXAS)**: Prelim Q4 and FY numbers beat, and in addition plans to launch three new cancer tests in 2025.
- **Tesla (TSLA)**: Europe's largest pension fund, Stichting Pensioenfond ABP, sold its EUR 571mln stake in Tesla.
- **Meta's (META)** CEO Zuckerberg echoed remarks from Nvidia's CEO Huang, that Quantum computing is at least a decade away from being a "useful paradigm". Of note for **Quantum Computing (QUBT)**, **Rigetti Computing (RGTI)**, **Quantum (QMCO)**, and **IonQ (IONQ)**.
- **Honeywell (HON)** reportedly planning breakup under pressure from activist investor Elliott, according to Bloomberg.

### BROKER MOVES:

- **Crown Castle (CCI)**: Upgraded at Barclays; said CCI shares currently trade at an attractive entry point, given that it would then be a pure-play US tower company, generating a 4.8% FCF yield.
- **Constellation Brands (STZ)**: Downgraded at Jefferies and JPM following a poor earnings report on Friday.

## US FX WRAP

**The Dollar** was marginally firmer to start the week in a continuation of the moves seen in wake of the hot US payrolls report on Friday. There was little new in terms of macro fundamentals for the Greenback on Monday, but it was a headline busy day. No Fed speakers were on the wires with participants awaiting US CPI on Wednesday, although the Fed is more-or-less guaranteed to leave rates unchanged at the next meeting on January 29th, with money markets only pricing in a ~2% chance of a 25bps cut, and only 1 cut priced in for the duration of 2025. Elsewhere, NY SCE were mixed in December. The 1yr ahead expectations was unchanged at 3%, 3yr ahead rose to 3.0% from 2.6%, and 5yr fell to 2.7% from 2.9%.

**CHF, EUR, and GBP** were the G10 underperformers, albeit with little currency-specific newsflow. The Pound continues to be hit amid further advancement in the UK rate space and the general hit in consumer confidence ahead of key data events. On these, a strong inflation report (stagflation) or even a soft one (increased BoE easing expectations) on Wednesday and weak GDP print on Thursday could cause further issues for the currency. Cable hit a low of 1.2100, a level it has not fell beneath since November 2023. For the single currency watchers, there was a deluge of ECB speak (Lane, Rehn, Vujcic) with the chief economist the highlight who said there is probably more easing to come.

**CAD and JPY** were flat, with the Yen seeing some strength in the European session on reports of a magnitude 6.9 earthquake in Japan which triggered a Tsunami advisory of Max 1 metre height for Southern Japan prefectures of Miyazaki and Kochi. Elsewhere, attention remains on the finely-balanced 24th January BoJ meeting policy announcement as money markets see a 25bps hike against an unchanged rate as a more-or-less 50/50 decision. USD/JPY pared from the post Tsunami warning lows (156.92) to north of 157.50 ahead of the APAC session. The Loonie was supported by the rise in oil prices, despite the positive developments out of the Middle East. USD/CAD traded in a pretty tight range, with a low of 1.4393 and a high of 1.4447.

**Antipodeans** were the G10 FX outperformers against the Buck as they both saw similar gains. In terms of catalysts, the NZD and AUD saw some support overnight amid mild strength in the CNH after the PBoC continued to defend the currency with a firmer-than-expected reference rate setting and raised its cross-border macro adjustment parameter for the first time since July 2023 to 1.75 from 1.50, allowing companies to borrow more overseas. It also unveiled plans to park more dollars in Hong Kong to bolster the Yuan. However, as the session progressed and as the Dollar advanced NZD/USD and AUD/USD hit lows of 0.5542 and 0.6132, respectively, against earlier peaks of 0.5572 and 0.6162. Back to the Yuan, C

**EMFX** was largely firmer vs. the Dollar with CLP and COP the best performers as the former was buoyed by copper prices, and the latter by crude prices. In LatAm, BCB Director Guillen said 2024 primary target likely to be met considering the lower limit, and the fiscal framework still requires attention. Guillen added a weakened FX rate was the most important factor in exceeding the 2024 inflation target. In Mexico, the President made an appearance and gave multiple plans to improve the Mexican economy, as he intends to reduce Chinese imports and boost local production.

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