

# newsquawk

## US Market Wrap - 14th January 2025

### Stocks chop, Bonds bid & Dollar descends on cool PPI ahead of CPI

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Cool US PPI on the headline, although a surge in airfares has upside risk for PCE; BoJ's Himino doesn't tow usual hawkish stance; Rehn says ECB rates to leave restrictive territory in coming months, by "midsummer" at the latest; Weak LLY prelim Q4 numbers; Israel & Hamas agree in principle ceasefire draft deal; President-elect Trump's team studies month-by-month tariff hikes of 2-5%.
- **COMING UP:** **Data:** German Wholesale Price Index, Full Year GDP, UK CPI, EZ Industrial Production, US CPI. **Events:** IEA OMR, Fed Beige Book; OPEC MOMR. **Speakers:** ECB's Lane, de Guindos; Fed's Barkin, Kashkari, Williams, Goolsbee; BoE's Taylor. **Supply:** Australia, UK, Germany. **Earnings:** JPMorgan, Goldman Sachs, BlackRock, Citi, Wells Fargo, Bank of New York Mellon, Experian, Vistry, IDS.

### MARKET WRAP

US indices were mixed ahead of US CPI (SPX +0.1%, NDX -0.1%, DJIA -0.5%, RUT +1.1%), despite futures seeing an initial bounce on a cool US PPI print on the headline. Thereafter, stocks and Treasuries saw chopiness as markets continued to remain tentative over the direction of US yields, with the latest Reuters poll suggesting 2/3 of bond strategists surveyed see the 10yr yield surpassing 5% in 2025. Concerning data, as mentioned the PPI report saw equity futures and Treasuries bid, but strength faded in SPX and NDX throughout the day, while the Russell benefitted from short-duration treasuries strength. Outperformance was seen in Utilities, Materials, and Real Estate, whereas Healthcare and Communications were the biggest losers, with the former weighed on by Eli Lilly's disappointing Q4 prelim weight loss drug numbers. As mentioned, Treasuries were bought across the curve which steepened, though, gains notably were trimmed on longer duration. In FX, dollar strength faded after the PPI report, as gains were initially present despite reports US -President-elect Trump's team is considering less aggressive tariffs to avoid inflation spikes (M/M hikes of 2-5%). As such, gains arrived in the G10 space on the dollar downside, with EUR and CHF outperforming while the Yen was the sole laggard in the red after BoJ's Deputy Governor switched to a more neutral stance (prev. hawk), refraining from committing to a rate hike in the January meeting, citing caution on various upside and downside risks at home and abroad. Post-PPI, Fed pricing still has one full 25bps Fed rate cut in 2025, with the first cut seen by September. Elsewhere, crude prices took a breather from their recent surge, as initial dollar strength weighed, then followed by growing optimism surrounding a Gaza ceasefire deal, with CBS News reporting Israel and Hamas agreed in principle to a ceasefire draft deal.

### US

**PPI:** The December PPI report was mixed ahead of the US CPI data, where it appeared soft on the headline and core metrics but a surge in airfares has upside risk for the PCE report on January 31st (two days after the FOMC on January 29th). Headline PPI rose +0.2% M/M (exp. 0.3%, prev. 0.4%), while the annual rate rose to 3.3% (exp. 3.4%, prev. 3.0%) The core metrics saw the monthly figure unchanged, despite expectations for a move up to 0.3% from 0.2%, while the annual measure was unchanged at 3.5% Y/Y after revisions (exp. 3.8%). Within the report, the PPI components that feed into PCE were mixed, where airline passenger services skyrocketed 7.2% M/M after declining 1.6% in November, potentially due to seasonal factors due to high demand over the holiday period. Meanwhile prices of portfolio management, physician care, home health and hospice care, nursing home care accelerated, while hospital inpatient care decelerated with outpatient care unchanged. Aside from the jump in airline services, the other components do not appear too concerning. In wake of the report, Capital Economics said it looks like core PCE prices rose at a rate of 0.27% M/M (prev. 0.1% M/M), while Pantheon Macroeconomics expects a 0.3% rise, both citing the jump in airline services. Regarding CPI, Pantheon Macroeconomics continues to look for an above-consensus increase in the headline and core CPIs tomorrow of 0.5% and 0.3%, respectively. However, the desk adds that "a run of better CPI and core PCE prints likely lies immediately ahead, provided the BLS correctly updates the seasonals and Mr. Trump holds back on immediately imposing new tariffs". [For the Newsquawk US CPI preview, please click here.](#)

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLED 4 TICKS HIGHER AT 107-11+

**T-Notes steepen after soft PPI but futures off peaks as internals have hawkish implications for PCE ahead of CPI.** At settlement, 2s - 3.7bps at 4.365%, 3s -2.8bps at 4.468%, 5s -2.5bps at 4.592%, 7s -2.0bps at 4.699%, 10s -1.5bps at 4.790%, 20s -0.3bps at 5.066%, 30s - 0.3bps at 4.984%.

**INFLATION BREAKEVENS:** 5yr BEI -0.0bps at 2.570%, 10yr BEI -0.6bps at 2.457%, 30yr BEI -0.6bps at 2.386%.

**THE DAY:** T-Notes had caught a bid overnight to peak in the European morning at 107-18+ in response to reports that the Trump administration is considering a staggered approach to tariffs. However, T-Notes had pared in the European morning, tracking the downside in EGBs with issuance from Greece, Netherlands, UK and Germany all weighing. Attention then turned to US PPI data, which ultimately came in softer than expected although the airline services component, which is part of the PCE report, was worryingly hot, rising 7.2% M/M and gives upside risks to PCE at the end of the month; forecasts currently range between 0.2-0.3% (up from the 0.1% headline and core print in Nov), but these will be finalised after CPI on Wednesday. In response to the soft headline numbers, T-Notes surged to test the overnight highs of 107-18+ before swiftly paring back to unchanged levels in the 10yr. Nonetheless, shorter-dated yields remained lower on the session with the curve steepening. Fed speak saw Schmid repeat hawkish remarks from 9th January, while Fed's Williams did not comment on monetary policy. Attention now turns to US CPI to further shape Fed rate cut expectations for the year (Newsquawk preview here).

**Reuters Poll:** US 10yr yield is likely to surpass the 5% mark in 2025, according to 24/36 bond strategists; likely to fall to 4.35% in a year's time (prev. view 4.25%).

#### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 1bps (prev. 1bps), March 6bps (prev. 5bps), May 10bps (prev. 8bps), December 30bps (prev. 26bps).**

- NY Fed RRP on demand at USD 160bln (prev. 184bln) across 59 counterparties (prev. 51).
- SOFR at 4.29% (prev. 4.30%), volumes at USD 2.211tn (prev. 2.204tn).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 104bln (prev. 102bln).
- US sells USD 85bln of 42-day CMBs at high rate 4.240%, covered 2.92x
- US to sell USD 64bln 17wk bills on January 16th, USD 90bln 8wk bills and USD 95bln 4wk bills on January 16th; all to settle on January 21st.

## CRUDE

**WTI (G5) SETTLED USD 1.32 LOWER AT 77.50/BBL; BRENT (G5) SETTLED USD 1.09 LOWER AT 79.92/BBL**

**The crude complex was lower on Tuesday in a choppy session as it was ultimately weighed on by a firmer Dollar and continued constructive geopolitical dialogue.** On the latter, there was a deluge of positive developments, highlighted by NBC in the European morning noting that the agreement between Israel and Hamas is nearing completion, and Al Jazeera later said the major differences have been overcome. Thereafter, journalist Guy Elster stated that Israel's government noted hostages and ceasefire deal has been not reached yet, but the latest update via CBS said Israel and Hamas agree in principle to ceasefire draft deal. Recapping Tuesday's price action, WTI and Brent hit highs of USD 79.09/bbl and 81.15/bbl, respectively, in the EZ morning before trundling lower throughout the US session on the aforementioned themes to hit troughs of 77.41 and 79.87. Ahead, attention is on private inventory numbers after-hours whereby current expectations are (bbls): Crude -1mtn, Distillate +0.8mtn, Gasoline +2.0mtn.

Looking to Wednesday, participants await US CPI in wake of today's cooler-than-expected PPI figures, albeit they will have little effect on the Fed meeting at the end of January. Note, there has been recent crude upside and rally in time spreads after US sanctions on Russia energy, and for a more detailed Newsquawk analysis piece, [please click here](#).

**US EIA STEO:** 2025 US crude production seen at 13.55mtn BPD (prev. 13.52mtn bbls); 2026 US crude production seen at 13.62mtn BPD

## EQUITIES

**CLOSES:** SPX +0.11% at 5,843, NDX -0.13% at 20,757, DJIA +0.52% at 42,518, RUT +1.13% at 2,219

**SECTORS:** Communication Services -0.97%, Health -0.94%, Consumer Discretionary -0.32%, Technology -0.1%, Consumer Staples flat, Real Estate +0.88%, Energy +0.94%, Industrials +1.16%, Materials +1.24%, Financials +1.28%, Utilities +1.3%.

**EUROPEAN CLOSES:** DAX: +0.64% at 20,261, FTSE 100: -0.28% at 8,202, CAC 40: +0.20% at 7,424, Euro Stoxx 50: +0.54% at 4,981, AEX: -0.03% at 885, IBEX 35: +0.55% at 11,752, FTSE MIB: +0.93% at 35,125, SMI: -0.20% at 11,699, PSI: +0.73% at 6,377.

## STOCK SPECIFICS

- **Eli Lilly (LLY):** Prelim Q4 numbers light, although midpoint of 2025 outlook surpassed expectations.
- **JPMorgan (JPM):** COO Pinto is to retire end-2026 with Piepszak to replace him, however, Co. spokesperson later said she does not want to be considered for CEO. CNBC reported the management shuffle will not affect Jamie Dimon's own retirement timeline.
- **TSMC (TSM):** Maintained equipment orders for Chip-on-Wafer-on-Substrate (CoWoS) packaging, despite rumours of decreased demand from Nvidia (NVDA).
- **Broadcom (AVGO):** Entered into a new USD 7.5bln five-year unsecured revolving credit facility.
- **KB Home (KBH):** EPS and revenue beat accompanied by upbeat commentary and better-than-expected guidance
- **Danaher (DHR):** Expects Q4 '24 revenue growth in low single digits, surpassing previous guidance of a decline.
- **Apple (AAPL):** China increased export scrutiny on Apple and other US tech Cos., delaying shipments of production equipment to SE Asia & India.
- **Signet (SIG):** Lowered Q4 guidance and reported holiday SSS -2%.
- **H&E Equipment (HEES):** To be acquired by **United Rentals (URI)** for USD 92/shr in cash.
- **Applied Digital (APLD):** Investment Bank Macquarie is to invest USD 5bln in Cos. AI data centres and take a 15% stake, WSJ reports.
- **Teladoc Health (TDOC):** Announced a collaboration with **Amazon (AMZN)**, expanding access to its chronic condition programmes.
- EU is reassessing investigations into **Apple (AAPL)**, **Meta Platforms (META)**, and **Alphabet (GOOGL)** triggered by increased US pressure, however, an EU spokesperson later denied this.
- **Meta Platforms (META):** Reportedly plans to cut 5% of its lowest performers, Bloomberg reports citing a memo. Meta plans to reach a 10% attrition rate by the end of the performance cycle.
- **Boeing (BA)** Deliveries/orders (Dec.): Deliveries 30 (prev. 13 M/M); 2024 net orders: 377. 2024: Deliveries: 348 (vs Airbus 766 deliveries).
- FTC accused **Cigna (CI)**, **CVS Health (CVS)** and **United Health (UNH)** of abusing middleman rule as PBM's overcharge patients for key treatments like cancer, MS, HIV and organ transplants. Finds the three co.'s inflated drug prices by USD 7.3bln from 2017-2022; Pharmacy Benefit managers likely steer more profitable prescriptions to their affiliated pharmacies.
- **Pfizer (PFE):** Intends to sell about 700mtn **Haleon (HLN)** shares, roughly 7.7% of its share capital.
- **Archer-Daniels-Midland (ADM):** Downgraded at BofA, noting the outlook for profitability has "sourer considerably over the past few months".
- **Las Vegas Sands (LVS):** Downgraded at Morgan Stanley.

## US FX WRAP

**The Dollar** was softer vs. major peers ex-JPY as newsflow pointed towards the Buck's rally taking a breather. Firstly, reports late Monday noted President-elect Trump's team is studying month-by-month tariff hikes of 2-5% (contrasts a more aggressive approach voiced in the past), although Trump still hasn't reviewed or approved the gradual tariff idea, via BBG. That said, the Buck was still modestly firmer into the EU session, but a soft PPI report on the headline weighed, seeing short-duration Treasuries bid off recent lows; DXY met its initial intraday low at 109.20. Elsewhere, macro updates were light as attention turned towards CPI on Wednesday, which in combination with PPI will help gauge the December's PCE report. Fed's Schmid (2025 Voter) repeated remarks made on Jan 9th, in which he voiced his usual hawkish tone. Moreover, Wednesday will see remarks from Fed's Barkin, Kashkari, Williams, Goolsbee, and separately, Cleveland CPI and the Beige Book.

**The Yen** was the G10 laggard against the Dollar, as BoJ's Deputy Governor Himino seemingly played down his usual hawk stance, leaning more towards a neutral and open-ended approach. The Deputy Governor said they will likely hike rates if their economic forecasts are realised, but must carefully watch various upside and downside risks at home and abroad. Looking ahead he voiced a data-driven approach, where a decision on a rate hike depends on information there by January and the need to examine the whole picture of the economy.

USD/JYP remained bid, heading into overnight trade 157.90, after failing to sustain another move below its 21 DMA (157.17).

**EUR** led the gains on Tuesday, taking advantage of a soft US PPI report, a marginally narrower rate differential, and a potentially less aggressive tariff approach from Trump. Regarding ECB speech, hawk Holzmann hopes to meet the 2% inflation target by year-end, while Lane said "if the economy is not growing quickly enough, we will undershoot our target". Meanwhile, ECB's Rehn said the ECB to rates to leave restrictive territory in the coming months, and by "midsummer" at the latest". With newsflow to be fairly thin for the remainder of the week, moves in EUR/USD will largely be a function of USD drivers, with the US inflation report on Wednesday the key focus.

**Cable** traded flat ahead of the UK's CPI report, albeit well off the 1.2140 lows, as a softer greenback helped. The focus remains on upcoming inflation figures (Wed) where ING notes the possibility of a potential GBP negative reaction, regardless of the outcome whereby a soft report means more BoE easing and a hot one triggers further upside in UK rates and further shrinks Chancellor Reeve's headroom. The day saw Citi update their BoE expectations, now expecting consecutive interest rate cuts from August 2025 (prev. forecast from May). For reference money markets only price one full 25bps BoE rate cut in 2025, with it priced by the June meeting. BoE's Breeden and Taylor are also due on Wednesday, with the latter to speak on inflation dynamics and outlook.

**EMFX:** In CEE, HUF saw modest gains and helped by a hot Hungarian CPI report in December, despite EUR/USD strength. Meanwhile, INR seemingly found a floor after Monday's selloff with the day's EM updates concentrated on the RBI, in which overnight reports noted the RBI was seen heavy selling dollars to limit the depreciation of the rupee prior to the local market spot open. Later, the Governor signalled he's open to a more flexible INR, via BBG. Thereafter, the RBI said it will continue to intervene as and when necessary to smoothen volatility. and will be more judicious in its use of FX reserves to mitigate domestic currency volatility. Lastly, and for the Argentinian Peso watchers, the central bank slows rate of Peso devaluation to 1% per month (prev. 2%).

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