

# newsquawk

## US Market Wrap - 17th January 2025

### Stocks and Dollar bid ahead of Trump inauguration

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude down, Dollar up
- **REAR VIEW:** US IP beats; Fed's Hammack expresses patience on rate cuts; US housing data beats; China GDP, industrial production and retail sales top expectations; UK retail sales unexpectedly decline; US President-elect Trump and China President Xi hold phone call; US Supreme Court rules against TikTok's appeal to forced US sale or ban.
- **COMING UP: Holiday:** Martin Luther King Jr. Day; Newsquawk will run a full service on MLK Day despite US market closures given that the holiday coincides with the inauguration of US President-elect Trump. **Events:** Second inauguration of US President-elect Trump. **Data:** Chinese LPR, German Producer Prices, BoC SCE. **Supply:** Australia, UK.
- **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 BoJ, PBoC, Norges, CBRT; Reviewing BoK. [To download the full report, please click here.](#)
- **US WEEKLY EARNINGS ESTIMATES:** [TUES] SCHW, PLD, NFLX; [WED] JNJ, PG, ABT, GEV; [THURS] GE, UNP, TXN, ISRG; [FRI] VZ, AXP, NEE. [To download the full report, please click here.](#)

### MARKET WRAP

Stocks were bid on Friday supported by optimism on US/Sino relations after a phone call with US President-elect Trump and China President Xi, who both expressed desire for a positive start to their relationship when Trump gets inaugurated on Monday. T-notes meanwhile flattened in likely profit taking after the dovish inflation data and dovish commentary from Waller this week ahead of Trump's inauguration where focus will lie on executive orders around tariffs/spending. The long-end of the curve was flat by settlement but the front-end saw notable pressure. In FX, the Dollar outperformed, supported by the move in yields and strong IP data with eyes turning to the inauguration, while the Yen underperformed, although more reports are suggesting a rate hike is to be expected next week from the BoJ. Crude prices settled in the red but finished the week in the green after Russian energy sanctions supported the weekly rally. Gold and Silver prices were sold amid the Dollar strength, while Crypto prices were buoyed with reports suggesting Trump is to plan an exec order for Crypto and make it a national priority. Elsewhere, Fed's Hammack echoed her hawkish remarks and concerns around inflation, while Housing Starts and Building Permits beat, but the surge in starts was due to favorable seasonals.

### US

**INDUSTRIAL PRODUCTION/MANUFACTURING OUTPUT:** Industrial Production rose 0.9% in December, above the expected 0.3% and high end of analysts forecast range (0.6%), with the prior decline of 0.1% revised up to +0.2%. Manufacturing output grew by 0.6% (exp. 0.2%) from the upwardly revised prior of 0.4% (was 0.2%). Capacity utilisation jumped to 77.6% above the expected 77.0% (prev. 76.8%, rev. 77.0%) and the highest analyst estimate of 77.4%. Within the report, the output of consumer goods increased 0.5% due to a rise in non durables production outweighing a broad-based decline in durables. A 1.9% gain in the energy index supported the 0.7% move higher in nondurable consumer goods, while a strong gain in the production of civilian index helped the index for businesses equipment rise by 1.4%. The index for materials rose 1.2%, with all components gaining-ex consumer parts, which dropped 1.4%. Oxford Economics points out that when stripping out certain factors (post strike Boeing recovery and the rebound in utilities and mining output), underlying manufacturing output is still recovering only slowly. The firm expects modest growth in industrial production in 2025, anticipating lower interest rates to be a modest tailwind, and the potential for more aggressive use of tariffs and uncertainty around the future of tax credits as a downside risk. Note, in wake of the data, the Atlanta Fed GDP Now tracker for Q4 24 was unchanged at 3.0%.

**HOUSING STARTS/BUILDING PERMITS:** Housing starts surged 15.8% in December to 1.499mln from 1.294mln, well above the 1.320mln forecast. However, Oxford Economics highlights that this surge is misleading as it was impacted by favorable seasonable factors. The desk notes this improvement does not signal to them that construction is weathering the rise in mortgage rates, and that the balance of risks to the outlook for residential investment this year remain weighted to the downside. Meanwhile, building permits fell 0.7% to 1.483mln from 1.493mln, but above the 1.460mln forecast. OxEco also points out that housing starts "are running slightly ahead of permits, which isn't overly favorable for residential construction over the next couple of months". Although a strong starts print, it appears to be driven by seasonals while looking ahead concerns remain due to elevated mortgage rates and potential price increases for builders if building materials are impacted by US President-elect Trump tariffs, who is set to be inaugurated on Monday.

**FED'S HAMMACK** (2026 voter, dissenter), in an interview with WSJ, said the US still has an inflation problem, and also the Fed still has a rate-of-change problem that they need to address. Hammack further added that they made amazing progress on it, but need to continue to finish the job. The dissenter from December said the central bank can be "very patient" and thinks rates today are only modestly restrictive. Reflecting on last month's rate cut she added, "for me, that December conversation was really about, did you need to do it now, or could you be more patient and wait and see." On that meeting, Hammack added just because something's priced into the market, to her, is an insufficient reason to do it.

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLED 2 TICKS LOWER AT 108-17+

**T-Notes bear flattened after the rally this week post dovish inflation and Fed commentary with eyes turning to Trump's inauguration.** At settlement, 2s +3.6bps at 4.274%, 3s +3.1bps at 4.332%, 5s +1.6bps at 4.414%, 7s +0.8bps at 4.513%, 10s +0.3bps at 4.609%, 20s -0.4bps at 4.914%, 30s -0.3bps at 4.842%

**INFLATION BREAKEVENS:** 5yr BEI +0.2bps at 2.535% 10yr BEI +0.2bps at 2.421% 30yr BEI -0.2bps at 2.348%.

**THE DAY:** T-notes meandered overnight before catching a bid in the European morning with T-notes tracking Gilts higher after a soft UK retail sales print. T-notes continued to grind higher to peak at 108-27+. Upside in T-notes in the morning came despite commentary from Fed's Hammack, who reiterated her hawkish messaging that the Fed can be patient on rate cuts and that inflation remains an issue, although

she is a known-hawk, being the sole 2024-voter dissenter in December. Meanwhile, there were positive inclinations regarding US/Sino relations after Trump and Xi held a phone call, with both hoping for a positive start to their relations. T-notes had peaked just ahead of the US data, which saw a very hot housing starts print but it was buoyed by favourable seasonalities. Later, US IP was much stronger than expected, beating all analyst forecasts while the prior saw revisions higher, although the Atlanta Fed GDPNow tracker was unchanged at 3.0% for Q4 24. With T-notes paring from peaks, it is likely some profit taking action after the rally seen this week after cool inflation metrics and a dovish Waller. T-notes have completely pared the post NFP downside seen last week, rising from lows of 107-06 on Monday to the aforementioned peak today of 108-27+. Meanwhile, attention turns to Trump's inauguration on Monday (albeit markets are closed for MLK day) with focus on any day 1 executive orders around trade, tariffs and spending. Elsewhere, also weighing was a chunky issuance from Bank of America in a USD 10bln 5-parter between four-11 year maturities.

**NEXT WEEK SUPPLY:** US Treasury to sell USD 13bln of 20yr bonds on 22nd January and USD 20bln of 10yr TIPS on 23rd January; as expected

#### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 0bps (prev. 1bps), March 7bps (prev. 8bps), May 13bps (prev. 14bps), December 39bps (prev. 42bps).**
- NY Fed RRP op demand at USD 118bln (prev. 94bln) across 32 counterparties (prev. 34).
- SOFR at 4.29% (prev. 4.28%), volumes at USD 2.318tln (prev. 2.280).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 108bln).

## CRUDE

**WTI (H5) SETTLED USD 0.46 LOWER AT USD 77.39/BBL; BRENT (H5) SETTLED USD 0.50 LOWER AT USD 80.79/BBL**

**The crude complex ended the day lower, but firmer for the fourth consecutive week as the latest US sanctions on Russian energy supported prices.** On Friday, benchmarks eventually turned lower due to the stronger Dollar alongside further positive updates out of the Middle East. On the latter, Israeli media reported that Israel agrees to Gaza hostage deal and the cabinet is to meet on Friday, whereby the Cabinet later ratified the agreement. Prior to this, the crude complex was initially buoyed by a constructive risk profile coupled with the decent Chinese GDP and activity data overnight. However, post-data China stats bureau stated China's economic operations were generally steady in 2024, but the impact from external environment changes is deepening, and domestic demand is not sufficient, adding economic operations still face many difficulties and challenges. On the supply side, Colonial Pipeline safely completed repairs Friday morning on Line 1 and returned the line to service. For the record, the weekly Baker Hughes rig count saw oil Oil -2 at 478, Natgas -2 at 98, leaving the total -4 at 580.

## EQUITIES

**CLOSES:** SPX +1.00% at 5,997, NDX +1.66% at 21,441, DJIA +0.78% at 43,488, RUT +0.40% at 2,276

**SECTORS:** Health -0.67%, Real Estate -0.04%, Utilities +0.1%, Industrials +0.56%, Materials +0.7%, Energy +0.79%, Financials +0.83%, Consumer Staples +0.85%, Communication Services +1.1%, Technology +1.65%, Consumer Discretionary +1.71%.

**EUROPEAN CLOSES:** DAX: +1.17% at 20,897, FTSE 100: +1.35% at 8,505, CAC 40: +0.98% at 7,710, Euro Stoxx 50: +0.80% at 5,148, AEX: +0.72% at 914, IBEX 35: +0.64% at 11,916, FTSE MIB: +1.25% at 36,268, SMI: +0.46% at 11,990, PSI: +1.07% at 6,564.

#### EARNINGS

- **Truist Financial (TFC):** EPS, revenue and NII beat; FY profit view topped.
- **Citizens Financial (CFG):** Q1 NII guidance light.
- **SLB (SLB):** EPS, revenue and adj. EBITDA surpassed expectations.
- **Fastenal (FAST):** Top and bottom line missed with higher-than-expected FY25 capex.
- **State Street (STT):** Q4 metrics largely beat but weak FY25 NII guidance.
- **J.B Hunt (JBHT):** Mixed results with disappointing operating income.

#### STOCK SPECIFICS

- **Starboard Value:** Acquired a 7.7% stake in Qorvo (QRVO), worth USD 500mln.
- **General Motors (GM):** Settled with the FTC after allegations that it shared drivers' location & behaviour data without consent.
- **Western Digital (WDC):** Guided Q2 profit at lower end of guidance range.
- **Vistra Corp (VST):** A fire broke out at the battery facility on Vistra's Moss Landing power plant in Monterey County, California, with 40% of the building consumed as of late Thursday containing lithium-ion batteries.
- **Intel (INTC):** Is an acquisition target, according to SemiAccurate citing sources.
- **FIGS (FIGS):** Rejected PE firm Story3 Capital Partners' offer to acquire the company, after last month's offer of USD 6/shr.
- US Supreme Court rules against **TikTok's** challenge to law that would force sale or ban of the app in US.
- FTC filed price discrimination case against **PepsiCo (PEP)**, according to Bloomberg.
- **Paramount (PARA):** Said to make concessions alongside Skydance to gain FCC approval of merger, via WSJ.
- US officials mulled longshot idea of **Intel (INTC)-Global Foundries (GFS)** deal, and Trump appointee Lutnick signalled he is committed to the programme, according to Bloomberg.
- **PG&E (PCG):** Got USD 15bln in financing after US finalised loan guarantee.
- US DoJ filed a nationwide lawsuit alleging **Walgreens (WBA)** knowingly filed millions of prescriptions that lacked a legitimate medical purpose.
- US Supreme Court rules against TikTok's challenge to law that would force sale or ban of the app in US.

#### BROKER MOVES:

- **Salesforce (CRM):** Upgraded at TD Cowen; said its IT survey screened favourable for CRM, while its recent checks have been "highly constructive" on interest levels of Agentforce, seeing "several new growth levers emerging" in the model for 2025 and 2026.
- **Spotify (SPOT):** Downgraded at Wolfe Research arguing revenue forecasts look "full" following price hikes, marketing cuts, and developed markets beginning to saturate.
- **Robinhood Market (HOOD)** - Named top pick at Morgan Stanley.

## US FX WRAP

**The Dollar** regained momentum ahead of President-elect Trump's inauguration, after incurring four consecutive days of losses. The day did see chopiness however, as gains were briefly trimmed following Trump remarking on his phone call with Chairman Xi of China "The call was a very good one for both China and the USA", "we discussed balancing trade". Thereafter, DXY was briefly weighed on by EUR strength as optimism arrived perhaps on upcoming trade relations with the EU, although EUR and CNH strength faded, resuming broad based USD strength; DXY peaked at 109.40. The latest US data helped sustain the USD move higher, with stronger-than-expected industrial production, manufacturing output, and capacity utilisation in December. Separately, Fed's Hammack who previously dissented in the December meeting (voted to hold), said the Fed can be patient on rate cuts, reiterating concerns over inflation. Despite the majority of markets being closed on MLK/Inauguration day on Monday, participants will remain attentive to soon-to-be US President Trump to make multiple speeches throughout the day, with the consensus for Trump to hit the ground running in his second term.

**G10FX** was entirely in the red as USD strength took the reins. JPY was the worst performer following two strong day of gains, even though continued sources pointed towards the BoJ hiking by 25bps. Behind the laggard performance, possible risk management could be at play with traders paring bets ahead of Monday, given the final decision will come after Trump's inauguration; USD/JPY sits in the low end of 156, having earlier bounced all of 154.99 lows, failing its test of the 50 DMA (154.85). Relative outperformers in the space included EUR and Antipodes with the latter buoyed by a strong set of China data (more detail below). Regarding the direction of EUR/USD, MUFG "see a break of parity as now very likely, we do not expect a sustained move lower. A key risk to our view of some EUR recovery in H2 is political uncertainty with another general election in France possible from July 2025 onwards." Ahead of the inauguration, USD/CAD rose to a peak of 1.4474, the weakest the CAD has been against the buck since March 2020.

**Cable** resumed its descent to the low end of 1.21, ending the week at daily lows of 1.2162, its third straight week of downside. Weighing on the Pound was a disappointing retail sales report, showing an unexpected decline of 0.3% in December (exp. 0.4%, prev. 0.1%). Downside was driven by poor food sales, the lowest level since 2013 with supermarkets particularly impacted. Next week is set to be a quiet one for the Pound, with no major releases on the schedule.

**EMFX:** As mentioned CNH saw gains off the back of Trump's reflection on his call with Xi Jinping, which later pared leaving USD/CNH flat on the day. Overnight, China's GDP (Q4), industrial output (Dec) and retail sales (Dec) all beat expectations, though akin to Trump-induced upside, gains were short lived. Elsewhere, Brazil's Finance Minister noted anything above USD/BRL 5.70 is expensive when considering economic fundamentals (currently trades ~ 6.01). In CEE, NBP Governor hit the wires following Thursday's decision to hold the Base Rate at 5.75% (in line with expectations). The Governor said discussions about rate cuts must be delayed, with CPI likely to rise over 5% in the coming quarters, with all forecasts indicating that this year CPI will be above target; EUR/PLN was flat into the weekend.

---

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