

# newsquawk

## US Market Wrap - 20th January 2025

### Equity and Treasury futures catch a bid as Trump avoids day-one tariffs

- **SNAPSHOT:** Equity futures up, Treasury futures up, Crude down, Dollar down
- **REAR VIEW:** Trump Inaugurated, avoids day-one tariff announcements; Stocks and bonds closed for MLK day; Hawkish ECB speak; WSJ reports BoJ likely to hike on Friday; PBoC leaves rates on hold, as expected; BoC Business Survey shows overall sentiment subdued.
- **COMING UP: Data:** UK Jobs, German ZEW, Canadian CPI, NZ CPI (Q4). **Supply:** Japan, Germany. **Earnings:** Charles Schwab Corp., D.R. Horton, Inc., KeyCorp, 3M Company, Fifth Third Bancorp, Forestar Group Inc., Prologis, Inc., Netflix, Inc., United Airlines, Interactive Brokers Group Inc, Seagate Technology plc, Progress Software Corp., Capital One Financial Corp., Abrdn, Ericsson.
- **WEEK AHEAD:** BoJ, PBoC, PMI data, UK jobs, Inflation data from Canada, Japan and NZ. [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.](#)
- **Trump inauguration address:** Said the golden age of America begins now and will sign a series of executive orders today, as widely touted. [For full information on what he said, please click here.](#)

### MARKET WRAP

US equity futures were bid with outperformance in the Russell while ES, NQ and YM saw gains of c. 0.4%. T-Note futures were also bid with morning weakness pared after reports in WSJ said US President Trump is to avoid day-one tariff policies, which ultimately was confirmed and largely dictated trade for the rest of the session. The announcement saw a typical dovish reaction with upside in T-Note futures and stocks while the Dollar plummeted, supporting the Euro, Antipodes, and CAD. Havens, CHF and JPY, were bid - but to a lesser extent than other G10 currencies due to their haven prospects in a risk on trade. Meanwhile, the Euro was already buoyed following hawkish ECB commentary while the JPY had support after more reports, this time from WSJ, suggesting a BoJ hike is likely on Friday. In response to the lack of tariffs, crude prices sold off while Trump echoed his drill baby, drill agenda he will fill strategic reserves again. Elsewhere, the Israel-Hamas ceasefire is now in place, and reports suggest it is going smoothly so far although there are still weather related concerns in the US given the cold weather. Gold prices saw slight gains, primarily propped up by dollar weakness. Crypto prices sold off with Trump failing to announce Crypto as a matter of national priority despite reporting suggesting so beforehand.

### FIXED INCOME

**T-Note futures (H5) started the holiday session in the red, tracking European counterparts lower after hawkish commentary from ECB's Schnabel and Holzmann.** However, T-Notes, and EGBs, jumped from the morning lows after reports in the WSJ that US President Trump is set to avoid day-one tariff announcements. The report sent T-Notes to peaks of 108-24+ from lows of 108-08+, with gains holding for the remainder of the session. With the Fed in blackout period this week ahead of the 29th Jan meeting, focus this week will likely remain on any updates from US President Trump, particularly around tariffs, taxes and government spending. The US data highlight will see flash PMI data for January, but elsewhere, global focus points will be on inflation reports from Japan, Canada and New Zealand, as well as the UK Jobs report and the BoJ rate decision. There will also be several central bank speakers throughout the week at Davos.

### CRUDE WRAP

#### BRENT (H5) SETTLED USD 0.64 LOWER AT 80.15/BBL

**The crude complex was weaker as it saw pronounced downside pre-inauguration on a WSJ article that Trump is set to lay out his vision for trade but will refrain from imposing tariffs at this stage.** As such, WTI and Brent saw immediate downside to intra-day lows on the broader risk on sentiment, before edging marginal lower later in the session to USD 75.82/bbl and 79.42/bbl, respectively. Before the Journal piece, it was subdued trade for oil, with demand hampered after the Israel-Hamas ceasefire took effect and Trump vowing to declare a national energy emergency as soon as he took office. On the Israel-Hamas ceasefire, the Israeli army conducted an assessment this morning of the first phase of the agreement and confirms that it went smoothly", according to Sky News Arabia citing Channel 13. On the supply side, desks flag potential short-term risks amid the freezing weather conditions in parts of Texas and New Mexico, which are seen remaining over the next couple of days. Highlighting this, North Dakota oil output is estimated to be down about 125-150k BPD due to extreme cold and related operations challenges. As a reminder, US markets are away today amid Martin Luther King Jr. Day, but participants are particularly cognizant of Trump's inauguration and remarks from the 47th President. Within his address, he noted he will declare a national energy emergency and reiterated his 'drill baby, drill' catchphrase. Trump added he will fill strategic reserves again and export American energy all over the world.

### FX

The Dollar was sent tumbling on the WSJ report before President Trump's inauguration, resulting in broad based risk on sentiment in the G10 and EM space, highlighted by DXY briefly falling below 108 to lows of 107.940. As such, Antipodes were amongst the best performers, alongside the EUR which saw highs of 1.0430, with the latter helped by ECB's Schnabel noting the bank is getting closer to the point at which it needs to look at how much further it can cut interest rates. Meanwhile, sources overnight reinforced the notion the BoJ will hike unless President Trump "rattles" financial markets; USD/JPY sits at ~155.80. Gains vs the Dollar largely held throughout the day, with MXN leading LatAm strength despite upside later trimming in Trump's inaugural address, in which he announced (as expected) his plans to declare a national emergency at the south border and reinstate the "remain in Mexico" policy. For the CAD, strength remained for the day, moving little in response to the BoC Q4 business survey which showed overall sentiment is subdued and firms expected growth in costs to continue to ease. Elsewhere, PBoC maintained its 1-year and 5-year Loan Prime Rates at 3.10% and 3.60%, respectively, as expected.

### HEADLINES

#### Notable News

- **President's Trump inauguration, whereby he said the golden age of America begins now and will sign series of executive orders today, as widely touted.** [For full details on what Trump said, please click here.](#)
- **US President-elect Trump is set to lay out his vision for trade but will refrain from imposing tariffs at this stage**, according to WSJ citing a memo. Memo will provide a blueprint for further action that Trump could take. Federal agencies will be directed to

investigate and remedy persistent trade deficits and address unfair trade and currency policies by other nations. Focus will be on China, Canada and Mexico.

- **Trump official later confirmed WSJ report that he will stop short of imposing day-one tariffs** .
- US President Trump will sign a trade action today directing federal agencies to examine trade policy and recommend follow-up actions, with a focus on: USMCA, Buy American policies, IP rules, and a new External Revenue Service; No tariffs today, via CNBC.
- Elon Musk's "DOGE" advisory panel is to be sued minutes within President-elect Trump's inauguration, according to WaPo.
- Taiwan Semiconductor (TSM) evacuates staff at factories in central and Southern Taiwan following a 6.4 mag earthquake.
- Weight-loss drugs (NOVOB DC, LLY) reduce risk of Alzheimer's (BIIB), according to FT citing a large study.
- **Crypto not mentioned as an immediate priority by US President Trump.**

#### Central Banks

- **ECB's Holzmann** says a January rate cut is not a foregone conclusion, ECB risks credibility cutting rates when CPI is increasing.
- **ECB's Schnabel** suggests that the Bank is getting closer to the point at which it needs to look at how much further it can cut interest rates
- **ECB's Vujcic** says risks around inflation are balanced and fine with current policy stance; data broadly in line with its forecasts. Market pricing of rate cuts is reasonable.
- **BoJ appears set to hike in January, unless US President-elect Trump taking office on Monday "rattles" financial markets** , via WSJ citing sources.
- **BoE's Woods (non-MPC)** says he would like to explore with the gov't whether there are wider regulator changes which could support domestic growth.
- NBP Minutes (Dec): most said energy price regulations were of significant importance for inflation outlook. CPI in 2025 could be similar to 2024, or even higher.
- BoC Q4 business survey outlook shows overall sentiment is subdued and firms expect growth in costs to continue to ease.

#### Commodities

- **Goldman Sachs estimates that the copper market is pricing almost a 50% probability of 10% US tariffs on copper by end-Q1** . Assign a 10% probability to a 10% effective tariff on gold in the next 12-months.
- Kazakhstan intends to export 1.2mtn/T of oil to Germany via the Druzhba pipeline in 2025 (1.5mtn/T in 2024).
- India's State Refiners have reportedly asked ADNOC to offer pricing its crude on a delivered basis as well as to manage costs, via Reuters citing sources; following US sanction disruption/price upside.
- Kuwait Oil Co. says discovery has been made of large commercial volumes of hydrocarbons in an offshore field, via state news agency; Discovered offshore field has an estimated 800mtn oil barrels
- China's Zijin Mining group has restarted gold production at its Buritica project in Colombia, via Reuters citing company source.
- **North Dakota Oil output estimated to be down about 125-150k BPD due to extreme cold and related operations challenges** ; associated wellhead nat gas output estimated to be down 0.35-0.43 BCFD due to extreme cold, via State Pipeline Authority

#### Geopolitics

- Chinese Foreign Minister, on US President-elect Trump saying he wants 50% US ownership of TikTok, says let enterprises decide independently, they should comply with Chinese laws and regulations.
- An Israeli soldier killed in a bomb explosion (reported to be an IED) in the West Bank, according to Al Arabiya.
- "The Israeli army conducted an assessment this morning of the first phase of the agreement and confirms that it went smoothly", according to Sky News Arabia citing Channel 13.
- Israel's Finance Minister says Israel must occupy the entire Gaza strip.
- Yemeni Houthis says as of Sunday, they will limit attacks on commercial ships to Israel-linked vessels.

#### European Data

- German Producer Prices MM (Dec) -0.1% vs. Exp. 0.2% (Prev. 0.5%)
- German Producer Prices YY (Dec) 0.8% vs. Exp. 1.1% (Prev. 0.1%)
- Swiss Producer/Import Price MM (Dec) 0.0% (Prev. -0.6%)
- Swiss Producer/Import Price YY (Dec) -0.9% (Prev. -1.5%)

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