

Stocks rally into the close as crude drops & Dollar chops on Trump at Davos

- **SNAPSHOT:** Equities up, Treasuries down, Crude down, Dollar down.
- **REAR VIEW:** US President Trump spoke at Davos, said will he ask OPEC to lower oil prices, sees US-China relation 'very good', signed order related to AI/crypto, and Ukraine's Zelenskiy told him he's ready to make a deal; Norges Bank hold rates, as expected; CBRT lowers weekly report rate; EIA crude draws less than expected; Israel said to be seeking extension to withdrawal from Lebanon; Initial claims rise more than expected; Poor EA prelim figures; SK Hynix warned of steeper demand declines in commodity memory chips.
- **COMING UP:** **Data:** Japanese, EZ, UK, US PMIs. **Events:** BoJ Policy Announcement. **Speakers:** BoJ's Ueda; ECB's Lagarde; Cipollone. **Supplies:** Australia. **Earnings:** Verizon, American Express, Burberry.

MARKET WRAP

US indices (SPX +0.5%, NDX +0.2%, DJIA +0.9%, RUT +0.5%) saw upside bias throughout the session, before surging higher into the close. Prior to the rally into the close, the tech-heavy Nasdaq 100 lagged and was in the red as was the Technology sector as semiconductor names saw weakness on after SK Hynix warned of steeper demand declines in commodity memory chips. However, amid the rally into the close Tech also closed green whereby all other sectors already were firmer with Health and Industrials sitting atop of the pile. The latter was supported by GE's (+6.6%) Q4 report impressing. The main event on the day was President Trump's appearance at Davos, whereby he touched on numerous subjects (more below), but notably sent the crude complex lower after noting he will be asking Saudi Arabia and OPEC to bring down the cost of oil. Thereafter, Trump signed multiple executive orders, and on crypto which sent Bitcoin briefly higher. The Dollar was in a tight range ahead of Trump's speech, but then saw two-way as he spoke at Davos, which prompted initial firmness on tariff talk but swiftly pared to sessions lows beneath 108. T-Notes steepened with focus on President Trump speech ahead of supply, FOMC and PCE next week. Before Trump, newsflow was fairly sparse but initial jobless claims rose and printed slightly above the expected, in the week that coincides with January's US payrolls data. Ahead, traders await BoJ overnight whereby the central bank is expected to hike by 25bps.

GLOBAL

PRESIDENT TRUMP: US President Trump gave a virtual appearance at Davos, whereby he touched on many subjects throughout. On oil, which reacted to downside, he noted he would ask OPEC to lower oil prices. In addition, said US has largest amount of oil and gas of any country, and are going to use it. On tariffs, said the message to business is make your product in America, and if you don't, you will have to pay a tariff. In addition, the President said the EU treats the US very badly, and EU tariffs make it very difficult to bring products into Europe, and also EU should not be going after big US tech companies like Apple (AAPL), Meta (META) and Google (GOOGL). On NATO, he is asking NATO nations to increase defense spending to 5% of GDP. Trump added will he bring corporate tax down to 15% if you make products in the US. On global relations, noted he is going to be demanding respect from other nations, including Canada, and is dealing with Mexico very well, while he sees US-China relations as being 'very good' and need to have a fair relationship.

JOBLESS CLAIMS: Initial jobless claims, for the week ending 18th January (coincides with NFP survey week), rose to 223k from 217k, a touch above the 220k consensus while the 4wk average ticked up to 213.5k from 212.75k. Continued claims, for the week ending 11th January (does not coincide with NFP survey window), jumped to 1.899mln from 1.853mln, well above the 1.862mln forecast and above the highest analyst estimate (1.891mln). The increase in claims was primarily due to upside in California, with the non-adjusted data showing a 6.7k rise in jobless claims, due to recent wildfires. Overall, unadjusted claims fell 68k, vs the expected seasonal decrease of 75.7k. Regarding the continued claims, analysts at Oxford Economics highlight they are still elevated and is consistent with the story that it is somewhat difficult for those who do lose their jobs to find new work.

FIXED INCOME

T-NOTE (H5) FUTURES SETTLED 6 TICKS LOWER AT 108-12

T-Notes steepen with focus on President Trump speech ahead of supply, FOMC and PCE next week. At settlement, 2s -1.0bps at 4.287%, 3s +0.3bps at 4.349%, 5s +1.9bps at 4.447%, 7s +3.2bps at 4.547%, 10s +4.3bps at 4.642%, 20s +4.7bps at 4.937%, 30s +5.5bps at 4.870%.

INFLATION BREAKEVENS: 5yr BEI +3.6bps at 2.542%, 10yr BEI +3.3bps at 2.445%, 30yr BEI +3.9bps at 2.387%.

THE DAY: T-Notes bear steepened on Thursday with pressure seen in the long-end throughout the European morning, before extending as US trade got underway with traders positioning for President Trump's speech and with supply next week. There was a small move higher after the continued and initial claims data came in above forecasts, albeit short-lived with the focus turning to Trump and supply. There was some chop in markets from the President's reiteration around tariffs, calling for companies to produce in the US, or else they will have to pay tariffs. Meanwhile, he said he will call on Saudi Arabia and OPEC to lower oil prices, sending oil prices tumbling which supported T-Notes off lows but the curve remained overall weaker on the session with focus turning to 2-, 5-, and 7-yr supply, the FOMC and PCE next week.

10YR TIPS: Overall, a slightly worse than average 10yr TIPS auction with soft indirect demand weighing. The US Treasury sold USD 20bln of 10yr TIPS at a high yield of 2.243%, tailing the when issued by 1.1bps, a better reception than the prior 1.7bps tail and more in line with recent averages. The bid to cover ratio of 2.48x was above the prior and average. Meanwhile, dealers took home 10.15% of the auction, an improvement from the prior 14.1% but not quite as strong as the 9.6% six auction average. Direct demand improved to 23.3% from 16.7%, above recent averages, while indirect demand fell to 66.5% from 69.2%, beneath the 71.8% average.

NEXT WEEK SUPPLY:

- US Treasury to sell USD 69bln of 2yr notes on 27th Jan, USD 70bln of 5yr notes on 27th Jan and USD 44bln of 7yr notes on 28th Jan; all to settle 31st Jan - as expected.
- To sell USD 30bln 2yr FRN on 28th Jan, to settle 31st Jan.

- To sell USD 84bln 13wk bills and USD 72bln 26wk bills on 27th Jan, to settle Jan 30th.
- To sell USD 85bln in 42day CMBs on 28th Jan; to settle Jan 30th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 7bps (prev. 6bps), May 12bps (prev. 12bps), December 40bps (prev. 39bps).**
- NY Fed RRP op demand at USD 132bln (prev. 124bln) across 34 counterparties (prev. 24).
- SOFR at 4.30% (prev. 4.29%), volumes at USD 2.269tln (prev. 2.361tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 101bln (prev. 100bln). US sold USD 95bln in 4wk bills at high rate of 4.265%, B/C 2.88x
- US sold USD 90bln 8wk bills at high rate of 4.250%, B/C 2.75x.

CRUDE

WTI (H5) SETTLED USD 0.82 LOWER AT USD 74.62/BBL; BRENT SETTLED USD 0.71 LOWER USD 78.29/BBL

The crude complex was lower, and primarily weighed on by President Trump remarks at Davos. WTI and Brent were seeing slight gains ahead of Trump's virtual appearance at Davos, albeit with macro and complex-specific newsflow on the quieter side, but benchmarks saw notable downside to lows of USD 74.39/bbl and 78.02/bbl, respectively, after Trump stated he will be asking Saudi Arabia and OPEC to bring down the cost of oil. Into settlement oil continued to hover just off lows as traders await the next risk events, potentially being Fed (next Wed), PCE (next Fri), or any Trump remarks. Away from the President, the weekly EIA data, delayed a day on account of MLK Day, saw crude have a shallower draw than expected, against last night's surprise build. Regarding geopolitics, Israel is said to be seeking 30 more days to withdraw from Lebanon, citing Hezbollah violations, according to Times of Israel, which resulted in modest upside seen in benchmarks.

EQUITIES

CLOSES: SPX +0.53% at 6,119, NDX +0.22% at 21,901, DJIA +0.92% at 44,565, RUT +0.47% at 2,315

SECTORS: Technology +0.12%, Consumer Discretionary +0.4%, Consumer Staples +0.41%, Energy +0.45%, Utilities +0.47%, Materials +0.51%, Financials +0.6%, Communication Services +0.81%, Real Estate +0.82%, Industrials +0.96%, Health +1.35%.

EUROPEAN CLOSES: DAX: +0.77% at 21,418, FTSE 100: +0.23% at 8,565, CAC 40: +0.70% at 7,893, Euro Stoxx 50: +0.21% at 5,217, AEX: -0.58% at 909, IBEX 35: +0.99% at 12,001, FTSE MIB: +0.72% at 36,113, SMI: +0.61% at 12,262, PSI: +0.23% at 6,520.

EARNINGS

- **SK Hynix (HXCL):** Warned of steeper demand declines in commodity memory chips.
- **American Airlines (AAL):** Sees an unexpected loss per share in Q1. Note, Q4 metrics topped.
- **Elevance Health (ELV):** EPS and revenue beat with FY profit guidance better than expected.
- **GE Aerospace (GE):** EPS and revenue topped, raised dividend by 30% and increasing buyback to USD 7bln.
- **McCormick (MKC):** FY profit view light of St. consensus.
- **Union Pacific Corp (UNP):** EPS beat.
- **Freeport-McMoRan (FCX):** Revenue missed.
- **Steel Dynamics (STLD):** Profit beat, but revenue missed; Expects increased demand across its platforms in '25.

STOCK SPECIFICS

- **Electronic Arts (EA):** Soft prelim Q3 stats and FY guidance.
- **Tesla (TSLA):** Will raise prices for all car models in Canada starting Feb. 1st; Model 3 by up to CAD 9,000 and other models up to CAD 4,000.
- **Knight-Swift Transportation (KNX):** EPS and revenue beat; anticipates '25 will be a year of gradual recovery in market conditions that bridges to a more constructive 2026.
- **AST SpaceMobile (ASTS):** Announced USD 400m convertible senior notes offering.
- **Boeing (BA):** 737 MAX production cap (38/mnth) after safety concerns will remain.
- Activist investor Mantle Ridge has secured enough support from **Air Products (APD)** investors to win several seats on the company's board of directors.
- **Guidewire (GWRE):** Initiated with a 'Buy' at Goldman Sachs.
- **eBay (EBAY):** Announced new collab with OpenAI; anticipates collaboration will expand reach of sellers.
- **Juniper (JNPR)** and **Hewlett Packard (HPE)** deal approval expected to be soon under US President Trump, according to CTFN.

US FX WRAP

The Dollar spent overnight and EU trade within a tight range until US President Trump made his virtual appearance at Davos. Instant upside was seen in the Buck, as the President said the "message to business is to make your product in America, and if you don't, you will have to pay a tariff. Given the similarity to recent rhetoric with details on tariffs light, markets seemed unbothered for now, paring the move swiftly, then breaking below the then-session low of 108.16 and printing fresh lows of 107.92, before later re-claiming the 108 handle. Aside from Trump's remarks, dollar-specific drivers were fairly light with a bigger rise than forecasted seen in weekly initial claims, although a muted reaction was seen in the dollar. As it stands, Trump has no scheduled appearances on Friday, with the main focus being on S&P Flash PMIs for Services and Manufacturing (Jan) as well as Final UoM data.

G10FX was predominantly in the green against the Buck, benefiting from the USD weakness as opposed to specific drivers. Top performers included GBP, and JPY, less weighed by Trump's remarks than Antipodes and the Euro. Ahead, a series of PMIs is due in Europe, EZ, and the UK. Regarding the latter, analysts at Investec expect a further deterioration in the data series with commentary to reflect ongoing themes of "fragile consumer confidence, in part related to Budget measures, and headwinds from lacklustre economic conditions overseas". Concerning the CAD, weaker oil prices and a closer link to the US were likely behind its relative underperformance (modestly firmer) amid Trump saying he would ask OPEC to lower oil prices; USD/CAD fell to ~1.4330.

The Yen was less reactive to Trump's remarks, gradually grinding higher throughout the EU and US session, with USD/JPY falling below 156 ahead of the BoJ rate decision overnight. Expectations are for a 25bps hike with money markets pricing a ~94% chance of occurring. As usual, there is no exact scheduled time for the BoJ rate decision which can occur anytime after the start of the Tokyo lunch break from 02:30GMT/21:30EST and aside from the decision on rates, participants will be eyeing whether the central bank continues to flag further

policy normalisation. For the full Newsquawk BoJ preview please [click here](#).

NOK was little changed after the Norges Bank held rates as expected at 4.5%, reiterating the easing will likely start in March. On inflation, they noted the rapid rise in business costs is likely to contribute to stoking inflation ahead, but noted the implications of higher tariffs for prices prospects in Norway are uncertain. The Viking cross slightly favoured the NOK, heading into overnight ~ 0.9761.

EMFX: TRY ended the US session relatively unchanged following the CBRT's decision to cut the repo rate to 45.0% (prev. 47.50%), as anticipated, and repeating their commitment to a meeting-by-meeting basis. Separately, the Yuan reversed trimmed earlier weakness off the back of Trump's tariff remarks, helped by optimistic dialogue from the US President about US-China relations, 'Sees US-China relation being 'very good' and need to have a fair relationship'. Outperformance was seen in LatAm FX, led by MXN, and COP, while CNH, TRY, INR, and ZAR lagged.

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