

newsquawk

US Market Wrap - 24th January 2025

Stocks and bonds chop to softening Trump tariff tone

- **SNAPSHOT:** Equities down, Treasuries up, Crude flat, Dollar down
- **REAR VIEW:** Trump would rather not use tariffs over China; BoJ hikes 25bps, as expected, with mixed Ueda remarks; Disappointing TXN guidance; Weak Q4 BA numbers; US Flash PMI's negative bias; UK and EU Flash PMI's better than expected; META CEO hikes 2025 Capex guidance; Fire at Iraq's giant Rumaila oilfield.
- **COMING UP: Data:** Chinese NBS PMI, German Ifo Expectations **Speakers:** ECB President Lagarde **Supply:** EU, US Earnings: Ryanair, Sofi, AT&T
- **WEEK AHEAD:** Highlights include FOMC, ECB, BoC, US PCE, EZ GDP, Tokyo and Australian CPI. [To download the report, please click here](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC, ECB, BoC, Riksbank, BCB; Reviewing BoJ, PBoC, Norges, CBRT. [To download the report, please click here](#)
- **WEEKLY EARNINGS ESTIMATES:** Deluge of mega-cap earnings with highlights including META, MSFT, TSLA, AAPL. [To download the report, please click here](#)

MARKET WRAP

Stocks sold off on Friday with the majority of losses occurring in the US afternoon on likely profit taking into the weekend after Trump's first week in office which saw the SPX hit a fresh record high earlier in the week. Underperformance was observed in the Nasdaq with weakness in semis after a soft Texas Instruments (TXN) guide, with the sector continuing to be hit after disappointing SK Hynix guidance on Thursday; NVDA closed -3% on Friday. Meanwhile, Meta (META) was ultimately bid despite initial selling after CEO Zuckerberg heavily raised CapEx guidance for the year with a focus on AI. Elsewhere, T-Notes settled roughly flat with marginal upside with T-Notes chopping to remarks from US President Trump and economic data. Upside was observed after the President softened his tariff stance overnight on China, noting he would rather not use tariffs on China and alluded to making a deal with China. However, European PMI data was generally better than expected which saw T-Notes move lower before disappointing US PMI's reignited the bid, supported by revisions lower to the Jan UoM Consumer Sentiment survey. The Dollar tumbled in response to the Trump remarks with further pressure added after the PMI data, while the Yen was flat vs. the softer Buck despite the BoJ hike overnight (as expected). The Yen chopped to remarks from Ueda in the presser, seeing gains around commentary on strong wage data and weakness around comments that there is no clear policy path for future adjustments. Elsewhere, oil settled flat with earlier upside supported by the weaker Greenback before selling was observed at the cash open, although there is focus on the impact of a fire at Iraq's giant Rumaila oilfield, which caused a temporary 300k BPD hit to production and sources via S&P Global suggest it could last for days. Gold prices continued to trend higher, as did silver, both supported by the weaker Dollar.

US

EXISTING HOME SALES: Existing home sales rose 2.2% in December to 4.24mln (prev. 4.15mln), above the expected 4.19mln. Inside the report, median existing-home sale price jumped 6% Y/Y to USD 404,400, the biggest Y/Y gain seen since October 2022, while inventory of unsold existing homes fell 13.5% M/M, that is, 3.3 months' supply at the current monthly sales pace. NAR Chief Economist Yun said "The median home price was elevated partly due to the upper-end market's relative better performance, and sales rose by 35% from a year ago for homes priced above \$1 million, while sales fell for homes priced under \$250,000." Ahead, Oxford Economics current baseline looks for existing home sales in 2025 to be roughly in line with the Q4 pace, but thinks "the risk may be for a slightly stronger pace of sales, particularly if mortgage rates decline modestly as we expect."

UOM: The Final University of Michigan consumer sentiment survey for January saw the headline revised down to 71.1 from 73.2, despite expectations for it to be left unchanged. The drop was primarily led by the current conditions index which fell to 74.0 from 77.9, while forward looking expectations eased to 69.3 from 70.2. The inflation expectations were unchanged from the prelim for the 1yr at 3.3% with the 5yr being revised down to 3.2% from 3.3%. Note, the UoM survey is extremely sensitive to political changes as it judges overall sentiment for democrats and republicans. Bloomberg's Authers highlighted that "Michigan asks respondents for their party identification... 1yr inflation expectations among Republicans were higher than for Democrats throughout the Biden administration - that has all changed; Democrats are suddenly braced for 4% inflation, while Republicans say prices will rise by only 0.1%." The report highlighted that "Concerns over the future trajectory of inflation were visible throughout the interviews and were tied to beliefs about anticipated policies like tariffs. Consumers continued to spontaneously express motives for buying-in-advance to avoid future price increases, and robust auto and retail sales data suggest that consumers are indeed acting on these views."

FIXED INCOME

T-NOTE FUTURES (H5) SETTLED 3 TICKS HIGHER AT 108-15

T-Notes chop to softening Trump tariff talk and mixed data. At settlement, 2s -1.3bps at 4.272%, 3s -1.4bps at 4.332%, 5s -1.1bps at 4.431%, 7s -1.1bps at 4.531%, 10s -1.0bps at 4.628%, 20s -1.7bps at 4.919%, 30s -1.6bps at 4.853%.

INFLATION BREAKEVENS: 5yr BEI -0.8bps at 2.549%, 10yr BEI -3.7bps at 2.419%, 30yr BEI +0.7bps at 2.398%.

THE DAY: T-Notes caught a bid overnight and in the European morning to reach an interim peak of 108-19, supported by softer tariff talk from US President Trump on China. The President said he would rather not use tariffs over China and alluded to making a deal with China. T-Notes then pared throughout European trade to c. 108-07+ in the US morning with generally better than expected European PMI data supporting the move lower. Nonetheless, the US PMI data for January disappointed with a big miss in services offsetting the return to expansionary territory in manufacturing, seeing the composite fall. This saw T-Notes resume higher to fresh peaks of 108-21+, supported by a revision lower in the UoM consumer sentiment data. T-Notes then pared gradually into settlement. Attention next week turns to the January FOMC where a hold is widely expected, with the data highlight being US PCE and also eyes on Treasury supply (more below).

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. 7bps), May 14bps (prev. 12bps), December 42bps (prev. 40bps).
- NY Fed RRP op demand at USD 105bln (prev. 132bln) across 23 counterparties (prev. 34).
- SOFR at 4.35% (prev. 4.30%), volumes at USD 2.269tln (prev. 2.269tln).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 93bln (prev. 101bln).

CRUDE

WTI (H5) SETTLED USD 0.04 HIGHER AT 74.66/BBL; BRENT (H5) FUTURES SETTLED USD 0.21 HIGHER AT 78.50/BBL

The crude complex ended the day flat, but the week in the red as President Trump comments weighed in his return to office. WTI and Brent saw choppy trade on Friday continuing from Trump's remarks at Davos, whereby he said he will ask OPEC to bring down the cost of oil, something he again reiterated today. In response, OPEC+ delegates said it sees no reason to deviate from their current policy, adding that faltering fuel demand in China and plentiful new supplies mean there is still the risk of an oil surplus. In the Middle East, as heavily eluded to during the week, Israel is delaying withdrawal from southern Lebanon beyond Sunday's deadline, claiming the agreement has not yet been fully enforced by Lebanon. Energy specific headline newsflow was fairly sparse on Friday, although potentially sparking a bout of upside was reports that the fire at Iraq's giant Rumaila oilfield, which was brought under control on January 24th hours after it started, caused a temporary 300k BPD hit to production that could last for days, according to S&P Global citing sources. Elsewhere, Reuters sources noted that a fire erupted at Russia's Ryazan oil refinery overnight after a Ukrainian drone attack, while Indian Oil Minister says they will purchase Russian crude if it is available at a "good discount". For the record, in the weekly Baker Hughes rig count, oil fell 6 to 472, nat gas rose 1 to 99, leaving the total declining 4 to 576. WTI and Brent traded between USD 74.01-75.21/bbl and 77.60-78.99/bbl, respectively.

EQUITIES

- **CLOSES:** SPX -0.29% at 6,101, NDX -0.58% at 21,774, DJI -0.32% at 44,424, RUT -0.30% at 2,308.
- **SECTORS:** Technology -1.09%, Energy -0.98%, Consumer Discretionary -0.54%, Industrials -0.42%, Materials -0.23%, Health +0.13%, Financials +0.22%, Real Estate +0.31%, Consumer Staples +0.36%, Utilities +1.07%, Communication Services +1.09%.
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.03% at 5,219, FTSE 100 +0.00% at 8,502, CAC 40 +0.44% at 7,928, IBEX 35 +0.00% at 11,983, FTSE MIB +0.00% at 36,201, PSI -0.25% at 6,504, DAX -0.12% at 21,386, SMI +0.10% at 12,277

EARNINGS

- **Verizon Communications (VZ):** Revenue topped with adj. EPS in line. FY EPS midpoint light. Also, unveiled AI strategy to power next-gen AI demands, a new partnership with Vultr.
- **American Express (AXP):** Q4 figures more-or-less in line & hiked dividend 17%.
- **Texas Instruments (TXN):** Next quarter profit guide underwhelmed, but top and bottom line beat.
- **CSX (CSX):** EPS and revenue missed.
- **Intuitive Surgical (ISRG):** 2025 gross profit margin guidance light, but EPS and revenue beat.

STOCK SPECIFICS

- **Meta (META):** CEO Zuckerberg says planning to invest USD 60-65bln in capex this year (exp. 51.31bln, prev. guidance 38-40bln). Planning to grow Meta's AI team "significantly". Co. is building a 2GW+ data center "that is large it would cover a significant part of Manhattan".
- **Novo Nordisk ADR (NVO):** Said an early-stage trial for its once weekly amycretin obesity drug resulted in average weight reduction of 22% in obese and overweight patients after 36 weeks.
- **Boeing (BA):** Disappointing prelim Q4 numbers.
- **Twilio (TWLO):** Was positive on direction and more confident in its ability to accelerate growth at its Investor Day; announced optimistic 2027 profit guidance.
- **China Stocks (FXI, PGJ):** US President Trump said conversation with China's Xi went fine, adding he would rather not have to use tariffs over China in a pre-taped interview with Fox News.
- **Air Products and Chemicals (APD):** Upgraded at Barclays.
- **Brinker International (EAT):** Downgraded at KeyBanc.
- **Tobacco names (PM, MO):** Menthol cigarette reportedly withdrawn by Trump administration, according to Bloomberg.
- **United Health (UNH), Humana (HUM):** CMS withdraws appeal of UnitedHealth (UNH) Medicare Advantage star ratings case, according to Stat News; Reversal comes as the Trump admin pauses some federal work.
- **Paramount (PARA):** A consortium of investors who previously bid on Paramount (PARA) is mounting an eleventh-hour USD 13.5bln offer, according to Variety.

US FX WRAP

The Dollar saw chunky losses with DXY hitting a low of 107.210 in a continuation of the price action seen on Thursday and overnight through the APAC session, after US President Trump suggested a preference of not using tariffs on China if possible, and also his calls for lower interest rates. Elsewhere, newsflow for the Buck was fairly light on Friday as US S&P Global Flash PMI's for January were mixed, but garnered little reaction. Recapping, Services fell much more than expected, however Manufacturing surprisingly rose into expansionary territory, seeing the composite fall. Ahead, participants await a deluge of risk events next week, namely FOMC (Wed), PCE (Fri), mega-cap tech earnings (Wed, Thurs) and any appearances from President Trump.

G10 FX was exclusively firmer, and profiting off of the weaker Buck. CHF and JPY only saw marginal gains with the latter choppy in wake of the BoJ and following Ueda comments. Recapping, the BoJ hiked rates by 25bps to 0.50%, as expected, via an 8-1 vote with Nakamura the dissenter - opting for a hold. BoJ reiterated that it will continue to raise rates if the economy and prices move in line with forecasts. In the presser, Ueda began with a hawkish tilt given his comments around spring wage talks and his judgement that markets have been stable post-Trump. However, this was superseded by comments on the policy path (no pre-set idea on future adjustments and no preconceived ideas around the scope/timing of the next rate rise) - a remark which sparked a dovish move across Japanese assets. USD/JPY hit a high of 156.57

against later lows of 154.86.

GBP was the relative outperformer, but EUR and Antipodeans still saw notable gains, on account of the Buck weakness. Nonetheless, the Pound firmed vs. the Dollar this week and recouped some of its recent lost ground, albeit with Cable still residing closer to 1.20 than 1.30. GBP noticed strength in the UK morning after UK flash PMI data was better than expected. Out of Europe, PMI metrics were broadly surpassed St. consensus, and ECB President Lagarde said she has confidence that inflation will continue to slow.

Cable and EUR/USD traded between 1.249-2501 and 1.0413-0521, respectively. Aside from the aforementioned reasons, antipodeans also benefitted from Yuan strength in wake of remarks from Trump who suggested a preference of not using tariffs on China. AUD/USD eclipsed its 50 DMA (0.6324) with a trading range between 0.6279-0.6330. NZD/USD touched its 50 DMA (0.5723) from a low of 0.5672, but could not breach the technical level.

EMFX gained against the board against the floundering Buck. Ahead of BCB next week, Brazilian IPCA mid-month inflation data for January printed above forecasts, whilst Mexican IGAE economic activity numbers were mixed but MXN benefitted from the Trump commentary.

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