# US Market Wrap - 28th January 2025

## Stocks pare some of the DeepSeek downside while Dollar catches bid on Trump Tariff remarks

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar up.
- **REAR VIEW**: Trump tariff talk, and White House says Feb 1st data for Canada and Mexico still holds; Soft durable goods, albeit largely due to aircraft orders; Consumer confidence underwhelms; Well received US 7yr auction; Positive BABA AI update; Supportive BA commentary; Weak LMT guidance.
- **COMING UP**: **Holiday**: Chinese Spring Festival (Jan 28 - Feb 4 2025) **Data**: Japan Consumer Confidence, Australian CPI, Spanish GDP (Q4), US Advance Goods Trade Balance, NZ Trade Balance **Events**: Fed, BoC, Riksbank, BCB, Policy Announcement **Speakers**: Fed Chair Powell, BoC's Macklem & Rogers, Riksbank's Thedeen, BoE Governor Bailey **Supply**: Japan, UK, Germany **Earnings**: ASML, Volvo AB, Santander, Tesla, Meta, Microsoft, IBM, ServiceNow, T-Mobile, Danaher, General Dynamics, VF Corp.

## MARKET WRAP

Tuesday's trade was largely a reversal of the Monday DeepSeek reaction. US equity futures were bid throughout the majority of the session led by upside in tech with Nvidia (NVDA) regaining some of the Monday losses, albeit still having some ground to cover to completely retract the move. T-notes settled red but were very choppy in response to risk sentiment, tariff commentary and auctions. On tariffs, US President Trump said he wants a larger universal tariff than 2.5% and he has a number in mind but has not quite set it yet. Meanwhile, the White House said the Feb 1st data still holds regarding Tariffs on Canada and Mexico. The dollar was buoyed by the tariff commentary while Yen lagged giving up some of the prior day gains and the Aussie also underperformed ahead of inflation data overnight. Oil prices were choppy to Libya supply updates and the White House announcement on tariffs. Elsewhere, data was mixed with US Durable Goods disappointing on the headline but primarily due to volatile aircraft orders with core metrics more reassuring while the Atlanta Fed GDP Now data was upgraded in wake of the data to 3.2% from 3.0%. Consumer confidence slipped but inflation expectations rose, while the Richmond Fed survey improved. There was also focus on earnings, Boeing (BA) was supported by commentary as opposed to the actual numbers while Lockheed (LMT) guidance saw the stock tumble. LVMH (MC FP) earnings disappointed, weighing on CAC futures, while BMW (BMW GY) cut its FY margin outlook. China stocks saw further gains with Alibaba (BABA) buoyed by its update that its new Qwen model outcompetes DeepSeek V3.

## US

**FED PREVIEW**: The Federal Reserve is widely expected to hold rates between 4.25-4.50% at its January 29th meeting, highlighted by all 103 economists surveyed by Reuters expecting this outcome and money markets seeing just a 3% probability of a 25bps cut. Looking ahead, money markets are almost fully pricing in two 25bps rate cuts in 2025. Goldman Sachs' baseline forecast also calls for two 25bp cuts this year in June and December and one more in 2026. GS expects inflation to keep falling and they do not expect tariffs to restrain the FOMC indefinitely. However, the desk adds it is hard to have great confidence in the exact timing of cuts, due to the fact it is hard to know how they will choose to navigate tariffs this time. Expectations of two rate cuts this year are fitting with the Fed median projections from December, which will be updated in March. To see the full Newsquawk preview, please click here .

**DURABLE GOODS**: Headline Durable Goods fell 2.2% in December, beneath the expected gain of 0.6% but within the wide range of forecasts between -3.5% and +4.0%, while the prior was revised down to -2.0% from -1.2%. The downside was primarily due to the volatile aircraft orders with ex-transport rising 0.3%, albeit still beneath the 0.4% forecast. Ex-defense durable goods fell 2.4% vs. the prior -1.3%. The nondefense capital goods ex-aircraft rose by 0.5%, above the 0.3% forecast with the prior revised up to 0.9%. Meanwhile, the nondefense capital goods shipments ex-aircraft rose by 0.6%, vs the prior 0.4%. Analysts at Pantheon Macroeconomics highlight that this "suggests that Thursday's advance GDP release will show a similar small gain in "core" business equipment investment, that is, excluding the volatile computer equipment and transportation components". The desk also adds that the swings in aircraft will wash out the numbers eventually, but the larger question is "whether the nascent upturn in underlying capital goods orders and shipments will persist".

**CONSUMER CONFIDENCE**: US Consumer Confidence unexpectedly fell to 104.1, beneath consensus of 105.6, and the upwardly revised prior of 109.5 (prev. 104.7). In January, the Present Situation Index fell sharply by 9.7 points to 134.3, with the Expectations Index also falling, by 2.6 points to 83.9, but remained above the threshold of 80 that usually signals a recession ahead; year-ahead inflation expectations rose to their highest level in six months. The headline weakened for a second straight month, but Chief Economist at The Conference Board Peterson notes it still remains in the narrow range since 2022, even if in the lower part. Additionally, Peterson noted, "views of current labor market conditions fell for the first time since September"; "consumers' assessments of the present situation experienced the largest decline; and the return of pessimism about future employment prospects seen in December was "confirmed in January". Ahead, OxFord Economics believes January's inflation reports are unlikely to give consumers good news, as they will be lifted by residual seasonality and given added inflationary risks from tariffs this year, "inflation expectations will likely remain elevated in the near term

**RICHMOND FED**: Richmond Fed manufacturing index remained soft in January as remained in negative territory at -9.0 (prev. -11.0). The composite index lifted to -4 from -10. Of its three component indices, shipments and new orders edged up to -9 (prev. -11) and -4 (prev. -11), respectively, and employment lifted back into positive territory of 3 from -8. Looking further within the report, the local business conditions index fell to -5 (prev. 0), while the index for future local business conditions decreased to 32 from 40. The future indices for shipments and new orders also decreased but remained solidly in positive territory, suggesting that many firms expected improvements in the next six months. A smaller share of firms reported decreasing backlogs in January as the index increased to -5 from -13. On the inflationary footing, prices paid and received decreased somewhat in January, and ahead firms expected growth in both prices paid and prices received to increase over the next 12 months.

## FIXED INCOME

**T-NOTE FUTURES (H5) SETTLED 4 TICKS LOWER AT 109-01**

**T-Notes chop to risk sentiment post DeepSeek sell off, tariff commentary, auctions and data** . At settlement, 2s +0.7bps at 4.203%, 3s

+1.1bps at 4.251%, 5s +1.0bps at 4.340%, 7s +1.2bps at 4.436%, 10s +1.4bps at 4.542%, 20s +1.5bps at 4.846%, 30s +1.4bps at 4.785%

**INFLATION BREAKEVENS**: 5yr BEI +2.7bps at 2.554%, 10yr BEI +1.1bps at 2.411%, 30yr BEI +0.3bps at 2.384%.

**THE DAY**: T-Notes were choppy on Tuesday but ultimately the curve settled lower after Monday's flight-to-quality bid. In somewhat of a reversal from Monday price action, stocks had rallied, particularly tech as DeepSeek fears appeared overdone for now given a tremendous amount of uncertainty. T-Notes sold off overnight and hit a low of 108-25+ with the move supported by remarks from US President Trump, that he wants universal tariffs much larger than the 2.5% level, and he has a tariff level in mind but he has not set it yet. T-Notes also tracked the inverse of equities with Nvidia (NVDA) rallying in the pre-market, paring some of the steep losses on Monday. T-Notes had pared after the soft US cash equity open, with T-Notes still sensitive to overall risk sentiment after the sharp moves on Monday. Nonetheless, once the dust settled equities trended higher throughout the session seeing T-Notes slide back to the morning lows. Although the risk sentiment was likely the driver, it is worth bearing in mind it followed the release of the CB Consumer Confidence data, which slipped, but inflation expectations rose. There was also likely some dealer concession taking place ahead of the 7yr auction. Meanwhile, there may have also been some follow-on selling after BTP's were hit after the Italian PM Meloni came under investigation for embezzlement. After the auction, T-Notes had moved higher to reclaim 109-00 supported by a chunky 5yr block buy (7k ZFH5 at 106-147) but once again pared with commentary from the White House that the Feb 1st tariff date on Canada and Mexico still holds capping the bid due to inflationary implications. Nonetheless, T-Notes managed to reclaim the level into settlement. Elsewhere, Durable Goods data was softer than expected but primarily due to soft aircraft orders while in wake of the data, the Atlanta Fed GDPNow estimate was revised up to 3.2% from 3.0%.

**7YR**: Overall, a well received auction. The US Treasury sold USD 44bln of 7yr notes at a high yield of 4.457%, above the prior auction's 4.532% and stopping through the when issued by 0.9bps. The stop through is not quite as large as December's 2.1bps stop through, although the prior's may not be directly comparable given it took place on Boxing Day with many players away for Christmas which resulted in very low direct demand. Nonetheless, the 0.9bps stop through is in line with recent averages, as was the 2.64x B/C. Dealers took an in line 9.9% of the auction, while direct demand returned to 23.1% from the 2.1% seen on Boxing day. Indirects took a below average 67%, down from December's 87.9%.

**STIRS/OPERATIONS**:

- **Market Implied Fed Rate Cut Pricing: January 0bps (prev. 1bps), March 8bps (prev. 8bps), May 15bps (prev. 16bps), December 48bps (prev. 51bps)**.
- NY FED RRP op demand at USD 113bln (prev. 93bln) across 28 counterparties (prev. 26)
- SOFR at 4.34% (prev. 4.34%), volumes at USD 2.338tln (prev. 2.289tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 97bln (prev. 97bln).
- Treasury Buyback (Liq. support 7.5-30yr TIPS): Receives USD 1.616bln of offers, accepts USD 500mln (max purchase amount USD 500mln); offer to cover of 3.23
- US sold USD 85bln in 42-day CMBs at high rate of 4.260%, B/C 2.71x
- US Treasury to sell USD 95bln in 4wk bills and USD 90blnin 8wk bills, and USD 64bln in 17wk bills on January 29th; all to settle Feb 4th.

## CRUDE

**WTI (H5) FUTURES SETTLED USD 0.60 HIGHER AT 73.77/BBL; BRENT (J5) SETTLED USD 0.31 HIGHER AT 76.49/BBL**

**The crude complex was firmer in what was a choppy session, as it erased some of Monday's weakness as broader risk sentiment improved**. On Tuesday, benchmarks were initially supported on reports that protesters were demanding the halting of oil loading operations at Libya's Es Sidra port, reportedly shipping some 447k BPD, and also at its Ras Lanuf port. However, WTI and Brent came under pressure to print lows of USD 72.93/bbl and 75.90/bbl, respectively, after journalist Elgrj said Libyan protestors have decided to temporarily allow oil ports to re-open and will be providing the NOC with a two-week deadline to implement their demands. Further from Libya, the NOC said operations at all oil terminals are continuing normally and production and exports are going as planned. Nonetheless, the crude complex swiftly reversed from lows and swung back into gains after the White House said February 1st date for tariffs on Canada and Mexico still holds. Ahead, attention is on private inventory data after-hours, whereby current expectations are (bbls): Crude +3.2mln, Distillate -2.3mln, Gasoline +1.3mln.

## EQUITIES

**CLOSES**: SPX +0.92% at 6,067, NDX +1.59% at 21,463, DJIA +0.31% at 44,850, RUT +0.04% at 2,284.

**SECTORS:** Technology +3.60%, Communication Services +1.26%, Consumer Discretionary +0.34%, Financials -0.20%, Materials -0.35%, Industrials -0.64%, Health -0.66%, Energy -1.04%, Real Estate -1.24%, Utilities -1.39%, Consumer Staples -1.50%.

**EUROPEAN CLOSES**: DAX +0.74% at 21,439, FTSE 100 +0.35% at 8,534, CAC 40 -0.12% at 7,897, Euro Stoxx 50 +0.19% at 5,198, AEX +0.40% at 898, IBEX 35 +1.31% at 12,154, FTSE MIB -0.12% at 36,147, SMI +0.44% at 12,471.

**EARNINGS**

- **Nucor (NUE):** EPS and revenue beat, but said while steel demand softened through '24, market conditions starting to improve.
- **General Motors (GM):** EPS and revenue topped with FY guidance much better than expected.
- **Royal Caribbean Cruises (RCL):** Profit topped with Q1 and FY outlook also impressing.
- **RTX (RTX):** Top and bottom-line surpassed expectations.
- **Lockheed Martin (LMT):** EPS and revenue light as results hit by a financial impact associated with classified programme.
- **Boeing (BA):** EPS and revenue missed, but this was announced in preliminary numbers last week. Speaking post-earnings, said indicators to move beyond rate 38/month looking good, and aims to move to 42/mnth rate toward end of year. Asked if 75-80 787 deliveries are possible this year, CFO said "for sure" and perhaps "a little better"
- **JetBlue (JBLU):** Forecast an increase in costs, ex. fuel, of as much as 10% in Q1 Y/Y. Estimated revenue could come in as much as 0.5% lower to up to 3.5% higher this quarter over last year. Larger competitors Delta and United have been forecasting higher revenue growth, a sign of stronger airline pricing power.
- **LVMH (MC FP):** Earnings disappointed with profit missing expectations and analysts highlighting the growth was not as impressive as Richemont's (CFR FP).

**STOCK SPECIFICS**

- **Nvidia (NVDA):** Paring some of Monday's 17% losses in the wake of DeepSeek newsflow.
- **Chevron (CVX):** plans to build natural gas power plants, according to NYT; power plants to be for data centers used for AI.

- **Microsoft (MSFT):** Reportedly in discussions to acquire TikTok.
- **Estee Lauder (EL):** Reviewing its portfolio of beauty brands and working with Evercore on the process.
- **Lamb Weston (LW):** Activist investor Jana Partners has expressed frustration with the Board's failure to address systemic issues.
- **Chevron (CVX):** Plans to build natural gas power plants, according to NYT; power plants to be for data centers used for AI.
- **Brighthouse Financial (BHF)** is looking to sell itself, according to FT.
- **Merck (MRK)** announces USD 10bln share repurchase programme; maintains dividend at USD 0.81/shr
- **Novo Nordisk (NVO):** FDA approves Ozempic (NVO) as the only GLP-1 RA to reduce the risk of worsening Kidney Disease and Cardiovascular death in adults with Type 2 diabetes and Chronic Kidney disease.
- **Alibaba (BABA):** Cloud's Qwen says new Qwen 2.5-Max AI model outcompetes DeepSeek V3 in benchmarks like Arena Hard, Live Bench, Live CodeBench; expects the new version will be much better.

**BROKER MOVES:**

- **AMD (AMD):** Downgraded to 'Hold' from 'Buy' at Melius Research, noting Nvidia (NVDA) is going increasingly "come for" AMD in both markets with its ARM-based CPUs that are optimised for accelerated PCs.
- **Nvidia (NVDA):** MS lowered PT to USD 152 (prev. 166); said the market reaction to DeepSeek was "surprising" and "probably more important than the cause" and could bring further export controls or reduce spending enthusiasm.
- **Autodesk (ADSK):** Upgraded at Mizuho; sees signs of a recovery in industry data, positive channel checks, and improving macro trends reinforcing a positive outlook on Autodesk's fundamentals.

## US FX WRAP

**The Dollar** was firmer, and pared some of its weakness on Monday amid the DeepSeek headlines. Overnight the Dollar saw strength on Trump tariff talk, as the President said he wants universal tariffs much larger than 2.5% and he has a tariff level in mind but not set it yet. Although, Treasury Secretary Bessent pushes for a gradual 2.5% universal US tariffs plan in which the 2.5% levy would move higher by the same amount each month. On the data footing, Durable Goods and Consumer Confidence disappointed, while Richmond Fed improved M/M, although it all garnered little reaction. Ahead, participants await the FOMC on Wednesday. For the full Newsquawk FOMC preview, please click here.

**G10 FX** was exclusively weaker against the Greenback. **CAD** and **MXN** were hit in the US afternoon on further tariff threats, as the White House stated that February 1st date for tariffs [on Canada and Mexico] still holds, and no specific date for tariffs on steel and copper. As such, USD/CAD moved higher to around 1.4415, slightly off its earlier peak of 1.4420. **Antipodean's and GBP** saw another session of losses, with today's due to the Dollar's recovery as opposed to Monday's global risk off sentiment. AUD/USD and NZD/USD fell to lows of 0.6238 and 0.5649 respectively, ahead of Australian inflation data overnight. For the Pound, this week's UK data calendar is fairly sparse and is therefore susceptible to broader macro sentiment, as participants await the BoE next week where the bank is widely expected to cut by 25bps.

**JPY** gave back some of Monday's gains against the Greenback which was triggered by the sell-off in global large-cap tech stocks. The event underscored the JPY's role as a haven currency within the FX space. However, this move was tempered during today's session in the wake of the broadly stronger USD, which has been bolstered by inflammatory tariff rhetoric from US President Trump. In terms of Japanese-specific developments, December Services PPI data fell short of expectations overnight. USD/JPY remained within yesterday's 153.71-156.24 range.

**EMFX** was mixed. MXN saw some weakness on the Feb 1st comments from the White House, but was firmer on the day after a heavy day of selling on Monday. ZAR and BRL both gained vs. the Buck, with the former buoyed by strength in spot gold and the latter ahead of BCB on Wednesday whereby the central bank is widely anticipated to hike by 100bps for the second consecutive meeting. For the Indian Rupee watchers, RBI is to inject liquidity via USD/INR buy/sell swap auction; will be conducting a USD/INR buy/sell swap auction of USD 5bln for a tenor of 6 months.