

# newsquawk

## US Market Wrap - 29th January 2025

### Markets chop to Fed as initial hawkish reaction is unwound

- **SNAPSHOT:** Equities down, Treasuries flatten, Crude down, Dollar flat.
- **REAR VIEW:** Fed holds as expected, tweaks descriptions of economy & is in no hurry to cut rates; BoC and Riksbank cut by 25bps, as expected; US' Lutnick said if Canada addresses flow of fentanyl into the US, there will be no tariffs; Cool Australian CPI; Bigger Crude EIA build than expected; US President Trump officials discuss tightening curbs on NVDA China sales; Strong ASML & TMUS earning.
- **COMING UP: Holiday:** Chinese Spring Festival (Jan 28 - Feb 4 2025). **Data:** French GDP Prelim (Q4); Swiss KOF; Spanish CPI (Flash); EZ GDP (Q4); US GDP Advance (Q4), PCE Prices Advance (Q4), Jobless Claims; Japanese Tokyo CPI, Retail Sales. **Speakers:** ECB President Lagarde. **Events:** ECB & SARB Policy Announcement. **Supply:** Italy.
- **DAILY US EARNINGS ESTIMATES:** BX, UPS, TMO, CAT, MMC, CMCSA, MA, INTC, V, AAPL. [To download the full report, please click here.](#)

### MARKET WRAP

US indices were choppy on Wednesday and ultimately saw two-way action on the Federal Reserve meeting. In an immediate reaction to the Fed holding rates at 4.25-4.50%, as expected, there was a hawkish reaction to the accompanying statement whereby it removed reference that "inflation has made progress toward the Committee's 2 percent objective". However, in Chair Powell's Q&A he said it was a language clean-up, as opposed to anything fundamental, which saw a dovish reversal to the initial moves. Elsewhere, Powell reiterated the Fed does not need to be in a hurry to adjust the policy stance, and stated assessment of policy stance has not changed but policy is meaningfully less restrictive than when they started cuts. The Dollar was ultimately flat, albeit choppy while AUD and CHF underperformed and JPY outperformed. The Loonie saw fleeting strength in wake of the BoC on removal of guidance, but swiftly pared with focus on trade and Trump tariffs. The Treasury curve flattened while T-Notes chopped to the aforementioned Fed statement and presser. The crude complex was lower and sold off after US Commerce Secretary nominee Lutnick said tariffs on Canada are to address fentanyl entering the US, and if Canada addresses the flow of fentanyl into the US there will be no tariffs. Sectors saw downside bias, with Real Estate and Technology the laggards with Nvidia closing down 4%, and continues to be weighed on by DeepSeek newsflow.

### US

**FOMC SNAP ANALYSIS:** The Federal Reserve held rates between 4.25-4.50%, as expected, in a unanimous decision while it made hawkish adjustments to its description of the economy after recent data. It maintained language that "inflation remains somewhat elevated", but removed reference to "inflation has made progress toward the Committee's 2 percent objective". Regarding the labour market, the statement noted the "unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid", against December's "labor market conditions have generally eased, and the unemployment rate has moved up but remains low." Elsewhere, the FOMC statement was largely unchanged, judging that risks to achieving its employment and inflation goals are "roughly in balance" and that "it is attentive to the risks to both sides of its dual mandate." It also maintained its guidance in the statement, "In considering the extent and timing of additional adjustments... the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks." In reaction to the adjustments to the statement, a hawkish reaction was seen on the removal of the language that inflation has made progress towards target while noting the labour market has stabilised. However, in Powell's Q&A he said the adjustment is a language clean up and just used to shorten the sentence.

**POWELL PRESSER/Q&A:** In the post-meeting press conference, Chair Powell said that the Fed does not need to be in a hurry to adjust the policy stance and the central bank is not on a preset course, something he reiterated throughout the Q&A, even when asked about a March cut. When asked about removing reference to inflation progress in the statement, Powell said that it was a language clean-up and just used to shorten the sentence, which saw a notable dovish reversal in markets. Further, Powell said the Fed got two good readings in a row and wants to see further progress on inflation, but he thinks the Fed can see the pathway for that to happen, particularly as we see shelter inflation coming down pretty steadily. Powell did note, "We seem to be set up for further progress [on inflation]", however, being set up for further progress is one thing and "Having it is another." On forecasts, the Chair noted they are highly uncertain, and currently some elevated uncertainty because of significant policy shifts, but that should be passing. The Chair later added that assessment of policy stance has not changed but policy is meaningfully less restrictive than when they started cuts. Powell once again highlighted data dependence and said the Fed is looking at data to guide them. He added that right now, he sees things in a really good place for the policy and economy, and reiterated he does not need to be in a hurry to make any adjustments, something he said a couple of times throughout the address. Regarding the neutral rate, he noted the Fed is currently above everyone on the committee's estimates on the long-run neutral rate (top-estimate 3.9% in Dec. SEPs), and would say the Fed is meaningfully above the neutral rate. When asked about ending QT, stated most recent data suggests reserves are still abundant, Fed intends to reduce balance sheet size, closely monitoring signals on reserves. On President Trump policies, Powell said the Fed is in the mode of waiting to see what policies are enacted and does not know what will happen with fiscal, regulatory, tariffs, and immigration policy.

**US TRADE:** The US Advance Goods trade balance saw the deficit in December widen to USD 122.1bln from 103.5bln. Exports declined by USD 7.8bln from November, while Imports rose by USD 10.8bln. Within the report, wholesale inventories fell 0.5% to USD 898bln while retail inventories were -0.3% to USD 823.3bln. In wake of the widening deficit, the Atlanta Fed GDPNow tracker for Q4 '24 was revised notably lower to 2.3% from 3.2%. Meanwhile, Oxford Economics writes that the continued strength in imports pushed the nominal goods deficit to its widest point in history, and applies downside risk to their own GDP forecast. However, the desk expects much of these goods will find their way into inventories offsetting some of the drag. It also expects much of the rise in imports is due to front-loading ahead of potential tariffs. OxEco writes "Net trade was expected to be neutral to GDP growth in Q4, but the decline in exports and rise in imports suggests it is now on track to drag 0.5ppts from growth."

### BOC

**BOC:** The Bank of Canada cut rates by 25bps, in line with expectations, taking the target for the overnight rate to 3.00%, within the BoC's own estimate of the neutral rate, 2.25-3.25%. The BoC also removed forward guidance, noting that the cumulative reduction in the policy rate since last June is substantial, removing the line that "Going forward, we will be evaluating the need for further reductions in the policy rate

one decision at a time". The BoC acknowledged that easing so far is boosting household spending, and the economy is expected to strengthen gradually while inflation is to stay close to target. The latest MPR saw upward revisions to inflation for 2025 and 2026, although growth forecasts were lowered. However, these forecasts do not incorporate tariffs threatened by US President Trump from 1st February. The central bank notes that if tariffs were imposed, the resilience of the economy would be tested. With the removal of forward guidance and threat of tariffs overhanging the economy, the outlook is very uncertain. Nonetheless, money market pricing was little changed vs. beforehand with focus on trade updates from the US. BoC Governor Macklem in the press conference noted that the CAD movement has not constrained the Bank so far, but CAD depreciation will start to have some impact and it follows very closely with tariff threats from US President Trump. Macklem also noted that the bigger the moves in CAD, the more they will have to be taken into account as policy is set going forward. He acknowledged the BoC removed forward guidance due to uncertainty ahead, and that from a risk management perspective, the tariff threats reinforced the BoC's decision to cut rates by 25bps. The BoC also announced it plans to complete balance sheet normalisation, ending quantitative tightening and from early March, the BoC will start purchasing assets as part of normal balance sheet management. Treasury bill purchases will resume later this year while purchases of GoC bonds will likely not need to start until towards the end of 2026 at the earliest. It also made a technical adjustment to the deposit rate, which will be set at a spread of 5bps below the Bank's policy interest rate to improve effectiveness. It should also help mitigate some of the upward pressure seen on the overnight rate relative to the Bank's target rate.

## FIXED INCOME

**Curve flattens while T-notes chop to Fed statement and presser.** At settlement, 2s +1.7bps at 4.222%, 3s +1.0bps at 4.264%, 5s +0.3bps at 4.348%, 7s +0.3bps at 4.448%, 10s +0.0bps at 4.549%, 20s -0.2bps at 4.850%, 30s -0.1bps at 4.789%

**INFLATION BREAKEVENS:** 5yr BEI -0.8bps at 2.544%, 10yr BEI -1.2bps at 2.399%, 30yr BEI +0.0bps at 2.384%.

**THE DAY:** T-notes saw some selling pressures ahead of the Fed likely on position squaring after the recent upside in Treasuries since softer December inflation metrics and a dovish Waller. T-notes hovered around 109-00 ahead of the decision. The Fed left rates unchanged as expected, although it made some adjustments to its statement which took T-notes to lows of 108-22. There was a hawkish reaction to the Fed removing language about making inflation progress and acknowledging the unemployment rate has stabilized at a low rate and labour conditions remain solid. However, in the press conference, Chair Powell noted that the removal of the progress on inflation language was meant to be used as a "language clean up" and was removed just to shorten the sentence. Ie, not to send a message that the Fed thinks it has lost progress on inflation. This saw T-notes completely unwind the post-statement move, settling back around pre-Fed levels with the 10yr roughly flat by the end of the press conference with the curve flatter. The Q&A also saw Powell state the Fed is not in a hurry to adjust policy when quizzed about a March rate cut, something he stressed several times over the course of the press conference. The Fed Chair also noted the huge uncertainty around tariffs, while he still wants to see further inflation progress with the Fed to be data-dependent in their decision-making. Powell also noted the Fed is meaningfully above the neutral rate. Attention turns to GDP and PCE data on Thursday and Friday, while commentary from Trump around tariffs will be key with eyes on whether he implements tariffs on Mexico and Canada on Saturday.

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing:** January (prev. 0bps), March (prev. 8bps), May (prev. 15bps), December (prev. 48bps).
- NY Fed RRP op demand at USD 122bln (prev. 113bln) across 35 counterparties (prev. 28).
- SOFR at 4.35% (prev. 4.34%), volumes at USD 2.283tln (prev. 2.338tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 95bln (prev. 97bln).
- US sells USD 64bln in 4mth bills at a high rate of 4.190%, B/C 3.10x

## CRUDE

**WTI (H5) SETTLED USD 1.15 LOWER AT USD 72.62/BBL; BRENT (H5) SETTLED USD 0.88 LOWER AT USD 75.61/BBL**

**The crude complex saw downside on Wednesday and sold off to session lows after slightly softer US tariff remarks.** Highlighting this US Commerce Secretary nominee Lutnick said tariffs on Canada are to address fentanyl entering the US, and if Canada addresses the flow of fentanyl into the US there will be no tariffs, and as such WTI fell to lows as it appears Canada could potentially address this issue. Before this, benchmarks were already slightly lower due to a stronger Buck in wake of a choppy session on Tuesday. In terms of newsflow, overnight Russian media reported that a Ukrainian drone attack sparked a fire at an industrial facility in Russia's Nizhny Novgorod region with an oil refinery reportedly on fire. On the OPEC footing, Kazakhstan's Energy Minister is to make a final decision on production cuts after the JMMC meeting on 3rd February, whereby of course Trump has recently demanded for lower oil prices. In the weekly EIA data, crude saw a larger build than expected, contrasting to a slightly smaller build in the private metrics. Gasoline and Distillates had a larger than forecasted build and draw, respectively, in fitting with last night's data. Crude production fell 237k bbls W/W to 13.24mtn. In response to the FOMC, the energy complex was largely unmoved despite a broad-based hawkish reaction. For the record, WTI and Brent traded between USD 72.33-74.08/bbl and 75.36-76.65/bbl, respectively.

## EQUITIES

**CLOSES:** SPX -0.47% at 6,039, NDX -0.24% at 21,411, DJIA -0.31% at 44,714, RUT -0.25% at 2,283

**SECTORS:** Real Estate -1.19%, Technology -1.09%, Health -0.57%, Consumer Discretionary -0.5%, Industrials -0.38%, Materials -0.2%, Financials -0.03%, Energy +0.17%, Utilities +0.19%, Consumer Staples +0.26%, Communication Services +0.31%.

**EUROPEAN CLOSES:** DAX: +0.90% at 21,623, FTSE 100: +0.28% at 8,558, CAC 40: -0.32% at 7,872, Euro Stoxx 50: +0.67% at 5,231, AEX: +0.73% at 905, IBEX 35: +0.99% at 12,275, FTSE MIB: +0.62% at 36,372, SMI: +0.50% at 12,533, PSI: +0.62% at 6,531.

### EARNINGS:

- **Starbucks (SBUX):** EPS and revenue topped with comp. sales not as bad as feared.
- **Qorvo (QRVO):** Co. warned of flat sales to its largest customer and the Android market faces challenges, particularly in China.
- **F5 (FFIV):** EPS and revenue beat with solid guidance.
- **ASML (ASML):** Q4 orders surpassed expectations, driven by strong demand for its chipmaking machines amid the AI boom, helping to mitigate concerns arising from DeepSeek's potential impact.
- **Packaging Corp of America (PKG):** EPS light with Q1 outlook light.
- **Danaher (DHR):** Profit missed with weak guidance.
- **T-Mobile (TMUS):** All major metrics topped alongside strong FY outlook.
- **Corning (GLW):** EPS and revenue beat with Q1 solid outlook.

- **VF Corp (VFC):** Top and bottom line surpassed expectations.](http://)

#### STOCK SPECIFICS:

- US President Trump officials discussed tightening curbs on **Nvidia (NVDA)** China sales, according to Bloomberg; any curbs would likely be long way off as new team sets goals and officials held early talks about restricting Nvidia's H20 chip.
- US President Trump withdraws **Fiserv (FI)** CEO Frank Bisignano for nomination for Social Security Administration; CEO later said they have not withdrawn from Social Security nomination.
- **Victoria Secret (VSCO):** Announced Scott Sekell as CFO, and sees sales and earnings near the high end of expectations.
- **Trump Media (DJT):** Announced an expansion into financial services; launch of Fintech brand Truth.Fi.
- **Alibaba (BABA):** Cloud's Qwen said its new Qwen 2.5-Max AI model outcompetes DeepSeek V3 in benchmarks like Arena Hard, Live Bench, Live CodeBench; expects new version will be much better.
- **Waymo (GOOGL):** To test in 10 new cities in 2025, beginning with Las Vegas and San Diego, according The Verge.
- **Microsoft (MSFT):** Said DeepSeek R1 is now available on Azure AI Foundry and GitHub.

#### BROKER MOVES

- **Datadog (DDOG):** Downgraded to 'Hold' from 'Buy' at Stifel; warns that Co. faces headwinds to revenue growth and margin expansion in FY25, posing a "less than favourable" risk-reward in the coming quarters.
- **Coinbase (COIN):** Upgraded at Mizuho; said Cos. Q4 and January volume trends are pacing well ahead of expectations, and its analysis of Bitcoin adoption growth points to further upside in Bitcoin price over the medium term, with Bitcoin price and Coinbase shares being highly correlated.
- **Moderna (MRNA):** Downgraded at Goldman Sachs arguing that while the guidance is potentially at an achievable level, Moderna has limited visibility on the revenue stream for its respiratory vaccine business.

## US FX WRAP

**The Dollar** was broadly firmer heading into FOMC with strength extending on the unanimous decision to hold the FFR rate at 4.25-4.50%. The downside in treasuries accompanied the Dollar's hawkish move, with the move maintaining as markets digested the statement changes. Changes included the addition of the labour market conditions remaining solid. It maintained language that inflation remains somewhat elevated, but removed language that inflation has made progress to the 2% goal - sparking the hawkish reaction. Throughout Fed Chair Powell's press conference, the Dollar's strength was trimmed, weakening in response to Powell's reasoning on why the progress of inflation had been removed in the statement, citing it was purely a language clean up/shortening the sentence, thus, reversing the hawkish speculation on what that change could mean (ie, lost progress on inflation). He also noted how they got two good readings in a row on inflation. Furthermore, when asked about a March cut, Powell reiterated the Fed is not in a hurry to cut rates. Next on the US schedule, GDP, GDP Sales, and Core PCE Prices Adv (Q4) are due as well as weekly claims. For the remainder of the week, the focus remains on inflation with Core PCE for December on Friday.

**G10FX** was skewed to the downside against the Dollar with strength seen in the Yen while Antipodes and CHF lagged the most. On the Aussie, a broadly cooler-than-expected CPI release weighed, with CPI Y/Y (Q4) at 2.4% (exp. 2.5%), leading to a dovish repricing in RBA rate cut bets for February with money markets now seeing a 76% chance of a 25bps cut (prev. 64%). Regarding the Yen, BoJ Minutes had little sway over direction, with members agreeing rates should be raised if the economy and prices move in line with forecasts. On Thursday, attention will be on the ECB with forecasts pointing to a unanimous 25bps cut to the Deposit Rate; EUR/USD heads into overnight trade at ~1.041. [For a full Newsquawk ECB Preview, please click here.](#) Also due, are EZ GDP Prelim (Q4), Unemployment Rate, Sentiment Survey and Germany Flash GDP.

**The CAD** was softer vs the buck with focus largely on potential tariffs. Meanwhile, the BoC cut the Policy Rate by 25bps as expected to 3%, removed forward guidance, while also announcing the end of QT. Additionally, inflation forecasts for 2025/26 were upgraded but growth was lowered. BoC's Macklem later said in the press conference they removed rate guidance language because there is a lot of uncertainty out there. Post BoC, USD/CAD was largely unfazed, then later saw downside on remarks from US Commerce Secretary Nominee Lutnick saying if Canada addresses the flow of fentanyl into the US there will be no tariffs, likely trimming markets bets of an incoming trade war, although there is still a lot of uncertainty. Thereafter, post-FOMC, CAD chopped, heading into APAC trade at ~1.4426.

**EUR/SEK** was unchanged after experiencing modest upside after the Riksbank cut rates by 25bps as expected. Going forward, the bank refrained from issuing clear signals regarding the next rate cut. In the statement, the Bank noted that economic activity remains weak but is seeing "signs that an economic rebound is on the way". Governor's Thedeen post-decision presser, sparked some SEK strength, noting the best judgment is that rates have reached the bottom; NOK/SEK was flat at pixel time.

**EMFX:** In Mexico, President Sheinbaum said the government will send secondary laws of electricity reform to Congress on Wednesday, resulting in MXN weakness, while Banxico's Deputy Governor Mejia said the bank has a margin to carry out a process of calibration at its upcoming meetings. Meanwhile, President Sheinbaum later announced she does not expect tariffs to be implemented on 1st February. At the top of LatAm's strength was the COP, while the CLP saw decent gains after the Chilean Central Bank held rates as expected. Meanwhile, BRL is in focus ahead of the BCB's Selic Rate decision on late Wednesday, with markets looking for a consecutive 100bps rate hike to 13.25%. On the day, the BCB offered up to USD 2bln in a dollar auction with a repurchase agreement on Wednesday.

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