

### Stocks fall & Dollar rises amid reciprocal Trump tariff talk

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Trump to announce reciprocal tariffs next week on many countries; NFP headline shy of exp., u/e rate unexpectedly falls & hot wage metrics; BLS revisions saw a downward revision of 598k (NSA) vs. prelim estimate (released in Aug) of -818k; Trump wants to end trade deficits with Japan & tariffs an option; EU reportedly to offer lower tariffs on US cars to prevent trade war with US; UoM disappoints, with inflation expectations moving higher; Trump says Nippon Steel is looking at an investment in US Steel, not an acquisition; AMZN earnings disappoint; Canada adds more jobs than expected & u/e rate surprisingly falls.
- **COMING UP:** **Data:** Norwegian CPI, EZ Sentix Index, US Employment Trends, NY Fed SCE, Chinese M2 Money Supply. **Events:** BoC Market Participants Survey. **Speakers:** ECB's Schnabel; BoE's Mann. **Earnings:** McDonalds, UniCredit, Generali, Mediobanca.
- **WEEK AHEAD:** Fed Chair Powell Testimonies, US, China and Swiss CPI, US Retail Sales, UK GDP and NZ Inflation Forecasts. [To download the full report, please click here](#)
- **CENTRAL BANK WEEKLY:** Previewing Fed Chair Powell Testimonies; Reviewing BoE, BoJ SOO, Banxico. [To download the full report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** [MON] MCD, VRTX; [TUES] KO, SHOP, SPGI, GILD; [WED] APP, CSCO; [THURS] DE, AMAT, PANW; [FRI] MRNA. [To download the full report please click here.](#)

### MARKET WRAP

US indices closed in the red, as they initially saw two-way action on the US jobs report (more below), before the move lower began in the wake of the UoM metrics whereby all the three main measures printed below consensus and outside the forecast range, with inflation expectations for both the short term and longer-term horizon lifting. Nonetheless, the move was notably accentuated, along with Dollar and Treasury strength accompanied by oil weakness upon Reuters source reports noting US President Trump told Republican lawmakers he plans to issue reciprocal tariffs as early as Friday, an article which was notably vague. Later, Trump confirmed they will meet on reciprocal tariffs on Monday or Tuesday, and have an announcement, but lacked any further details. Prior to this, FT sources noted EU is reportedly set to offer lower tariffs on US cars as part of a deal to avoid a trade war with Trump. Within the piece, it added Bernd Lange, who heads the trade committee in the European Parliament and is familiar with talks on how to de-escalate tensions with the White House, the bloc was willing to lower its 10% import tax closer to the 2.5% charged by the US. In addition, Trump met with Japanese PM Ishiba and gave a press conference, whereby after conflicting reports said Nippon Steel (NPSCY) is looking at an investment in US Steel (X) and Japan looking at an investment into US Steel, not a purchase. Elsewhere, there was plenty of Fed speak again, with plenty stressing a wait-and-see approach while noting the labour market is good but not as hot as it once was, settling in at full employment. The monetary policy report was also released, which echoed recent Fed sentiment, ahead of Fed Chair Powell's testimonies next week. Aside from Powell, attention next week lies on US CPI and PPI data. US sectors all finished in the red, most notably Consumer Discretionary as Amazon's (AMZN, -4%) downside weighed due to AWS revenue and guidance being disappointing.

### US

**NFP:** The US economy added 143k jobs in January, beneath the expected 170k, falling from the prior 307k, which was revised up from 256k. The two-month net revisions were also strong, +237k, with strong revisions offsetting the miss in the headline. Meanwhile, the unemployment rate fell to 4.0% from 4.1%, despite expectations for it to be left unchanged, while participation also increased. Wages were hot, with average earnings rising 4.1% Y/Y, despite expectations of a slowing to 3.8% from 3.9% - although the Fed has noted several times the labour market is not a source of inflation, easing the inflationary concerns of hot wage metrics. Within the January report, the BLS released the final annual revisions, to show actual employment was lower by 589k, albeit this is not as bad as the preliminary estimate suggested in August. Overall, the labour market still remains healthy with the unemployment rate ticking down despite the NFP miss, also the revisions were not as bad as the prelim estimate so this will support the Fed's decision to hold rates for now while they assess, with many on the Fed stressing there is no need to rush. Money markets currently price in the next rate cut by September, with an 84% probability of it occurring in July, and a 64% probability of it occurring in June, while there is a c. 50% probability of a second rate cut by year-end.

**UOM:** The University of Michigan headline sentiment fell to 67.8 from 71.1, shy of the expected 71.1 and outside the bottom end of the forecast range. Conditions and Expectations came in at 68.7 (exp. 73.0, prev. 74.0) and 67.3 (exp. 70.0, prev. 69.3), respectively, both beneath the lower end of the analyst consensus range. 1yr inflation expectations lifted to 4.3% from 3.3%, while the longer-term 5yr notably raised to 3.3% from 3.2%. Within the report it notes "the decrease was pervasive, with Republicans, Independents, and Democrats all posting sentiment declines from January, along with consumers across age and wealth groups." It further adds, "all five index components deteriorated this month, led by a 12% slide in buying conditions for durables, in part due to a perception that it may be too late to avoid the negative impact of tariff policy." Ahead, the report concludes, "Expectations for personal finances sank about 6% M/M, again seen across all political affiliations, reaching its lowest value since October 2023. Many consumers appear worried that high inflation will return within the next year."

### FED

**KASHKARI** (2026 voter), speaking after the jobs data, said if they see good inflation data, and the labour market stays strong, that would move him to supporting further cuts. Within the report, he said the most important data is the 4% unemployment rate. When asked about tariff policy, said we need to wait and see and that 'they are in a good place' to sit here until they get more information on the admin's policies. Kashkari noted, barring something really surprising on admin policy, he expects the policy rate to be modestly lower at year-end vs now.

**LOGAN** (2026 voter), speaking pre-jobs metrics, said choices in 2025 boil down to resuming rate cuts soon or holding rates steady for quite some time, adding that near 2% inflation with the labour market holding steady would not necessarily allow the Fed to cut rates soon. Logan added the Fed's rate path should be guided by the need to keep inflation expectations well-anchored. On the neutral rate, estimates of the real neutral rate in the US vary widely, but most have moved up substantially since the pandemic.

**GOOLSBEE** (2025 voter), speaking post-data, said it was a solid report and looks like they are settling into full employment. The Chicago

Fed President noted short term inflation expectations are not as important as long-term ones, and that longer-run market based inflation expectations show the market believes the Fed will get inflation to 2%. He added the Fed is on hold now, but over the next 12-18 months the policy rate will be a fair bit below where it is now. On rate reductions, he noted the speed at which rates come down will be slower with more foginess. Re. neutral rate, stated it will take longer than end-2025 to get to neutral policy rate.

**KUGLER (Voter)**, speaking post Jobs report, said that in considering the appropriate policy rate, she will watch developments and carefully assess the data, outlook and risks. She noted the US economy is on a firm footing, and expects a solid GDP growth in Q1. Kugler said the January jobs reports shows the US labour market is healthy, neither weakening nor overheating. She added that recent progress on inflation is slow and uneven, and inflation remains elevated. Kugler sees considerable uncertainty on economic effects of new policy proposals, noting continued productivity gains would help the Fed attain goals, highlighting the role of Latino immigrants to growth. In the press conference, Kugler echoed that a stable labour market gives the Fed time to make decisions, noting they are not yet at 2% inflation and it makes sense to hold rates steady. She stressed she needs to see continued slowing of inflation to feel comfortable cutting rates, and she is concerned that they are not getting as much help with goods inflation, but it is good that housing inflation came down in Q4. She added she believes the neutral rate has gone up, but not as much as some others think it has, but they are not quite at the neutral rate yet.

## FIXED INCOME

### T-NOTE (H5) FUTURES SETTLED 11 TICKS LOWER AT 109-07+

**T-Notes see two-way reaction to NFP before selling off while Trump is to announce reciprocal tariffs next week.** At settlement, 2s +7.1bps at 4.279%, 3s +7.3bps at 4.301%, 5s +6.0bps at 4.333%, 7s +4.9bps at 4.408%, 10s +4.7bps at 4.485%, 20s +4.2bps at 4.742%, 30s +4.0bps at 4.687%

**INFLATION BREAKEVENS:** 5yr BEI +2.2bps at 2.623%, 10yr BEI +0.8bps at 2.422%, 30yr BEI +0.5bps at 2.365%.

**THE DAY:** T-Notes meandered overnight and in the European morning with all eyes turning to the US NFP report. T-Notes saw two way price action to the data but by settlement, the curve bear flattened. In response to the headline NFP miss, T-Notes rallied to a peak of 110-00 before swiftly paring in response to the hotter parts of the report. The unemployment rate slipped to 4.1% while wages came in above expectations, revisions to NFP were also strong, especially the two-month revisions, which helped offset the headline. Also, the BLS revisions were not as bad as the preliminary figure released last August suggested. T-Notes then went on to print fresh lows of 109-01 in wake of a move higher in the UoM inflation expectations (1yr up to 4.3% from 3.3%, with 5yr up to 3.3% from 3.2%). T-Notes then meandered into settlement and were largely unreactive to fresh Trump trade threats, with reports (and later confirmation) that Trump will be issuing reciprocal tariffs on trading partners next week having little impact, although stocks plummeted while the Dollar rallied. There was plenty of Fed speak again, with plenty stressing a wait and see approach, while noting the labour market is good but not as hot as it once was, settling in at full employment. The monetary policy report was also released, which echoed recent Fed sentiment, ahead of Fed Chair Powell's testimonies next week. Aside from Powell, attention next week lies on US CPI and PPI data.

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 2bps (prev. 4bps), May 7bps (prev. 11bps), June 16bps (prev. 21bps), Dec 37bps (prev. 46bps).**
- NY Fed RRP op demand at USD 95bln (prev. 79bln) across 33 counterparties (prev. 38).
- SOFR at 4.36% (prev. 4.33%), volumes at USD 2.365tln (prev. 2.343tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 105bln).
- US to sell USD 72bln of 26-wk bills and USD 84bln of 13-wk bills on February 10th; to sell USD 85bln in 42day CMBs on February 11th; all to settle Feb 13th.s (prev. 4bps), May 7bps (prev. 11bps), June 16bps (prev. 21bps), Dec 37bps (prev. 46bps).

## CRUDE

### WTI (H5) SETTLED USD 0.39 HIGHER AT 71.00/BBL; BRENT (J5) SETTLED USD 0.37 HIGHER AT USD 74.66/BBL

**The crude complex ended the day slightly firmer, but the week notably weaker amid the bearish development of the delay of tariffs to Mexico and Canada.** On Friday, during the European session WTI and Brent trundled higher to peaks of USD 71.41/bbl and USD 75.12/bbl, respectively, despite light newsflow, with headline highlights coming in the geopolitical space. Iranian Leader Khamenei said talks with the US is neither smart, wise, nor honourable, according to IRNA. Nonetheless, benchmarks saw notable weakness and pared gains as Europeans closed up for the day as Reuters sources reported that Trump told Republican lawmakers he plans to issue reciprocal tariffs as early as Friday. Trump later said he will make an announcement next week on reciprocal trade on many countries ([analysis available here](#)). WTI and Brent fell to USD 70.60/bbl and USD 74.28/bbl, before edging back higher into settlement. Trump added he will probably be meeting with Chinese President Xi, will be talking to Russian President Putin, and expects to talk to Ukrainian President Zelenskyy next week. For the record, Chevron (CVX) brings forward expansion of Tengiz oilfield in Kazakhstan and oil output at Tengiz jumped to 900k/bpd in early Feb. Meanwhile, in the weekly Baker Hughes rig count data, oil rose 1 to 480, natgas lifted 2 to 100, and leaving the total rising 4 to 586.

## EQUITIES

**CLOSES:** SPX -0.95% at 6,026, NDX -1.30% at 21,491, DJIA -0.99% at 44,303, RUT -1.19% at 2,280

**SECTORS:** Consumer Discretionary -2.52%, Communication Services -1.22%, Materials -1.19%, Technology -1.02%, Financials -0.59%, Health -0.51%, Real Estate -0.42%, Consumer Staples -0.4%, Industrials -0.34%, Utilities -0.3%, Energy -0.03%.

**EUROPEAN CLOSES:** DAX: -0.64% at 21,763, FTSE 100: -0.31% at 8,701, CAC 40: -0.43% at 7,973, Euro Stoxx 50: -0.57% at 5,326, AEX: -0.11% at 924, IBEX 35: -0.44% at 12,675, FTSE MIB: -0.18% at 37,056, SMI: -0.22% at 12,589, PSI: -0.38% at 6,510.

### EARNINGS

- **Amazon (AMZN):** AWS sales light and issued weak next quarter guidance.
- **Pinterst (PINS):** Revenue and MAUs beat w/ better than exp. Q1 outlook.
- **Microchip Technology (MCHP):** EPS & revenue missed with weak next Q guidance due to declining automotive chip demand.
- **Affirm Holdings (AFRM):** Surprise profit, beat on revenue & solid FY outlook.
- **Fortinet (FTNT):** EPS & revenue topped; FY revenue seen above expectations amid rising demand for AI-powered cybersecurity solutions due to rising cyber threats.
- **Take-Two Interactive (TTWO):** Sees Q4 bookings below expected due to weak mobile spending but reiterated GTA VI's fall 2025 release.

- **Expedia (EXPE)**: Top and bottom line beat but weak view as it warned of weaker demand due to inflation and high borrowing costs.
- **Skechers (SKX)**: EPS missed and guided FY below expectations.
- **e.l.f Beauty (ELF)**: Profit light and lowered guidance based on soft January sales trends.

## STOCK SPECIFICS

- **Apple (AAPL)**: Will soon unveil a revamped iPhone SE, resembling the iPhone 14, to boost sales and attract new users.
- **Tesla (TSLA)**: Raised Model X prices in the US.
- **Uber (UBER)**: Bill Ackman said Pershing Square owns 30.3mln Uber shares. Uber can be bought at big discount to intrinsic value.
- **US Steel (X)** - US President Trump said **Nippon Steel (NPSCY)** is looking at an investment in US Steel (X); Japan looking at an investment into US Steel, not a purchase.
- **Meta (META)**: Issued company wide communication to staff on Friday about job cuts that will be issued on Monday, according to The Information.
- **Ameren (AEE)**: Raised quarterly dividend 6% to USD 0.71/shr.

## US FX WRAP

**The Dollar** was firmer against most peers in a risk-off trade across markets, as the risk of further tariffs and trade tensions resumed. Prior to the trade-related news, the January NFP report fell short of expectations, though, the unemployment rate ticked lower, earnings metrics were hot, and the BLS prelim revision was revised down by 598k. As a reminder, prelim revisions released in August showed an estimates revision of -818,000. As such, volatility followed in the near term for the Dollar, ultimately heading lower, with DXY trimming earlier gains. Thereafter, upside resumed on Reuters reports that Trump told Republican lawmakers he plans to issue reciprocal tariffs as early as Friday, to which Trump later noted of an announcement to be made on Monday or Tuesday of reciprocal trade on many countries. Separately, UoM was disappointing, with Sentiment, Expectations, and Conditions all came in beneath the low end of analysts' forecast range as consumers irrespective of their political nature posted declines in sentiment. There were numerous Fed speakers on the day, with remarks spurring little reaction; Goolsbee (2025 Voter) noted the US is looking like they are setting into full employment while Kugler expects solid GDP growth in Q1. For the US calendar next week, the focus is set on Powell's semi-annual testimony, CPI (Wed), Retail Sales (Fri), and Trump's announcement on reciprocal tariffs.

**G10 FX-ex CAD** was hit on markets' anticipations of incoming trade escalations from the US, given the aforementioned reports mentioned above. Regarding the Euro, Trump is to announce reciprocal tariffs which could potentially cover Europe, but nothing is known, yet. Given the EU tariffs US vehicle imports at 10% while the US only tariffs EU vehicle imports at 2.5%, one would have to be raised or lowered, as highlighted by Trump's aide Hasset's earlier remarks. Soon later, the Euro saw a short-lived bounce on FT reports that the Head of the Trade Committee in the European Parliament said the bloc was willing to lower the said 10% import tax closer to the 2.5% charged by the US. Ultimately, USD strength pervaded over the Euro, with EUR/USD hitting lows of 1.0306.

**CAD** relative outperformance came amid the hot Canadian jobs report outweighing the report from the US. The Canadian economy added 76k jobs (exp. 25k, prev. 90.9k, rev. 179.1k), with the unemployment rate unexpectedly falling to 6.6% (exp. 6.8%, prev. 6.7%). USD/CAD saw a fifth consecutive day of gains reaching lows of 1.4274, with BoC pricing now seeing 53bps of easing by year-end; which was 65bps pre-jobs report.

**The Yen** which usually gains from risk-averse sentiment was impeded by Trump tariff talk as Japan came under the spotlight. Specifically, Trump says he wants to end the trade deficit with Japan, returning to even, with tariffs as an option to help get there; USD/JPY heads into weakened around ~ 151.30.

**EMFX**: Outperformance was seen in LatAm, with BRL and MXN outperforming CLP, and COP which lagged. Concerning Brazil, via UOL, Brazil's Government is considering adjusting Bolsa Família amid rising food prices. In the central bank space, in a unanimous vote, the RBI cut its repurchase rate by 25bps as expected to 6.25% and maintained its neutral policy; USD/INR ended the week at fresh all time highs, at ~ 87.59. On CZK, ING notes despite dropping their bearish bias post-Thursday's CNB hawkish cut, EUR/CZK should remain higher in the 25.100-200 range, in our view.

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