

Stocks edge higher & Dollar gains as Trump metal tariffs await

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude up, Dollar up.
- **REAR VIEW:** Trump to announce steel & aluminium tariffs; NY Fed SCE saw 1 and 3yr inflation expectations unchanged, but 5yr revised higher; Weak ON earnings; Musk-led group makes USD 97.4bln bid for control of OpenAI, Sam Altman declines; Fears of Gaza ceasefire breaking down; Chinese CPI accelerates.
- **COMING UP: Data:** Norwegian GDP. **Events:** EIA STEO. **Speakers:** BoE's Mann, Bailey; Fed's Powell, Hammack, Williams, Bowman; ECB's Schnabel. **Supply:** US, Netherlands, Germany
- **DAILY US EARNINGS ESTIMATES:** KO, SHOP, SPGI, GILD. [To download the list, please click here.](#)
- **WEEK AHEAD:** Highlights include Fed Chair Powell Testimonies, US, China and Swiss CPI, US Retail Sales, UK GDP and NZ Inflation Forecasts. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY** Previewing Fed Chair Powell Testimonies; Reviewing BoE, BoJ SOO, Banxico. [To download the report, please click here.](#)

MARKET WRAP

US indices climbed higher on Monday (SPX +0.7%, DJIA +0.4%, RUT +0.4%) despite tariff escalation talk over the weekend, namely that US President Trump is to announce 25% tariffs on all steel and aluminium coming into the US. NDX (+1.2%) outperformed, and supported by Technology outperforming on broad-based semiconductor manufacturers' strength as Evercore added Nvidia to its Tactical Outperform list; Nvidia (NVDA +3.6%), Broadcom (AVGO, +4.5%), AMD (AMD, +2.7). Energy was the best-performing sector amid firmer crude prices on said tariff developments and also geopolitical woes, while Financials were the clear laggard. The widely-anticipated announced US metal tariffs, benefitted US Steel (NUE, STLD, X, CLF) and aluminium names (AA), while European counterparts saw lacklustre trade. US data was light, but the latest NY Fed SCE, revealed 1-year and 3-year inflation expectations unchanged at 3% while 5-year expectations jumped to 3.0% (prev. 2.7%). In FX, the dollar was firmer vs. most major peers on the weekend tariff developments, while AUD saw gains as PM Albanese urged the US to give the country exemption over the steel tariffs, and hotter-than-expected Norwegian inflation supported NOK's outperformance. For Treasuries, gains in the morning pared, with the longer end seeing slight losses as spreads steepened. As mentioned crude prices were firmer, with WTI and Brent settling in the green by over USD 1.20/bbl as energy-specific updates took the back foot. Latest geopolitical updates included, Gaza ceasefire mediators fearing the breakdown of the agreement, with talks postponed until a clear indication from the US on the continuation of the phase plan. While Trump's envoy for Russia/Ukraine is reportedly preparing options to end the war in Ukraine, and he will visit Ukraine next week. Ahead, attention is on Trump's announcement of steel/aluminium tariffs, as well as reciprocal tariffs scheduled on either Tuesday or Wednesday. Tuesday's calendar sees Fed's Chair Powell testify before the senate, remarks from Hammack, Williams, and Bowman as well as a USD 58bln 3-year note auction.

US

NY FED SCE: The January NY Fed Survey of Consumer Expectations saw the 1 and 3yr inflation forecasts maintained at 3.0%, while the 5yr ahead forecast was revised higher to 3.0% from 2.7%. Within the report, it notes that "Commodity price expectations rose across the board, with the expected price change for gas, food, medical care, education, and rent all increasing. Labor market expectations were mixed, with job loss and job finding expectations both rising and unemployment expectations falling to the lowest level since July 2021. Household spending growth expectations also declined in January, hitting the lowest level seen in the last four years." The inflation forecasts follow on from what was seen in the preliminary UoM survey last week for February, which saw the 5yr inflation expectations tick up to 3.3% from 3.2%, although the 1yr rose to 4.3% from 3.3%.

FIXED INCOME**T-NOTE (H5) FUTURES SETTLED HALF A TICK LOWER AT 109-07**

T-Notes little changed on Trump tariff threats with attention on inflation data, Powell and supply this week. At settlement, 2s -1.0bps at 4.269%, 3s -0.6bps at 4.295%, 5s +0.0bps at 4.334%, 7s +0.7bps at 4.417%, 10s +1.0bps at 4.497%, 20s +1.5bps at 4.762%, 30s +2.3bps at 4.714%.

INFLATION BREAKEVENS: 5yr BEI +1.7bps at 2.642%, 10yr BEI +0.7bps at 2.436%, 30yr BEI +0.4bps at 2.374%

THE DAY: T-Notes were little phased on the resumption of trade this week with T-Notes still lower post NFP with 10yr yield trading either side of 4.50% within a 4.46-4.51% range. T-Notes hit a low of 109-02+ in the European morning, perhaps as Europeans reacted to the Trump tariff threats but the move was very short-lived and pared by the time US traders arrived. Once they did, T-Notes moved gradually higher to peak at 109-13+ albeit before paring into settlement in a risk-heavy week, ahead of supply and in wake of rising NY Fed long term inflation forecasts. The data saw 1 and 3yr forecasts maintained at 3.0% but the 5yr was lifted to 3.0% from 2.7%. It also noted that unemployment expectations fell to the lowest level since July 2021. This week is being framed as "Tariff week" after Trump's announcement that he will put a 25% tariff on all steel and aluminium tariffs into the US, adding he will also announce reciprocal tariffs on those that tax the US this week. Aside from Trump tariffs, focus will largely be on US CPI, PPI and Retail Sales, Fed Chair Powell's testimonies and Treasury supply (3, 10 and 30yr).

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 2bps (prev. 2bps), May 7bps (prev. 7bps), June 16bps (prev. 16bps), Dec 38bps (prev. 37bps).**
- NY Fed RRP op demand at USD 100bln (prev. 95bln) across 41 counterparties (prev. 33).
- SOFR at 4.35% (prev. 4.36%), volumes at USD 2.336tln (prev. 2.365tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 107bln (prev. 105bln).

CRUDE

WTI (H5) SETTLED USD 1.32 HIGHER AT 72.32/BBL; BRENT (J5) SETTLED USD 1.21 HIGHER AT 75.87/BBL

The crude complex started the week with modest gains, as Trump's tariffs talk and punchy geopolitical rhetoric supported amid light newsflow. WTI and Brent saw gradual gains overnight, and continued through the EZ session, after Trump said he will announce 25% tariffs on all steel and aluminium coming into the US on Monday and unveil reciprocal tariffs on Tuesday or Wednesday. Separately, Trump reiterated over the weekend that no right of return for Palestinians under Gaza takeover plan. In more recent trade Reuters source reports noted Gaza ceasefire mediators fear breakdown of agreement and talks have been postponed until clear indication from US on continuation of phased plan and also Israel was not serious about carrying out phased ceasefire. Elsewhere, in the EZ morning Sky News Arabia noted Trump's envoy for Russia and Ukraine is reportedly preparing options to end the war in Ukraine. Meanwhile, Russia said crude output has fallen further below OPEC+ target, according to Bloomberg. WTI and Brent saw highs of USD 72.54/bbl and 76.10/bbl, respectively, against lows of 70.84 and 74.51.

EQUITIES

CLOSES: SPX +0.67% at 6,066, NDX +1.23% at 21,757, DJIA +0.38% at 44,470, RUT +0.36% at 2,288

SECTORS: Financials -0.79%, Health -0.06%, Real Estate +0.19%, Consumer Discretionary +0.50%, Materials +0.52%, Communication Services +0.58%, Consumer Staples +0.78%, Industrials +0.91%, Utilities +1.07%, Technology +1.45%, Energy +2.16%.

EUROPEAN CLOSES: DAX: +0.67% at 21,933, FTSE 100: +0.77% at 8,768, CAC 40: +0.42% at 8,006, Euro Stoxx 50: +0.65% at 5,360, AEX: +0.83% at 932, IBEX 35: +0.19% at 12,713, FTSE MIB: +0.50% at 37,242, SMI: +0.23% at 12,633, PSI: +0.83% at 6,564.

EARNINGS

- **ON Semiconductor (ON):** EPS & revenue missed with weak Q1 guidance
- **McDonalds (MCD):** Comp. sales beat but EPS in line, revenue and US comp. sales missed.
- **Tower Semiconductor (TSEM):** EPS and revenue fell short of forecasts.
- **Lyft (LYFT):** To launch Mobileye (MBLY) powered Robotaxis 'as soon as 2026'.

STOCK SPECIFICS

- **US Steel/Aluminium (X, CLF, NUE, STLD, AA):** Trump plans to impose 25% tariffs on steel & aluminium imports
- **Semtech (SMTC):** Revised FY26 estimates, as it sees CopperEdge product sales falling below prev. expected USD 50m floor.
- **Meta Platforms (META):** Will begin previously announced layoffs on Feb. 11th, cutting ~5% of its workforce.
- **Microsoft (MSFT):** Confirmed reports it's being targeted by a French anti-trust probe, and is "fully cooperating" with investigation. Meanwhile, Microsoft will adjust Office-Teams pricing in a bid to avoid EU antitrust fine; EU regulators will give third parties until this week to provide feed back, according to Reuters citing sources.
- **American Express (AXP)** CFO said it's confident in its FY guidance; says Q1 revenue growth will be lower than Q4 levels; Most of the credit normalisation has played out.
- **Snap (SNAP):** Proposed private offering of USD 700m of senior notes due 2033.
- **Hyatt Hotels (H):** Announced deal to buy Playa Hotels (PLYA, +2.6%) for USD 13.50/shr
- **TSMC (TSM):** January sales growth slowed reflecting broader uncertainties re. AI spending; Revised Q1 sales growth forecast amid prod. losses caused by an earthquake.
- **Apple (AAPL):** Preparing ultra-thin iPhones launch in 2025.
- **T-Mobile (TMUS):** Has launched Starlink in a public beta.

BROKER MOVES

- **Illumina (ILMN):** Downgraded to 'Underweight' from 'Equal Weight' at Barclays. The firm sees greater risk to management's ability to deliver on their plan due to China uncertainty and increasing competition from Roche in the clinical market.
- **Mobileye Global (MBLY):** Upgraded to 'Neutral' from 'Underperform' at BofA. The firm notes a few reasons behind the move: Q4 report limited downside risk to estimates; potential catalysts in 2025 from contract wins with several automakers in the later stages of contract negotiations for SuperVision and Surround ADAS; talks with investors also suggest sentiment is bottoming.

US FX WRAP

The Dollar was firmer to start the week against G10 peers, except for AUD and the NOK. Pushing the DXY higher was trade developments over the weekend, in which US President Trump said he is to announce 25% tariffs on all steel and aluminium coming into the US on Monday, something which is yet to be confirmed at pixel time. Outside of trade relations, US updates were few and far between, with the January NY Fed SCE unveiling the 1- and 3-year inflation expectations unchanged at 3% and the 5-year rising to 3% (prev. 2.7%). Ahead, markets await Trump's announcement re. tariffs on steel/aluminium. Thereafter, attention turns to his next announcement of reciprocal tariffs, which are expected to occur on Tuesday or Wednesday, taking effect almost immediately. In the central bank space, Fed Chair Powell is to testify before the Senate on Tuesday (House on Wednesday), as well as remarks from Hammack, Bowman, and Williams (all Tues).

G10FX was largely in the red on Monday with JPY and GBP the laggards. On GBP, gains were visible overnight and into the European morning, before paring and dropping to lows of 1.2360 with markets still awaiting remarks from BoE Mann on her dovish dissent at the February meeting (called for a 50bps rate rather than the 25bps that was ultimately enacted). Mann is to speak on Tuesday, concerning Britain's economic prospects while a text release is expected from Governor Bailey. Elsewhere, optimistic commentary from Japanese PM Ishiba on avoiding higher tariffs from the US failed to support the Yen, with USD/JPY rising to highs of 152.53 and residing 152.00 at the time of writing. For the Euro, little direct newsflow was seen, with EUR/USD dropping modestly to lows of 1.0281. ECB's Lagarde reiterated the conditions for a recovery remain in place, with inflation set to return to the 2% medium-term target in the course of this year, with risks to both the upside and downside.

As earlier stated, **NOK** and **AUD** were the only G10 FX to gain vs. the Buck, with the former benefitting from a hot January CPI report as well as a lack of exposure to the trade developments, giving only ~2% of its exports were to the US in 2022 (trade data via OEC) and only ~1.6% of its exports were raw aluminium. Regarding AUD strength, remarks from Australian PM Albanese helped, noting Australia will urge the US to give Australia exemption over steel tariffs. Rabobank continues to see scope for AUD/USD to move lower to the 0.60 area around the middle of this year. "This view is based on the assumption that further broad-based USD strength is likely." Meanwhile, New Zealand whose exports to the US as a % of total exports in 2022 were much larger than Australia (10.9% vs 3.2% respectively) suffered more tariff escalation, resulting in NZD/USD falling below its 21 DMA (0.5648)

EMFX: In China, CPI Y/Y jumped above expectations, while M/M was slightly cooler than expected, and PPI Y/Y posted a steeper deflationary print than anticipated; USD/CNH heads into APAC trade above 7.311. In LatAm, performance was mixed, upside was seen in BRL, while CLP and COP were the biggest losers. Banxico's Governor Rodriguez said despite the volatility of the Peso currency, the market has operated in an orderly manner. Following CEE FX gains last week due to hawkish central banks and optimistic Ukraine/Russia deal talks, ING noted nothing is likely to change here this week. "Overall, all CEE currencies look fairly priced to us matching their interest rate levels. Positive news from the geopolitical space could support further gains in CEE this week."

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