

**Stocks chop and bonds hit on more Trump tariffs threats**

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar down
- **REAR VIEW:** US to impose steel/aluminium tariffs, effective March 12th; Fed Chair Powell echoes FOMC statement, no hurry to cut rates; Fed's Hammack keeps to hawk script, may be close to neutral rate; Russia releases US prisoner after talks with Trump envoy; AFP News reports Ukraine Zelensky is prepared to offer territory swap with Russia; EIA Steo sees world oil demand unchanged in 2025; Strong US 3yr auction; BoE's Mann remains a hawk after explaining her dovish dissent; AAPL reportedly partners with BABA on iPhone AI features in China; Strong KO earnings
- **COMING UP: Data:** Italian Industrial Output, US CPI. **Events:** OPEC MOMR, BoC Minutes. **Speakers:** ECB's Elderson; Fed Chair Powell, Bostic, Waller; BoE's Greene. **Supply:** Japan, UK, Germany, US.
- **DAILY US EARNINGS ESTIMATES:** [WED] APP, CSCO; [THURS] DE, AMAT, PANW; [FRI] MRNA. [For the full list, please click here.](#)

**MARKET WRAP**

Stocks were ultimately mixed on Tuesday trade with overnight weakness on Trump steel and aluminum tariffs paring to see the SPX close flat, NDX & RUT down and DJIA up. Sectors were also mixed with outperformance in Consumer Staples after strong Coca-Cola (KO) earnings. Energy and Materials also outperformed while Consumer Discretionary was hit as TSLA shares tumbled as Musk announced an apparent bid for OpenAI. Health care and Communications also underperformed. The focus was largely on tariffs after Trump announced 25% tariffs on steel and aluminium coming into the US, adding he will be announcing reciprocal tariffs within the next day or two. However, some of the moves were at odds with what you would expect on a fresh tariff announcement. Given Trump's track record with Mexico and Canada in recent weeks, these new tariffs have a month grace period as well - which may potentially be used as a way for nations to negotiate with the US before facing such tariffs, with some analysts suggesting this announcement is to be used as a starting point for talks and perhaps the final version may not be as aggressive. In FX, the Dollar was sold while havens lagged but Pound, Euro and Antipodeans outperformed. The Pound was supported by hawkish commentary from BoE's Mann, while the Yen was weighed on by rising UST yields. T-notes were lower across the curve in a steeper fashion with attention on tariffs, supply, Fed speak and key US data this week. On supply, the US 3yr note auction was very strong ahead of the 10 and 30yr issuance on Wednesday and Thursday, respectively. Meanwhile, Fed Chair Powell spoke but largely reiterated his January messaging that the Fed is in no rush to alter policy due to uncertainties ahead. Hammack struck her usual hawkish tone, suggesting the Fed may be close to the neutral rate already. Attention turns to CPI on Wednesday, PPI on Thursday and Retail Sales on Friday. Gold prices were initially bid post Trump tariff announcement but reversed and finished lower sub USD 2,900/oz. Oil prices were firmer but settled off highs. There has been a lot of focus on geopolitics too with a potential end of the Gaza ceasefire due to violations while there are murmurings of progress regarding the Russia Ukraine war. The dollar saw notable downside and stocks caught a brief bid on reports in AFP that Zelenskiy said they are prepared to offer a territory swap with Russia. Meanwhile, the US announced Russia released a US prisoner after talking with Trump envoy Witkoff - in what was seen as a show of good faith by Moscow.

**FED**

**POWELL:** Overall, Fed Chair Powell largely reiterated commentary from the January FOMC. Between the FOMC and now, we have seen in line PCE, a strong US Labor Market report (with not as bad as feared annual revisions) and rising consumer inflation expectations. Given Powell's language has not changed, it suggests the recent data has not altered the Fed Chair's thinking on future policy. This is perhaps not too surprising given the main uncertainty at the minute is the economic impact of policies enforced by US President Trump, which will take some time to filter through into the data. Powell reiterated the Fed does not need to be in a hurry to adjust policy and that it is currently well positioned to deal with risks and uncertainties. Powell reiterated the message that the Fed can maintain policy restraint for longer if the economy remains strong and inflation does not move toward 2%, but they can also ease policy if the labor market unexpectedly weakens or inflation falls more quickly than expected. He also echoed the FOMC statement, noting the US economy is strong overall, inflation is closer to 2% goal, but still somewhat elevated. He said the unemployment rate is low and steady and the labour market is not a source of inflationary pressures (all reiterations). He touched on the framework too, noting the inflation target will remain at 2%. The Q&A with the Senate Banking committee was very political in nature, but Powell reiterated it remains to be seen what tariff policies will be implemented, and he does not know the effect. He repeated concerns about the labour market having diminished considerably since mid-last year, and he believes the neutral rate has risen from a very low pandemic level. The Fed Chair also stated the overall aggregate numbers on the economy are very, very good.

**HAMMACK** (2026 Voter, hawk), said it's likely appropriate to hold rates steady for some time with it still not clear that inflation will keep moving down to 2%. On inflation risks, Hammack noted they are skewed to the upside, while housing inflation pressures may be set to ease despite housing being a sticker part of the inflation equation. She said there are signs of optimism that they could see inflation easing. The 2026 voter believes monetary policy is only "moderately restrictive" and the policy rate may be close to the neutral rate (Fed FFR median for neutral = 3%, range 2.4-3.9%). Thus, the latter remarks suggest Hammack is likely towards the top end of that range, given the current target range of 4.25-4.50%. On the economy, Hammack said it's in a good place and the job market is solid, although it's unclear how much 2024 rate cuts have factored into the economy. The Cleveland President also added the Federal government debt is on an unsustainable path over the longer term.

**WILLIAMS** (Voter, Neutral) struck a neutral tone, largely echoing Fed Chair Powell. He noted that monetary policy is well positioned to achieve the Fed goals. He noted the US economy is in a good place, while inflation expectations are well anchored and the unemployment rate should stay between 4% to 4.25%. Williams expects the US to grow by around 2% this year (vs Fed median of 2.1%) and next (median 2.0%). Inflation to hang around 2.5% this year before easing to 2% in the coming years. Williams noted the economic outlook is highly uncertain due in part to government policy, but modestly restrictive policy should return inflation to 2%.

**FIXED INCOME****T-NOTE FUTURES (H5) SETTLED 8+ TICKS LOWER AT 108-30+**

**T-notes sold on official Trump tariff announcement ahead of supply, Powell and inflation data.** At settlement, 2s +2.2bps at 4.290%, 3s +2.0bps at 4.312%, 5s +3.7bps at 4.370%, 7s +4.2bps at 4.455%, 10s +4.2bps at 4.537%, 20s +4.5bps at 4.805%, 30s +4.0bps at 4.751%

**INFLATION BREAKEVENS:** 5yr BEI +3.5bps at 2.675%, 10yr BEI +2.7bps at 2.462%, 30yr BEI +1.6bps at 2.390%.

**THE DAY:** T-notes were lower throughout the session on Tuesday in response to the official Trump tariff announcement overnight for a 25% tariff on steel and aluminium imports to the US, while he will also announce reciprocal tariffs over the next day or two. T-notes were weighed on overnight and throughout the European morning to bottom out in the US morning at 108-28. Alongside tariffs, T-notes saw follow-on selling from Gilts and Oats with the former weighed on by Hawkish Mann comments, and Oats weighed on by the new 30yr issuance. There was little tier 1 data released but focus lied on Fed Chair Powell and the 3yr note auction as attention turns to US CPI, PPI and Retail Sales. Fed Chair Powell largely echoed what he said at the January FOMC with markets little phased by his remarks as he continues to express a no rush to changing the policy rate with uncertainties ahead. Meanwhile, Fed's Hammack toed her usual hawkish tone, noting it is appropriate to hold rates steady for some time and that they may be near the neutral rate. Attention then turned to the 3yr auction which was ultimately very well received but only briefly supported T-note futures.

**3YR:** Overall, a strong 3yr auction. The US Treasury sold USD 58bln in the new issue 3yr notes at a high yield of 4.300%, stopping through the when issued by 1.3bps. A better reception than the prior 1.2bps tail and six auction average of a 0.2bps tail. The bid-to-cover was also above the average and prior at 2.79x. The breakdown was strong thanks to huge indirect demand (74% vs 61% prior and average 66%). Direct demand was a touch soft at 15.8% however but the indirect demand more than offset this decrease. This left dealers with just 10.2% of the auction, beneath the 19.4% prior and 16.5% average.

#### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: March 1bps (prev. 2bps), May 6bps (prev. 7bps), June 15bps (prev. 16bps), Dec 35bps (prev. 38bps)
- NY Fed RRP op demand at USD 76bln (prev. 100bln) across 36 counterparties (prev. 41)
- SOFR at 4.35% (prev. 4.35%), volumes at USD 2.336tln (prev. 2.365tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 96bln (prev. 107bln).
- US Treasury sold USD 85bln of 42-day bills at a high rate of 4.260%, B/C 2.91x
- US Treasury to sell USD 62bln in 17wk bills on 12th Feb, USD 90bln of 4wk bills and USD 85bln of 8wk bills on 13th Feb; all to settle Feb 18

## CRUDE

**WTI (H5) SETTLED USD 1.00 HIGHER AT 73.32/BBL; BRENT (J5) SETTLED USD 1.13 HIGHER AT 77.00/BBL**

**The crude complex saw gains amid the aftermath of tariff escalations and continued heightened geopolitical updates.** On the former, US President Trump signed proclamations to reimpose a 25% tariff on steel and aluminium imports and declared there are no exceptions or exemptions, effective March 12th. Elsewhere, the Israel/Hamas ceasefire is holding on by thin ice, and overnight Trump said if all Gaza hostages aren't returned by noon on Saturday, he would say cancel the ceasefire and let all hell break loose (more below). Separately, Trump said he will send Treasury Secretary Bessent to Ukraine to meet Zelensky, and that the war must end, and will end, soon. In addition, according to RIA, Russian Deputy Foreign Minister met the US envoy, which came after the Kremlin earlier said there are contacts with the Trump team which are intensifying, but nothing in terms of a possible settlement to the conflict in Ukraine. On supply, Russia's Saratov oil refinery suspended operations for safety reasons after Ukrainian drone attacks. Oil edged higher through the duration of the session, albeit came off slight highs in the US afternoon. Nonetheless, WTI and Brent printed lows of USD 72.31/bbl and 75.90/bbl overnight, respectively, against later highs of 73.68/bbl and 77.20/bbl. Ahead, participants await private inventory metrics after-hours, whereby current expectations are (bbls): Crude +3.0mln, Distillate -1.5mln, Gasoline +1.4mln.

**ISRAEL/HAMAS:** Furthering on above, in later remarks on Tuesday Trump said he does not think Hamas will make the deadline. Israeli Defense Minister Katz said in response to Hamas delaying Israeli hostages that it is a complete violation of the ceasefire agreement, and he instructed the IDF to prepare for any scenario in Gaza. Continuing to this, more recently, Israeli PM Netanyahu stated if Hamas does not return their hostages by Saturday noon, the ceasefire will end, and the military will return to intense fighting until Hamas is finally defeated.

**EIA STEO (Feb.):** 2025 world oil demand seen at 104.1mln BPD, unchanged from the prior, while 2026 demand was revised marginally higher to 105.2mln BPD from 105.1mln BPD. [Click here for a more detailed summary.](#)

## EQUITIES

**CLOSES:** SPX +0.03% at 6,069, NDX -0.29% at 21,694, DJIA +0.28% at 44,594, RUT -0.53% at 2,276

**SECTORS:** Consumer Discretionary -1.23%, Health -0.22%, Communication Services -0.13%, Industrials +0.02%, Technology +0.18%, Financials +0.26%, Utilities +0.49%, Materials +0.54%, Real Estate +0.56%, Energy +0.76%, Consumer Staples +0.91%.

**EUROPEAN CLOSES:** DAX: +0.56% at 22,034, FTSE 100: +0.11% at 8,777, CAC 40: +0.28% at 8,029, Euro Stoxx 50: +0.64% at 5,392, AEX: +0.77% at 939, IBEX 35: +0.52% at 12,775, FTSE MIB: +0.91% at 37,582, SMI: +0.60% at 12,703, PSI: -0.01% at 6,563.

#### EARNINGS

- **Lattice Semiconductor (LSCC):** Issued positive guidance for Q1 and announced new executive leadership changes.
- **Coty (COTY):** EPS & revenue missed with FY outlook disappointing.
- **Dupont (DD):** EPS & revenue topped with outlook largely in line.
- **Travelers Companies (TRV):** Preliminary estimate of catastrophe losses re. Jan. '25 California wildfires is USD 1.7bln pre-tax.
- **Coca-Cola (KO):** EPS, revenue, & unit case volume topped.
- **Marriott International (MAR):** Q1 profit view light; Note, top & bottom-line beat.
- **GlobalFoundries (GFS):** Q1 revenue guide fell short of expectations.
- **S&P Global (SPGI):** EPS & revenue beat with new buyback plan; Strong FY profit guidance.
- **Fluence Energy (FLNC):** Reported steeper loss per share, with revenue well below expectations. Also, cut its FY25 revenue and adj.EBITDA view.
- **Kering (PPRUY):** Reported a 12% drop in Q4 sales, largely due to a 24% slump at Gucci; Despite the decline, noted improvement in sales in China & US.

#### STOCK SPECIFICS

- **Phillips 66 (PSX):** Activist Elliott has built over USD 2.5bln stake in the Co.
- **Steel Dynamics (STLD):** Upgraded to 'Overweight' from 'Sector Weight' at Keybank, arguing recent operational challenges at Sinton are turning, Trump's supporting "materially positive" earnings revisions for Steel Dynamics along with "reasonable relative" valuation versus peers.

- **Dynavax Technologies (DVAX):** Downgraded to 'Sell' from 'Neutral' at Goldman Sachs with a USD 12 PT (prev. 15). Goldman notes "Dynavax now ranks in the lowest quintile for potential upside in its coverage group".
- **Apple (AAPL):** Has reportedly partnered with **Alibaba (BABA)** to develop AI features for iPhone users in China, via The Information. Apple tested DeepSeek's models and did not proceed with them.
- **Boeing (BA)** - Delivered 45 commercial jets in January, the most deliveries in a month since 2023; books 36 gross orders in January (prev. 145 in Dec); Delivers 40 737 max jets, four 787s and one 777 freighter.
- Iceberg Research short on **Pagaya Tech (PGY)**.
- **SpringWorks Therapeutics (SWTX):** FDA approved Mirdametinib for adult & pediatric patients 2 years of age and older with NF1 who have symptomatic PN not amenable to complete resection.
- **JPMorgan (JPM):** COO says clients are optimistic but have adopted a wait-and-watch approach on investments related to CapEx; there is an overall cautiously optimistic sentiment in terms of policy. Bank has seen IB fees grow mid-teens Y/Y in Q1; should see a real resurgence in IPOs Y/Y; expects trading to be up low double-digits Y/Y in Q1.

## US FX WRAP

**The Dollar** was weaker against most G10 peers despite US President Trump announcing the imposition of 25% tariffs on all steel and aluminium coming into the US, effective March 12th. Since tariffs are not set to go into effect for a month, the softer buck was likely an expectation from markets that said tariffs are a starting point for negotiations, similar to what was seen with the tariff announcement on Canada and Mexico - where the CAD has since pared all downside induced by the initial announcement in January of 25% tariffs on Canada (10% on oil), as the implementation was delayed by 30 days. Late in the US session, dollar downside extended on reports via AFP News, that Ukrainian President Zelenskyy said they are prepared to offer a territory swap with Russia. DXY nears the end of US trade at ~ 107.94 vs low of 107.77 and high of 108.46. Elsewhere, Powell gave his semi-annual testimony to the Senate, whereby remarks largely echoed recent commentary, noting the Fed are not in a rush to move on policy. Meanwhile, Hammack kept to her hawk stance. On Wednesday, focus will linger on Fed's Chair Powell who is to now testify before the House Financial Services Committee (repeat remarks expected), while Bostic is to speak on the economic outlook. In the data space, US CPI is due and will likely be the highlight, core M/M is seen rising to 0.3% (prev. 0.2%), and Y/Y is expected to ease to 3.1% from 3.2%. Additionally, the Federal Budget deficit is anticipated to widen to USD 95.5bln from 87bln.

**G10 FX**-ex havens were in the green as markets put aside Trump's latest announcement of tariffs for now. Upside was led by GBP, and SEK, with the former gaining on BoE's Mann reasoning behind her dovish dissent, opting for a 50bps rate cut at the February meeting over a 25bps cut. Her three reasons behind the decision, were to cut through the noise, anchor expectations through the inflation hump, and acknowledge structural impediments and macroeconomic volatility in the longer term. Despite wanting a greater cut, Mann's Hawk stance remains, given she's more likely at the higher end of the 3.0-3.5% range of the longer-run average rate, provided by respondents in the BoE Markets' Participants Survey. Cable rose above its 21 DMA of 1.2378, rising to ~ 1.2440 ahead of APAC trade.

**Havens** lagged in the red, with USD/JPY climbing to ~ 152.50 ahead of overnight trade. Weighing on CHF and JPY, was likely higher US treasuries yields across the curve, particularly on the longer end, in wake of the most recent US metal tariffs, and possibly with dealers repositioning ahead of the US supply and inflation data this week; 10yr on Wednesday and 30 year on Thursday.

**EUR/NOK** reversed its losses on Monday, with weakness ensuing on Norwegian GDP growth mainland unexpectedly contracting by 0.4% in Q4 (exp. 0.2%) after expanding 0.5% in Q3. NOK/SEK saw losses, after three days of gains, but still hovers around the 0.970 handle.

**EMFX:** Hungarian inflation in January came in hot on both fronts, supporting the Forints move higher against EUR, and USD, particularly the latter. On the CPI report, Erste Bank analyst said the bank would revise upwards its 4.5% annual 2025 inflation forecast to reflect the report, as "the current and projected pace of price growth gives no room for rate cuts in the short term". Inflation was seen in LatAm, with Brazil's ICPA Index in January meeting analyst's expectations; BRL saw decent strength, bringing February's lows of 5.7366 into view.

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