

Stocks and bonds bid in wake of PPI and Trump Tariff announcement

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down
- **REAR VIEW:** Trump signs EO on Reciprocal Tariffs (RT), to be implemented "within weeks"; Lutnick says studies on RTs will be done by April 1st, and ready to go; Trump calls for Defense spending to be halved; Hot PPI, but soft PCE components; Initial Claims slightly beneath forecasts; Continued claims notably beneath forecast; ARM secures META as first customer for new chip project; White House to renegotiate CHIPS act awards; Weak 30yr auction; Trump says he had great talks with Russia and Ukraine; Israel denies reports of reaching understanding with Hamas; GS announces USD 268bln mixed shelf; Strong UK GDP; Inline Swiss CPI.
- **COMING UP: Data:** Germany Wholesale Price Index, EZ Employment, US Import/Export Prices, Retail Sales, Industrial Production, Capacity Utilisation, Manufacturing Output. **Events:** BoC SLOOS. **Speakers:** ECB's Panetta; Fed's Logan. **Supply:** Australia, Japan. **Earnings:** Moderna, Hermes, Safran, Segro, NatWest.

MARKET WRAP

Stocks and bonds were ultimately firmer while the dollar was sold. US President Trump announced the reciprocal tariffs which saw two-way price action. Overall, the comment that tariffs will be implemented within weeks, and that studies will be done by April 1st so tariffs are "ready to go" helped alleviate some tariff concerns as it allows time for negotiations. Trump also stressed that other countries that feel they are being unfairly treated by the US can lower, or eliminate their tariffs on the US. Trump also announced that the EU has matched the US tariff of 2.5% (from 10%). The delayed implementation provides nations time to negotiate to avoid, or lower these reciprocal tariffs - in a similar vein to how Trump delayed the tariff implementation date on Mexico and Canada, which may result in a watered-down version of the measures. Elsewhere stocks and bonds had been grinding higher after the US PPI data. The data was hot but the components that filter through to PCE were soft, which helped ease some of the inflationary concerns after the hot CPI on Wednesday. Jobless Claims were beneath expectations. Meanwhile, oil prices sold off initially on Russia/Ukraine and Israel/Hamas optimism, but Israel later denied the progress with Hamas - seeing oil move up from lows to ultimately settle only marginally in the red. In FX, the dollar lagged while CHF and JPY outperformed on the move lower in UST yields, while GBP was supported by strong GDP; Switzerland saw in-line CPI. Gold rallied in wake of the Trump announcement with gold rising to highs of c. USD 2,930, just off the record highs of USD 2,940/oz.

US

TARIFFS: US President Trump announced reciprocal tariffs on nations that charge the US, either through Tariffs, VAT, or non-monetary tariffs and trade barriers. However, these will be implemented within weeks, and the Commerce Secretary said they will address each country one by one and studies should be done by April 1st, in which they will be ready to go. This has provided some time for negotiations. Trump also noted how the EU has already adjusted their VAT on the US to 2.5% from 10%, while the President added that in some cases, countries who feel the US would be getting too high a tariff, all they have to do is reduce or terminate their tariff against the US. He also noted how there will be no tariffs if products are manufactured or built in the US. The reciprocal tariffs will also be over and above steel tariffs, also cars, and pharmaceuticals. On which, Trump said auto, steel, aluminium, and pharma tariffs are coming soon and there are no exemptions planned on auto tariffs. The official white house announcement said that they are hoping to have discussions with other countries, and Trump is more than happy to lower tariffs if others want to lower tariffs. It also said they will examine the most egregious issues and countries with the biggest US trade surpluses first. The tariffs will also factor in other countries' exchange rates, taxes, tariffs, non-tariff barriers, and any 'unfair limitation'.

PPI: Headline PPI rose by 0.4% M/M in January, above the 0.3% consensus while the prior was revised up to 0.5% from 0.2%. The Y/Y maintained a 3.5% pace with the prior revised up from 3.3%, seeing the figure above the 3.2% consensus and above the top analyst forecast range of 3.4%. The Core PPI (ex food and energy) rose 0.3% M/M, in line with forecasts, easing from the prior 0.4% pace, while Y/Y rose 3.6% above the 3.3% consensus and top analyst estimate of 3.4%, while the prior also saw a revision higher to 3.7% from 3.5%. However, despite it overall being a hot report, the components that feed into the Fed's preferred gauge of inflation, PCE, all eased lower. In wake of the data, "because the PPI components that feed into the PCE index (financial and healthcare services) were soft in January, the core PCE index is estimated to print well below the big 0.45% increase in the CPI". Morgan Stanley stated they see core PCE at 0.30% MoM & headline at 0.35% MoM after the PPI data, but they may update forecast on Friday after import prices. Providing PCE comes in cooler than these hot CPI and PPI reports, it may alleviate some of the inflationary fears at the Fed given Core PCE is their preferred metric. Plus, this is one month of data and there will be more to digest by the time of the March FOMC and Dot Plot meetings, albeit the Fed are currently on hold due to uncertainties ahead while inflation is clearly still above target, it makes sense to hold for longer. The first rate cut is being priced in by around September/October, with a 60% probability priced for an earlier move in July.

JOBLESS CLAIMS: Initial jobless claims (w/e 8th Feb) dipped to 213k from 220k, and underneath the expected 215k, which saw the 4-wk average tick lower to 216k (prev. 217k). Note, seasonal factors had expected a decrease of 1,761 (-0.7%) W/W. Continued Claims, for the preceding week, fell to 1.85mln from 1.886mln, and also beneath the forecasted 1.88mln. Overall, Pantheon Macroeconomics highlights that leading indicators of claims paint a mixed picture. Businesses intending to lay off more than 50 people at any worksite are legally required to submit a WARN filing, so the uptick in WARN filings in November, which was mostly sustained in December, seems to suggest a meaningful rise in layoffs in the near term. However, Challenger job cut announcements fell by 40% Y/Y in January, and generally suggests that initial claims will remain very low.

FIXED INCOME

T-NOTE FUTURES (H5) SETTLED 22+ TICKS HIGHER AT 108-31

T-notes bid on PCE friendly PPI report and as Trump notes countries can avoid reciprocal tariffs if they lower, match, or eliminate tariffs on US. At settlement, 2s -5.2bps at 4.313%, 3s -6.7bps at 4.330%, 5s -8.9bps at 4.393%, 7s -10.1bps at 4.463%, 10s -10.1bps at 4.533%, 20s -10.2bps at 4.797%, 30s -9.7bps at 4.738%.

INFLATION BREAKEVENS: 5yr BEI -1.2bps at 2.678%, 10yr BEI -1.6bps at 2.457%, 30yr BEI -1.4bps at 2.376%.

THE DAY: T-notes saw a gradual recovery overnight and in the European morning from the post hot CPI lows on Wednesday. There was a two way reaction to the US PPI report which was hot on the headlines, which saw T-notes knee jerk lower to 108-10+ before paring higher to go on to print fresh session highs of 108-30+. The upside was due to cooling price pressures of the PCE components that feed into the US PCE report, which is the Fed's preferred gauge of inflation. Meanwhile, Jobless claims were largely in line for the initial claims but continued claims were notably lower than expected. There was no Fed speak on Thursday but US President Trump announced he will be signing orders today on reciprocal tariffs. On the signing of these tariffs, T-notes caught a bid into settlement with Trump noting how Europe have already matched the lower US tariffs and tariffs will be implemented "within weeks", while a study will be released from 1st April, when they "will be ready to go". The timing provides time for negotiations, which could ultimately see the prelim proposals watered down if other countries agree to lower tariffs on the US. Elsewhere, attention was also on the 30yr bond auction, which ultimately was weak (more below).

30YR: US Treasury sold USD 25bln of 30yr bonds at high yield of 4.748%, tailing the when issued by 1.2bps, very disappointing when compared to the prior stop through of 0.7bps and six auction average for a 0.2bps tail and follows on from the soft 10yr auction on Wednesday. The 30yr bond futures had been rallying into the auction after the PPI data revealed soft PCE components, seeing negative concession ahead of the auction which analysts warned raises the risk for a tail (albeit the concession ahead of the 10yr on Wednesday after hot CPI did little favours). The bid-to-cover of 2.33x was well beneath the prior and average too. The breakdown saw Indirect demand slip slightly to 65.08% beneath the 68.4% average, while direct demand fell to 18.58% from 20.7%, slightly above the six auction average of 17.6%. This left dealers with an above prior and average 16.35% (prev. 12.7%, avg. 14%).

NEXT WEEK SUPPLY

- US Treasury to sell USD 16bln of 20yr bonds and USD 9bln of 30yr TIPS (as expected) on February 19th and February 20th, respectively; all to settle Feb 28th
- US to sell USD 80bln of 6wk bills, USD 80bln of 13wk bills, USD 70bln of 26wk bills and USD 48bln of 52wk bills on February 18th; all to settle Feb 20th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 4bps (prev. 3bps), June 11bps (prev. 9bps), Dec 33bps (prev. 27bps)**
- NY Fed RRP op demand at USD 67.8bln (prev. 68bln) across 28 counterparties (prev. 27)
- SOFR at 4.32% (prev. 4.34%), volumes at USD 2.313tln (prev. 2.321tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 94bln (prev. 92bln).
- US sold USD 62bln 17wk bills at high rate 4.230%; B/C 3.38x.

CRUDE

WTI (H5) FUTURES SETTLED USD 0.08 LOWER AT 71.29/BBL; BRENT (J5) SETTLED USD 0.16 LOWER AT 75.02/BBL

The crude complex was choppy on Thursday, but ultimately settled only marginally lower in a day which was dominated by Trump tariff talk, as well as hot US PPI. Through the European morning benchmarks trundled lower, which extended after Al Jazeera reported positive developments re. Hamas/Israel ceasefire, something which Israeli PM Netanyahu's office swiftly denied as "fake news". Thereafter, US President Trump was posting on Truth about the "great talks" with Russia and Ukraine and the "good possibility" of ending the war. After reciprocal tariffs were signed WTI and Brent chopped but ultimately remained well off the earlier lows only slightly in negative territory as the Dollar took a hit with Tariffs not enacted just yet but are instead set to come into effect "within weeks" with a study to be completed by 1st April - providing time for negotiations. For the record, energy saw little move on the hot US PPI report, following on from Wednesday's CPI metrics, although the components that feed into the Fed's preferred gauge of inflation PCE all eased lower.

EQUITIES

CLOSES: SPX +1.04% at 6,115, NDX +1.43% at 22,031, DJIA +0.77% at 44,711, RUT +1.17% at 2,282

SECTORS: Industrials +0.09%, Utilities +0.14%, Health +0.40%, Financials +0.72%, Energy +0.77%, Real Estate +0.84%, Consumer Staples +0.97%, Communication Services +1.08%, Technology +1.52%, Consumer Discretionary +1.60%, Materials +1.71%.

EUROPEAN CLOSES: DAX: +2.09% at 22,611, FTSE 100: -0.49% at 8,765, CAC 40: +1.52% at 8,164, Euro Stoxx 50: +1.71% at 5,498, AEX: +0.42% at 947, IBEX 35: +0.18% at 12,935, FTSE MIB: +1.00% at 37,908, SMI: +2.02% at 12,954, PSI: +0.89% at 6,586

EARNINGS

- **Cisco (CSCO):** EPS & revenue beat, raised quarterly dividend & boost buyback programme.; Raised FY guidance.
- **AppLovin (APP):** EPS & revenue topped with solid next Q sales; Plans to sell apps business for USD 900mln.
- **Fastly (FSLY):** Issued weak profit guidance.
- **The Trade Desk (TTD):** Revenue missed with disappointing Q1 revenue view.
- **Robinhood Markets (HOOD):** Top and bottom line surpassed expectations.
- **Dutch Bros (BROS):** Q4 metrics impressed as did FY guidance.
- **Royal Caribbean Cruises (RCL):** Lifted quarterly dividend by 36% & announced USD 1bln share buyback programme.
- **Albemarle (ALB):** Returned to profit in Q4 with cost cuts offsetting low lithium prices.
- **Deere & Co (DE):** Q4 metrics beat but highlighted a challenging environment.
- **MGM Resorts (MGM):** Better-than-expected. Q4 metrics.
- **Reddit (RDDT):** Q4 DAUs missed.
- **GE HealthCare (GEHC):** Profit beat as did FY outlook.
- **Nissan (NSANY):** Sales dropped & cut it's FY operating income.

STOCK SPECIFICS

- **AMD (AMD):** Executive VP & CCO insider buy; First insider buy in the Co. in over 4 yrs.
- **Goldman Sachs (GS):** Filed for a USD 268bln amended mixed shelf.
- **Kraft Heinz (KHC):** Downgraded at Citi and BofA after earnings on Wednesday disappointed. Citi downgraded KHC to 'Neutral' from 'Buy' noting another year of incremental investments will needed in 2026 to drive positive sales growth. While, BofA downgraded the stock to 'Underperform' from 'Buy', struggling to see a path to meaningful organic sales improvement over the next 12 months.
- **HPE (HPE):** Announced shipment of its first **NVIDIA (NVDA)** Grace Blackwell system.
- **Arm (ARM):** Secured **Meta (META)** as first customer for ambitious new chip project, FT reports.
- **Apple (AAPL):** CEO Cook posted on X "Get ready to meet the newest member of the family. Wednesday, February 19.

#AppleLaunch".

- **Reliance and Disney (DIS)** JV to stop completely free IPL cricket streaming, according to Reuters sources; JV to offer limited free viewing before offering subscription models.

US FX WRAP

The Dollar traded lower ahead of US President Trump's reciprocal tariff announcement, as all but one of PPI components which feed into the PCE measure fell M/M. The confirmation of Trump deciding to charge a reciprocal tariffs, and more specifically taking aim at countries using VAT against the US (e.g. Europe), resulted in a bid Dollar, trimming most of earlier downside. That said, the rebound was short-lived as further details of the reciprocal tariffs came to light, particularly a White House official noting they could come within weeks, while Commerce Secretary Lutnick noted each country will be addressed one by one, with studies set to be done by April 1st. Thus, the renewed Dollar weakness was likely a function of optimism over allowing time for negotiations for lower US tariffs, or allowing countries to reduce/terminate their tariffs on the US. Further highlighting this view was Trump, noting if a country feels that the US would be getting too high a tariff, all they had to do is reduce/terminate their tariff against them. Other highlights from Trump's conference, was reiterating threats against the BRICS if they play with the Dollar, noting BRICS trading could be 100% tariff at least. Sticking to tariffs, Trump reiterated tariffs are coming on on auto, steel, aluminium, pharma tariffs coming soon. DXY heads into APAC trade at session lows of 107.09. On Friday, US data will be of focus, with Retail Sales expected to post a 0.1% decline in January, while Import/Export Prices, Industrial Production, and Fed's Logan are also due.

G10 FX headed into APAC trade all markedly higher against the buck, with gains led by havens and Scandi's while Antipodes lagged, but turned earlier subdued price action into sizable gains on the aforementioned Dollar weakness post-Trump. Regarding havens, lower US yields across the curve were a big driver, due to the aforementioned soft PPI components that filter into PCE, as well as the delayed implementation of Trump's reciprocal tariffs. For the Euro, choppy trade was seen at the time of Trump saying VAT tax will be viewed as a tariff, something which Europe has in effect on the US. That said, the tax was known to be 10%, but Trump said in his press conference the EU lowered it to 2.5%, 'that's a big win'. Therefore, initial weakness in the Euro on the VAT-related announcement, swiftly pared, with EUR/USD rising to highs of 1.0461. For the Pound, upside was also helped by the GDP estimate M/M (Dec) showing a better-than-expected expansion of 0.4% (exp. 0.1%). Subsequently, BoE pricing pushed back the second 25bps rate cut to the November meeting from September.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com