

newsquawk

US Market Wrap - 17th February 2025

Quiet trade with US away for President's Day

- **SNAPSHOT:** Equity futures up, Treasury futures down, Crude up, Dollar flat
- **REAR VIEW:** Fed Bowman and Harker suggest patient approach to policy changes; ECB's Holzmann says there is some probability of a March cut; Ukraine targets oil pumping station in Russia; More calls for increased EU defence spending; OPEC considering delaying April restart of production; Taiwan considers multi-billion Dollar weapons purchase from US; Strong Japan GDP
- **COMING UP: Data:** UK Jobs, German ZEW Survey, Canadian CPI, Japanese Exports/Imports. **Events:** RBA Policy Announcement. **Speakers:** RBA's Bullock; BoE's Bailey; ECB's Cipollone; Fed's Daly, Waller, Barr. **Supply:** Japan, UK, Germany. **Earnings:** Baidu, Medtronic, Conagra, Arista, Occidental Petroleum, HSBC, Antofagasta, Capgemini.
- **WEEK AHEAD:** Highlights include RBA, RBNZ, FOMC Minutes, PMIs, Canada, UK and Japan inflation. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBA, RBNZ, FOMC Minutes, PBoC LPR; Reviewing Fed Chair Powell, BoC Minutes. [To download the full report, please click here.](#)

MARKET WRAP

It was a quiet day with US players away on account of the President's Day Holiday. Equity futures saw mild gains in the shortened trading hours, while T-note futures sold off marginally after the jump on Friday following weak retail sales data. The Dollar was flat while Yen outperformed after strong GDP numbers whereas AUD was flat ahead of the RBA overnight. Brent prices settled higher on fading Russia and Ukraine optimism with peace talks facing disagreements while Ukraine targeted a Russian pipeline overnight. The Russia-Ukraine summit has seen calls for higher defence spending in Europe while the US and Russia are having bilateral talks, and Ukraine stresses that any agreement needs to include them, as does Europe. There was no US data but Fed speak saw hawk Bowman repeat that more confidence is needed that inflation is falling before lowering rates again, while Harker argued the case for steady monetary policy, noting it is in a good position now. Attention this week is on S&P Global PMI data, FOMC Minutes, rate decisions from RBA, RBNZ, PBoC LPR, inflation reports from Canada, UK and Japan, and of course any potential tariff/policy updates from US President Trump.

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FED'S HARKER (Neutral): The Philadelphia Fed President Harker said that the current economy supports a steady rate policy for now, emphasizing that monetary policy is in a good place and future rate decisions will be data-driven. He expects the Fed's policy stance to continue bringing inflation down, though inflation remains elevated and has been sticky in recent months. He anticipates it will return to the 2% target over the next two years and noted that the labor market appears solid and largely in balance, with the economy operating from a position of strength. However, he highlighted that rising home insurance costs are becoming a real challenge and acknowledged risks to inflation's gradual decline. Harker also reiterated that the Fed should shift to an all or mostly Treasury bond balance sheet, expecting bank reserves to contract more swiftly soon. Despite this, uncertainty remains around the endpoint for the Fed's balance sheet wind-down, and he noted that liquidity does not yet appear tight enough to halt the process. Additionally, he remains unsure about the potential impact of new government policies on economic conditions.

FED'S BOWMAN (Hawk): While she expects inflation to decline, upside risks remain, and greater confidence in sustained disinflation is needed before considering rate cuts. She emphasized that patience in adjusting policy will provide more clarity on the impact of administration policies. On the labor market, she noted that while hiring has slowed, unemployment remains below estimates of full employment, and wage growth is still above levels consistent with the Fed's inflation target. Additionally, she pointed to high asset prices as a potential factor slowing inflation progress and highlighted the importance of monitoring supply chains and signs of pent-up demand as potential inflation risks.

FIXED INCOME

It was a quiet day for bonds with cash treasury trade closed for the US holiday. After the woeful retail sales report on Friday, T-note futures trade lower from those peaks in a 109-03 to 109-11 range on Monday. There was also no US data on account of the holiday, but we did see some Fed speak where both Bowman and Harker echoed their colleagues in noting how policy should stay put for now, while Bowman was warning of upside risks in inflation. T-note futures saw marginal selling overnight and in the European morning before paring somewhat. There were few fresh drivers, but perhaps tracking European trade with EGBs pressured across the board. Action which stems from 1) continued pullback from recent upside; 2) proximity to the German election; 3) growing calls/expectations for higher European defence spending. Attention this week is on 20yr supply, S&P Global PMI data and FOMC Minutes. As well as any surprises/announcements from US President Trump or trading partners.

CRUDE

BRENT (J5) SETTLES USD 0.48 HIGHER AT 75.22/BBL

Crude prices saw choppy trade on US President's day with focus on geopolitics and supply updates. Price action was supported on reports that Ukraine targeted an oil pipeline in southern Russia with drones. Ukraine targeted the largest pumping station in Russia of the Caspian Oil Pipeline Consortium. The pumping station was taken out of service and crude transport through the Tengiz-Novorossiysk pipeline system is being maintained at reduced flow rates. Focus also was on the Russia/Ukraine Summit, US Special Envoy for Ukraine Kellogg noted that no one will impose a peace deal on Zelenskiy, stating that Ukraine will make that call themselves. While a Kremlin Foreign Policy aide said Russia has yet to agree on how to start Ukraine talks, while clarifying that for now, Russia and US are talking about bilateral talks, something that Ukraine has said it needs to take part in or else any results will not be recognised. Russian Foreign Minister Lavrov echoed sentiment from Russia last week that there are no thoughts of territorial concessions to Ukraine at negotiations. On supply, Bloomberg reported that OPEC+ is considering delaying bringing back barrels of oil in April, noting global oil markets remain too fragile to revive production now. However, a decision has not yet been made and a decision could be finalised in the coming weeks. Nonetheless

Russian Deputy PM Novak said OPEC+ is not considering a delay of the April oil supply restart. Elsewhere, the KRG Natural Resources Minister says Iraq's Kurdistan region's oil exports could resume before March, as all legal procedures have been completed.

US FX WRAP

The Dollar index was unchanged on President's Day, with the Dollar's lost ground to JPY and GBP, offset by marginal gains vs the EUR, CAD, and CHF. US newsflow was very light as US participants were away for the day, and likely adding was the breathing space that was given by last week's US reciprocal tariffs, where the studies are set to be completed by April 1st as opposed to imminently. That said, March is likely to remain on the subject of trade relations, given the Mexico/Canada and aluminium/steel tariff delays expire in early March, while perhaps details of negotiations on reciprocal tariffs will filter through. The day did see a couple of Fed speakers. Bowman continues to want more inflation data before cutting rates again, with current wage growth levels inconsistent with the Fed's inflation target. Fed's Harker echoed a similar line, arguing for a steady rate policy for now. DXY heads into overnight trade around 106.30, after seeing highs of 106.90 and lows of 106.62. The US week ahead focus is on FOMC Minutes, Final UoM, Prelim S&P PMIs, and more Fed remarks due. As previously mentioned, JPY and GDP outperformed, with the former supported by strong GDP figures, Q/Q annualised Q4 2.8% (exp. 1.0%), Q/Q 0.7% (exp. 0.4%, rev. 0.4%); USD/JPY trundled lower through the EU and US session to lows of 151.35 while Cable saw highs of 1.2634 from overnight lows of 1.2579 ahead of PM Starmer's meeting with US President Trump next week. The Euro was modestly softer as European leaders met in Paris, putting EUR/USD at ~1.0480, off earlier lows of 1.0468. Many remarks were concerned with defense spending, with the French Finance Minister noting France is doing its job on defence spending in Europe, the effort should be shared more equally among EU member states. While Polish PM Tusk said European partners realise the time has come for greater European defence capabilities and spending. From the ECB, Holzmann said there's some probability of a rate cut. Elsewhere, AUD/USD was flat ahead of the RBA's rate decision on Tuesday with markets currently pricing in an 88% probability the Cash Rate will be cut by 25bps to 4.10%. The RBNZ rate decision is also due this week, with markets fully pricing a 50bps rate cut. NZD/USD traded between 0.5709-50.

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