

# newsquawk

## US Market Wrap - 19th February 2025

### Markets chop to geopolitics and FOMC Minutes

- **SNAPSHOT:** Equities mixed, Treasuries steepen, Crude up, Dollar up.
- **REAR VIEW:** Trump says auto tariff rate will be around 25%, Pharmaceuticals 25% or higher; RBNZ cuts by 50bps, as forecasted; Hot UK inflation data; Mixed US housing data, Starts underwhelms but Permits beats; Trump calls Zelensky a dictator; Poor US 20yr auction; FOMC Minutes widely as expected, but focus centred around discussions on the balance sheet; Fed's Bostic says everything is on the table at every meeting; Strong ADI earnings.
- **COMING UP:** **Data:** Australian Jobs, US Initial Jobless Claims, Philly Fed Index, EU Consumer Confidence, NZ Trade, Australian PMI, Japanese CPI **Events:** Trump Executive Orders, Chinese LPR **Speakers:** RBA's Hauser, ECB's Makhlouf; Fed's Goolsbee, Musalem, Jefferson, Barr **Supply:** Spain, France, US **Earnings:** Alibaba, Walmart, Baxter, Rivian, Airbus, Renault, Lloyds, Anglo American, Mercedes Benz.

### MARKET WRAP

Stocks were little changed on Wednesday while T-Notes bull steepened with upside in both assets seen in late trade after the FOMC Minutes. The Minutes were largely as expected, signalling the Fed is in no rush to adjust policy and they should be cautious with future adjustments. However, commentary that various participants suggest it may be appropriate to pause or slow the balance sheet run off until the debt ceiling issue is resolved took the limelight, sending T-Notes to session highs with stocks following suit. Elsewhere, the Dollar was bid but off highs post FOMC Minutes while oil prices settled in the green, but well off earlier peaks. Focus aside from Fed was largely centered around geopolitics with more issues surrounding Ukraine and Russia peace talks; Russia accused the EU of supporting Ukraine in its attack on the CPC pipeline, while tensions remain with Ukraine excluded from Russia/US talks. US President Trump also called Ukraine President a dictator, adding he needs to move fast or he is not going to have a country left. Elsewhere, the US saw mixed housing data, with Building Permits beating expectations but Housing Starts missing. Fed's Bostic also spoke, noting he does not know what the future holds when asked about more cuts in 2025, but said that everything is on the table at every meeting. He also noted it is appropriate to be more cautious with the balance sheet now as they approach the threshold level and to be sure the drawdown does not go too far.

### US

**MINUTES:** The FOMC Minutes were largely as expected, but focus centred around discussions on the balance sheet. On policy, the Minutes noted all participants said it was appropriate to hold rates in January, while the vast majority pointed to policy still being in a restrictive stance. In fitting with recent commentary, the Minutes noted they want to see further progress on inflation before making adjustments to rates, while the majority said they must be careful in considering any adjustments. On the neutral rate, a few said that the current rate may not be far above its neutral level. On the balance sheet, various participants said it may be appropriate to consider pausing or slowing the balance sheet runoff until there is a resolution of the debt ceiling dynamics. On US President Trump policies, some said potential changes to policy have a potential to hinder the disinflation process, while some noted it will be difficult to distinguish between persistent changes in inflation and more temporary changes associated with new policies. Elsewhere, on financial stability, several mentioned issues related to the banking system. Meanwhile, a few participants discussed vulnerabilities associated with CRE exposures, noting that risks remained, although there were some signs that the deterioration of conditions in the CRE sector was lessening. [To see a full summary of the FOMC minutes, please click here.](#)

**HOUSING STARTS/BUILDING PERMITS:** Housing starts fell by 9.8% in January to 1.366m (exp. 1.390m) after surging 16.1% in December. Pantheon Macroeconomics noted multi-family starts are exceptionally volatile, although they now appear to be only a bit above their underlying trend. While the agency thinks the drop in single family starts in January "mostly reflects very cold weather". Ahead, Pantheon contends that Housing Starts will unwind any weather-related weakness soon, although "this might have to wait until March given that February so far has also been unseasonably cold". Meanwhile, Building Permits rose 0.1% to 1.483m (exp. 1.460m) from 1.482m. Permits for housing with two to four units surged by 13.2% to 60k, offsetting the 1.4% drop in housing with five or more units to 427k, while permits for housing with one unit remained unchanged at 996k. On construction activity, Pantheon expects a significant decline in construction activity, however, in the near term, "Multi-family construction looks set broadly to flatline now that the boom and bust in rental growth during the pandemic shown in our third chart has come to an end".

### FIXED INCOME

#### T-NOTE FUTURES (H5) SETTLED 3+ TICKS HIGHER AT 108-30+

**T-Notes steepen with bid caught post FOMC minutes on balance sheet comments** . At settlement, 2s -2.7bps at 4.270%, 3s -3.2bps at 4.288%, 5s -2.8bps at 4.365%, 7s -1.8bps at 4.454%, 10s -1.1bps at 4.533%, 20s +0.2bps at 4.820%, 30s +0.0bps at 4.763% settlement,

**INFLATION BREAKEVENS:** 5yr BEI +1.7bps at 2.694%, 10yr BEI +0.4bps at 2.463%, 30yr BEI +0.1bps at 2.384%.

**THE DAY:** T-Notes steepened on Wednesday with more IG issuance and downside in EGBs initially weighing. T-Notes hit a low of 108-21+ after the Housing Starts and Building Permits data which saw permits beat but starts miss. T-Notes then managed to turn around to peaks of 108-28+ pre-auction and FOMC Minutes with Treasuries fairly range bound for the session. The bond auction was ultimately soft, (more below), while the Minutes were largely as expected but with some details regarding the balance sheet. The Minutes revealed that various participants said it may be appropriate to consider pausing or slowing balance sheet runoff until there is a resolution of the debt ceiling dynamics. T-Note futures caught a gradual bid in wake of the Minutes, breaking above the earlier highs to print a fresh peak 109-00 before paring marginally into settlement.

#### THIS WEEK SUPPLY

##### Today

- **20YR:** The US Treasury sold USD 16bln of 20yr bonds at a high yield of 4.830%, tailing the when issued by 1bp, a poor signal for demand when compared to the prior 1.1bps stop through, although it is more in line with the six auction average of a 1.2bps tail.

The bid-to cover of 2.43x was beneath both the prior 2.75x and average 2.54x. The breakdown of bidders saw direct demand little changed while indirect demand fell to 63% from 69.5%, beneath the 67.5% average. This left dealers, forced surplus buyers with 17.5% of the auction, above the prior 10.4% and average 15.6%.

- US sold USD 60bln of 17wk bills (exp. 60bln) at high rate of 4.215%, B/C 3.33x

#### Coming up

- US Treasury to sell USD 9bln of 30yr TIPS (as expected) on February 20th; to settle Feb 28th.
- US to sell USD 85bln of 4wk bills and USD 80bln of 8wk bills on 20th Feb; to settle on 25th Feb.

#### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 3bps (prev. 4bps), June 13bps (prev. 13bps), Dec 38bps (prev. 36bps).
- NY Fed RRP op demand at USD 73.2bln (prev. 77.8bln) across 38 counterparties (prev. 27).
- SOFR at 4.37% (prev. 4.33%), volumes at USD 2.452tln (prev. 2.319tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 89bln (prev. 91bln).

## CRUDE

**WTI (J5) SETTLED USD 0.27 HIGHER AT 72.10/BBL; BRENT (J5) SETTLED USD 0.20 HIGHER AT 76.04/BBL**

**The crude complex saw mild gains on Wednesday as Russia/Ukraine continues to dominate headlines**. Following US/Russia meeting on Tuesday, Ukrainian President Zelensky said US President Trump is trapped in a disinformation bubble and that US demanding return of USD 500bln in minerals is "not a serious conversation", and that "I can't sell our country". Further on in the session, Trump posted some pretty punchy rhetoric on Truth noting "[Zelensky] A Dictator without Elections, Zelenskyy better move fast or he is not going to have a Country left", and that "In the meantime, we are successfully negotiating an end to the War with Russia, something all admit only "TRUMP," and the Trump Administration, can do." Meanwhile, Russian President Putin said he will call the Saudi Crown Prince in the coming days, via Tass; and that energy talks are needed between leaders of Russia, US, and Saudi Arabia. On the supply footing, Putin, on the CPC attack, stated Ukraine could not organise such an attack on its own and Western equipment damaged CPC, it is impossible to restore quickly, and the attack was coordinated with Europe. WTI and Brent saw lows of USD 71.69/bbl and 75.80/bbl, respectively, against highs of 72.91 and 76.84. Private inventory data is due after-hours, delayed on account of President's Day on Monday, whereby current expectations are (bbls): Crude +2.2mln, Distillate -3.5mln, Gasoline +0.8mln.

## EQUITIES

**CLOSES:** SPX +0.18% at 6,140, NDX +0.05% at 22,175, DJI +0.16% at 44,627, RUT -0.46% at 2,281.

**SECTORS:** Health +1.26%, Consumer Staples +0.79%, Energy +0.70%, Utilities +0.45%, Real Estate +0.16%, Technology +0.15%, Industrials +0.08%, Consumer Discretionary +0.03%, Communication Services UNCH, Financials -0.03%, Materials -1.16%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -1.31% at 5,462, DAX -1.80% at 22,434, CAC 40 -1.17% at 8,111, FTSE 100 -0.62% at 8,713, SMI -0.79% at 12,792, FTSE MIB -0.53% at 38,348, IBEX 35 -1.63% at 12,929, PSI -0.19% at 6,675, AEX -0.50% at 942.

#### EARNINGS

- **Analog Devices (ADI):** EPS and revenue topped; raised quarterly dividend by 8% and authorised an additional USD 10bln for buyback.
- **Cadence Designs (CDNS):** FY revenue and profit guidance disappoints citing soft demand for its chip design software as clients reduce spending.
- **Bumble (BMBL):** Weak Q1 guidance.
- **Shift4 Payments (FOUR):** Light FY adj. EBITDA outlook and will acquire Global Blue (GB) for USD 7.50/shr in cash.
- **Toll Brothers (TOL):** EPS and revenue missed.
- **IFF (IFF):** Poor FY revenue outlook.
- **Occidental Petroleum (OXY):** Top line short and noted potential concerns over broader market conditions.
- **Garmin (GRMN):** Top and bottom line surpassed expectations.
- **Etsy (ETSY):** Revenue and GMV missed.

#### STOCK SPECIFICS

- **Apple (AAPL)** debuts iPhone 16E, with A18 chip, Apple intelligence, and the new Apple C1, the first cellular modem designed by Apple.
- Pershing Square plans to buy 10mln newly issued **Howard Hughes Holdings (HHH)** shares for USD 900mln, raising its stake to 48%
- **NetApp (NTAP):** Upgraded at BofA; sees an opportunity for an increasing TAM driven by AI and demand for public cloud and stable gross margins in the 71-72% range after strong margin growth in FY24.
- **Workday (WDAY):** Downgraded at Morgan Stanley as it sees "more risks than bullish signals on the horizon".
- Musk eyeing options for **Boeing (BA)** to move faster on Air Force 1 jets, according to New York Times; Trump regards Boeing as almost a lost cause.
- US President Trump admin reportedly orders the Pentagon to plan for 8% budget cuts, via WaPo. Of note for **defence names (LMT, RTX, NOC)** and also **Palantir (PLTR)**. PLTR plummeted in late trade.

## US FX WRAP

**The Dollar Index** was slightly firmer, although there was little move to President Trump stating he will impose 25% tariff rate on autos, pharmaceuticals, and chips, as a lot of focus continues to surround geopolitics. Ukrainian President Zelensky voiced his grievances to US/Russia meeting, while Trump later on Truth Social had some pretty scathing remarks on "dictator" Zelensky. Housing data was mixed, building permits topped expectations, while housing starts disappointed. The latest FOMC Minutes saw a delayed reaction, with stocks and bonds seeing upside and Dollar selling off, potentially on the comments around the balance sheet; "Various participants noted it may be appropriate to consider pausing or slowing balance sheet runoff until resolution of debt ceiling dynamics."

**JPY** was the sole G10 FX in the green against the Buck. Overnight, Japanese machinery orders disappointed, while BoJ Board Member Takata stated the BoJ must gradually shift policy even after January's rate hike to avoid upside price risks from materialising but added that they need to take a cautious approach in shifting policy due to uncertainty. Takata added that he has no preset idea on timing and level of

future hikes, adding that the closer you get towards neutral, the harder it is to estimate the exact level. USD/JPY hit a high of 152.31 against a later low of 151.25.

**CAD, EUR, and GBP** saw the greatest losses against the Greenback, despite the Pound initial being supported by hot inflation metrics. Cable spiked to a high of 1.2640 before fully reversing the move. For the single-currency, ECB's Panetta and Schnabel spoke, with the latter holding a hawkish skew as she noted they are getting closer to the point where we may have to pause or halt our rate cuts, but in the main attention remains on geopolitics.

**NZD** was flat, while **AUD** saw marginal losses. The Kiwi was choppy overnight after the RBNZ delivered its third consecutive 50bps rate cut, while the central bank noted rates were reduced further as inflation abates and if economic conditions continue to evolve, there is scope to lower the OCR further in 2025. Governor Orr said feeling more positive about inflation situation, and expects cash rate will be around 3% by year-end.

**EMFX** was almost exclusively lower amid the broader dollar strength and earlier downbeat risk sentiment amid the Russia/Ukraine turmoil, as opposed to much EM specific. South African retail sales disappointed, while Brazil President Lula stated economy will keep growing and inflation will remain under control. Meanwhile, Banxico sees 2025 GDP of 0.6% (prev. 1.2%), 2026 GDP at 1.8%, and Core inflation Q4 '25 3.3% (prev. 3.0%), headline 3.3% (prev. 3.0%). Governor Rodriguez said inflation forecast may allow for additional rate cuts at upcoming meetings

---

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