

### WMT weighs on stocks while Bonds gain on Bessent remarks

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar down
- **REAR VIEW:** US President Trump says new trade deal with China is possible & reiterates tariff talk; US gives Ukraine new "improved" draft for minerals deal; Zelensky notes of productive meeting with US envoy Kellogg; Fed's Bostic still sees two rate cuts this year; Musalem notes of no plans to change balance sheet drawdown; Treasury Secretary Bessent says terming out debt is "a long way off"; EIA crude stocks post bigger build than forecasted; BABA earnings beat; Weak WMT guidance; Mixed US data.
- **COMING UP: Data:** UK GfK Consumer Confidence, Japanese, EZ, UK, US PMIs, UK, Canada Retail Sales. **Speakers:** ECB's Lane; BoC's Macklem, Fed's Kugler, Jefferson. **Earnings:** Air Liquide, Standard Chartered, Poste Italiane.

### MARKET WRAP

US indices closed in the red, as did the majority of sectors as sentiment was soured amid continued heightened tensions between US and Ukraine as well as dismal Walmart guidance. On the former, White House National Security Advisor Waltz told Ukraine to tone it down; Fox confirmed earlier that the presser they had expected to follow [between Zelensky/Trump] is not happening, with Zelenskyy's press secretary saying it was at the Americans request, although Fox producer disputed the use of the word "cancelled" as they "don't think there was ever an official schedule". However, in more recent updates Axios citing sources noted that the US has given Ukraine a new "improved" draft of the minerals deal. On US data, jobless claims was a mixed report accompanied by a downbeat Philly Fed survey, but the Prices Paid component saw a notable increase. Treasuries were choppy amid remarks from the Trump administration, US data and risk sentiment, catching a bid after Treasury Secretary Bessent said terming out the debt is a long way off. In the FX space, the Dollar was lower with DXY hitting YTD lows, as it was hampered by strength in the JPY on account of narrowing yield differentials. The crude complex was buoyed by the aforementioned Dollar weakness and heightened geopolitical tensions. Gold ended up seeing marginal gains, but did sell off in the US morning after Bessent said he did not have revaluing gold reserves in mind for the US Sovereign Wealth Fund. Fed speak was plenty, although little new was revealed, however, more details are below.

### US

**PHILLY FED:** The Philly Fed headline fell to 18.1 in February, from 44.3 and shy of the expected 20.0. Within the report, employment and new orders dropped to 5.3 (prev. 11.9) and 21.9 (prev. 42.9), respectively, while the inflationary gauge of prices paid rose to 40.5 from 31.9. Capex index plunged to 14.0 (prev. 39.0), while the forward-looking 6m index also sharply declined to 27.8 from 46.3. Overall, and as the report notes, responses suggest regional manufacturing activity continued to expand in February. The indicators for current activity, new orders, and shipments remained elevated. On balance, the firms indicated an increase in employment, and the price indices remained above their long-run averages. The survey's broad indicators for future activity suggest expectations for growth over the next six months.

**JOBLESS CLAIMS:** Initial jobless claims rose by 219k in the week ending 15th Feb, the week that coincides with the NFP survey window, above the 215k forecast and the prior 214k. The 4-week average ticked down to 215.25k. The unadjusted data declined 10k W/W to 223k, although the seasonal factors had expected a decrease of 15k. Continued claims, for the week ending 8th February, rose 24k to 1.869m, beneath the 1.871m forecast. The unadjusted data rose 6k to 2.194m, although seasonals expected a decrease of 22k. The initial claims data have been around this level over the last three weeks (214-220k) and does little to signal any changes in the labour market. Analysts at Pantheon Macroeconomics noted that the layoffs of several thousand government employees as part of DOGE cost-cutting efforts probably came too late to have a material impact this week, highlighting citizens cannot claim if they have worked over 30 hours or earned over USD 504 that week, or are still serving out a paid notice period. Looking ahead, the consultancy notes that "many laid-off federal employees likely will file for claims in the coming weeks, particularly if the layoffs broaden out, as seems likely. Next week's numbers likely will also receive an uplift from extreme winter weather in parts of the country, and the recent uptick in the WARN data also points to higher private-sector layoffs ahead. We think that initial claims will creep up to around the 250K mark over the next few months".

### FED

**Vice Chair Jefferson** said the Fed can take time when weighing next monetary policy move and US economic performance has been quite strong, and added US monetary policy remains restrictive. Jefferson later added the Fed is in watch-and-wait mode about state of government policy, and the best thing Fed can do is to achieve its dual mandates on inflation and employment.

**Goalsbee** (voter) said inflation has come down but it is still too high, and that once inflation has come down, rates can come down more. In later remarks, said PCE is unlikely to be as "sobering" as the CPI number. Note, inputs into PPI have led desks to suggest a softer outcome for PCE vs. the hot CPI release. The Chicago Fed President said prior to recent uncertainties, the path to 2% inflation looked good, and if tariffs lead to higher priced, the Fed needs to think about it.

**Bostic** (2027 voter) said he does not expect a new burst of inflation, though uncertainty is widespread. The Atlanta Fed President still sees two Fed rate cuts this year, keeping him in line with the median SEP in the December meeting. However, Bostic noted much could happen to yield more or fewer rate cuts. Further on rates, Bostic noted the current benchmark interest rate is moderately restrictive vs. a 3.0-3.5% neutral rate. On inflation, he noted it has been bumpy and is likely to continue, thinking it's still the biggest risk to the Fed's mandate, and expectations appear to remain anchored at a level compatible with the 2% target. While on the balance sheet, Bostic said the possibility of slowing QT is not just about the debt ceiling, but also because the Fed does not want to overshoot. Lastly, on the labour market, the 2027 voter noted it is showing signs of easing, such as difficulty in finding a job, but is broadly stable.

**Muslaem** (2025 voter) said assurance on inflation is returning to the 2% target is needed before further policy changes and a patient approach is appropriate, thus, infitting with FOMC Minutes from the December meeting. Regarding inflation, Musalm said risks are skewed to the upside, but the baseline is for a return to 2%, noting it will take time. Separately, Musalem said there are no plans to change the Fed balance sheet drawdown while the economy faces a lot of risk on many fronts. The St.Louis Fed President said one time increases in tariffs is a one time increase in price level.

## FIXED INCOME

### T-NOTE FUTURES (H5) SETTLED 7 TICKS HIGHER AT 109-05+

**T-Notes chop to comments from the Trump administration, US data and risk sentiment.** At settlement, 2s -0.8bps at 4.266%, 3s -1.7bps at 4.274%, 5s -2.8bps at 4.342%, 7s -3.5bps at 4.423%, 10s -3.4bps at 4.501%, 20s -2.6bps at 4.776%, 30s -2.3bps at 4.741%.

**INFLATION BREAKEVENS:** 5yr BEI -8.3bps at 2.610%, 10yr BEI -0.2bps at 2.464%, 30yr BEI -0.1bps at 2.383%.

**THE DAY:** T-Notes were choppy but ultimately firmer across the curve on Thursday. Upside was seen overnight on commentary from US President Trump, who said a new trade deal with China is possible, while he also continued with punchy rhetoric towards Ukraine. T-Notes saw a further bid in the US morning once Treasury Secretary Bessent spoke on Bloomberg TV, noting how terming out the debt is a long way off (ie funding government with longer duration notes/bonds as opposed to short term bills, implying the Treasury will not raise its Treasury issuance in the immediacy). He was also noting the US wants lower yields, and it would be great if lower yields continued for the next year. This took T-Notes to interim highs of 109-06+ from overnight lows 108-30+. Gains were given back after the US data which saw a mixed jobless claims report and a downbeat Philly Fed survey, but the Prices Paid component saw a notable increase (similar to the NY Fed survey earlier in the week). Nonetheless, T-Notes resumed back to fresh highs of 109-08 after the US cash equity open with T-Notes catching a bid on haven demand with stocks tumbling at the open.

### SUPPLY

#### Today

US sold USD 85bln (exp. 85bln) of 4-wk bills at 4.245%, covered 2.92x; sold USD 80bln (exp. 80bln) of 8-wk bills at 4.235%, covered 2.88x  
US sold USD 9bln of 30yr TIPS at high yield of 2.4043%, tailing by 0.3bps, B/C 2.48x

#### Coming up

- **US Treasury to sell** USD 69bln in 2yr notes on February 24th; to settle February 28th
- USD 70bln in 5yr notes on February 25th; to settle February 28th
- USD 44bln in 7yr notes on February 26th; to settle February 28th
- USD 28bln of 2yr FRN on February 26th, to settle February 28th.
- USD 68bln of 26wk bills on February 24th; to settle February 27th.
- USD 76bln of 13wk bills on February 24th; to settle February 27th.
- USD 75bln of 6wk bills on February 25th; to settle February 27th.

#### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 6bps (prev. 3bps), June 15bps (prev. 13bps), Dec 39bps (prev. 38bps).**
- NY Fed RRP on demand at USD (prev. 73.2bln) across counterparties (prev. 38).
- SOFR at 4.35% (prev. 4.37%), volumes at USD 2.394tln (prev. 2.319tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 95bln (prev. 89bln).

## CRUDE

### WTI (J5) SETTLED USD 0.38 HIGHER AT 72.48/BBL; BRENT (J5) SETTLED USD 0.44 HIGHER AT 76.48/BBL

**The crude complex was firmer, edging higher throughout the US session amid Dollar weakness and geopolitical tensions, but sold off highs into settlement.** On Ukraine/US/Russia, tensions between the former two continue to heighten, highlighted by White House National Security Advisor Waltz noting Ukraine badmouthing the US is unacceptable, with benchmarks extending gains after telling Ukraine to tone it down, and later stating Trump is obviously very frustrated with Zelensky right now. In addition, Fox confirmed earlier reports that the presser they had expected to follow [between Zelensky/Trump] is not happening, with Zelensky's press secretary saying it was at the Americans request, although Fox producer disputed the use of the word "cancelled" as they "don't think there was ever an official schedule". Into settlement, WTI and Brent sold off, albeit remaining in the green, just before an Axios sources piece said US gives Ukraine an "improved" draft for a minerals agreement. Elsewhere, North Dakota Pipeline Authority said as of Feb 20th morning, the state's oil production is estimated to be down 130-160k BPD due to recent extreme cold and related operations. WTI and Brent hit lows of 71.73/bbl and 75.72/bbl, respectively, against later highs of 73.14 and 77.15.

**EIA:** In the weekly data, crude stocks saw a larger build than expected, in-fitting with the private inventory metrics, while distillates drew more than forecasted and gasoline saw a surprise draw. Overall, crude production rose 3k to 13.497mln.

## EQUITIES

**CLOSES:** SPX -0.43% at 6,118, NDX -0.48% at 22,068, DJIA -1.01% at 44,177, RUT -0.91% at 2,262

**SECTORS:** Financials -1.55%, Consumer Discretionary -1.10%, Consumer Staples -0.96%, Industrials -0.68%, Communication Services -0.68%, Materials -0.26%, Technology -0.06%, Utilities +0.02%, Health +0.55%, Real Estate +0.69%, Energy +0.97%.

**EUROPEAN CLOSES:** DAX: -0.41% at 22,341, FTSE 100: -0.57% at 8,663, CAC 40: +0.15% at 8,123, Euro Stoxx 50: -0.06% at 5,459, AEX: -0.39% at 939, IBEX 35: +0.35% at 12,975, FTSE MIB: -0.26% at 38,249, SMI: +0.07% at 12,802, PSI: +0.16% at 6,685

### EARNINGS

**Walmart (WMT):** Quarterly metrics topped & raised annual div. 13%, but weak next quarter & FY outlook. **Vimeo (VMEQ):** Light Q1 revenue guidance. **Carvana (CVNA):** Lower gross profit per vehicle & declining wholesale volumes. **Nordson (NDSN):** Disappointing earnings report. **Alibaba (BABA):** EPS & revenue beat with upbeat comms. **Quanta Services (PWR):** Profit surpassed expectations.

### STOCK SPECIFICS

- **Lam Research (LRCX):** LRCX shares were upgraded to 'Positive' from 'Neutral' at Susquehanna, citing the serviceable addressable market expansion beyond Memory, intended to help Lam with a higher mix of leading-edge Logic/Foundry.
- **Meta Platforms (META):** CEO Zuckerberg lobbied US senators on AI.
- **Apple (AAPL):** New modem reduces reliance on Qualcomm (QCOM).

- **Palantir (PLTR):** After falling 10% on Wed. after reports CEO Karp plans to sell ~10mln shares & US Defense Sec. ordered plans for 8% annual defence budget cuts over 5yrs.
- **Microsoft (MSFT):** Microsoft researchers claim a breakthrough in quantum computing with creation of "Majorana 1" chip.
- **DTE Energy (DTE):** Downgraded to 'Equal Weight' From 'Overweight' at Barclays, reshuffling its preferences in Michigan utilities following the Q4 earnings, now seeing **CMS (CMS)** as the preferred way to invest in the state's "premium" regulatory environment.
- **Visa (V):** CEO says the firm will keep unbundling payments services; value-added services will be larger share of revenue
- **Apollo Global (APO), Sycamore and Brigade Capital** are competing to acquire **Family Dollar (DLTR)**, according to Reuters sources.
- **YouTube (GOOGL):** Plans lower-priced, ad-free version of paid video tier.

## US FX WRAP

**The Dollar** was softer across all G10 peers on Thursday with the DXY hitting lows of 106.35, a level not seen since December 2024. A large driver of the gradual weakness was overnight strength from the Yen (explained below), while overnight US President Trump noted a new trade deal with China is possible, which followed earlier reports that Trump is eyeing a bigger, better trade deal with China. As the US session got underway, Dollar selling ramped up with likely bid Treasuries in the background helping in wake of Treasury Secretary Bessent's remarks on debt issuance, namely, terming out debt is "a long way off". On the Dollar, Bessent argued it's hard to see how much is priced regarding tariff impact, and said they will have a strong Dollar if they run good policies, which he thinks they will. On the data front, Philly Fed drop was steeper than expected, while initial claims rose above expectations, but remained within recent ranges. Concerning remarks from Fed members, Goolsbee said PCE is unlikely to be as "sobering" as the CPI number (inputs into PPI have led desks to suggest a softer outturn for PCE vs. the hot CPI release), Musalem noted of no plans to change the Fed balance sheet drawdown, and Bostic affirmed the view of two Fed rate cuts this year, a view in line with the Fed median from the December meeting. Ahead, remarks are due from Kugler, Jefferson, and Flash S&P Global PMIs.

**G10 FX** was entirely in the green and benefitted from the Dollar weakness. JPY led gains as rate differentials between US and Japanese yields narrowed. JGB's initially saw upside, before later paring on weaker results from the enhanced liquidity action in Japan for longer-date bonds; USD/JPY saw lows of 149.40 against earlier highs of 151.46. Closely following Yen's strength was Antipodeans, likely benefitting from the aforementioned positive sentiment on US-China relations. Also, adding support for AUD/USD was a stronger-than-expected jobs report, which saw employment change top expectations, 44k (exp. 20k), driven solely by full-time jobs. AUD/USD made fresh YTD highs of 0.6403 from earlier lows of 0.6328, now residing at December 2024 levels. Next for Aussie watchers, is S&P PMIs and the RBA hearing at the House of Representatives Standing Committee on Economics.

**EUR/USD** heads into APAC trade ~1.0500 benefitting from broad USD weakness. Similar to Antipodes, improved US-China relations likely supported Euro relief. Additionally, on US-EU relations, EU Trade Chief Sefcovic said the EU is ready to look at lower industrial tariffs, also, seeing openness from the US to lower tariffs. Updates were seen on US-Ukraine, with Axios reporting the US has given an "improved" draft for a minerals agreement between the countries, with sources on both sides now saying a deal looks more likely. Separately, EZ consumer confidence flash improved more than expected ahead of a deluge of PMIs in the region (France, Germany, EZ). Friday's G10 calendar also sees the release of UK retail sales (exp. 0.3%, prev. -0.3%), Canadian retail sales (exp. 1.6%), and a text release from BoC's Governor Macklem.

**EMFX:** USD/CNH set new fresh lows as sentiment improved on US-Sino trade relations, while the PBoC held the 1yr and 5yr LPRs as expected at 3.1% and 3.6%, respectively. In Poland, a series of data was seen, specifically, employment fell more than expected, industrial output was not as bad as feared, while Corp Sector Wages were slightly beneath expectations; PLN saw gains vs both EUR and USD. Elsewhere, Mexican retail sales unexpectedly grew by 0.1% (exp. -0.4%). Later, Banxico Minutes revealed that all board members stated that the weakness of the domestic economy intensified in Q4.

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