

Stocks add to Friday losses with Tech underperforming

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar flat
- **REAR VIEW:** US President Trump says Tariffs are going ahead; Ukrainian minerals deal is getting close, will meet with Zelensky to sign; Mexico studies tariffs on China in bid to strike deal with Trump; Fresh Iran oil sanctions from US; Strong US 2yr note auction; Germany's CDU looks set to form a grand coalition with SPD, but still lacks two-thirds majority; Germany discusses EUR 200bln in emergency defence spending; Soft German IFO; MSFT reportedly cancels data centre leases but refutes any changes to data centre strategy; BRK.B operating profit impressed.
- **COMING UP:** **Data:** German GDP Detailed (Q4), US Consumer Confidence, Richmond Fed Index. **Events:** ECB Euro Area Indicator of Negotiated Wage Rates; NBH, BoK Policy Announcement; PBoC MLF; Fed Discount Rate Minutes. **Speakers:** RBA's Jones, Fed's Logan, Barr, Barkin; ECB's Schnabel; BoE's Pill. **Supply:** UK, Italy, Germany. **Earnings:** Home Depot, Dr Pepper, AMC, Lucid, Fresenius Medical Care, ASM International.
- **WEEK AHEAD:** Highlights include US PCE, NVDA earnings, German election, China NPC, PBoC MLF, ECB Minutes, Australian and Tokyo CPI. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC MLF, BoK, ECB Minutes; Reviewing RBA, RBNZ, PBoC LPR and FOMC Minutes. [To download the full report, please click here.](#)

MARKET WRAP

Stocks closed in the red on Monday, extending on Friday losses as the pullback from recent ATHs continues. There were few fresh drivers for the downside but the overhang of tariffs and uncertainty on geopolitics continues to weigh. US President Trump noted in late trade that tariffs are still going ahead, and the US is on track to implement them by their respective deadlines. On Geopolitics, Trump said that talks are proceeding well regarding Russia and Ukraine, while Russian President Putin said he does not see anything wrong with European participation in the negotiations on Ukraine. Ukrainian President Zelensky said he would be willing to step down if it meant Ukraine could join NATO (if such a proposal was offered). Sectors were mixed, with tech underperforming ahead of NVDA earnings on Wednesday, while there were mixed reports about Microsoft (MSFT) cancelling leases for data centers, bringing into question the large CapEx expectations from the tech sector as they look to bolster AI technology. Health Care outperformed on haven properties while Financials were buoyed by Berkshire Hathaway earnings. Elsewhere, the Dollar saw mild upside with Euro upside post-German election fading by the end of the US session. CDU/CSU came out on top and look set to make a grand coalition with the SPD, although this would still lack the two-thirds majority required for any constitutional reform (like the debt break). Oil prices settled green with upside supported by fresh US sanctions targeting Iranian oil while geopolitics remains in focus, as does supply from Iraq and resumption of Kurdish oil exports. T-notes caught a bid across the curve, supported by falling equity prices with attention turning to more supply on Tuesday and Wednesday after a solid 2yr auction today, ahead of GDP on Thursday and PCE on Friday.

FIXED INCOME

T-NOTE FUTURES (H5) SETTLED 6 TICKS HIGHER AT 109-28

T-notes catch bid as risk sentiment sours. At settlement, 2s -2.2bps at 4.170%, 3s -2.5bps at 4.171%, 5s -2.6bps at 4.232%, 7s -2.9bps at 4.314%, 10s -2.4bps at 4.396%, 20s -1.3bps at 4.687%, 30s -1.6bps at 4.653%.

INFLATION BREAKEVENS: 5yr BEI +0.3bps at 2.559%, 10yr BEI +0.4bps at 2.428%, 30yr BEI +0.2bps at 2.328%.

THE DAY: T-notes were firmer across the curve in a steeper fashion on Monday. 10yr T-note future lows of 109-13+ were seen in the US morning before paring as risk sentiment soured. Upside in T-notes coincided with weakness in US equities after the cash equity open but there were little fresh drivers moving price action. The overhang of tariffs remains with deadlines inching closer, while there is a lot of uncertainty around the Russia/Ukraine war. T-notes went on to hit highs of 109-28+ while the solid 2yr auction had little impact with more supply due on Tuesday and Wednesday, with NVDA earnings on Wednesday, US GDP data on Thursday and PCE on Friday. There was no tier 1 data from the US today, although the National Activity index in January fell into negative territory, while the Dallas Fed manufacturing business index also fell into contractionary territory. There was no Fed speak either, but money market pricing now fully prices in 50bps of easing this year, implying two 25bps rate cuts this year, in fitting with the current Fed median projections, which are set to be updated at the March FOMC.

SUPPLY

Today

- **2YR:** Overall a strong 2yr auction. The US Treasury sold USD 69bln of 2yr notes at a high yield of 4.169%, stopping through the when issued by 1.1bps, a strong sign of demand when compared to the prior tail of 0.1bps and six auction average of a 0.3bps stop through. The bid-to-cover of 2.56x was lower than the prior and average of 2.66x. Nonetheless, the breakdown was also encouraging, primarily thanks to a surge in indirect demand, which jumped to 85.49% from 65.0%, well above the

68.9% six auction average. This more than offset the drop in direct demand to just 7.64% (prev. 21.3%, avg. 18.3), seeing dealers take just 6.87% of the auction, beneath the 13.7% prior and six-auction average of 12.8%.

- US sold USD 80bln (exp. 76bln) in 3mth bills at high rate of 4.195%, B/C 2.90x ; Sold USD 71bln (exp. 68bln) in 6mth bills at high rate of 4.180%, B/C 3.05x

Coming up

- US Treasury to sell 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 75bln of 6wk bills on February 25th; to settle February 27th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 8ps (prev. 8bps), June 19bps (prev. 20bps), Dec 50bps (prev. 48bps).**
- NY Fed RRP op demand at USD 76.8bln (prev. 69bln) across 30 counterparties (prev. 24)
- SOFR at 4.34% (prev. 4.33%), volumes at USD 2.400tln (prev. 2.403tln).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 103bln (prev. 98bln).

CRUDE

WTI (J5) SETTLED USD 0.30 HIGHER AT USD 70.70/BBL; BRENT (K5) SETTLES USD 0.26 HIGHER AT USD 74.31/BBL

Crude prices settled in the green on Monday albeit in choppy trade as markets digested Iraq supply, geopolitics and fresh Iran sanctions. Traders await further updates on geopolitics and OPEC+ amid growing noise surrounding a potential delay to the unwind of voluntary cuts. On supply, the Iraqi Oil Minister, when questioned if resumption of Kurdish oil exports will affect Iraq's OPEC compliance, said Iraq is committed to OPEC+ decision and exported volumes under control of ministry. Note, once Turkey gives approval, Kurdistan can start oil flows within days. Meanwhile, the US issued fresh Iran related sanctions, targeting individuals linked to Iranian Oil Terminals Company. In terms of geopolitics, Israel sent tanks into the West Bank and told troops to prepare for an extended stay, according to Reuters. Elsewhere, Ukrainian President Zelensky said the issue of elections is a step to apply pressure on Ukraine and he is willing to quit the presidency if it means peace in Ukraine which he said could be exchanged for NATO membership. US President Trump also repeated that Russia/Ukraine talks are proceeding well. Furthermore, Russia's Ryazan oil refinery has halted operations following drone attacks on February 24th, according to multiple sources cited by Reuters. This comes after Ukrainian authorities said today that they had targeted a Russian oil refinery overnight. WTI Apr resided in a USD 69.80-70.88/bbl range and traded briefly sub-USD 70/bbl overnight for the first time this year. Brent May traded in a USD 73.71-74.50/bbl parameter. Looking ahead, BofA sees Brent crude at USD 75/bbl in 2025 and USD 73/bbl in 2026 with oil markets set to remain in a modest surplus in the near term. Over the medium term, the desk expects Brent to average between USD 60-80/bbl to keep the global oil market in balance. On Nat Gas, US Nat gas futures saw sharp downside with milder weather forecasts keeping the complex subdued albeit European natgas prices saw mild upside.

EQUITIES

CLOSES: SPX -0.50% at 5,983, NDX -1.21% at 21,352, DJI +0.08% at 43,461, RUT -0.78% at 2,178

SECTORS: Technology -1.43%, Consumer Discretionary -0.87%, Communication Services -0.63%, Utilities -0.51%, Industrials -0.44%, Materials -0.18%, Consumer Staples +0.10%, Energy +0.11%, Real Estate +0.35%, Financials +0.45%, Health +0.75%.

EUROPEAN CLOSES: DAX: +0.60% at 22,421, FTSE 100: 0.00% at 8,659, CAC 40: -0.78% at 8,091, Euro Stoxx 50: -0.51% at 5,448, AEX: -0.34% at 934, IBEX 35: +0.47% at 13,013, FTSE MIB: +0.13% at 38,473, SMI: -0.08% at 12,939, PSI: +1.62% at 6,819.

STOCK SPECIFICS

- **Dominos (DPZ):** Profit, revenue, SSS all missed; approved 15% increase in quarterly dividend.
- **Berkshire Hathaway (BRK.B):** CEO Buffett endorsed successor Greg Abel; Operating earnings topped expectations, record annual profits.
- **Nvidia (NVDA):** Developing AI technology to help automakers create personalised driving styles for self-driving cars.
- **Apple (AAPL):** Plans to build a factory in Texas by 2025 to build AI servers, adding 20k R&D jobs across the US.
- **Bridge Investment Group (BRDG):** Apollo (APO) to buy the co. for USD 1.5bln.
- **Nike (NKE):** Upgraded to 'Buy' from 'Hold' at Jefferies with a USD 11 PT (prev. 75), arguing the new CEO is tackling product and distribution issues "head-on, positioning the brand to again outgrow the market and take back lost share. The firm sees a "V-shaped" earnings and margin recovery in fiscal 2027 for Nike, well ahead of the consensus estimates.
- **Alliance Bernstein (AB):** Equitable Holdings (EQH) announced its aims to raise its stake in AB.
- **Pfizer (PFE)** - Announced Patrizia Cavazzoni will rejoin as CMO and Executive VP.
- **Robinhood (HOOD):** SEC has closed its investigation into Robinhood crypto; and will not take action.
- **Rivian (RIVN):** Downgraded at BofA.
- **Microsoft (MSFT)** - Strongly refuted any change to its data centre strategy when speaking to Jefferies, via CNBC. Follows earlier reports the Co. started cancelling leases for a significant amount of US data centre capacity, potentially indicating concerns about overbuilding AI computing infrastructure, Bloomberg reported citing an analyst.

US FX WRAP

The Dollar index spent the day meandering, with strength vs the JPY and CAD offsetting losses seen vs the Euro. APAC trade saw marginal Dollar weakness as Euro strength post the German election pushed DXY lower (see Euro section) and perhaps markets returned to the recent soft data out of the US. That said, weakness later trimmed likely due to the looming deadline of US tariffs on Mexico and Canada (March 4th) hurting the case for further Dollar downside. Updates were contained to both trade relations and geopolitics. Starting with the former, US President Trump said on Friday that the US will establish new rules to stop US firms from investing in industries that advance China's national military-civil fusion strategy and will establish rules to stop China-affiliated people from buying critical US businesses and assets. As such, China's equities (ADRs) saw heavy selling pressure in the US session. Trump upheld the incoming tariffs, noting they are going forward. On geopolitics, Trump met with Macron and discussed both trade deals, and noted they're getting very close on the Ukrainian minerals deal, and will meet with Ukrainian President Zelensky either this week or next to sign the deal. While Russia's Putin said Trump's position is in Ukraine's interests, not Russia's. Ahead, Putin said US and Russia could consider working together on aluminium production. In the immediacy, updates are likely to be light again, with only Fed's Barkin, Logan, and Barr due to speak on Tuesday. Nevertheless, markets still await updates on updates to said incoming tariffs as well as PCE on Friday.

The Euro was the top G10 performer against the Dollar following the German election which is likely to deliver a Grand Coalition (CDU/CSU + SPD). That said, if realised, it would deliver a slim majority of 328/630 seats (316 required) and fall short of the Bundestag's two-thirds majority which is required for constitutional reform (i.e. the debt brake). The Euro made strong gains in APAC trade, as participants viewed the election outcome thus far as positive, with the earlier soft German IFO print ignored for now. As the day progressed, EUR briefly turned red after posting earlier highs of 1.0528, but managed to head into overnight trade ~ 1.0472. Separately from Germany, Bloomberg reported that Chancellor-in-waiting Merz has opened discussions with SPD regarding EUR 200bln in defence spending, though given the options to achieve such a possibility it would require a supermajority of 2/3 of lawmakers, which is likely far more difficult to achieve once the next legislature sits. On the currency pair, ING noted they remain reluctant to chase EUR/USD beyond 1.050 as a general rule, given the looming risk of US tariffs on the EU and the ECB's resolutely dovish stance. "Ultimately, we expect to see a return below 1.04 over the next four weeks".

G10 FX performance was mixed, gains were led by the EUR, while JPY was the clear laggard. Meanwhile, GBP, CHF, and AUD were all unchanged as newsflow was fairly absent in the G10 space when looking outside of Germany. The day did see remarks from BoE's Dhingra (dissented at February meeting, wanted 50bps over 25) who noted gradual rate cuts do not mean 25bps per quarter, but you will still be in restrictive priority all of this year. Adding, "they are already at a high level of monetary policy restrictiveness". Next on the UK docket, closing remarks are expected from BoE's Pill.

EMFX: In Mexico, President Sheinbaum said she sees agreements with the US by Friday, and that Mexican officials are in Washington studying possible China levies. The remarks follow the US administration over the weekend urging Mexico to impose tariffs on Chinese imports to avoid facing tariffs on its own imports; USD/MXN saw modest gains into the US cash close. Elsewhere, Brazil's Treasury Secretary Ceron believes they will once again meet the primary budget target this year while noting USD/BRL at 6.30 is not compatible with the fundamentals of Brazil's economy; USD/BRL now sits at 5.76. Ceron added, that ministers have yet to decide on the course of action to offset the payroll exemption. From Poland, Retail Sales Y/Y surged above expectations, 6.1% (exp. 2.5%), leaving the PLN stronger vs the EUR and USD.

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