

Stocks mixed and bonds bid with focus on Trump tariff talk

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar up.
- **REAR VIEW:** House passes budget blueprint; Trump said will announce tariffs on EU very soon; Mixed messaging on Canada/Mexico tariffs; Ukraine and US to sign minerals deal on Friday; Weak US new home sales; US studying copper tariffs; Iraq government reaches agreement with Kurdistan to restart oil exports; LOW and TJX green post earnings
- **COMING UP:** **Data:** French Producer Prices, Spanish CPI, Germany Unemployment, EZ Sentiment, US Durable Goods, GDP 2nd Estimate (Q4), Core PCE Prices (Q4), Jobless Claims, Japanese Tokyo CPI, Retail Sales **Events:** ECB Minutes **Speakers:** Fed's Barkin, Schmid, Barr, Bowman, Hammack, Harker **Supply:** Japan, Italy, UK **Earnings:** Norwegian Cruise Line, Dell, Swiss Re, AXA, Rolls Royce, Taylor Wimpey, Beiersdorf, Eni

MARKET WRAP

Stocks ended mixed, enduring a choppy day, although futures attempted a rebound from overnight trade following the House passing a budget blueprint endorsing US President Trump's USD 4.5tn tax cuts. However, stocks sold off through US trade, before rallying in ahead of the closing bell, with attention turning to NVDA earnings after hours (NVDA were firmer at the open but closed lower). Meanwhile, Trump was speaking on Tariffs at the Cabinet Meeting, where he noted they will be announcing tariffs on the EU very soon, and that he is not stopping the tariffs, adding they will go on, not all, but a lot of them. There was also some confusion about his response to Canada/Mexico tariffs, Trump said they are going into effect from April 2nd, but Lutnick clarified global tariffs go into effect on April 2nd, while Trump can pause Canada/Mexico tariffs related to fentanyl/border if he is satisfied with their efforts by the March 4th deadline. T-Notes reversed higher despite selling off overnight on the budget blueprint passage, with underlying factors supporting the bid in Treasuries (DOGE, Bessent's preference for low yields, terming out duration a "long way off", and upcoming potential Fed Balance sheet wind down pause, slowing consumer trends) - T-Notes settled at highs. Data saw soft US New Home Sales, while Fed speak from Barkin and Bostic stuck to the script. Oil prices settled lower with more reports of an agreement between Iraq government and Kurdistan about the resumption of Kurdistan oil exports weighing, but crude was off lows after Trump reversed concessions Biden gave to Venezuela's Maduro on an oil deal. Gold prices were flat while copper rallied on US copper tariff threats and also due to Chile power outages affecting its copper mines, which are slowly coming back online.

US

NEW HOME SALES: US New Home Sales of single-family houses in January fell 10.5% to 657k, beneath the 680k analyst consensus. The supply of new homes rose to 9.0months worth from 8.0months worth in December. The median sale price rose 3.7% to 446.3k from 430.4k. The breakdown saw northeast sales -20%, midwest -16.7%, south -14.8% while the west rose 7.7%. Regarding the downside, analysts at Pantheon Macroeconomics write "Some of the plunge in new home sales likely reflects unseasonably cold weather, deterring many prospective homebuyers from viewing properties." The desk adds that the underlying trend in sales has been flat for nearly two years as mortgage demand stayed weak, but new home sales have been supported by a lack of existing homes on the market. Looking ahead, Pantheon writes "The current sales index of the NAHB homebuilders' confidence survey points to new home sales remaining roughly around this level, or dipping slightly, over the rest of Q1."

FIXED INCOME

T-NOTE FUTURES (M5) SETTLE 11 TICKS HIGHER AT 110-28+

T-Notes upside continued despite weakness overnight after the House passage of the budget blue print. At settlement, 2s -2.7bps at 4.070%, 3s -4.4bps at 4.041%, 5s -5.6bps at 4.075%, 7s -5.6bps at 4.157%, 10s -5.1bps at 4.247%, 20s -4.8bps at 4.548%, 30s -5.1bps at 4.506%.

INFLATION BREAKEVENS: 5yr BEI -2.8bps at 2.501%, 10yr BEI -2.7bps at 2.362%, 30yr BEI -2.7bps at 2.261%.

THE DAY: T-Notes pare overnight Budget induced weakness with underlying factors (DOGE, Bessent's preference for low yields, terming out duration a "long way off", and upcoming potential Fed Balance sheet wind down pause, slowing consumer trends) still supporting the upside. T-Notes sold off overnight and through to the European morning to bottom out at 110-08 after the US House passed a GOP budget blue print for advancing Trump's USD 4.5tn tax cut plan. Nonetheless, T-Notes resumed higher from the European morning with little fresh drivers, likely on the aforementioned underlying factors in the Treasury space mentioned above. On data, US New Home Sales tumbled, missing expectations, while Fed speak from Barkin and Bostic stuck to the script. T-Note upside may have also been supported by ultimately weakness in oil prices. T-Notes went on to hit a peak of 110-29 ahead of settlement. Meanwhile, the 7yr auction was strong, but in line with recent averages and had little impact on the space despite the lower yields at this offering (high yield 4.194% vs prev. 4.457%).

SUPPLY

- **7YR:** Another strong 7yr auction but in line with recent averages. The US Treasury sold USD 44bn of 7yr notes at a high yield of 4.194%, stopping through the when issued by 0.9bps, matching the prior auction stop through but not quite as strong as

the six auction average, with a tail not seen in a 7yr auction since August 2024. The bid-to cover was in line with prior and averages. The breakdown was in fitting with the prior auction, although indirect demand was beneath the six auction average while direct demand was above. Dealers were left with 8.8% of the auction, marginally beneath the prior and average.

- US sold USD 60bln (exp. 60bln) of 17wk bills at high rate of 4.200%, B/C 2.78x

US Treasury to sell:

- USD 75bln in 8wk bills on February 27th; to settle March 4th
- USD 80bln in 4wk bills on February 27th; to settle March 4th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 8bps (prev. 7bps), June 22bps (prev. 21bps), Dec 59bps (prev. 57bps).
- NY Fed RRP op demand at USD 126bln (prev. 96bln) across counterparties (prev. 36)
- SOFR at 4.33% (prev. 4.34%), volumes at USD 2.467tn (prev. 2.425tn).
- EFFF at 4.33% (prev. 4.33%), volumes at USD 108bln (prev. 99bln).
- Treasury Buyback (Liquidity Support: 20 to 30yr nominal coupons): Receives USD 8.35bln of offers, accepts USD 2bln (max. USD 2bln), offer-to-cover 4.18x; 14/35 eligible issues accepted.

CRUDE

WTI (J5) SETTLES USD 0.31 LOWER AT 68.62/BBL; BRENT (K5) SETTLES USD 0.43 LOWER AT 72.07/BBL

The crude complex was lower on Wednesday, albeit in choppy trade. Ahead of settlement WTI and Brent briefly came off lows in wake of US President Trump announcing on Truth he will be reversing concessions Biden gave to Venezuela's Maduro on oil deal. Elsewhere, main newsflow surrounded Trump stating he thinks they will have a deal with Russian President Putin and Putin had no intention of settling Ukraine war, but Putin will have to make concessions. On Russia, the President wants to see if can make a deal with before talking about loosening sanctions. On the supply side, according to Iraq News Agency, Iraq government reached an agreement with Kurdistan to restart oil exports. Note, Reuters reported a few days ago that Iraqi Kurdistan authorities have agreed with the federal oil ministry to restart Kurdish crude exports based on available volumes. On geopolitics, AFP citing Taipei defence ministry said Taiwan dispatches forces after China announces 'shooting' drills off island. In the weekly EIA energy data, crude saw a surprise draw, in fitting with the private inventories last night, while distillates and gasoline both had an unexpected build. In wake of the data, prices initially sold off but soon pared. WTI and Brent saw lows of USD 68.36/bbl and 71.92/bbl, respectively, against earlier highs of 69.28 and 72.81/bbl.

EQUITIES

- **CLOSES:** SPX +0.01% at 5,956, NDX +0.22% at 21,133, DJI -0.43% at 43,433, RUT +0.19% at 2,17.
- **SECTORS:** Technology +0.89%, Utilities +0.37%, Communication Services +0.08%, Industrials +0.06%, Materials -0.07%, Financials -0.21%, Consumer Discretionary -0.39%, Energy -0.49%, Real Estate -0.59%, Health -0.69%, Consumer Staples -1.86%
- **EUROPEAN CLOSES:** DAX: +1.73% at 22,797, FTSE 100: +0.72% at 8,731, CAC 40: +1.15% at 8,144, Euro Stoxx 50: +1.43% at 5,531, AEX: +0.25% at 932, IBEX 35: +1.67% at 13,336, FTSE MIB: +1.32% at 39,225, SMI: +0.17% at 13,036, PSI: +1.00% at 6,988.

STOCK SPECIFICS:

- **Super Micro Computer (SMCI):** Met a Nasdaq deadline to submit delayed regulatory filings, avoiding delisting.
- **Micron (MU):** Starts shipping samples of its 1y, 6th gen DRAM-based DDR5 memory using extreme UV tech.
- **Lowes (LOW):** EPS, revenue and SSS topped, but FY outlook light.
- **TJX (TJX):** EPS and revenue beat, expects to raise the quarterly dividend by 13% and buyback USD 2-2.5bln of stock in FY26.
- **Apple (AAPL):** Decided to charge a 27% fee for steering customers to payments outside the App Store.
- **Workday (WDAY):** EPS and revenue beat.
- **Intuit (INTU):** EPS and revenue topped; Next quarter guidance mixed & reaffirmed FY outlook.
- **Keysight Technologies (KEYS):** Top and bottom line surpassed expectations with strong next quarterly profit view.
- **Instacart (CART):** Lower-than-expected Q4 sales with mixed next quarter outlook.
- **Nvidia (NVDA):** Shares were choppy but ultimately closed lower ahead of earnings after-hours.
- **General Motors (GM):** Board approved new USD 6bln share buyback plan and raised dividend.
- **Chevron (CVX):** Reportedly open to buying **Phillips 66 (PSX)** chemical stake, according to Bloomberg.
- **Alphabet's Google (GOOGL):** Cuts employees in the cloud division, via Bloomberg.

US FX WRAP

The Dollar was firmer on Wednesday, attempting to claw back some of Tuesday's weakness amid the pullback in US yields and also a dismal Consumer Confidence report. Nonetheless, Trump tariff talk was the highlight in the US session, ahead of Nvidia earnings after-hours. Recapping, Trump appeared to push back Canada/Mexico tariff dates, as he was asked when do tariffs on Canada and Mexico go into effect, he said "April 2nd, that's for everything", but Lutnick then gave immediate clarification that if Trump is satisfied by the March 4th deadline (in relation to tariffs in response fentanyl and border security) Trump could pause

fantanyl/border related tariffs, but global tariffs still come into effect on April 2nd.

Antipodeans were the G10 laggards against the Buck, with disappointing data overnight - Construction Work data (which feeds into Australia's GDP) underwhelmed in addition to an in-line print for monthly CPI. AUD/USD hit a low of 0.6300 on the nose, as the Aussie just about managed to defend the round level, while NZD/USD hit a trough of 0.5689.

GBP and the Yen saw slight gains vs. the Buck, and were the G10 outperformers, with the latter continuing on its strength seen on Tuesday with UST yields sliding further. USD/JPY hit another YTD low of 148.66, while Cable topped out at 1.2715. BoE's Dhingra spoke, given a lengthy text release, and highlights included her noting monetary policy action alone is not well-suited to address systemic price shocks in key sectors such as energy and food, as well on the overall impact on inflation in UK from US tariffs, the direct effect of US import costs and Dollar strengthening re likely to be offset by reduced global price pressures.

CHF, CAD, and EUR all saw losses to differing degrees. The Loonie strengthened in wake of the aforementioned tariff remarks, whereby Trump said Canada (and Mexico) tariffs go into effect on April 2nd, but as further clarity was given via Lutnick the move swiftly pared. For the single currency Euro, it weakened after Trump stated he will be announcing tariffs on the EU very soon, and they will be 25% on autos and other things; Trump said the EU can try to retaliate. Earlier, German GfK consumer sentiment data fell short of expectations, however, it was largely shrugged off given the need to see how the coalition building process in Germany develops. ECB's Stournaras, who sits at the dovish end of the spectrum on the GC, has flagged a potential terminal rate at 2% which is broadly in-line with market expectations but higher than you'd expect a dove to forecast.

EMFX was mixed. Newsflow was sparse for EMs on Wednesday, aside from Mexico tariff remarks and also Trump reversing concessions Biden gave to Venezuela's Maduro on oil deal. Elsewhere, Bloomberg reported China is to start recapitalizing banks with at least USD 55bln. Meanwhile, CLP was slightly bid vs the buck as Copper prices soared, albeit on Trump copper tariff threats, as well as the Chile power outages affecting copper mines.

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