

### Stocks sold in risk-off trade as US tariffs near and disappointing US data continues

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** US President Trump reiterates Mexico/Canada tariffs to go ahead on Tuesday & plan to double China tariffs; US Commerce Secretary suggests Mexico/Canada tariffs could be lower than 25%; Soft ISM report; US Construction Spending unexpectedly falls; Atlanta Fed GDPnow (Q1) sees steeper contraction; Trump will penalise countries weakening currencies with tariffs; Trump doesn't think Ukraine mineral deal is dead, will update on Tuesday; OPEC+ will go ahead with oil output hikes in April and beyond; US hitting brakes on arm flow to Ukraine; TSMC to invest USD 100bn in the US.
- **COMING UP: Data:** Australian Retail Sales, Japanese Consumer Confidence, Italian Unemployment Rate, US RCM/TIPP Economic Optimism. **Trade:** Canada and Mexico's US tariff pause expires. **Events:** RBA Minutes; US President Trump State of Union Address. **Speakers:** RBA's Hauser; Fed's Williams. **Supply:** Japan, Netherlands, UK. **Earnings:** Lindt, VAT, Continental, Target, Best Buy, AutoZone, CrowdStrike.
- **WEEK AHEAD:** Highlights include tariff deadline; US NFP, ISM; China Two Sessions; ECB policy announcement. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB, CBRT; Reviewing ECB minutes, RBA minutes PBoC MLF, BoK. [To download the full report, please click here.](#)

### MARKET WRAP

US indices closed notably in the red and sold off through the duration of the US afternoon, on the broader risk-off theme amid poor US data and Trump noting tariffs will go ahead. On the former, and potentially heightening US growth concerns, Feb ISM mfg. disappointed with the headline underwhelming, driven by employment and new orders plunging below 50, but prices paid soared. In the accompanying comments, many mentioned the uncertainties the looming tariffs are causing. In wake of the data, the latest Atlanta Fed GDPnow forecast sees Q1 at -2.8% from -1.5%, continuing to exasperate the growth fears. Later in the day, US President Trump said reciprocal tariffs start April 2nd and tariffs on Canada and Mexico to start Tuesday, as expected, which saw the Dollar pare off lows and the CAD and MXN saw notable weakness. Moreover, Trump announced China tariffs are to double 20% on Tuesday. In addition, US indices also sold off, with Treasuries rising to session highs while JPY gained. Overall, the Dollar was still notably softer to start the week with all G10 FX peers (ex-CAD) firming against the Buck. As mentioned, Treasuries firmed amid the risk-off tariff trade, albeit already were gaining on poor US data, while the crude complex sold off after Bloomberg reported that OPEC+ will go ahead with the April oil output increase. Note, this was later confirmed by OPEC+. US/Ukraine relations continue to boil with seemingly no imminent improvement of relations, as Trump posted an AP article on Truth titled "Ukraine's Zelensky says end of war with Russia is 'very, very far away'", adding "this is the worst statement that could have been made by Zelensky, and America will not put up with it for much longer"; Zelensky replied on X noting "it is very important that we try to make our diplomacy really substantive to end this war the soonest possible." Elsewhere, sectors were largely in the red with Tech and Energy the two laggards and the former hit by Nvidia (-8.7%) which even breached its DeepSeek low. For the record, Fed's Musalem (2025 voter) said his outlook is for continued solid economic growth, but recent consumer and housing data pose some downside risk, and also that is hard to separate weather and confidence from January spending. Ahead, all attention is on if tariffs go into effect on Mexico/Canada at midnight (US time) tonight.

### US

**ISM MANUFACTURING PMI:** ISM Manufacturing PMI for February fell to 50.3 from 50.9, and shy of the expected 50.8. Within the breakdown, employment and new orders fell to 47.6 (prev. 50.3) and 48.6 (prev. 55.1), respectively, while prices paid surged to 62.4 (exp. 55.8, prev. 54.9) and outside the top end of the forecast range (54.9). Imports showed modest growth to 52.6 from 51.1, but given the looming tariffs, some expected a much greater rise amid potential front-loading. Production dipped, albeit remaining above 50, while inventories and backlog of orders rose, but still stayed below 50. New export orders grew, but at a slower rate M/M, while supplier deliveries printed 54.5 from 50.9. Within the report, it notes that demand eased, production stabilized, and de-staffing continued as panellists' companies experienced the first operational shock of the new administration's tariff policy. Prices growth accelerated due to tariffs, causing new order placement backlogs, supplier delivery stoppages and manufacturing inventory impacts. The report adds, "Although tariffs do not go into force until mid-March, spot commodity prices have already risen about 20%." In the 10 respondents' comments, 8 of them mentioned tariffs and the uncertainty they are creating, which gives us an insight into how Cos. are currently thinking given the looming tariffs. Overall, Pantheon Macroeconomics see the manufacturing sector continuing broadly to stagnate over the next few quarters.

**Fed's Musalem** (2025 voter) said his outlook is for continued solid economic growth, but recent consumer and housing data pose some downside risk. However, the St Louis Fed President said it is hard to separate weather and confidence from January spending. Elsewhere, added restrictive monetary policy is still needed to ensure inflation returns to the 2% target and a patient approach to policy will help achieve the Fed's goals and sustain economic expansion. He added he would look closely at the behavior of inflation expectations if the Fed's inflation and jobs goals come into conflict. Expects economy to continue to grow but says he would be concerned about signs of further weakening of consumption or dampening of business confidence.

### FIXED INCOME

## T-NOTE (M5) FUTURES SETTLED 10 TICKS HIGHER AT 111-13

**T-Notes gain on soft-ISM report and steeper contraction projected in Q1 at the Atlanta Fed GDPnow model.** At settlement, 2s -2.7bps at 3.968%, 3s -3.8bps at 3.943%, 5s -5.0bps at 3.976%, 7s -6.4bps at 4.065%, 10s -6.6bps at 4.163%, 20s -6.6bps at 4.486%, 30s -6.3bps at 4.452%.

**INFLATION BREAKEVENS:** 5yr BEI +0.3bps at 2.529%, 10yr BEI +0.2bps at 2.371%, 30yr BEI -0.5bps at 2.257%

**THE DAY:** T-Notes saw weakness in overnight and European trade, in line with the theme across the global fixed income space amid reports over the weekend that Germany is eyeing nearly EUR 1tn of funds in coalition talks for defence and infrastructure. Additional pressure followed in the space after EZ Flash inflation was hotter than expected, easing more slowly than anticipated. That said, Treasuries outperformance soon followed into the ISM mfg/ report, extending to fresh session highs upon the release. ISM Mfg fell more than expected to 50.3 in February (exp. 50.8, prev. 50.9), but remained in an expansionary territory as decreases in new orders and employment weighed. The prices paid component surged above all analysts' forecasts of 55.8 to 62.4 due to tariffs, which caused new order placement backlogs, supplier delivery stoppages and manufacturing inventory impacts. Upside in Treasuries continued as Atlanta Fed GDPnow revised down their Q1 GDP estimate to -2.8% from -1.5% fuelled by downfalls in real personal consumption expenditure and real private fixed investment growth. Thereafter, remarks were seen by Fed's Musalem who said recent consumer and housing data pose some downside risk to economic growth. Also supporting the upside in T-Notes was the general risk-off theme in US equities trimming their rally seen on Friday into month end. Ahead, traders await any last minute deal regarding Mexico/Canada tariffs, although in President Trump's latest remarks, he noted tariffs on Canada and Mexico to start Tuesday no room left for deal on tariffs, although of course that could be a negotiation tactic.

## SUPPLY

- US sold USD 77bln of 3-month at 4.210%, covered 2.77x; sold USD 69bln of 6-month bills at 4.135%, covered 3.27x

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing:** March 2bps (prev. 2bps), May 11bps (prev. 7bps), June 27bps (prev. 26bps), Dec 70bps (prev. 70bps).
- NY Fed RRP op demand at USD 120bln (prev. 234bln) across 32 counterparties (prev. 50).
- SOFR at 4.39% (prev. 4.36%), volumes at USD 2.684tln (prev. 2.557tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 95bln (prev. 110bln).

## CRUDE

**WTI (J5) SETTLED USD 1.39 LOWER AT 68.37/BBL; BRENT (K5) SETTLED USD 1.19 LOWER AT 71.62/BBL**

The crude complex was lower to start the week, as after a choppy morning OPEC reports ultimately weighed. Sparking the downside in WTI and Brent in the US afternoon was a Bloomberg source report that OPEC+ will go ahead with April oil output increase. OPEC+ since confirmed that the group is to proceed with supply hikes, but could pause or reverse decision based on market conditions. As mentioned, prior to this benchmarks were choppy as participants continue to focus on Trump tariffs and US/Ukraine relationship. On the latter, relations are still subdued and after Trump posted an AP article on Truth titled "Ukraine's Zelensky says end of war with Russia is 'very, very far away'", adding "this is the worst statement that could have been made by Zelensky, and America will not put up with it for much longer", Zelensky replied on X noting "it is very important that we try to make our diplomacy really substantive to end this war the soonest possible." Elsewhere, Trump tariffs on Mexico/Canada are due to take effect at midnight tonight (US time) so focus will be on if there is an agreement. On the supply side, BBG reported that Iraq talks with oil firms hit snag, delaying Kurdistan exports. For the record, WTI traded between USD 67.89-70.60/bbl and Brent USD 71.17-71.49/bbl. "It is very important that we try to make our diplomacy really substantive to end this war the soonest possible."

## EQUITIES

**CLOSES:** SPX -1.76% at 5,850, NDX -2.20% at 20,426, DJI -1.48% at 43,191, RUT -2.81% at 2,102

**SECTORS:** Technology -3.52%, Energy -3.51%, Consumer Discretionary -2.31%, Materials -2.09%, Industrials -1.45%, Communication Services -1.35%, Financials -0.86%, Utilities +0.19%, Health +0.35%, Consumer Staples +0.61%, Real Estate +0.77%.

**EUROPEAN CLOSES:** DAX: +2.61% at 23,139, FTSE 100: +0.70% at 8,871, CAC 40: +1.09% at 8,200, Euro Stoxx 50: +1.34% at 5,540, AEX: +0.92% at 930, IBEX 35: +0.19% at 13,373, FTSE MIB: +1.07% at 39,069, SMI: +1.39% at 13,185, PSI: +0.17% at 6,812

## STOCK SPECIFICS:

- **Synopsys (SNPS):** Plans to sell ~USD 10bln in bonds this week to help finance USD 34bln acquisition of Ansys (ANSS).
- **Baidu (BIDU):** Plans USD 1.5bln bond sale.
- **Tesla (TSLA):** Reinstated "top pick" in US autos by Morgan Stanley.
- **Spirit AeroSystems (SPR):** Higher-than-expected Q4 losses and warned it requires additional funding to maintain operations.
- **Shell (SHEL):** Exploring the sale of its chemicals assets in the US & Europe.
- **Intel (INTC):** NVIDIA (NVDA) and Broadcom (AVGO) reportedly running manufacturing tests with INTC advanced process called 18A.
- **Capri Holdings (CPRI):** Prada nears a deal to acquire Versace from CPRI for nearly EUR 1.5bln.
- **Allegro MicroSystems (ALGM):** ON Semiconductor (ON) is reportedly considering acquiring ALGM with the company working with advisers in recent months on the potential deal.
- **Chipotle Mexican Grill (CMG):** Upgraded at Morgan Stanley; says CMG has continued to fade on weak sales data and growth

stock pressures, which creates an opportunity if one thinks these are short-term headwinds.

- **Southwest Airlines (LUV):** Downgraded at JPMorgan believing Southwest's best margin and return on invested capital "days lie in the past".
- **Crypto-exposed names (COIN, MSTR, RIOT, MARA):** Soared following Trump's comments about a strategic reserve of digital assets with White House cryptocurrency summit scheduled for March 7th.
- **Microchip (MCHP):** Exec says fiscal year 2025 is a significantly larger down year.

## FX

**The Dollar** started the week notably on the back foot against all G10 peers (ex-CAD) ahead of the incoming tariff deadline from the US onto Canada/Mexico/China. On the tariffs, US Commerce Secretary Lutnick said the US President will decide on tariffs today and will put it out on Tuesday. Lutnick suggested, the figure could be lower than the touted 25% level, if implemented. Expectations have been that Mexico will likely reach a deal to avert said tariffs, but Mexican Presidency Sheinbaum downplayed such appeasement, saying they are going to wait and see what happens on a potential tariff announcement from US President Trump, and is to discuss the decision(s) tomorrow. That said, gains were found in the US afternoon against the CAD and MXN on Trump's reiteration that tariffs on Canada/Mexico are to start on Tuesday. The broad-based Dollar downside was gradual through the day and extended on the ISM mfg report which surprised to the downside but remained in expansionary territory, as a fall in new orders and employment weighed. Prices paid surged above analysts' forecasts. Further on US data, AtlantaFed GDPnow (Q1) worsened from Friday, now seeing a contraction of 2.8% (prev. -1.5%). Separately, Fed's Muslaem said he would be concerned about signs of further weakening of consumption or dampening of business confidence, noting recent consumer/housing data poses a downside risk to the growth outlook. On geopolitics, optimism over a resolution towards US-Ukraine relations could not be found over the weekend and Monday given Trump's continued negative remarks on Zelensky via Truth Social. One silver lining to be found, was Trump doesn't think the Ukraine minerals deal is dead and will give an update on Tuesday night. As such, the focus for Tuesday will largely be on tariff developments and responses from involved countries if enacted, as well as developments on the Ukraine minerals deal. Elsewhere, Trump is to give his State of the Union address and remarks are due from Fed's Williams.

**G10FX-ex CAD** was entirely in the green as gains were led by the SEK, EUR, and GBP. Despite the diminishing relations between US-Ukraine, EUR traded well in the green as markets remained optimistic over Europe's aim to get relations on the right footing, bringing Ukraine back to the negotiation table with the US. Meanwhile, data out of Europe supported EUR strength with EZ HICP Flash Y/Y sticker than expectations, 2.4% (exp. 2.3%, prev. 2.5%). On the report, CapEco noted February's decline in services inflation is the start of a trend that will pull the core rate down substantially this year. "So in our view, the risks are skewed towards the ECB cutting interest rates by more than most anticipate". HCOB PMI data in Europe was encouraging, as Italy, France, Germany, EZ, and Swiss all topped expectations (Spain missed), although, all remain in the contractionary region. EUR/USD sits ~ 1.0470 into APAC trade after hitting earlier highs of 1.0503, though remains well above its 50 DMA of 1.0388.

As earlier mentioned, CAD was hit by continued US tariff threats, as Trump noted tariffs on Canada and Mexico to start Tuesday, and there no room left for a deal on tariffs, which saw USD/CAD rise to a session high of 1.4541 from an earlier low of 1.4370. **JPY** was supported by lower yields across the Treasury curve due to two main factors, soft-US data and a risk-off theme across the equity space; USD/JPY head into overnight trade at around 149.30, just off daily lows of 149.11. Ahead the G10 calendar, including RBA Minutes, RBA's Hauser, and the EZ unemployment rate.

**EMFX:** MXN was the weakest link in the EM space as hopes over a deal being reached between Mexico and the US to avoid a trade war faded. Sheinbaum noted of multiple plans they have towards the tariff ordeal, but Mexico will "make our own decision", irrespective of what the US does. On China, Trump didn't hold back with tariff threats, echoing plans to double the recently added tariffs to 20%; USD/CNH saw modest upside to ~7.3001. Regarding the TRY, poor performance was also seen, as cooler-than-expected CPI in the country weighed.

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