newsquawk

US Market Wrap - 7th March 2025

Stocks higher but see worst week since Sept. as US growth concerns & tariff uncertainty lingers

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar down
- **REAR VIEW**: NFP falls short, unemployment rate unexpectedly ticks higher; Trump strongly considers large-scale sanction on Russia until Ukraine/Russia ceasefire is achieved; Trump may do reciprocal tariffs on Canada today/Monday; Treasury reportedly explores options for easing Russia energy sanctions; Fed Chair Powell reiterates recent tone, but notes of possible recent moderation in consumer spending; Kugler calls Feb NFP number 'solid'; Putin reportedly ready to agree Ukraine truce; Strong AVGO earnings.
- **COMING UP**: **Data:** German Industrial Production, Trade Balance, EU Sentix Index, US Employment Trends, NY Fed SCE, Chinese M2 Money Supply. **Events:** ECB Survey of Monetary Analysts. **Speakers:** RBNZ's Hawkesby. **Supply:** Japan. **Earnings:** Oracle, BioNTech.
- **WEEK AHEAD:** Highlights include US CPI, UoM, BoC, UK GDP and Norwegian CPI. Click here for the full report.
- **CENTRAL BANK WEEKLY** Previewing BoC; Reviewing ECB, RBA Minutes and CBRT. Click here for the full report.

MARKET WRAP

US indices closed the day in the green but the steep weekly decline remained amid US growth concerns and continued tariff uncertainty. Once again, Friday was a heavy headline day with a deluge of risk events, such as the US jobs report, a load of Fed speakers (Powell the highlight), as well as President Trump and his top execs speaking. Recapping NFP, the headline fell slightly short of expectations but perhaps not as bad as feared, although there is tremendous uncertainty ahead with government job cut efforts from the DOGE. Elsewhere in the report, it was soft - u/e rate rose to 4.1% from 4.0%, despite expectations for it to be unchanged, but still remains below the year-end Fed forecast of 4.3% (which is set to be updated in March). In addition, Fed Chair Powell largely reiterated his messaging from January and February, stressing the Fed is not in a rush to adjust policy with uncertainty ahead, but the economy remains in a good place. Note, the Fed goes into blackout tonight ahead of the March 19th FOMC meeting. From Trump, there was a deluge of tariff talk (more details below), but the main takeaways were remarks on Canada, warning he may do reciprocal tariffs as early as today or Monday, and also on Truth stating he is "strongly considering" imposing "large scale" sanctions and tariffs on Russia until a ceasefire and final peace settlement for Ukraine is attained. Sectors closed largely firmer, with Utilities sitting atop of the pile, while Consumer Staples and Financials lagged as the former was weighed on by COST (-6%) post-earnings. Elsewhere, the Dollar was lower and continued its week of losses, which saw CAD lag amid the aforementioned tariff uncertainty. Treasuries chopped but were ultimately lower as risk sentiment improved into the weekend. Lastly, the crude complex was again choppy, albeit settling with slight gains but couldn't prevent a week of losses, which initially stemmed from OPEC raising oil output.

US

NFP: Headline NFP rose by 151k in February, beneath the expected 160k while the prior was revised down to 125k from 143k, seeing two-month net revisions of -2k vs the prior +100k. The headline showed that perhaps the job numbers were not as bad as feared when going into the report, but there is tremendous uncertainty ahead with government job cut efforts from the DOGE. There are also economic slowdown fears and cost pressure fears due to US President Trump's tariff policy. Elsewhere in the report, it was soft. The unemployment rate rose to 4.1% from 4.0%, despite expectations for it to be unchanged, but still remains below the year-end Fed forecast of 4.3% (which is set to be updated in March). Wages were in line at 0.3% M/M but softer than forecast at 4.0% Y/Y (exp. 4.1%), while the prior's saw revisions lower to 0.4% from 0.5% and 3.9% from 4.1%, respectively. Elsewhere in the report, the measures of slack saw the U6 unemployment rate rise to 8.0% from 7.5%, suggesting labour market slack is increasing, while the participation rate fell to 62.4 from 62.6%. Overall, this data is unlikely to sway Fed thought process too much with fears of economic growth ahead currently the focus point with lots of uncertainty ahead. Money markets are pricing in c. 70bps of rate cuts this year with the next cut fully priced by June. The Fed are widely expected to keep rates unchanged in March but it is currently c. 50/50 for May; we see the updated dot plots and economic projections at the March meeting which will help us further understand the Fed's thought process at the moment.

TRUMP POLICIES/TARIFFS: US President Trump, speaking on Canada, warned he may do reciprocal tariffs as early as today or Monday. Trump said Canada has tremendously high tariffs on lumber, and Canada has been ripping them off on dairy and lumber for years, while also noting the EU has been a terrible abuser of tariffs. He threatened sanctions and tariffs on Russia due to them continuing to strike Ukraine, which is making peace talks difficult. Elsewhere, the USTR will hold a hearing on 11th March on China's effort to target the semi industry for dominance. White House trade advisor Navarro says automakers have pledged to move supply chains to the US more quickly as part of trade negotiations. On reciprocal tariffs, it will focus on one tariff rate for each country to reflect tariff and non-tariff measures. On India, US Commerce Secretary Lutnick said India has one of the highest tariffs in the world, calling for rethinking of India-US relationship, adding they would like to focus on bilateral trade and for India to bring down tariffs. Lutnick also noted that it is time to do something big, not go product-to-product. India's market can not remain closed for ags products, some products can have quotas and limits to craft a deal. The US wants manufacturing of pharmaceuticals and semiconductors to come home with support of tariff wall. On South Africa, US President Trump posted that "South Africa is being terrible" with reference to the agriculture sector. The US will be stopping all Federal funding. On Brazil, Lutnick informed Brazil's VP in a call that the US could postpone tariffs on Brazilian goods

FED

Fed Chair Powell (Neutral) largely reiterated his messaging from January and February, stressing the Fed is not in a rush to adjust policy with uncertainty ahead, but the economy remains in a good place. He did acknowledge that recent data points to possible moderation in consumer spending and heightened uncertainty, but it remains to be seen how these may affect future spending and investment. Nonetheless, in the Q&A Powell said the general thought is that a one time jump in prices does not need a monetary policy response, and that the economy is fine, it does not really require them to do anything at the moment. Powell noted there is still a lot of uncertainty about what will be tariffed and for how long and at what level, but warned if that turns into a series of actions, or if tariffs are larger, or expectations start to move, that would influence how the Fed reacts. He stressed that what really would matter is what is happening with longer-term inflation expectations. He did note that most longer-term inflation expectations remain stable and consistent with the 2% inflation goal.

Kugler (Voter, Neutral) stated that recent inflation data supports keeping policy steady for some time and noted she strongly backed the decision to hold rates at the January FOMC meeting. She emphasized that future policy changes will be data-driven but highlighted important upside risks to inflation, pointing to a significant rise in some inflation expectation readings. Kugler observed that inflation has been moving sideways for a while, suggesting limited recent progress. On the labor market, she stated that job market conditions have substantially rebalanced and reiterated that wages are not a key driver of inflation pressures. On today's report, said February jobs number was a 'solid number' and hiring remains above the breakeven level. Added she doesn't expect government job cuts to show up suddenly, but is watching very closely for any sudden job market changes.

Bostic (2027 Voter) stated that the economy remains in a state of flux, making it difficult to determine a clear trajectory. He emphasized that waiting for trends to fully emerge in national economic data before acting could leave the Fed reacting too late, which is why he prioritizes real-time observations and discussions with businesses and individuals on the ground. On inflation, Bostic reiterated that his outlook at the start of the year anticipated a bumpy disinflation process, which has played out as expected. He acknowledged that tariffs introduce elevated costs, which will eventually lead to higher prices, though the extent to which this translates into broader inflation remains uncertain. He stressed the need to be mindful of any developments that impact prices and employment, while also ensuring that the Fed’s actions minimize disruptions to the labor market. Regarding policy outlook, Bostic maintained that the Fed should be patient, alert, and avoid shifting course from one meeting to the next. He expects a clearer picture of economic conditions to emerge by late spring or early summer, which will help determine policy decisions at the May or June meetings.

Williams (Voter, Neutral) stated that there are no signs of inflation expectations becoming unanchored, with expectations returning to pre-pandemic levels. He noted that data indicates a lag before inflation shocks impact short-term inflation expectations. Additionally, he still thinks that the neutral rate remains lower than in the 1990s.

Bowman (Voter, Hawkish) stated that labor market conditions and overall economic activity will play a larger role in Fed policy discussions going forward. She also noted that shocks and structural changes since the pandemic may have masked the full transmission of monetary policy, adding uncertainty to the Fed’s assessment of its impact on the economy.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 7 TICKS LOWER AT 110-18+

Treasuries chop on a deluge of headlines but ultimately sell off into lows at settlement. At settlement, 2s +3.5bps at 3.998%, 3s +3.6bps at 4.012%, 5s +3.6bps at 4.094%, 7s +3.6bps at 4.212%, 10s +3.8bps at 4.320%, 20s +4.0bps at 4.663%, 30s +4.2bps at 4.621%.

INFLATION BREAKEVENS: 5yr BEI -0.4bps at 2.467%, 10yr BEI -0.2bps at 2.340%, 30yr BEI +0.3bps at 2.258%

THE DAY: T-Notes chopped on Friday, catching a bid in overnight trade before selling off in the European morning ahead of the NFP report. The data saw two-way price action where although the headline missed, it wasn't a huge miss and was above the breakeven point of 80-100k level Waller touted on Thursday. T-Notes then sold off to intra-day lows of 110-24, but revisions lower and a rising unemployment rate and cooling wages saw this pressure reverse, with T-notes going on to hit highs of 111-11+ shortly after. T-Notes had sold back to hover around 111-00 ahead of Fed Chair Powell. The Fed Chair largely echoed his remarks from January and the testimonies to Congress, stressing the Fed is not in a rush, and the economy is in a good place to wait and see. Within the interview, Powell said that the general thought is that a one-time jump in prices does not need a monetary policy response, the economy is fine and it doesn't need the Fed to do anything. The reiteration of the Fed not being in a rush saw T-Notes push lower, ahead of settlement with the Fed clearly not too concerned yet about the state of the economy. Thereafter, Treasuries continued to sell off as risk sentiment improved through the US afternoon, settling at lows. Elsewhere, one of the main developments from US President Trump was his threat that some reciprocal tariffs on Canada could come as soon as today or Monday. Next week the Fed is in the blackout period, but we will see the February CPI and PPI reports ahead of the March 19th FOMC. The Prelim March UoM is due on Friday, with a lot of focus on inflation expectations.

SUPPLY

Coming up

- US Treasury to sell USD 58bln of 3yr notes on March 12th; to settle March 17th.
- USD 39bln of 10yr notes on March 10th; to settle March 17th.
- USD 22bln of 30yr bonds on March 13th; to settle March 17th.
- USD 70bln of 6-week bills on March 11th, to settle on March 13th.
- USD 76bln 13-week bills on March 10th, to settle on March 13th.
- USD 68bln 26-week bills on March 10th, to settle on March 13th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 1bps (prev. 3bps), May 10 (prev. 14bps), June 27bps (prev. 32bps), Dec 70bps (prev. 74bps).**
- NY Fed RRP op demand at USD 136bln (prev. 129bln) across 33 counterparties (prev. 35).
- SOFR at 4.35% (prev. 4.34%), volumes at USD 2.558tln (prev. 2.525tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 112bln).

CRUDE

WTI (J5) SETTLED USD 0.68 HIGHER AT 67.04/BBL; BRENT (K5) SETTLED USD 0.90 HIGHER AT USD 70.36/BBL

The crude complex was again choppy, albeit settling with slight gains but couldn't prevent a week of losses, which initially stemmed from OPEC raising oil output. On Friday, there was a deluge of headline-driven newsflow, such as the US jobs report, a load of Fed speakers (Powell the highlight), as well as President Trump and his top execs speaking. Nonetheless, just prior to the US cash open, WTI and Brent saw gradual upside to session highs of USD 68.22/bbl and 71.40/bbl, respectively, after Trump said he is "strongly considering" imposing "large scale" sanctions and tariffs on Russia until a ceasefire and final peace settlement for Ukraine is attained. Thereafter, and although benchmarks were already retracing from peaks, WTI and Brent fell to intraday lows after Bloomberg sources reported that Putin is ready to agree Ukraine truce, with conditions. However, the sources added the offer was made during last month's talks in Saudi Arabia between top Russian and American officials. Until the close, WTI and Brent traded largely sideways but did print new troughs of USD 66.12/bbl and 71.40/bbl. Although, heading into settlement downside was seen, albeit almost all of it pared, as Reuters sources reported that the US Treasury is examining options for easing energy sanctions on Russia, but only if Russia and Ukraine reach a peace deal. For the record, the weekly Baker Hughes rig count saw oil unchanged at 486, Nat Gas fall 1 to 101, leaving the total declining 1 to 592.

OPEC: Kazakhstan Energy Minister said their oil output is above OPEC+ quotas, and has tasked oil majors to cut oil production. Kazak thinks the majority of oil production cuts will take place in the second half of March. Added Kazakhstan will have to cut production in March, April and in May. Separately, Russia Deputy PM Novak stated OPEC+ is to raise oil output from April, but might reverse that decision afterwards if there are imbalances in the market.

GEOPOLITICAL: Ukraine's Energy firm DTEK said Russian attack significantly damaged its gas production facilities in Ukraine's Poltava region, and that these facilities have ceased operations after the attack. Meanwhile, in Trump's address he is finding it more difficult to deal with Ukraine and may be easier to deal with Russia on final settlement, and that Ukraine has to get on the ball and get the job done.

EQUITIES

CLOSES: SPX +0.55% at 5,770, NDX +0.74% at 20,201, DJI +0.52% at 42,802, RUT +0.43% at 2,075

SECTORS: Consumer Staples -0.61%, Financials -0.58%, Consumer Discretionary -0.31%, Health +0.03%, Materials +0.25%, Communication Services +0.49%, Real Estate +0.60%, Industrials +1.20%, Technology +1.44%, Energy +1.64%, Utilities +1.84%.

EUROPEAN CLOSES: DAX: -1.79% at 23,001, FTSE 100: -0.03% at 8,680, CAC 40: -0.94% at 8,121, Euro Stoxx 50: -0.76% at 5,465, AEX: +0.07% at 911, IBEX 35: +0.17% at 13,257, FTSE MIB: -0.48% at 38,593, SMI: +0.49% at 13,093, PSI: +1.95% at 6,821.

EARNINGS

- **Broadcom (AVGO):** Strong AI-related demand in Q1 as EPS & revenue beat with Q2 sales guidance above expectations.
- **Hewlett-Packard Enterprises (HPE):** Dismal next quarter & FY outlook as it cited pricing pressures & AI server inventory issues; to cut ~5% of staff.
- **Gap (GAP):** EPS, revenue. & comp. sales topped, driven by strong holiday demand & its turnaround efforts.
- **Costco Wholesale (COST):** EPS & revenue light but comp. sales beat; Warned inflation & tariffs may keep shoppers cautious & consumers remain selective w/ spending despite strong sales.

STOCK SPECIFICS

- **Walgreens Boots Alliance (WBA):** Will be taken private by Sycamore Partners in a USD 10bln leveraged buyout.
- **Nvidia (NVDA):** OpenAI & Oracle (ORCL) plan to install tens of thousands of Nvidia's GB200 chips at a new Texas data centre.
- **Alphabet (GOOGL):** Republicans subpoena Alphabet & CEO Pichai.
- **JPMorgan (JPM):** Upgraded at Baird to 'Neutral' from 'Underperform'.
- **Apple (AAPL):** Said some AI improvements to Siri delayed to 2026, according to Reuters.
- US Trump administration making progress on a deal to move **TikTok** into US hands, via FBN's Gasparino. White House eyeing a licensing agreement between the app's China-based owners Bytedance and **Oracle (ORCL).** Oracle is seen having the inside track on licensing deal.Of note for **SNAP** and **META**.
- **Netflix (NFLX):** CFO said plan to spend USD 18bln on content is 'not anywhere near the ceiling', via The Verge.

FX

The Dollar was mixed vs. major peers with the DXY incurring its biggest weekly decline since November 2022 as EUR dominance weighed. DXY hit session lows of 103.46 in reaction to the February NFP report, which saw the headline slightly miss expectations while the unemployment rate unexpectedly ticked higher to 4.1% (prev. 4.0%). Thereafter choppy trade remained in FX and across markets, as fears over a dire print due to DOGE layoffs were averted, but job growth still underwhelmed the consensus with average earnings Y/Y falling short of expectations and seeing a downward revision to the prior. That said, many weren't expecting the report to be impacted by government layoffs, with Fed's Kugler (Voter) not expecting it to show up suddenly. Many remarks were seen from the US administration. Highlights include President Trump "strongly considering" imposing "large scale" sanctions and tariffs on Russia until a ceasefire and final peace settlement for Ukraine is attained; Trump, on Canada, said he may do tariffs as early as today/Monday, while Treasury Secretary Bessent replied "We'll see" on whether tariffs will be long term. Back to the Fed, Kugler called today's jobs number "solid" and sees steady policy for some time on recent inflation data. Remarks from Chair Powell, were generally a reiteration of the latest FOMC meeting, in which the Fed are in no hurry to adjust rates, path to 2% inflation will be bumpy. Though, Powell noted that recent indicators point to possible moderation in consumer spending, heightened uncertainty; "remains to be seen how these developments may affect future spending and investment". Next week is to be a busy one for the US, with CPI and PPI due, UoM Prelim, JOLTS and the March 12th (Wed) deadline of US tariffs on aluminium and steel. Note, US White House National Economic Adviser Hassett said today on making an exemption to steel tariff, "I doubt it".

G10FX price action was mostly higher. Euro and SEK outperformance continued as optimism surrounding Europe and its recent investment plans largely centred around Germany remain. CHF and GBP too saw gains, albeit newsflow was light for the two. Downside was seen in Antipodeans, CAD, and the Yen. Concerning Antipodean's laggard performance, a surprise contraction in Chinese imports and a miss on exports weighed. For the Yen, USD/JPY rose marginally to ~148.00 ahead of the weekend. No move was seen from earlier Bloomberg BoJ sources, that the central bank is leaning towards holding the key rate at the March meeting, wishing to monitor the January hike and the impact of US policies. Nevertheless, USD/JPY's weekly downtrend remains intact.

USD/CAD snapped its three-day losing streak following the jobs report from the US and Canada. The latter also saw fewer jobs added to the economy than expected, a meagre 1.1k (exp. 20k, prev. 76k), while the unemployment rate remained firm at 6.6% (exp. 6.7%). However, CAD was already seeing losses ahead of the jobs report, as perhaps profit-taking was at play given the recent CAD strength and the fact that tariff exemptions given by US President Trump towards USMCA-compliant products only make up 40% (said Canada Trade Minister), considerably less than the 85-90% Mexico believes would fall under UMSCA complaint (said Mexico Economy Minister).

EMFX: In LatAm, trade was the topic of the day. As mentioned, Mexico claims a large majority of its products are compliant with USMCA, such that tariffs will be averted; MXN outperformed with marginal upside, but lagged those in CEE. Meanwhile, US Commerce Secretary Lutnick informed Brazil's VP in a call that the US could postpone tariffs on Brazilian goods. Reports from Brazil last Friday, spoke of Brazil considering ethanol import tax in a nod to Trump to avoid the March 12th US tariffs on steel and aluminium. ZAR was at the bottom of the pile in EMFX, hit by remarks from Trump that the US will be stopping all Federal funding, due to SA being "terrible, plus, to long time Farmers in the country". Trump offered rapid US citizenship to any farmer (with family) from SA fleeing for their safety.