

# Nasdaq sees worst day since 2022 as fears over US economy rise

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Trump fails to rule out recession; Lutnick says Trump will not ease up on fentanyl-related tariffs, steel & aluminium tariffs to take effect on Wednesday; China retaliatory tariffs take effect; NY Fed SCE sees 1yr exp. inflation ahead tick higher, 3- & 5yr unchanged; Soft China inflation; US approved extension to Delfin LNG non-FTA export permit; German's Green Party officials recommend Green lawmakers to reject spending plan bill; Incoming Canadian PM Carney vows to keep tariffs on the US until shown respect; TSLA China exported vehicles slump; NVO's Cagrisema data disappoints.
- **COMING UP: Data:** Australian NAB Business Conditions, US NAB Business Conditions, US JOLTS. **Events:** EIA STEO. **Speakers:** ECB's Lagarde, de Guindos, Lane, Villeroy, Escriva. **Supply:** Australia, Germany, US. **Earnings:** Kohl's, Volkswagen, Persimmon.
- **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 equities started the week slumping in the red (SPX -2.7%, NDX -3.8%, RUT -2.7%, DJI -2.1%), wiping out Friday's rally and hitting six-month lows as concerns over the US economy, present/incoming US tariffs and retaliatory tariffs from others. e.g China's latest retaliatory tariffs (effective today) weighed. Sectors ex-Utilities & Energy were in the red, with all of the MAG-7 losing ground. As such, Technology, Discretionary, and Communications were hit the hardest. For Discretionary, pressure came largely by way of Tesla (TSLA) having its worst day since 2020 (-12%) after China vehicle exports tanked in February. In FX, the Dollar caught relief from recent heavy selling, prevailing over the CAD amid intensifying relations between Canada and the US, given that the incoming PM Carney showed no immediate plan of removing their tariffs on the US. Meanwhile, the Euro was weighed on by a Greens Party official recommending the party's lawmakers to not vote for the spending plan bill, contending it must show investment goes towards climate and the country. On Crude, prices were lower by over USD 1/bbl with energy/geopolitical updates taking the backfoot as the subdued demand picture took the reins. That said, the US Energy Secretary said he is looking at working with Congress on cancelling mandate sales from oil reserve. In geopolitics, via AFP, Kyiv will propose a truce in the air and sea during talks with Washington in Riyadh. Elsewhere, Treasuries were firmer across the curve, with the 10-year yield having its biggest down day since September, -10bps, as risk-off trade lifted the space higher. Data in the US was contained to the NY SCE, which saw the 1-yr ahead exp. inflation rise to 3.1% (prev. 3% in Jan) and consumers expected probability of missing debt payments at its highest level since April 2020. For the week ahead, main events take off on Wednesday, with US tariffs on aluminium and steel to go into effect and the release of February CPI, ahead of PPI on Thursday and UoM on Friday.

## US

**NY FED SCE:** In February's NY Fed Survey of Consumer Expectations, it saw 1yr ahead inflation expectations tick slightly higher to 3.1% (prev. 3% in Jan), while both the 3yr and 5yr ahead expected inflation were both unchanged at 3%. Elsewhere within the report, consumers' year-ahead expectations about their households' financial situations deteriorated considerably in February. The share of households expecting a worse financial situation one year from now rose to 27.4%, its highest level since November 2023. Expected home price climbed 3.3% (prev. 3.2% in Jan), and the mean unemployment expectations, or the mean probability that the US unemployment rate will be higher one year from now, jumped up by 5.4ppt to 39.4%, its highest reading since Sept. 2023. Lastly, the average perceived probability of missing a minimum debt payment over the next three months increased by 1.3 ppt to 14.6%, its highest level since April 2020.

## FIXED INCOME

**T-NOTE FUTURES (M5) SETTLE 24 TICKERS HIGHER AT 111-10+**

**T-notes bull steepen as economic growth fears continue to hit risk sentiment.** At settlement, 2s -10.6bps at 3.896%, 3s -11.3bps at 3.901%, 5s -11.7bps at 3.977%, 7s -11.1bps at 4.100%, 10s -10.1bps at 4.217%, 20s -8.1bps at 4.579%, 30s -7.1bps at 4.546%

**INFLATION BREAKEVENS:** 5yr BEI -3.9bps at 2.432%, 10yr BEI -3.4bps at 2.314%, 30yr BEI -2.6bps at 2.238%.

**THE DAY:** T-notes saw marginal selling pressure overnight before surging in the European morning, extending to settle around session highs. The upside was primarily due to the risk-off sentiment in the market with US equities continuing their rout. The downside in yields and stocks followed an interview with US President Trump over the weekend, who failed to rule out a recession due to the imposition of tariffs while noting the US economy will face a trade war "transition". Economic Adviser Haseet tried to instil calm, noting that Q1 GDP will "squeak" into positive territory, and he is optimistic on the economy despite some "blips". He also noted how trade policy uncertainty will be resolved in early April and Q2 will take off after tax cuts. However, this did little to stop the bid in treasuries or the downside in stocks, with Treasuries settling at highs. There was no Fed speak to digest with the Fed

now in blackout period ahead of the 19th March FOMC, while data saw the February employment trends fall but the prior was revised up. Meanwhile, the latest NY Fed Survey of Consumer Expectations saw a slight uptick in the 1yr ahead forecasts to 3.1% from 3.0%, but the 3 and 5yr ahead forecasts were unchanged at 3%. Attention remains on any updates from US President Trump, but also CPI, PPI and UoM data is due this week.

## SUPPLY

- US sold USD 77bln (exp. 76bln) 3-month bills at high rate 4.200%, B/C 2.82x; sells USD 69bln (exp. 68bln) 6-month bills at high rate 4.075%, B/C 3.03x

## Coming up

- US Treasury to sell USD 58bln of 3yr notes on March 11th; to settle March 17th.
- USD 39bln of 10yr notes on March 12th; 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.

## STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 10bps (prev. 10bps), June 28bps (prev. 27bps), Dec 75bps (prev. 70bps).
- NY Fed RRP op demand at USD 129bln (prev. 136bln) across 36 counterparties (prev. 33).
- SOFR at 4.34% (prev. 4.35%), volumes at USD 2.477tln (prev. 2.558tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 110bln (prev. 115bln).

## CRUDE

**WTI (J5) SETTLES USD 1.01 LOWER AT USD 66.03/BBL; BRENT (K5) SETTLES USD 1.08 LOWER AT 69.28/BBL**

The crude complex was lower as it was hit by the global risk-off sentiment as US equity indices tumbled and Treasuries rose. Benchmarks were choppy, but incrementally firmer through the EU morning, although were sold thereon out as US players entered for the week and digested broader sentiment. Energy-specific catalysts were fairly light, but there was a fair bit to digest in terms of broader macro newsflow, White House Economic Advisor Hassett said there are many reasons to be bullish about the US economy despite some "blips", and added Q1 GDP will "squeak" into positive territory; noting he is optimistic on the economy. Later, WTI and Brent fell to initial intra-day lows as US Energy Secretary spoke - said US approved extension to Delfin LNG non-FTA export permit, and the Administrations goal is to encourage more LNG exports. The Energy Secretary added they are pleased with action of OPEC thus far, and it is possible that US President Trump will remove tariffs on Canadian oil in April. Meanwhile, and on US/Ukraine, US envoy Witkoff said the US has never stopped providing defensive intelligence support to Ukraine and expect substantial progress on Ukraine this week, as well the mineral deal. On US/Sino relations, SCMP reported that US President Trump may meet China President Xi in China as soon as April, while WSJ reported they are said to be working on a June summit. Looking ahead, US inflation numbers are due this week and the Prelim UoM survey are the key scheduled risk events as the Fed is on blackout ahead of their confab next week. For the record, WTI and Brent saw highs of USD 67.60/bbl and 69.57/bbl, respectively, against later lows of 65.94 and 69.20/bbl.

## EQUITIES

**CLOSES:** SPX -2.7% at 5,615, NDX -3.81% at 19,431, DJI -2.08% at 41,912, RUT -2.72% at 2,019.

**SECTORS:** Technology -4.34%, Consumer Discretionary -3.90%, Communication Services -3.54%, Financials -2.29%, Materials -2.12%, Industrials -1.60%, Health -1.10%, Real Estate -1.02%, Consumer Staples -0.69%, Energy +0.95%, Utilities +1.04%

**EUROPEAN CLOSES:** DAX: -1.71% at 22,608, FTSE 100: -0.89% at 8,603, CAC 40: -0.90% at 8,048, Euro Stoxx 50: -1.59% at 5,381, AEX: -0.97% at 903, IBEX 35: -1.33% at 13,078, FTSE MIB: -0.93% at 38,235, SMI: -0.49% at 13,029, PSI: -1.19% at 6,740

## STOCK SPECIFICS:

- **Tesla (TSLA):** China sold 1.41mln passenger cars in Feb., +26.1% Y/Y; TSLA exported 3.9k China-made vehicles (prev. 30.2k Y/Y).
- **DoorDash (DASH), TKO Group Holdings (TKO), and Williams-Sonoma (WSM)** to join the S&P 500 at the open on March 24th.
- **Novo Nordisk (NVO)** weighed on latest Cagrisema data.
- **Ford (F):** Will provide up to EUR 4.4bln in new financing for German subsidiary.
- **Applied Materials (AMAT):** Raises Q cash div. 15% to USD 0.46/shr & new 10bln share repurchase authorisation.
- **Cognizant Technology Solutions (CTSH):** Activist Mantle Ridge has built > USD 1bln interest & believes shares are undervalued.
- **QXO (QXO) & Beacon Roofing Supply (BECN)** in discussions about a potential combination; QXO would acquire BECN for USD 124.35/shr in cash or ~USD 11bln.
- **DexCom (DXCM):** Received a warning letter from the US FDA following inspections of Cos. facilities.
- **Redfin (RDFN):** To be acquired by Rocket Companies (RKT) for USD 12.50/shr or USD 1.75bln; Closed Fri. at USD 5.82/shr.
- **ServiceNow (NOW):** Reportedly near a deal for Moveworks which could value the firm at ~USD 3bln.
- **Apple (AAPL) and Meta (META)** likely to face modest fines, not massive fines, for allegedly breaching EU's Digital Markets Act, according to Reuters citing sources.

## FX

**The Dollar** Index started the week choppy against peers, ending the US session modestly higher as strength against CAD, AUD, and GBP more than offset losses vs the Yen. Risk-off was the mood across markets as US equities were sold and Treasuries were bid with recent themes of uncertainty over the US economy ahead and trade dynamics continuing. Latest developments included US Commerce Secretary Lutnick noting US President Trump will not ease up on fentanyl-related tariffs, and reiterating plans for steel and aluminium tariffs to be effective on Wednesday. Meanwhile, China's retaliatory tariffs to the US's tariffs on March 4th came into effect, which includes up to 15% tariffs on some agricultural products, such as chicken, wheat, corn, and cotton. Separately, via SCMP, Trump may meet China President Xi as soon as April, although WSJ suggested they are working towards a June summit. Apart from NY SCE, US data took the backfoot. 1-year inflation expectations ahead rose to 3.1% (prev. 3.0% in Jan) while the 3- and 5yr were unchanged. The expected probability of missing debt payments was the highest since April 2020. Scheduled events on Tuesday are light, though will swiftly pick up on Wednesday with US tariffs on steel and aluminium to take effect and February's CPI report due. Headline and core M/M are seen rising 0.3%.

**G10 FX** price action was mixed, Yen led strength in risk-averse trade as lower US yields across the curve benefitted, while its Haven peer CHF, lagged in the red. Downside was led in the CAD as any hopes of an intermediate solution between the US and Canada before April 2nd (when USCMA relief ends) was diminished by the incoming Canadian PM/leader of the ruling Liberal party, who vowed to maintain tariffs on US imports until shown respect by the US. Ultimately, USD prevailed on the evolving trade war between the US and Canada, leaving USD/CAD in a two-day upside spell at ~ 1.4460 into Tuesday.

In Europe, the conversation was over Germany's debt brake reform. Weakness in the Euro was immediately sparked by Green party officials recommending Green lawmakers not to vote for the bill on spending plans. Arguing, "If CDU and SPD want our backing must show that investment goes towards climate and country". Thereafter, trade in EUR/USD was choppy, eventually trundling lower into the red as Dollar strength into the US afternoon weighed. As it stands, in the outgoing Bundestag, Green seats would be required to pass the bill, given AfD has filed an urgent appeal against any reform of the debt brake. Regarding the UK, Rabobank noted the combination of this week's release of monthly January UK GDP data (median 0.1% M/M) and political bickering about the welfare budget will serve as a reminder of both the poor growth backdrop and tight fiscal position. "We expect EUR/GBP to hold around the 0.84 area in the weeks ahead".

**EMFX** was hit on a strong USD, with CEE, Asia, and LatAm FX all seeing losses, particularly the latter. Currency-specific drivers were thin, but resume on Wednesday with Brazilian industrial output due. For CEE FX, ING notes developments on Germany's fiscal plan should be positive and Thursday's NBP press conference should bring some support for the Zloty. "We are bullish on CEE currencies this week, especially PLN and the CZK picture looks bright for the days ahead".

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