

Stocks chop to Trump Tariffs and Russia/Ukraine ceasefire proposal

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** Ontario suspends 25% surcharge on electricity to US, WH reverses Trump's 50% tariff threat; US/Ukraine agree ceasefire proposal deal; US to meet Russia in coming days; Deluge of US Cos. cut guidance; JOLTS better than expected; Japan's GPIF decides not to raise stock ratio; 3yr auction tails.
- **COMING UP:** **Data:** US CPI, Spanish Retail Sales, ECB Wage Tracker **Events:** BoC, NBP Policy Announcement; OPEC MOMR **Trade:** US 25% tariff on all imports of steel and aluminium come into effect **Speakers:** RBA's Jones, ECB's Lagarde, Villeroy, Escrivá, Nagel, Lane, BoC's Macklem **Supply:** Australia, Japan, UK, Germany, US **Earnings:** Adobe, Brenntag, Puma, Rheinmetall, Porsche AG, Inditex.

MARKET WRAP

US indices eventually closed in the red on Tuesday (RUT stayed green), albeit well off the earlier highs and lows, in what was a headline-intensive day which drove choppy trade. On Trump tariffs, the President initially raised the 25% tariff on all steel and aluminium coming into the US from Canada to 50%, effective March 12th, but this was later revoked after the Ontario Premier announced they are suspending the 25% surcharge on exports of electricity. Elsewhere, and also improving risk sentiment through the US afternoon, was the joint US/Ukraine statement on a ceasefire proposal. The US State Department said the US and Ukraine took important steps toward restoring durable peace for Ukraine and Ukraine expressed readiness to accept the US proposal to enact an immediate and interim 30-day ceasefire. Following this, Trump stated he will talk to Russian President Putin, but it takes "two to tango" and thinks he will talk with him this week but he hopes to have a total ceasefire in the coming days. On data, the JOLTS report came in above expectations while the quits rate and vacancy rate increased, but saw little reaction due to it being stale data whilst participants had tariff updates to focus on. The Dollar was sold with DXY hitting a YTD trough. The EUR outperformed as it was boosted by comments from the German Green party co-leader that they are hopeful of a defence deal occurring this week. Meanwhile, JPY lagged as it was hit by Nikkei reporting that the GPIF will not be boosting its holdings of stocks, firmer UST yields also weighed. Treasuries were sold on the choppy tariff updates and Russia/Ukraine ceasefire optimism. The crude complex was choppy but settled with slight gains as it pared some of Monday's losses amid broader macro sentiment, as opposed to energy-specific headlines. Ahead, US CPI and BoC are the highlights on Wednesday, as well as any further rhetoric on Trump Tariffs on Ukraine/Russia.

NORTH AMERICA

TRUMP TARIFFS: After Canada's Ontario announced a 25% tariff on electricity coming into the US, US President Trump said he will add an additional 25% tariff, to a total of 50%, on all steel and aluminium coming into the US from Canada. Ontario suggested it will not back down, but later withdrew the 25% surcharge on electricity. Trump was quizzed about whether he would then step down on the retaliation, and he said he is looking at backing down on the 50% duties on Canada, and he may back off doubling the tariffs but said he will "let you know" if they are going into effect. However, White House Trade Adviser Navarro said that the 50% tariffs on Canada steel and aluminum will no longer be taking effect tomorrow. Note, the 25% tariffs on steel and aluminum coming into the US are set to come into effect tomorrow.

JOLTS: US JOLTS job openings for January printed 7.74mln, above the expected 7.63mln, and down from the prior 7.508mln. Drilling into the details, quits rate and vacancy rate rose to 2.1% (Rev. 1.9%) and 4.6% (prev. 4.5%), respectively. Overall, total job postings were unaffected by the federal government hiring freeze ordered by President Trump on January 20th. Pantheon Macroeconomics notes that Federal government postings fell by only 3K to 135K, even though the JOLTS data reflect postings on the last business day of the month. Overall, Pantheon adds that both the hiring and separations rates remained at extremely low levels in January, but they expect involuntary separations to rise over coming months, given the recent deterioration in two reliable forward-looking indicators. PM adds, WARN layoff announcements were 18% higher in the three months to January than in the previous three months.

BOC PREVIEW: The BoC will publish their next rate decision on Wednesday 12th March 2025 at 13:45GMT/09:45EDT alongside the accompanying statement from BoC Governor Macklem, ahead of the press conference at 14:30GMT/10:30EDT. The BoC is expected to cut rates by 25bps on Wednesday although some do look for the BoC to keep rates unchanged. The main challenge to the BoC is the impact of tariffs but it is hard to quantify the overall impact until the final rate, duration and on what products have been decided, as the situation is currently very fluid. The unknowns result in a lot of uncertainty, and even that can have an impact on the economy before the measures take effect. Given the uncertainty and US President Trump's love for tariffs, one more cut at this meeting is likely but the path ahead will likely see a slowdown of the pace of rate cuts. The second 25bps rate cut is not fully priced until July. Recent data saw an uptick in inflation, a disappointing labour market report, while Q4 GDP growth was strong, it was buoyed by the sales tax holiday, although the main focus right now is on the impact of upcoming tariffs. [To see the full Newsquawk preview, please click here.](#)

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 15+ TICKS LOWER AT 110-27

T-Notes sold as risk sentiment improves on mixed tariff messaging and Russia/Ukraine ceasefire hopes. At settlement, 2s +4.1bps at 3.937%, 3s +4.1bps at 3.939%, 5s +5.4bps at 4.028%, 7s +6.1bps at 4.157%, 10s +6.5bps at 4.278%, 20s +5.8bps at 4.631%, 30s +5.6bps at 4.595%.

INFLATION BREAKEVENS: 5yr BEI +0.6bps at 2.441%, 10yr BEI +0.4bps at 2.316%, 30yr BEI +0.4bps at 2.241%.

THE DAY: T-Notes were sold across the curve on Tuesday, with the Ukraine peace proposal seeing Treasuries settle at lows. T-Notes had sold off overnight and through the European morning to hit a low of 111-00 in response to the above forecast JOLTS print, albeit it is quite dated given it was January data, and we have just had the February NFP report. T-Notes then started moving higher to 111-18 as US President Trump responded to Ontario's 25% tariff on electricity, by putting an additional 25% tariff, to 50%, on all steel and aluminium coming into the US from Canada from 12th March (tomorrow). Nonetheless, T-Notes then resumed selling with pressure in later trade supported by the US and Ukraine joint statement about agreeing to a ceasefire proposal, albeit we still await Russia's response - Trump expects to meet with Russian President Putin over the next couple of days. Further pressure was seen to see T-Note futures settle at lows as Ontario withdrew the 25% tariff on electricity, while Trump said he may pare back the additional tariffs on steel and aluminium. The 3yr note auction saw a tail, but internals weren't too bad, however overall it had little impact on price action (more below).

REUTERS POLL: US 10yr yield to rise to 4.40% in three months (vs 4.53% in Feb poll); risk to forecast is for lower yield, according to 20 out of 26 strategists

SUPPLY

- **3YR:** US sold USD 58bln of 3yr notes at a high yield of 3.908%, tailing the when issued by 0.6bps, vs the prior stop through of 1.3bps and six auction average of 0.0bps. The bid to cover was softer than the prior at 2.70x (prev. 2.79x), but above the 2.62x average. Direct demand fell to 62.5% from 740%, below recent averages, while direct demand jumped to 26% from 15.8%, above recent averages, leaving dealers with 11.5% of the auction, above the prior but beneath the average.
- US sold USD 70bln of 6 wk bills at high rate of 4.235%, B/C 2.97

Coming up

- US Treasury to sell USD 39bln of 10yr notes on March 12th; to settle March 17th. USD 22bln of 30yr bonds on March 13th; to settle March 17th.

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: March 1bps (prev. 1bps), May 11bps (prev. 10bps), June 29bps (prev. 28bps), Dec 76bps (prev. 75bps).
- NY Fed RRP op demand at USD 129bln (prev. 136bln) across 36 counterparties (prev. 33).
- SOFR at 4.33% (prev. 4.34%), volumes at USD 2.505tln (prev. 2.477tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 110bln).

CRUDE

WTI (J5) SETTLED USD 0.22 HIGHER AT 66.25/BBL; BRENT (K5) SETTLED USD 0.28 HIGHER AT 69.56/BBL

The crude complex was choppy, but settled with slight gains as it pared some of Monday's losses amid a slight improvement in risk sentiment. Once again, energy specific newsflow was light, but price action was dominated by broader macro newsflow.

Benchmarks saw top-way action as Trump posted on Truth that the US is placing an additional 25% tariff to 50%, on all steel and aluminium coming into the US from tomorrow. Later on, there was further back and forth between Canada and US, before Ontario Premier stated it is suspending 25% surcharge on exports of electricity, albeit said this post-oil settlement. On the geopolitical footing, US State Department, on the Jeddah meeting, said US and Ukraine took important steps toward restoring durable peace for Ukraine and Ukraine expressed readiness to accept the US proposal to enact an immediate and interim 30-day ceasefire. On the energy specific footing, the monthly EIA STEO sees 2025 world oil demand of 104.1mln BPD (prev. 104.1mln BPD) and sees 2026 demand of 105.3mln BPD (prev. 105.2mln). Note, given broader fundamentals the EIA STEO did little to move the needle in WTI and Brent. Ahead, attention is on the weekly private inventory data (expectations below) and OPEC MOMR on Wednesday. Current expectations (bbls): Crude +2.0mln, Distillate -0.8mln, Gasoline -1.9mln. For the record, WTI and Brent saw lows of USD 65.29/bbl and 68.63/bbl, respectively, against peaks of USD 67.17 and 70.44/bbl.

EQUITIES

CLOSES: SPX -0.76% at 5,572, NDX -0.28% at 19,377, DJI -1.14% at 41,433, RUT +0.22%.

SECTORS: Industrials -1.54%, Consumer Staples -1.18%, Health -1.12%, Real Estate -1.04%, Energy -0.96%, Utilities -0.91%, Financials -0.86%, Materials -0.81%, Communication Services -0.71%, Technology -0.38%, Consumer Discretionary -0.26%.

EUROPEAN CLOSES: DAX: -1.34% at 22,317, FTSE 100: -1.23% at 8,494, CAC 40: -1.31% at 7,942, Euro Stoxx 50: -1.52% at 5,305, AEX: -1.42% at 890, IBEX 35: -1.69% at 12,861, FTSE MIB: -1.38% at 37,698, SMI: -2.25% at 12,696, PSI: -0.01% at 6,739.

GUIDANCE UPDATES:

Communications

- **AT&T (T)**: Disappointing Q1 adj. EPS view.
- **Verizon (VZ)**: Growth in Q1 will be 'probably soft'.

Airlines:

- **Delta Air Lines (DAL)**: Cut Q1 EPS guidance and lowered revenue growth expectations amid weakened domestic demand due to macro uncertainty.
- **American Airlines (AAL)**: Trims Q1 outlook.
- **Southwest Airlines (LUV)**: Accelerated its USD 2.5bn share buyback programme and to charge for bags, which is offsetting them reducing Q1 RASM view.
- **JetBlue (JBLU)**: Left revenue guidance unchanged, but did lower Q1 capacity down. Shares potentially supported by leaving the top line the same in wake of DAL/AAL cutting.
- **United Airlines (UAL)**: Offered cautious commentary noting they have seen weakness in the demand market, but now expects EPS to be in the low range of forecast range. As such, it didn't cut like other airline peers.

Industrials:

- **3M (MMM)**: Continued to add the glum picture, as it expects Q1 organic sales growth between 1-1.5%, with some order deliveries shifting into Q2 amid a cautious macro landscape.

STOCK SPECIFICS:

- **Tesla (TSLA)**: CEO Musk says it is going to double vehicle output in the next two years, and plans to remain CEO.
- **Oracle (ORCL)**: EPS & revenue missed with light Q4 guidance citing investment losses
- **Asana (ASAN)**: Announced CEO succession plan & weak next quarter revenue outlook
- **Sonoco (SON)**: Will raise prices by USD 70/tonne for uncoated recycled paperboard in the US & Canada, effective April 10th.
- **Meta (META)**: Reportedly to be testing first AI training chip
- **Kohls (KSS)**: Profit missed w/ dismal FY25 SSS guidance

US FX WRAP

The Dollar Index wiped out Monday's gains as EUR strength, growing trade tensions, and fears over the economy weighed. US drivers included US President Trump via Truth Social, escalating existing conflict with Canada by instructing his Commerce Secretary to add a 25% tariff to impending tariffs (sum to 50%) on all steel and aluminium coming into the US from Canada, starting on Wednesday. Trump cited Canada's recent 25% tariff on electricity as the reason behind his decision. Additionally, Trump said he "will substantially increase" the tariffs on Cars coming into the US on April 2nd, "If other egregious, long time Tariffs are not likewise dropped by Canada". That said, later on in the session there was a pulling back on these, as Ontario Premier said it is suspending 25% surcharge on exports of electricity, and Trump followed noting he is looking at backing down on the 50% duties on Canada and may back off doubling steel and aluminium Canada tariffs. Separately, the latest US data offered some relief among recent economic fears, with job openings in January rising more than markets expected to 7.740mln (exp. 7.630mln). Moreover, the quits rate, which acts as a good leading indicator of wage growth, jumped to 2.1% (prev. 1.9%), and the vacancy rate rose to 4.6% (prev. 4.5%). That said, the moves in FX were muted towards the release, likely due to the report being somewhat dated, given that confidence amongst businesses has worsened since January and Trump's tariff remarks occurred shortly after the release. Trade will remain the key focus ahead as US tariffs are to take effect on Wednesday, while US CPI will also be carefully watched.

G10FX price action was skewed to the upside. Upside was led by EUR, SEK, and GBP, while JPY and CHF lagged. For JPY, losses extended on Nikkei reports that Japan's Government Pension Fund decided not to raise the stock ratio in its USD 1.75tn portfolio. USD/JPY peaked at 148.11 before paring the move to ~147.70.

CAD was choppy, but ultimately gained against the Dollar amid the latest developments that Trump may back off doubling the steel and aluminium tariffs. As such, USD/CAD hit a low of 1.4380 against an earlier peak of 1.4521. CAD will be one to watch on Wednesday with the focus on whether Trump's additional tariffs will become effective in time, and the BoC's rate decision. On the latter, the central bank is expected to cut rates by 25bps given the uncertainty and expected economic slowdown stemming from Trump's enthusiasm for tariffs. [Click here for a Newsquawk BoC Preview.](#)

The Euro and SEK dominance returned on Tuesday on Germany's Green party co-leader saying they are hopeful of a defence deal occurring this week. Ahead, the countdown is on for the deal to get agreed as the new Bundestag sits on March 25th. A debate on the reform package is to happen on March 13th. EUR/USD now holds above the 1.09 handle for the first time since last November, sitting at ~1.0930 into the US close. Several ECB speakers are set to appear midweek, including President Lagarde, Villeroy, Escriva, Nagel, and Lane. For SEK, ING still favours a stabilisation in the 11.0-11.20 range in the next two quarters.

EMFX was almost exclusively firmer against the Dollar, with gains led by CLP and COP. BRL also gained despite Industrial output unexpectedly easing from the prior. On the flip side, TRY came under marginal pressure, at least in contrast to its other EM peers. On the tariff footing, O Globo sources reported that Brazil asks US to postpone the deadline for the 25% tariff on Brazilian steel and aluminium imports, which is scheduled to take effect this Wednesday.

