

Stock rout continues as Trump tariff threats hit sentiment

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Trump threatens 200% tariff on EU alcohol; Soft PPI offset by higher revisions and rising PCE components; Jobless Claims beneath forecast; Putin supports ceasefire in principle, but more details need to be sorted out; Witkoff meets with Russia; Soft 30yr bond auction; Mixed dialogue out of Germany on fiscal reform progress; IEA cuts 2025 oil demand growth forecast in OMR.
- **COMING UP:** **Data:** German Wholesale Price Index, UK GDP, US UoM Survey. **Events:** France Fitch Credit Review; US Government Funding Expires. **Speakers:** ECB's Cipollone. **Earnings:** BMW, Daimler Truck, Bechtle, Li Auto.

MARKET WRAP

Stocks saw further selling pressure on Thursday, with more trade threats from US President Trump weighing. Trump threatened a 200% tariff on alcohol within the EU in response to the 50% EU tariff on US whiskey. All sectors were red aside from Utilities, with downside led by Consumer Discretionary and Communication names as the heavyweight stocks took a beating. Aside from trade, data and geopolitics took the limelight. The US PPI data was softer than expected but offset by upward revisions, while the PCE components were hotter than the prior. Meanwhile, both Initial and Continued Jobless claims fell beneath analyst forecasts. The data saw two-way price action in T-notes, with T-notes hitting session lows once the data was digested. However, the downbeat risk tone reignited the flight-to-quality bid to see T-notes settle higher across the curve. On geopolitics, Russian President Putin supported the idea of a ceasefire but stressed that the ceasefire must lead to a final settlement of the conflict and solve the root causes of the conflict. Oil prices were lower in response to the geopolitical updates, with selling pressure seen as US Envoy Witkoff arrived in Russia and as Putin responded to the ceasefire proposal, but trade fears and the impact on economic growth hit the demand side of the equation. European gas prices were hit after Putin said if the US and Russia agreed on energy cooperation, then a gas pipeline for Europe could be provided. The downbeat risk tone on trade fears saw gold prices rally to a peak of USD 2,985/oz, a fresh record high. Attention on Friday turns to the US UoM Consumer Sentiment survey and inflation expectations.

US DATA

US PPI: The February PPI data was cooler than expected but offset by upward revisions, while PCE components accelerated. Headline M/M was unchanged, beneath the 0.3% forecast, although the prior was revised up to 0.6% from 0.4%. The Y/Y print rose by 3.2%, beneath the 3.3% forecast, although prior was revised up to 3.7% from 3.5%. The core measure declined 0.1%, despite expectations for a 0.3% rise, and it was also beneath all analyst forecasts with the lowest forecast being 0.0%. The prior was revised up to 0.5% from 0.3%, however. Core Y/Y rose 3.4%, beneath the 3.5% forecast while prior was revised up to 3.8% from 3.4%. The super core, ex food, energy and trade, rose 0.2% (prev. 0.3%) M/M and 3.3% (prev. 3.4%) Y/Y. Within the report, the PCE components generally accelerated with physician care, home health and hospice care, hospital outpatient care and hospital inpatient care all rising. Airline passenger services and Nursing home care eased but portfolio management was unchanged. Analysts at Pantheon Macroeconomics note the data is consistent with a core PCE deflator print near the 0.3-0.4% borderline.

CLAIMS: Initial Jobless Claims fell to 220k from 222k, despite expectations of 225k. The 4wk average rose 1.5k to 226k. The unadjusted data saw claims at 213k, -13k, while seasonal factors expected a decrease of 11k. The continued claims fell to 1.87mln from 1.87mln, despite expectations for a rise to 1.9mln. The adjusted data saw continued claims at 2.163mln, falling 67k W/W, with seasonal factors expecting a 36k decrease. On the data, analysts at Pantheon Macroeconomics note that state-level data shows no signs of any major on-time factors distorting the headline numbers, although the desk warns the very low trend in claims is unlikely to last much longer. Regarding DOGE layoffs, Pantheon highlights that claims filed by former federal workers are not included in the advance initial claims count, unless they also used to hold a second job in the private sector.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 9+ TICKS HIGHER AT 110-30

T-notes see two-way price action on US data before moving higher as risk sours. At settlement, 2s -5.0bps at 3.945%, 3s -5.9bps at 3.932%, 5s -5.8bps at 4.019%, 7s -5.6bps at 4.146%, 10s -5.0bps at 4.266%, 20s -4.3bps at 4.619%, 30s -4.1bps at 4.590%

INFLATION BREAKEVENS: 5yr BEI -4.8bps at 2.419%, 10yr BEI -3.1bps at 2.304%, 30yr BEI -2.1bps at 2.237%.

THE DAY: T-notes meandered overnight before selling off in the European morning, with attention turning to the US PPI data. The data was soft on the headline numbers, but when looking into the internals, the components that feed into the PCE report were generally hotter than the prior. Meanwhile, Jobless Claims were beneath analyst expectations. T-notes initially caught a bid on the soft PPI, but this swiftly faded once the details were digested, as well as the sub-forecast jobless claims data. T-notes then went on to hit a low of 110-12 around the US cash equity open. Another downbeat risk sentiment in equity markets reignited the Treasury bid into settlement to reclaim 111-00. A soft 30-year bond auction did little to stop the bid, with US equities continuing to slide. Attention on Friday turns to the UoM Consumer Sentiment survey, with a lot of eyes on inflation expectations as participants digest policies/tariffs from US President Trump. The US President threatened a 200% tariff on European alcohol if they don't immediately

revert their 50% tariff on US whisky.

SUPPLY

- **30YR:** Overall, a weaker-than-average auction. The US Treasury sold USD 22bln of 30-year bonds at a high yield of 4.623%, tailing the when issued by 1.1bps, vs the prior 1.2bps tail and six auction average of a 0.1bps stop through. The bid-to-cover ratio of 2.37x was above the prior 2.33x but beneath the average of 2.46x. The breakdown of demand saw indirects take 60.5% of the auction, beneath the prior and average, while direct demand of 22.7% was above the prior and average. This left dealers with 16.9% of the auction, a touch above the prior but firmly above the average.
- US sold USD 75bln in 4wk bills at high rate of 4.225%, B/C 3.05x; sold USD 75bln in 8wk bills at high rate of 4.220%, B/C 3.04x

Coming up

- US Treasury to sell USD 13bln of 20yr bonds on March 18th
- USD 18bln of 10yr TIPS on March 20th
- USD 76bln of 13wk bills on March 17th
- USD 68bln in 26wk bills on March 18th
- USD 70bln of 6wk bills on March 18th
- USD 48bln of 52wk bills on March 18th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: March 1bps (prev. 0bps), May 10bps (prev. 8bps), June 27bps (prev. 24bps), Dec 74bps (prev. 69bps).**
- NY Fed RRP op demand at USD 113bln (prev. 131bln) across 29 counterparties (prev. 35)
- SOFR at 4.31% (prev. 4.32%), volumes at USD 2.489tln (prev. 2.502tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 98bln (prev. 97bln).

CRUDE

WTI (J5) SETTLED USD 1.13 LOWER AT 66.15/BBL; BRENT (K5) SETTLED USD 1.07 LOWER AT USD 69.88/BBL

The crude complex was lower and initially weighed on by US envoy Witkoff landing in Russia, and then extended further by some constructive remarks from Putin, in addition to the downbeat risk tone. WTI and Brent fell to lows of USD 66.37/bbl and 69.66/bbl, respectively, after the Russian President said he agreed to stop fighting in Ukraine but it should lead to long-standing peace and that they have to eliminate the root cause of the conflict. Putin further added that maybe he and Trump will have a phone call, something Trump later echoed. On Trump remarks, he noted Witkoff is in serious discussions in Russia and hopefully should have an idea today how we're doing. That was the main story in the energy space on Thursday, but do note the monthly IEA OMR cut its 2025 oil demand growth forecast to 1.03mln BPD (prev. 1.1mln BPD), and noted risks to the market outlook remain rife and uncertainties abound. Looking to Friday, UoM is arguably the highlight, something Fed's Williams recently pointed towards watching, as well as the weekly Baker Hughes rig count ahead of a deluge of risk events next week.

EQUITIES

CLOSES: SPX -1.39% at 5,522, NDX -1.89% at 19,225, DJI -1.30% at 40,814, RUT -1.62% at 1,994

SECTORS: Communication Services -2.67%, Consumer Discretionary -2.58%, Real Estate -2.00%, Technology -1.78%, Industrials -1.05%, Consumer Staples -0.71%, Energy -0.64%, Financials -0.55%, Health -0.51%, Materials -0.14%, Utilities +0.27%.

EUROPEAN CLOSES: DAX: -0.63% at 22,533, FTSE 100: +0.02% at 8,543, CAC 40: -0.64% at 7,938, Euro Stoxx 50: -0.51% at 5,332, AEX: -0.14% at 898, IBEX 35: +0.14% at 12,821, FTSE MIB: -0.80% at 38,000, SMI: -0.24% at 12,837, PSI: -0.61% at 6,722.

STOCK SPECIFICS:

- **Intel (INTC):** Appointed Lip-Bu Tan CEO, effective March 18th.
- **Adobe (ADBE):** Reaffirmed FY25 & Q2 outlook.
- **SentinelOne (S):** Light Q1 & FY revenue view.
- **American Eagle Outfitters (AEO):** Sees revenue decline due to weaker demand & tariff impacts; tariffs could negatively affect margins by USD 5-10mln.
- **Dollar General (DG):** EPS, revenue & SSS beat; FY guidance light.
- FTC continues probes against **Microsoft (MSFT)** and **Amazon (AMZN)**.
- **UiPath (PATH):** Revenue disappointed for the quarter, and Q1 & FY25 revenue guidance underwhelmed.
- UAE official to press US on ability to buy more **Nvidia (NVDA)** AI chips, Bloomberg reports.
- **Tesla (TSLA):** Warned Trump Administration it's 'exposed' to retaliatory tariffs, FT reports.

FX

The Dollar was broadly firmer against peers as a risk-averse theme was seen across the markets with the threat of US tariffs growing with US President Trump showing no signs of relinquishing the April 2nd tariffs. Trump also threatened 200% tariffs on alcohol products from France and EU-represented countries in response to the 50% tariff they imposed on US whiskey; EUR/USD

saw immediate downside on the news. Thereafter, US PPI eased more than expected on both the headline and core prints, however, the prior saw upward revisions. Also, the metrics that feed into PCE mostly accelerated from the prior month. Initial and Continued jobless claims unexpectedly fell. DXY saw initial weakness on the PPI before moving to fresh highs of 104.08. Elsewhere, geopolitics was a key subject for the day as US Envoy Witkoff landed in Russia to engage in talks. Russia's President Putin agreed to the idea of a ceasefire in Ukraine but stated it should lead to long-standing peace, and he has lots of questions about the ceasefire. Regarding US/Russia energy cooperation, Putin said a gas pipeline for Europe could be provided if both countries cooperate. Friday's US calendar will offer the preliminary figures for March on consumer sentiment, with UoM due. Sentiment will closely be watched as it fell to its lowest level since November 2023 in February to 64.7. Expectations are for a continued decline to 63.1, while inflation expectations will be carefully watched, given the surge to 4.3% in February to multi-year highs.

G10 FX was largely softer, in fitting with risk-off trade. The Yen was the sole gainer in the space as lower US yields across the curve supported, while its Haven peer, CHF, saw modest losses. BoJ's Ueda echoed Wednesday's comment that underlying inflation remains slightly below 2%, but expects it to "gradually accelerate as the economy recovers". At pixel time USD/JPY sits ~ 147.70. In typical fashion, Scandi's and Antipodeans were hit the hardest, while the CAD trimmed the majority of gains seen post-BoC amid Trump saying he won't bend on Canada metals, adding, that they don't need Canada's cars, energy or lumber.

In Europe, the main event was the debate in Germany over fiscal reform. Conflicting opinions were voiced by the CDU and the Greens party, with the leader of the former noting they have carried out good talks with the Greens and changed the proposal on the infrastructure fund to also include climate protection measures. While the Greens Leader said they "do not trust a word of CDU Leader Merz". To summarise, it appears the Greens will continue to reject the draft legislation of the CDU and SPD, as highlighted by earlier remarks from a Greens spokesperson. EUR/USD trundled lower after US PPI and as markets digested updates from Germany before paring some of the losses into APAC trade as remarks from Putin offered some hope regarding a ceasefire between Ukraine, although there are still clearly sticking points. Accompanying the Euro bounce, TTF gas prices slumped after Putin's aforementioned comments on a ceasefire and a possible gas pipeline for Europe. ING notes "Our view for the remainder of March remains that a decline to 1.080 is more likely than another rally to 1.10 in EUR/USD".

EMFX: MXN, INR, and CLP led gains in the EM space, while losses were seen in the CEE space, albeit to varying degrees. In Brazil, sector growth fell shy of expectations, potentially limiting gains on later reports that the Brazilian government decided certain coffee products and unrefined cane sugar should have zero import tax. Out of South Africa, a top ANC official said the ANC is prepared to engage with all other parties on the budget. This follows the DA and MK parties on Wednesday rejecting the budget; USD/ZAR was flat.

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