US Market Wrap - 14th March 2025

Stocks find solace after recent bloodbath

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar flat
- **REAR VIEW**: Dismal UoM; Schumer will vote to keep the government open; Germany agrees on fiscal reform; Soft Rengo wages; UK GDP disappoints; Talk China could cut RRR; AAPL Siri Chief calls delays "ugly".
- **COMING UP**: **Data**: Chinese Retail Sales, Industrial Output, US Retail Sales **Speakers**: ECB's Lagarde **Earnings**: Hargreaves Lansdown
- **WEEK AHEAD**: Highlights include: FOMC, BoJ, BoE, SNB, US Retail Sales, Aussie jobs, Japan & Canada CP. To download the report, please click here.
- **CENTRAL BANK WEEKLY**: Previewing FOMC, BoJ, BoE, SNB, Riksbank, PBoC LPR; Reviewing BoC. To download the report, please click here.

MARKET WRAP

Stocks caught a bid on Friday, finding some solace after the recent rout that saw the S&P enter correction territory on Thursday. The Nasdaq and Russell outperformed, but S&P and Dow both also saw strong gains. All sectors were green, with Tech, Energy and Financials outperforming. Consumer Staples, Health Care and Materials were the relative laggards. Risk sentiment was buoyed overnight with China performing very well on chatter of a PBoC RRR cut, while strong sentiment continued throughout the US session. There were no fresh trade/tariff updates on Friday, but the focus was on the UoM Consumer Sentiment survey, which saw headline sentiment heavily miss expectations with downside in both conditions and expectations. The inflation expectations meanwhile surged. T-Notes settled lower across the curve in risk-on trade while the inflation expectations added to pressure. The Dollar saw mild selling pressure while Antipodes outperformed on the risk sentiment, but the chatter of an RRR cut in China was also supportive. Havens lagged with JPY also weighed on by soft Rengo wage data. The Euro was buoyed after Germany came to an agreement on the fiscal reform package, although there are still some hurdles ahead. Crude prices settled in the green as the crude complex benefitted from the positive risk tone. Gold briefly rose above USD 3,000/oz for the first ever time, but it failed to hold above the level. Next week attention lies on the FOMC and updated dot pots, as well as the SNB, BoE and BoJ rate decisions, while US Retail Sales are due on Monday for another look into the consumer amid fears of an economic slowdown ahead.

GLOBAL

MICHIGAN: UoM March prelim disappointed across the board. Headline sentiment plunged to 57.9 (exp. 63.1, prev. 64.7), beneath the lower end of the forecast range, with declines seen consistently across all groups by age, education, income, wealth, political affiliations, and geographic regions. Conditions and Expectations fell to 63.5 (exp. 65.0, prev. 65.7) and 54.2 (exp. 64.3, prev. 64.0), respectively, with both also under the lower bound of expectations. For future expectations, the report adds that many consumers cited the high level of uncertainty around policy and other economic factors; frequent gyrations in economic policies make it very difficult for consumers to plan for the future, regardless of one's policy preferences. Highlighting this, consumers from all three political affiliations are in agreement that the outlook has weakened since February. In terms of inflation expectations, 1yr ahead inflation expectations rose to 4.9% from 4.3%, the highest reading since November 2022, while 5yr lifted to 3.9% from 3.5%. Overall, tariff uncertainty remains at the forefront of consumers' minds, and continues to highlight the concerns surrounding the US economy. In addition, the Fed's WIlliams before the blackout did note it was worth watching UoM inflation expectations data - attention turns to FOMC next week.

GERMANY FISCAL REFORM: CDU/CSU, SPD and Greens have come to a deal on fiscal reform. Slight tweaks to the package initially proposed by Merz but the broad measures are much the same and the package is therefore substantial. The bill is set to be voted on in the Bundestag on March 18th and should, given the three mentioned parties are in favour, hit the two-thirds threshold for constitutional reform. However, there are some potential stumbling blocks to this. To read more, please click here.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 9+ TICKS LOWER AT 110-20+

T-Notes sold as risk sentiment improves and inflation expectations soar . At settlement, 2s +6.6bps at 4.019%, 3s +6.3bps at 4.005%, 5s +5.8bps at 4.086%, 7s +4.8bps at 4.203%, 10s +3.4bps at 4.310%, 20s +2.4bps at 4.648%, 30s +2.0bps at 4.616%.

INFLATION BREAKEVENS: 5yr BEI +0.2bps at 2.419%, 10yr BEI +0.7bps at 2.308%, 30yr BEI +1.0bps at 2.242%.

THE DAY: T-Notes meandered overnight before hitting a session peak in the European morning of 110-29+. However, as risk sentiment improved after stocks entered correction territory on Thursday, T-Notes saw selling pressure in a risk-on environment. There were few fresh trade/tariff headlines to digest on Friday with a focus largely on the prelim. The UoM Consumer Sentiment survey for March, which was dismal. Headline sentiment missed all analyst forecasts with both current conditions and forward-looking expectations also falling beneath all expectations. However, the inflation expectations surged, 1yr to 4.9% from 4.3%, and the 5yr to 3.9% from 3.5%. This briefly took T-Notes to lows of 110-19, before choppy trade into settlement. Elsewhere, there was a lot of focus on Germany with the Greens party reaching a deal with CDU/CSU and SPD on a fiscal reform package. Meanwhile, in the US, Senate

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Minority Leader Schumer said he backed the spending bill, which helped alleviate some government shutdown fears. Focus next week turns to the FOMC rate decision and updated summary of economic projections, while US Retail Sales, BoJ, BoE, and SNB will also be in the limelight.

SUPPLY

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 0bps (prev. 1bps), May 8bps (prev. 10bps), June 24bps (prev. 27bps), Dec 65bps (prev. 74bps).
- NY Fed RRP op demand at USD 126bln (prev. 113bln) across 29 counterparties (prev. 29)
- SOFR at 4.30% (prev. 4.31%), volumes at USD 2.462tln (prev. 2.489tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 98bln).

CRUDE

WTI (J5) SETTLED USD 0.63 HIGHER AT 67.18/BBL; BRENT (K5) SETTLED USD 0.70 HIGHER AT 70.58/BBL

The crude complex ended the day in the green but was flat on the week, despite weakness in the wake of a grim UoM report . Briefly recapping, sentiment, conditions, and expectations numbers fell short, and even beneath the bottom end of the forecast range, while inflation expectations surged, for both the short and long term. Prior to this, benchmarks saw upside in overnight and EU morning trade which could potentially be attributed to the optimism seen in China amid speculation that the PBoC could opt for an RRR cut before the weekend, although this speculation is derived from PBoC comments yesterday. On geopolitics, the rhetoric around Ukraine/Russia continues to remain more upbeat, but no signs of a deal, yet... US President Trump said they had very good and productive discussions with Russian President Putin yesterday, and there is a very good chance that this horrible, bloody war can finally come to an end. Following this, Ukraine President Zelensky said there was a productive meeting with US partners in Saudi Arabia, and now close to the first step in ending any war, and they have a good chance to end this war quickly. Then, Putin, on talks with US, stated the situation is starting to move and Ukrainian authorities needed to give the order to surrender. For the record, the weekly Baker Hughes rig count saw Oil up 1 to 487, Natgas fall 1 to 100, leaving the total unchanged at 592. For the record, WTI and Brent traded in tight ranges, between USD 66.59-67.48/bbl and 69.93-70.75/bbl.

EQUITIES

- **CLOSES**: SPX +2.13% at 5,639, NDX +2.49% at 19,705, DJI +1.65% at 41,488, RUT +2.53% at 2,044.

- **SECTORS**: Technology +3.04%, Energy +2.83%, Financials +2.29%, Consumer Discretionary +2.14%, Communication Services +2.02%, Utilities +1.90%, Real Estate +1.84%, Industrials +1.84%, Materials +1.31%, Health +0.74%, Consumer Staples +0.28%.

- **EUROPEAN CLOSES**: Euro Stoxx 50 +1.56% at 5,411, DAX +1.65% at 22,939, FTSE 100 +1.05% at 8,632, CAC 40 +1.13% at 8,028, AEX +0.85% at 906, IBEX 35 +1.43% at 13,005, FTSE MIB +1.73% at 38,655, SMI +0.71% at 12,929

STOCK SPECIFICS:

- **DocuSign (DOCU):** EPS & revenue beat with better than expected margins FY26 billings guidance impressed.
- **Ulta Beauty (ULTA):** EPS, revenue & comp. sales topped, but FY outlook was light.
- **MGM Resorts International (MGM):** Plans to boost profits by implementing cost-saving measures.
- **Crown Castle (CCI):** Reached agreement to sell its Small Cells & Fiber Solutions businesses for USD 8.5bln.
- **Hon Hai Precision Industry (HNHPF):** 13% drop in Foxconn net income, driven by weak Chinese iPhone sales & greater investments in AI server production.
- **Apple (AAPL):** UK & US officials in talks over concerns that Britain is pressuring AAPL to weaken encryption. Elsewhere, Siri Chief calls delays ‘ugly’ in a meeting and promises fixes, according to Bloomberg.
- **Tesla (TSLA):** Plans to launch a lower-cost Model Y variant, reducing production costs by at least 20% compared to the refreshed version, Reuters reports.
- **T-Mobile (TMUS):** Downgraded to 'Neutral' from 'Buy' at Citi.
- **PepsiCo (PEP):** Reportedly near USD 1.5bln-plus deal for soda brand Poppi, according to Bloomberg.

US FX WRAP

The Dollar Index was slightly softer on Friday, but ended the week more-or-less flat, as tariff uncertainty and US growth concerns dominated the slate this week. Continuing to add to the latter, UoM was a dismal report across the board. Briefly recapping, sentiment, conditions, and expectations numbers fell short, and even beneath the bottom end of the forecast range, while inflation expectations surged, for both the short and long term. For a change, Trump tariff talk was light on Friday, although next week there is

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a slew of macro risk events, such as the latest FOMC, with SEPs, the highlight on Wednesday. DXY traded between 103.560-104.090 and is around 103.75 at pixel time, after opening the week at 103.670.

Antipodeans were the G10 outperformers, and were buoyed by the positive risk sentiment in China overnight after the recent market turmoil with upside also spurred by speculation that the PBoC could cut the RRR. AUD/USD and NZD/USD saw highs of 0.5749 and 0.6326, respectively, with the main scheduled risk event Aussie jobs next week.

Safe-havens, CHF and JPY, lagged as they were weighed on by the upbeat risk sentiment to end the week with the latter initially pressured overnight by Rengo data, which showed the average wage hike less than demanded. More on this, first-round data shows average wage hike of 5.46% in FY25 (demand of 6.09%), and the initial wage hike exceeds 5% for the second straight year. USD/JPY hit a high of 149.02 against an earlier low of 147.77, while USD/CHF traded between 0.8818-63. Next week there is SNB and BoJ, whereby for the former sees market pricing currently pricing in around a 70% chance of a 25bps cut taking place, which would take the policy rate to 0.25% and would increase focus on the zero-lower-bound and negative rates. Re. the BoJ, they will likely maintain rates and highlighted by a recent Reuters poll showed 61 of 62 economists surveyed look for them to keep interest rates unchanged at 0.50%; money markets are pricing in that scenario with 92% certainty.

EUR saw slight gains, while GBP saw slight losses for varying reasons. For the Pound, UK GDP for January surprisingly fell into contractionary territory, which weighed on GBP. ONS noted the fall was driven by a notable slowdown in manufacturing, with oil and gas extraction and construction also having weak months. Regarding the EUR, it was largely driven by German fiscal policy reform - the strength came after news that the CDU/CSU, SPD and Greens reached an agreement on the debt deal, which paved the way for the Bundestag's second reading of the bill on March 17th before the third reading and vote on the 18th. Separately, ECB hawk Holzmann, who abstained on the the March rate cut vote, voiced his support for leaving rates unchanged next month given his view that rates are already at a neutral level. Cable traded between a very narrow 1.2912-59 and EUR/USD peaked at 1.0912, just shy of the YTD high at 1.0946.

EMFX was primarily stronger vs. the Greenback on Friday with the risk on tone in trading supporting the risk-sensitive FX currencies. BRL and MXN outperformed with the former supported by strong retail sales data, while there was also commentary from Brazil President Lula, who said he will announce on 18th March that anyone earning up to BRL 5,000 will not pay income tax. Meanwhile, attention turns to the BCB next week, where the bank is expected to hike by another 100bps to 14.25%, while analysts expect rates to peak at 15.25% in Q3 25. CLP and COP had also firmed while ZAR was also bid as risk sentiment improved. On South Africa, Fitch spoke on the budget, stating it suggests debt stabilisation will remain difficult. Yuan was firmer on Friday, and the upside could likely be attributed to the optimism seen in China overnight amid speculation that the PBoC could opt for RRR cut before the weekend, although this speculation is derived from PBoC comments yesterday.

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