

Stocks bid with Dollar and Yen sold in risk-on trade

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar down.
- **REAR VIEW:** Mixed US Retail Sales; Dismal NY Fed Manufacturing; Atlanta Fed Q1 GDPNow tracker forecasts -2.1% growth; Punchy US rhetoric on Yemen; Chinese industrial data impresses; Trump/Putin to meet Tuesday morning.
- **COMING UP: Data:** German/EZ ZEW, Canadian Inflation, US Industrial Production, Imports/Exports, Japanese Exports/Imports
Events: German Bundestag third reading on fiscal reform (vote) **Speakers:** ECB's Escriva; NVIDIA CEO Huang **Supply:** UK, US Earnings: Xpeng.
- **WEEK AHEAD:** Highlights include: FOMC, BoJ, BoE, SNB, US Retail Sales, Aussie jobs, Japan & Canada CPI. [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 Monday with the risk tone improving after recent turmoil. All sectors closed green, aside from Consumer Discretionary, with outperformance in Real Estate, Energy and Industrials. The focus of the day was on economic data, which saw a mixed retail sales report and dismal NY Fed Manufacturing survey. There was a lack of fresh trade/tariff updates from over the weekend, other than the White House repeating that reciprocal tariffs will come into effect from April 2nd. Meanwhile, Bloomberg reported that USTR Greer is set to impose some order for the reciprocal tariffs, in hope to reduce uncertainty after a rocky rollout from tariffs on Canada, Mexico and China so far. T-Notes flattened with the curve choppy in response to the aforementioned US data with attention turning to the FOMC on Wednesday. In FX, the Dollar was sold, as was the Yen due to the risk environment while Antipodes outperformed. Also supporting antipodes was encouraging China activity data, while China also unveiled a special action plan to boost consumption helped support the China exposed currencies. Oil prices settled green on heightened geopolitical tensions in the Middle East after the US attacked Houthi targets in Yemen. US President Trump also said that any further attacks by Houthis will be met with great force, and that any attack from the Houthis will be looked upon as being a shot fired from Iran. Regarding Ukraine, Semafor reported that the US is considering recognising Ukraine's Crimea region as Russian territory as part of an agreement to end the war, albeit a decision is not final. Trump is also set to speak with Putin in a call on Tuesday.

US

RETAIL SALES: The Retail Sales report was mixed, headline rose by 0.2%, beneath the 0.6% forecast with the prior being revised down to -1.2% from -0.9%. The core (ex autos) rose by 0.3%, in line with forecasts while the prior was revised down to -0.6% from -0.4%. The ex-gas and autos measure rose by 0.5%, above the 0.4% forecast, but the prior was revised to -0.8% from -0.5%. The Retail Control measure, which feeds into US GDP, saw a chunky beat at 1.0%, above the 0.3% forecast but the prior was also revised down to -1.0% from -0.8%. Overall, the report saw the Atlanta Fed GDPNow model for Q1 '25 growth be revised down to -2.1% from -1.6%. Digesting the data, Pantheon Macroeconomics suggest real consumers' spending rose by 0.25% in February, and Q/Q growth in consumption will slow to 1.4% in Q1 from 4.2% in Q4, assuming a modest 0.2% increase in March spending. The consultancy notes that "Consumers' confidence has dropped sharply this month, but we see no convincing signs this is feeding through immediately to spending. Restaurant diner numbers have continued to grow solidly and hotel occupancy has remained in line with seasonal norms in early March, while consumer credit lending by commercial banks has continued to rise briskly". This suggests to Pantheon Macro that fears that a recession is already underway look overdone.

NY FED: NY Fed Manufacturing Index for March was dismal, and the headline plunged to -20 from +5.7, and well beneath the expected -1.5. New orders and shipments sank to -14.9 (prev. 11.4) and -8.5 (prev. 14.2), respectively, while inventories rose to 13.3 from 8.7. Prices paid also rose to 44.9 from 40.2. Delivery times and supply availability held steady. Employment levels and hours worked continued to move slightly lower. Looking ahead, optimism about the outlook waned considerably for a second consecutive month, as the six-month general business conditions declined to 12.7 (prev. 22.2). Overall, Richard Deltz, Economic Research Advisor at the NY Fed, said "Manufacturing activity dropped significantly, input price increases climbed for a third straight month to hit their fastest pace in more than two years. In addition, supply availability is expected to contract and firms continued to grow less optimistic about the future business outlook."

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 1 TICK LOWER AT 110-19+

T-Notes flatten to mixed US data ahead of Fed on Wednesday . At settlement, 2s +4.0bps at 4.055%, 3s +3.2bps at 4.033%, 5s +1.6bps at 4.098%, 7s +0.7bps at 4.208%, 10s -0.2bps at 4.306%, 20s -1.3bps at 4.634%, 30s -1.5bps at 4.600%.

INFLATION BREAKEVENS: 5yr BEI -1.0bps at 2.410%, 10yr BEI -0.6bps at 2.301%, 30yr BEI -0.9bps at 2.233%

THE DAY: T-Notes meandered overnight before catching a bid in the European morning ahead of the US data. The data was

ultimately mixed, with retail sales headline missing, ex autos in line but ex autos and gas beat. The Control measure also beat but all metrics saw revisions lower. The NY Fed Manufacturing PMI data heavily disappointed, however, with new orders plummeting and prices paid rising. T-Notes saw two way action on the data, initially rising to c. 110-28 before falling to a low of 110-14 thereafter. Once the dust had settled, T-Notes started to pare the post data losses, going on to print a fresh high of 110-30 before then paring into settlement amid a constructive risk environment, seeing 10yr T-note futures settle flat. It was quiet on the trade/tariff front on Monday, other than the White House and President reiterating that reciprocal tariffs will be coming into effect from 2nd April. Although, in US trade Bloomberg reported that USTR's Greer is pushing for order on the reciprocal tariff plan after a rocky rollout with tariffs on China, Mexico and Canada, to hopefully reduce the uncertainty. There was a lot of focus on geopolitics however with US President Trump and Russian President Putin set to speak on Tuesday, while oil prices were bid after the US attacked the Houthis in Yemen over the weekend. US President Trump also sent a warning to Iran that the US would respond forcefully to any more Houthi attacks, and that Iran would be to blame.

SUPPLY

- US sold USD 76bln of 3mth bills at high rate of 4.205%, covered 2.89x; sold USD 68bln of 6mth bills at high rate of 4.100%, covered 3.01x

Coming up

- US Treasury to sell USD 13bln of 20yr bonds on March 18th
- USD 18bln of 10yr TIPS on March 20th
- 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. 0bps), May 6bps (prev. 8bps), June 20bps (prev. 24bps), Dec 60bps (prev. 65bps).**
- NY Fed RRP op demand at USD 89bln (prev. 126bln) across 25 counterparties (prev. 29)
- SOFR at 4.30% (prev. 4.30%), volumes at USD 2.441tln (prev. 2.462tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 104bln (prev. 105bln).

CRUDE

WTI (J5) SETTLED USD 0.40 HIGHER AT 67.58/BBL; BRENT (K5) SETTLED USD 0.49 HIGHER AT 71.07/BBL

The crude complex was firmer to start the week and was supported by heightened geopolitics. Over the weekend US President Trump ordered the US military to launch 'decisive and powerful' military action against Houthis in Yemen and told Iran to end support for Houthis immediately. US President Trump later posted on Truth that the hundreds of attacks being made by Houthis all emanate from, and are created by Iran, and any further attack by the Houthis will be met with great force, and there is no guarantee that force will stop there. Separately, Russia will demand Kyiv's neutral status and NATO's refusal to accept Ukraine in a peace treaty on Ukraine, and it opposes any troops in Ukraine as part of post-conflict guarantees, not just NATO troops. Ahead, Kremlin confirmed Putin and Trump will speak on Tuesday, with Trump overnight stating he may have something to announce on Ukraine-Russia talks by Tuesday. Elsewhere, newsflow was actually fairly sparse on Monday, despite a mixed US retail sales report and a dismal NY Fed Manufacturing, as attention turns to Putin/Trump, FOMC, and a deluge of other risk events. For the record, WTI and Brent hit a high of USD 68.37/bbl and 71.80/bbl, respectively, against lows of 67.25/bbl and 70.68/bbl.

EQUITIES

CLOSES: SPX +0.69% at 5,677, NDX +0.55% at 19,812, DJI +0.87% at 41,847, RUT +1.18% at 2,068.

SECTORS: Real Estate +1.66%, Energy +1.57%, Consumer Staples +1.55%, Industrials +1.35%, Health +1.15%, Materials +1.15%, Financials +1.16%, Utilities +0.40%, Technology +0.18%, Communication Services +0.12%, Consumer Discretionary -0.44%.

EUROPEAN CLOSES: DAX: +0.62% at 23,130, FTSE 100: +0.56% at 8,680, CAC 40: +0.57% at 8,074, Euro Stoxx 50: +0.78% at 5,446, AEX: +0.92% at 914, IBEX 35: +1.09% at 13,147, FTSE MIB: +0.95% at 39,022, SMI: +1.04% at 13,065.

STOCK SPECIFICS:

- **Intel (INTC):** New CEO plans to overhaul the chip design & manufacturing business.
- **Affirm (AFRM):** Klarna will be the exclusive provider of BNPL loans for WMT, taking a coveted partnership away from AFRM.
- **Baidu (BIDU):** Launched two new AI models.
- **NextEra Energy (NEE):** Announces leadership changes.
- **Norwegian Cruise Line (NCLH):** Upgraded at JPM
- **Incyte (INCY):** Released phase 3 trial data for a skin condition treatment. Incyte said that the trials of its drug met the primary endpoints. However, the drug was effective for less than half of the participants who took it in the trials.
- **Guess (GES):** Board has received a non-binding proposal from WHP Global to acquire it for USD 13/shr in cash. Note, GES closed Friday at USD 9.70/shr.
- **American Eagle Outfitters (AEO):** Announces USD 200mln accelerated share buyback programme.

US FX WRAP

The Dollar was weaker as it was weighed on by risk-on sentiment to begin the week, ahead of a deluge of risk events with the peak

being FOMC on Wednesday. US data on Monday was mixed, as Retail Sales on the headline disappointed, but the control group, which feeds directly into GDP, was strong. NY Fed Manufacturing was dismal, while Business Inventories printed in line. In wake of the retail sales data, the Atlanta Fed GDPNow Model for Q1 was revised slightly higher to -2.1% from -2.4% on March 6th, the last published figure. There was little Trump tariff talk, for a change, as attention turns to FOMC on Wednesday, although Bloomberg reported USTR's Greer is looking to inject order into the reciprocal tariffs after previous tariffs roiled markets and fueled business uncertainty. DXY saw a high of 103.810 against a later low of 103.290.

G10 FX, ex-JPY, was firmer across the board as it benefitted off the floundering Buck, as opposed to any currency-specific headlines. Activity currencies outperformed amid the aforementioned risk-on sentiment, with Antipodeans sitting atop the breakdown and further buoyed by Chinese activity data overnight - Industrial Production topped forecasts and Retail Sales matched estimates, while ING noted China unveiled a multi-part plan to increase household demand in the short run and improve the consumption environment in the long run. As such, Yuan gained against the Dollar. AUD/USD and NZD/USD hit peaks of 0.6390 and 0.5825, respectively, while Cable topped out at just shy of 1.30, a level not seen since November last year.

JPY was the laggard and only one in the red vs. the Greenback as the risk-on trade weighed, but participants await the BoJ on Wednesday whereby they will likely maintain rates at 0.50%. **EUR** firmed, with EUR/USD trading in a pretty tight range between 1.0869-0929. With newsflow for the single-currency fairly light, markets are bracing for the outcome of Tuesday's vote in the Bundestag on the German reform package. ECB's de Guindos believes inflation is converging on 2% and everything is going in the "right direction", but saw little sway on the Euro. As it stands, markets assign a 58% chance of a 25bps ECB cut next month.

EMFX broadly saw gains against the Greenback, with TRY one of the only EMs seeing losses on the back of higher oil prices, while MXN was flat. In avoidance of sounding like a broken record re. sentiment/Dollar weakness, Brazilian IBC-BR Economic Activity for January was much better than expected, while Finance Minister Haddad sees financial impact of income tax exemption proposal in Government accounts at BRL 27bln. Out of Asia, via the Economic Times, India reportedly weighs lower tariffs for US medical devices.

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