

Stocks and Treasuries bid as Fed holds rates and slows QT

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar up
- **REAR VIEW:** Fed holds rates, as expected; Dot plots unchanged, growth forecast cut, 2025 u/e & inflation raised & will slow balance sheet run off from April; Chair Powell reiterates no hurry to cut rates & a lot of uncertainty ahead; BoJ holds, as expected, while Ueda was cautious on trade risks; TRY dumps on arrest of potential presidential candidate; Trump/Zelensky hold phone call; BA optimistic on production outlook; TSMC board member dismisses INTC foundry takeover rumours.
- **COMING UP:** **Data:** Australian Jobs, UK Jobs, US Philly Fed Index, Jobless Claims, Japanese CPI, German Producer Prices. **Events:** Chinese LPR, BoE, SNB, Riksbank, SARB Policy Announcements. **Speakers:** ECB's Lagarde, Lane; SNB's Schlegel; Riksbank's Thedeen; BoC's Macklem, BoE's Bailey. **Supply:** Spain, France, US. **Earnings:** PDD, Jabil, Accenture, Micron, Nike, FedEx, RWE, Lanxess.

MARKET WRAP

US indices were firmer on Wednesday, and rose to highs in wake of the latest FOMC rate decision, accompanying SEP's and Chair Powell's presser, but closed off highs. Recapping, the Fed left rates unchanged at 4.25-4.5%, as expected, with dot plots unchanged, growth forecasts cut, and 2025 unemployment and inflation projections raised. The Fed also announced it will slow the pace of the balance sheet runoff. The decision on rates was unanimous, although, there was one dissent from Governor Waller, who supported no change to the balance sheet runoff. In the presser, Powell largely stressed a wait-and-see approach and that they are not in a hurry to cut rates, even when quizzed about cutting in May, as he stressed several times there is a lot of uncertainty ahead, and to bear that in mind when digesting Fed forecasts. Treasuries saw upside, while the Dollar weakened, albeit DXY still gained on the day, with the Yen the major beneficiary amid yield differentials, and as such the only G10 FX firming against the Buck. Away from the Fed, attention continues to reside around US/Ukraine/Russia updates, as Trump and Zelensky spoke today with Trump stating they had a very good call. The crude complex saw gains, but did settle off highs as participants continue to digest geopolitics. Spot gold firmed and briefly breached USD 3,050/oz to the upside. For the record, sectors were exclusively in positive territory with Consumer Discretionary sitting atop of the pile, with TSLA (+5%) supporting the sector. Consumer Staples and Health are the relative laggards, and flat. Ahead, Super Thursday is on the docket with PBoC LPR, SNB, Riksbank, and BoE rate decisions, in addition to ECB President Lagarde, BoC Governor Macklem, US Initial Jobless Claims, Philly Fed, as well as NKE, FDX and MU earnings.

US

FED: The Federal Reserve left rates on hold as was widely expected, while the median Fed dot plots were left unchanged throughout the forecast horizon, still seeing two further cuts in 2025. The Fed removed language about risks to its goals being roughly in balance and noted that uncertainty about the economic outlook has increased. January's statement read, "The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance", although Powell later signalled this was not meant to signal a policy shift. The SEPs saw 2025 and 2026 growth projections lowered, with 2025 unemployment raised, as were the median headline and core PCE projections. The Fed also announced that from April the Fed will slow the pace of the balance sheet runoff, where the monthly Treasury redemption cap will decline to USD 5bln from USD 25bln, but the monthly redemption cap on MBS was unchanged at USD 35bln. Regarding the composition of the 2025 dot, four on the FOMC see no cuts in 2025, four see one cut, nine see two cuts, and two see three cuts. Regarding the rate decision, it was a unanimous decision although Governor Waller preferred no change to the Fed's balance sheet policy.

PRESSER: Largely stressed a wait-and-see approach and that the Fed is not in a hurry to adjust policy, something he repeated when asked about cutting rates in May. He stressed several times there is a lot of uncertainty ahead, and to bear that in mind when digesting Fed forecasts. He acknowledged the rise in short-term inflation expectations but highlighted that long-term inflation expectations remain anchored. He also noted that tariffs tend to see upside in inflation, and downside in growth, but said it is challenging to know how much of an impact tariffs are having directly on inflation, but the increase in goods prices recently is partly due to tariffs. He said it would not make sense for the Fed to act on a policy that has a transitory effect on inflation. He said the Fed can cut, or hold, at what is a "clearly restrictive" level. Regarding the balance sheet, he said it was a technical adjustment and not meant to signal a change in the monetary policy stance, noting it makes sense to slow as the balance sheet approaches an ample level, but they are still far from that. Powell also said that the removal of the Fed language that goals are roughly in balance, was also not meant to send a signal. On PCE, due March 28th, the Chair said PCE prices likely rose 2.5% in February and core PCE prices probably rose 2.8%.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 6+ TICKS HIGHER AT 111-00

T-Notes rally as Fed announces slowdown to balance sheet runoff from April. At settlement, 2s -6.3bps at 3.979%, 3s -5.4bps at 3.959%, 5s -4.1bps at 4.030%, 7s -3.6bps at 4.142%, 10s -3.1bps at 4.250%, 20s -2.3bps at 4.594%, 30s -1.9bps at 4.560%.

INFLATION BREAKEVENS: 5yr BEI +5.0bps at 2.455%, 10yr BEI +2.7bps at 2.326%, 30yr BEI +1.5bps at 2.246%.

THE DAY: T-Notes meandered overnight before initially peaking at 110-27 in the European morning, before then selling off ahead of the Fed as stocks saw upside. The Fed left rates on hold, as widely expected, but it also announced it will slow the pace of the balance sheet run-off from April. This saw T-Notes rally to hit peaks during Fed Chair Powell's Presser of 111-03. The broad message from the Fed continues to be one that they are not in a rush to adjust policy, and that there is a lot of uncertainty ahead given the new Trump administration. Powell said he would not react to a one-off price increase in response to tariffs, but warned of challenges when trying to figure out how much of inflation is tariff-related. Powell also said the Fed can hold or cut at the current level, which is still "clearly restrictive". T-Notes settled at peaks as Powell was speaking. We will be looking for more Fed speakers when the blackout period ends on Friday, including from Governor Waller about his dissent for slowing the pace of the balance sheet runoff. In the meantime, there will be rate decisions from the PBoC LPR overnight, ahead of SNB, BoE, and Riksbank on Thursday.

SUPPLY

- US sold USD 60bln of 17wk bills at high rate of 4.195%, B/C 2.99x*

Coming up

- USD 18bln of 10yr TIPS on March 20th
- USD 75bln 4wk bills on March 20th
- USD 75bln 8wk bills on March 20th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 5bps (prev. 5bps pre-Fed), June 19bps (prev. 17bps), July 28bps (prev. 24bps), Dec 64bps (prev. 56bps).**
- NY Fed RRP op demand at USD 193bln (prev. 150bln) across 47 counterparties (prev. 39)
- SOFR at 4.31% (prev. 4.32%), volumes at USD 2.465tln (prev. 2.473tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 113bln (prev. 106bln).

CRUDE

WTI (K5) SETTLED USD 0.26 HIGHER AT USD 67.16/BBL; BRENT (K5) SETTLED USD 0.22 HIGHER AT USD 70.78/BBL

The crude complex saw gains, but settled off highs as participants continue to digest Ukraine/US geopolitics. Regarding the day, benchmarks remained under pressure and hit lows in the EU morning after Tuesday's constructive geopolitical developments, which saw WTI and Brent hit weekly lows of USD 66.09/bbl and 69.90/bbl, respectively. Thereafter, benchmarks gradually edged higher to end the session in the green, albeit off peaks. Once again, there was a slew of Ukraine/Russia/US updates, which remains at the forefront of energy traders' mind, with US President Trump stating he had a very good call with Ukraine President Zelensky, and it lasted for circa one hour. In addition, and reiterating what he said post-Putin/Trump call yesterday, Zelensky backed the proposal to halt energy assets strikes and he and Trump discussed a partial ceasefire in the call. Elsewhere, via Axios citing sources, Trump's letter to Iran's Supreme Leader Ali Khamenei included a two-month deadline for reaching a new nuclear deal. For the record, in wake of the latest FOMC and SEPs, the crude complex saw little reaction

EIA: In the weekly EIA data, crude saw a greater build than expected, albeit not as big as the private inventory figures. Distillates saw a larger than forecasted draw, while gasoline saw a shallower draw, both in fitting with the private figures on Tuesday. Overall, crude production fell 2k to 13.573mln.

EQUITIES

CLOSES: SPX +1.08% at 5,675, NDX +1.30% at 19,737, DJI +41,965, RUT +1.57% at 2,082

SECTORS: Health +0.02%, Real Estate +0.07%, Consumer Staples +0.12%, Utilities +0.30%, Materials +0.34%, Financials +1.04%, Industrials +1.29%, Communication Services +1.29%, Technology +1.42%, Energy +1.59%, Consumer Discretionary +1.90%.

EUROPEAN CLOSES: DAX: -0.34% at 23,302, FTSE 100: +0.02% at 8,707, CAC 40: +0.70% at 8,171, Euro Stoxx 50: +0.44% at 5,509, AEX: +0.96% at 923, IBEX 35: +0.40% at 13,408, FTSE MIB: +0.45% at 39,713, SMI: -0.14% at 13,034, PSI: -0.33% at 6,903.

STOCK SPECIFICS:

- **Autodesk (ADSK):** Activist investor Starboard Value, with a holding worth > USD 500mln, plans to begin a proxy fight.
- **JPMorgan (JPM):** Raised quarterly dividend to USD 1.40/shr (prev. 1.25).
- **Tencent Holdings (TCEHY):** Revenue & net income topped; Proposed to raise annual dividend 32%.
- **Tesla (TSLA):** Secured first permit in California towards launching a Robotaxi service. Upgraded to 'Overweight' from 'Neutral' at Cantor.
- **Apple (AAPL):** DigiTimes cites rumours that suggest Cos. AI Siri may miss its planned spring launch due to delays.
- **Morgan Stanley (MS):** Plans to cut ~2,000 jobs this month, reducing workforce by 2-3% to improve efficiency.
- **Citigroup (C):** Reduced bonuses for 250 senior employees
- **Signet Jewelers (SIG):** EPS, revenue beat & raised quarterly dividend ~10%
- **General Mills (GIS):** Revenue light, organic net sales declined more than expected & cut FY25 outlook
- **HealthEquity (HGY):** Adj. EPS for the quarter and FY26 guidance missed expectations
- **TSMC (TSM)** board member, Paul Liui, denied speculation that the Co. is considering acquiring Intel's (INTC) struggling foundry business.
- **Goldman Sachs (GS):** Downgraded to 'Perform' from 'Outperform' at Oppenheimer noting thus far no visible sign of this M&A

rebound.

- **Boeing (BA):** CFO said 787 is stabilising at 5/month, will move higher; factory looks fantastic in 38/mth effort; is off to a good start this year. Q1 FCF could be several USD 100mln better. Given its elevated inventory levels don't see a near term impact, or any impact to the goal of 38 jets per month, due to SPS fires.
- **Nvidia (NVDA):** CEO says demand for computing remains extremely high and reasoning AI increases computing demand; they are constructing global AI infrastructure, around USD 150bln into a "journey which will go into trillions", via CNBC. Near term impact of tariffs will not be meaningful. CEO is confident that margins will improve; spending on AI gear is shifting to outside of the cloud; Orders of 3.6mln Blackwell chips "under-represented the demand" since orders excluded Meta (META) and smaller cloud providers and startups.
- **Apple (AAPL):** Told by EU antitrust regulators to open up its technology & mobile operating system to rival makers of smartphones, headphones and VR sets. Apple, in response, said the order will slow down its ability to innovate and force it to give away new features to rivals which "don't play by the same rules".
- EU regulators said **Google's (GOOGL)** rules on Google Play prevent app developers from steering users to rival options and service fees go beyond what is justified; Google hit with 2 EU charges for allegedly breaching DMA.
- **Amazon (AMZN):** Reportedly eyes used car sales, according to Auto News. Of note for CarMax (KMX) and Carvana (CVNA), according to Auto News.

FX

The Dollar was largely firmer against peers, though gains were trimmed on the Fed's decision to slow the pace of the balance sheet run-off on Treasury securities. The Fed held the FFR as expected at 4.25-4.50% in a unanimous decision but Fed's Waller preferred to continue the current pace of decline in securities holdings. Meanwhile, in the short term, GDP forecasts were lowered, inflation forecasts were raised, and the unemployment rate was raised to 4.4% from 4.3% in 2025, but unchanged thereafter. The statement also noted that uncertainty around the economic outlook has increased. Thereafter, Chair Powell reiterated his no hurry to cut rates rhetoric from the last press conference in January, adding the base case is that inflation will be transitory; "Will depend on inflation expectations staying anchored". Longer-term inflation expectations are well anchored. Aside from the Fed, there was little news to digest with no US data due for the day and updates on trade light. On geopolitics, US President Trump spoke with Ukrainian President Zelensky on Trump's recent call with Russia's President Putin. Further reiteration was seen from Zelensky on "backing the proposal to halt energy assets strikes" while Trump regarded the call as "very good". US data will continue to remain fairly thin for the remainder of the week (only initial claims and Philly Fed due on Thu) with attention on the return of FedSpeak on Friday given the end of the blackout as well as trade dynamics.

G10 FX were all initially lower pre-Fed before coming off lows upon the statement/decision and press conference thereafter. GBP became unchanged, and JPY erased losses with USD/JPY falling to 148.68 from highs of 150.14 as lower US yields drove the move in response to the QT slowdown by the Fed. Ex-Fed, BoJ was the highlight, with the central bank deciding to hold rates as expected at 0.5% in a unanimous vote. BoJ gave little clues on policy, noting the economy is recovering moderately, albeit with some weak signs, and that consumption is increasing moderately as a trend and inflation expectations are also heightening moderately. Capital Economics still believes there's a decent chance of a rate hike at the Bank's May meeting. "After all, inflation is well above the Bank's 2% target and set to overshoot Board members' forecasts from January".

On Thursday, central bank rate decisions will fill the calendar, with decisions expected from the PBoC, BoE, SNB, and Riksbank. For the BoE, a 7-2 decision is expected in favour of a hold at 4.5% (2 for cut). That said, ING remarked the UK budget event later this month is the biggest risk event for the pound. "We see upside risks to 0.85 in EUR/GBP near term". The Guardian reported UK Chancellor Reeves will not be marking any tax changes next week. Separately, the SNB is expected to cut by 25bps to 0.25%. Meanwhile, the Riksbank is seen holding at 2.25%. Ahead of APAC, Cable sits at ~1.30, USD/CHF at 0.8780, and EUR/SEK at 11.0170.

TRY: In Turkey this morning, bonds and FX came under pressure after a potential presidential candidate, the mayor of Istanbul, was arrested. USD/TRY peaked at 40.98 before retreating to ~ 37.98 marking its biggest one-day move in over a year. Capital Economics noted the arrest of Mr. İmamoğlu raises concerns about the broader reform agenda in Turkey because it points to a weakening of institutions/rule of law in the country and it suggests President Erdoğan's thinking is dominated by political concerns rather than economic concerns. According to bankers cited by Reuters, CRBT sold a record amount of FX on Wednesday after the TRY sank (BBG reported USD 8bln). Due to the move, an acceleration in inflation is expected, thus, likely shifting expectations for the CRBT cutting in April by another 250bps to a pause in the easing cycle.

CENTRAL BANK PREVIEWS

BOE: After cutting rates at the February meeting, the BoE is expected to stand pat on rates as it sticks to its "gradual and careful" approach to policy loosening. The decision to cut rates is expected via a 7-2 vote split, according to consensus. However, there is a range of forecasts across the market on the breakdown of views across the MPC after Mann unexpectedly backed a 50bps reduction last time around. Note, this is not an MPR meeting and therefore there will be no accompanying projections or follow-up press conference. [To see the full Newsquawk preview, please click here.](#)

SNB: Expected to cut the Policy Rate by 25bps to 0.25% according to 28/32 respondents to the Reuters survey, the other four look for no change. A cut would be justified by the low absolute level of inflation and the SNB's forecast, as of December, for a further moderation in Q2. However, on the flip side, the argument to leave rates unchanged stems from the sticky internal and core metrics. Leaving rates unchanged would allow the SNB to see how this develops over the quarter, whether inflation actually moderates further and what impact the incoming US tariffs, EU retaliation and European stimulus has on Switzerland. Points of uncertainty which also serve as the primary justification for the 19/32 respondents who look for rates to be maintained at 0.25% until end-2025 (i.e. a March cut and then on hold); for reference, 10 look for another cut to 0.00% and three expect it to be 0.50% at year end. With the SNB the prospect of negative rates is always in focus and, for reference, 2/15 respondents label the risk of a return to negative policy as "high" with the remainder describing it as "low". [To see the full Newsquawk preview, please click here.](#)

RIKSBANK: The Riksbank is expected to keep rates unchanged at 2.25%; focus for this meeting will be on any indication of the Bank's view on the terminal rate and on the accompanying rate path. It is interesting to note that whilst analysts at Nordea stick with their forecast for a hold at this meeting; some see the possibility of the Bank keeping the door open for a hike in the future, citing recent inflation developments. Similarly, SEB suggests that the Bank may say it stands ready to act should inflation be less transitory than expected. [To see the full Newsquawk preview, please click here.](#)

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