US Market Wrap - 20th March 2025

Stocks and Bonds chop post-Fed amid Super Central Bank Thursday

- **SNAPSHOT**: Equities down, Treasuries up, Crude up, Dollar up
- **REAR VIEW**: BoE, Riksbank, SARB hold & SNB cuts 25bps, all as expected; PBoC LPR left unchanged; BoE vote split turns more hawkish; UK employment change tops expectations with earnings in line; US Existing Home sales surprisingly rise; Initial claims remain in ranges; Philly Fed falls less than anticipated, but internals mixed; US Treasury issues new Iran-related sanctions; EU considers delaying first set of counter-tariffs against the US to mid-April; Australian employment turns sour; CRBT surprises with rate hike.
- **COMING UP**: **Data:** UK PSNB, Canadian Retail Sales, EZ Consumer Confidence. **Events:** CBR Policy Announcement; DBRS Credit Review on France; Quad Witching. **Speakers:** Fed's Williams, Waller. **Supply:** Australia. **Earnings:** Nio, Carnival.

MARKET WRAP

US indices were choppy but settled lower, paring some of the strength seen in wake of the FOMC on Wednesday amid Super Thursday. Highlighting this, there was a deluge of central bank meetings (SNB, BoE, Riksbank, SARB, unscheduled CBRT, BCB & PBoC LPR last night) as well as data, although decisions generally failed to move the needle by much. Regarding US data, initial jobless claims printed largely in line, although continued claims rose above forecast, meanwhile Philly Fed beat on the headline, but internals were more mixed. Overall, sectors saw a negative bias with Technology at the bottom of the pile, and Energy as the outperformer. The latter was supported by upside in oil in wake of the US Treasury stating the US issued new Iran-related sanctions, targeting a Chinese individual and crude oil tankers. The Dollar firmed, with Antipodeans the clear G10 laggards as the Aussie has seen pressure following disappointing jobs data, which showed a surprise contraction in employment change and a drop in the participation rate. TRY initially saw strength, before reversing, as the CRBT raised the overnight lending rate to 46% from 44%, in an unscheduled meeting. T-Notes saw two-way price action as the risk environment chopped, while precious metals (XAU, XAG) both saw weakness with XAG lagging behind its peer.

US

PHILLY FED: The Philly Fed survey beat expectations but fell M/M to 12.5 from 18.1, not as steep as the forecast print of 8.5. The headline was propped up by rises in both employment and prices, with the former rising to 19.7 from 5.3, the highest since October 2022. Prices paid jumped to 48.3 from 40.5, the highest reading since July 2022. Prices received fell to 29.8. However, the rest of the report was rather bleak with new orders falling to 8.7 from 21.9, while the six month outlook fell to 5.6 from 27.8, showing uncertainty ahead. Capex only dipped marginally to 13.4 from 14.0. After the Fed left rates on hold on Wednesday, Fed Chair Powell acknowledged the slowdown in soft data (like surveys) but stressed they will only react to the hard data, and he noted that soft data does not always transpire into the hard data. Nonetheless, the slowdown in new orders and the outlook suggest uncertainty ahead, likely due to uncertainty around policies from the US administration. Rising prices will be a concern for the Fed but at least it will be partially offset by gains in employment, which would allow them to hold rates for longer as the labour market is still robust.

JOBLESS CLAIMS: Initial Jobless Claims rose marginally to 223k from 221k, a touch beneath the 224k forecast while continued claims rose to 1.892mln from 1.859mln, above the 1.887mln forecast. The initial claims coincide with the BLS survey window for the NFP report, and compares with the prior months print of 220k, so little changed W/W and M/M. The four week average rose to 227k from 226.25k. Nonetheless, analysts at Pantheon Macroeconomics highlight the tranquility in claims data is unlikely to persist this week, "given the storms which have swept through the midwest and south since last Friday, affecting about 60M people". The desk also notes Challenger's measurer of layoff announcements more than trebled in February, while WARN layoff notifications were up 25% from January. The desk notes the WARN data "are harder to dismiss, given that it is a legal requirement for businesses to file these layoff notices with state authorities if they intend to make more than 50 people redundant in any one location."

EXISTING HOME SALES: Existing Home Sales unexpectedly rose in February, by 4.2% to 4.26mln (exp. 3.95mln, prev. 4.09mln). Moreover, the median existing home price was USD 398.400, up 3.8% Y/Y with all four US regions noting price increases. The inventory of unsold existing homes rose 5.1% M/M to 1.24mln, or the equivalent of 3.5 months' supply at the current monthly sales pace (prev. 3.5). On the report, NAR Chief Economist Yun noted "Home buyers are slowly entering the market." He added, that more inventory and choices are releasing pent-up housing demand. Ahead, Pantheon Macroeconomics said the Fed's wait-and-see approach to resuming its easing cycle suggests "housing market activity will remain very subdued throughout 2025".

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 5+ TICKS HIGHER AT 111-05+

T-Notes see two-way price action as risk environment chops. At settlement, 2s -2.4bps at 3.955%, 3s -2.5bps at 3.934%, 5s -2.2bps at 4.007%, 7s -2.7bps at 4.119%, 10s -2.3bps at 4.233%, 20s -1.7bps at 4.585%, 30s -1.2bps at 4.555%.

INFLATION BREAKEVENS: 5yr BEI +0.3bps at 2.458%, 10yr BEI -0.4bps at 2.325%, 30yr BEI -0.3bps at 2.245%.

THE DAY: T-Notes meandered overnight post-Fed rally before selling off early in the European morning post-FOMC move on Wednesday. T-Notes then caught a bid before US players arrived as risk sentiment soured, which saw T-Notes peak at 111-17+ with some speculation of pension fund rebalancing out of stocks and into bonds supporting the move. The peaks were seen in wake of the US data, which saw initial jobless claims largely in line although continued claims rose above forecast, meanwhile Philly Fed beat on the headline, but internals were more mixed. The risk environment started to improve after the US equity open, which saw T-Notes pressured back to 111-02+ with attention turning to supply next week and the resumption of Fed speak from Friday too. There was little reaction to the global central bank rate decisions, with SNB cutting 25bps as expected, Riksbank leaving rates on hold as expected, while noting they see rates at current levels going forward. The BoE was also on hold as expected, but in a 8-1 vote split, as opposed to the 7-2 forecast as only Dhingra voted to cut by 25bps.

SUPPLY

- US sold USD 18bln of 10yr TIPS; tails 0.5bps. Tail: 0.5bps (prev. 0.8bps, six-auction average 1.7bps). High Yield: 1.935% (prev. 2.243%, avg. 1.984%). B/C: 2.35x (prev. 2.48x, avg. 2.39x). Dealer: 9.4% (prev. 10.15%, avg. 10.8%). Direct: 23.2% (prev. 23.34%, avg. 19.51%). Indirect: 67.4% (prev. 66.51%, avg. 69.69%)
- US sold USD 75bln in 4wk bills at high rate of 4.215%, B/C 3.21x.
- US sold USD 75bln in 8wk bills at high rate of 4.215%, B/C 2.74x. **Coming up**

US Treasury to sell:

- USD 76bln 13-wk bills on March 24th
- USD 68bln 26-wk bills on March 24th
- USD 70bln 6-wk bills on March 25th
- USD 69bln 2-yr notes on March 25th
- USD 70bln 5-yr notes on March 26th
- USD 44bln 7-yr notes on March 27th
- USD 28bln 2-yr FRN on March 26th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 5bps (prev. 5bps), June 21bps (prev. 19bps), July 31bps (prev. 28bps), Dec 68bps (prev. 64bps).**
- NY Fed RRP op demand at USD 193bln (prev. 193bln) across 47 counterparties (prev. 47).
- SOFR at 4.29% (prev. 4.31%), volumes at USD 2.376tln (prev. 2.465tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 106bln (prev. 113bln).

CRUDE

WTI (K5) SETTLED USD 1.17 HIGHER AT USD 68.07/BBL; BRENT (K5) SETTLED 1.22 HIGHER AT USD 72.00/BBL

The crude complex was firmer and closed just off session highs, which were seen in wake of new US sanctions. WTI and Brent rose to peaks of USD 68.22/bbl and 71.12/bbl, respectively, in the US afternoon after the US Treasury said the US issued new Iran-related sanctions, and targeted a Chinese individual (Petrochemical Co CEO Shandong Shouguang Luqing) and crude oil tankers (19 entities/vessels in total). Aside from that, in a day with a deluge of central bank decisions and data, there was little headline newsflow for the energy space. Of course, markets continue to remain squarely focused on the Russia/Ukraine situation, with the latest update coming via the Kremlin on a US-Russia meeting in Jeddah, saying that it may not occur on Sunday but will be in the coming days. The Kremlin added they will announce who the Russian representative will be and are to discuss the Black Sea initiative and other points of the Ukrainian peace deal. On OPEC, OPEC+ stated seven nations including Russia, Iraq, and Kazakhstan issued new plans to compensate for pumping above quotas; Monthly compensation would represent cuts of between 189-435k BPD. For the record, benchmarks saw earlier pressure in the EU morning to hit lows of USD 66.63/bbl and 70.53/bbl, respectively, and were mostly led lower by a deterioration of risk sentiment, potentially driven by EU fiscal focus, post-FOMC pullback and attention returning to tariffs/trade.

EQUITIES

CLOSES: SPX -0.22% at 5,663, NDX -0.30% at 19,678, DJI -0.03% at 41,953, RUT -0.65% at 2,069

SECTORS: Materials -0.62%, Consumer Staples -0.52%, Technology -0.49%, Industrials -0.46%, Communication Services -0.32%, Consumer Discretionary -0.19%, Real Estate -0.10%, Health +0.11%, Financials +0.19%, Energy +0.41%, Utilities +0.41%.

EUROPEAN CLOSES: DAX: -1.29% at 23,000, FTSE 100: -0.09% at 8,699, CAC 40: -0.95% at 8,094, Euro Stoxx 50: -1.04% at 5,450, AEX: -0.38% at 919, IBEX 35: -0.89% at 13,295, FTSE MIB: -1.42% at 39,148, SMI: +0.22% at 13,088, PSI: -0.61% at 6,861

STOCK SPECIFICS:

- **Microchip Technology (MCHP):** Launched a USD 1.35bln public offering of depositary shares
- **Five Below (FIVE):** Profit beat with better-than-expected Q1 guidance & FY revenue outlook
- **QXO (QXO):** Will acquire **Beacon Roofing Supply (BECN)** for USD 124.35/shr or USD 7.7bln (USD 11bln incl. debt).
- **Softbank (SFTBY):** Will acquire Arm-based server chip designer Ampere Computing for USD 6.5bln.
- **Nvidia (NVDA):** CEO Huang stated the Co. has not been approached to buy a stake in **Intel (INTC).**
- **Meta Platforms (META):** Rolling out AI chatbot in 41 European countries & 21 overseas territories after nearly a year of delay
- Trump admin is reportedly considering extending **Chevron's (CVX)** license to operate in Venezuela, reversing an earlier decision to end it by April.
- **PDD (PDD):** Issued light revenue.
- **Accenture (ACN)**: Rev. topped while profit missed.

- **Rivian Automotive (RIVN):** Downgraded to 'Neutral' from 'Overweight' at Piper Sandler.
- **Coty (COTY):** Upgraded to 'Buy' from 'Neutral' at Citi.
- **Microsoft (MSFT):** Chose not to exercise a nearly USD 12bln option to buy more data-center capacity from Coreweave, via Semafor.
- **Nvidia (NVDA):** Said it will open a quantum research lab in Boston - GTC.
- **Apple (AAPL):** Shakes up AI executive ranks in a bid to turn around Siri and Meade will replace Rockwell as new Vision Pro Head; taps Vision Pro Chief Rockwell to run Siri assistant; removed Siri mgmt. from AI chief Giannandrea.
- **Lyft (LYFT):** Sees driverless rides launching 'as soon as this summer'.

FX

The Dollar extended on Wednesday's gains, albeit pared some strength after the Fed, as it benefitted from risk-off trade across FX, as central banks filled the calendar. No clear one factor was behind the risk-off tone, with some noting the attention (post-Fed) returning to tariffs/trade as well as focus on the EU fiscal side of the ReArm plan. On trade, the EU Trade Commissioner said it's considering delaying the first set of counter-tariffs against the US to mid-April. US data saw little reaction across markets, whereby initial claims were well within ranges, and the drop in Philly Fed was not as bad as feared, albeit internals were more mixed (only employment rose). DXY ended the US session at ~103.85 off the earlier highs of 104.31. Separately, crude prices spiked higher on the US Treasury issuing new Iran-related sanctions, targeting a Chinese individual and crude oil tankers. The US calendar is to be fairly quiet on Friday, with only Fed's Williams and Waller due. Waller will be watched closely as he explains his dissent for the easing QT of Treasury securities in the March FOMC meeting.

G10FX was mainly softer as the day was governed by central bank rate decisions, with the BoE and Riksbank holding rates while the SNB cut rates. All rate decisions were largely in line with expectations, but the BoE decision to hold rates as expected at 4.5%, was unexpectedly in an 8-1 split, with expectations for Mann to remain a dovish dissenter alongside Dhingra. The lasting reaction saw the first full 25bps rate cut priced by August (prev. June post-Jobs report), while Cable was choppy. Regarding UK jobs, the report revealed more jobs added to the economy than expected, 144k (exp. 95k, prev. 107k), while average earnings ex-bonus was unchanged from the prior of 5.9%, as forecasted. Relative outperformers in the G10 space included the CAD and JPY, though the Yen did erase gains amid Treasuries coming off highs. Going forward, CAD will be of focus with Canadian retail sales due on Friday, expectations are for a pullback from the prior month's surge. At pixel time, USD/CAD sits at ~ 21 DMA of 1.4329. Antipodeans were the clear laggards as AUD has seen pressure following disappointing jobs data, which showed a surprise contraction in employment change and a drop in the participation rate.

The SNB cut its Policy Rate by 25bps to 0.25%, as expected, refraining from giving specifics on monetary policy ahead. The move, which in the eyes of some may take the SNB to its terminal rate, saw CHF weaker on the decision, perhaps on the move surprising some who had expected a hold. Furthermore, the SNB stated it remains willing to be active in the FX market if necessary. Money markets have ~3bps of cuts by year-end, with 20bps of hikes seen by 2026 year-end. Elsewhere, the Riksbank left rates unchanged at 2.25%, seeing rates at current levels going forward.

EMFX: Central Banks also dominated the EM space. Following the recent swift weakness in the TRY, the CBRT raised the overnight lending rate to 46% from 44%, in an unscheduled meeting, while holding the policy rate and overnight borrowing rate; TRY saw initial strength before paring the move. Meanwhile, the BCB hiked rates by 100bps as expected to 14.25% in a unanimous decision, expecting another adjustment at the next meeting, but of a smaller magnitude; BRL was weighed by broad USD strength. For the PBoC the 1- and 5-year LPRs were maintained as anticipated and the SARB held the repo rate as expected, but in a 4-2 split, with the 2 favouring for a 25bps cut.

BOE REVIEW

As expected other than another change in direction for external member Mann. As forecast, the MPC opted to overlook growth concerns and instead focused on its inflation mandate by holding the Base Rate at 4.5%. The decision to do so was unexpectedly via an 8-1 vote split with Dhingra the lone dissenter after Mann moved back into the unchanged camp despite supporting a 50bps reduction in February. The consensus on the MPC to hold rates was based on the view that progress on disinflation in domestic prices and wages had generally continued. However, there had "been relatively little news since the previous meeting from UK economic developments, notwithstanding the intensification in global uncertainties". In terms of economic commentary, it was noted that GDP has been slightly stronger than expected in February, however, surveys still suggest weak growth, and employment plans. It remains the case that CPI is expected to rise to around 3.75% in Q3 before falling back thereafter. As expected, the MPC maintained guidance that "a gradual and careful approach to policy restraint remains appropriate" and reiterated that monetary policy is not on a preset course over the next few meetings. That being said, Governor Bailey is still of the view that interest rates are on a gradually declining path. Overall, the announcement gave markets little in the way of fresh information to feed off other than the chop-and-change approach to rate-setting by external Mann. Market pricing is marginally more hawkish with the next cut not fully priced until August (June pre-release) with a total of 50bps of loosening seen by year-end vs. 53bps pre-release.