

Stocks chop but ultimately close mixed on quad witching

- **SNAPSHOT:** Equities mixed, Treasuries steepen, Crude up, Dollar up
- **REAR VIEW:** Fed's Waller explains dissent on QT changes, reserve balances still abundant; Williams and Goolsbee in a wait-and-see approach; Canadian retail sales fall short of expectations; UK PSNB Ex-Banks tops expectations; Ukraine and Russia blame each other for the attack on the gas metering station in Sudzha; German Bundesrat passes debt reform bill and EUR 500bln fund; Trump awards BA next-gen fighter contract; US to prove Chinese telecom groups.
- **COMING UP: Data:** Japanese, EZ, UK, US PMIs. **Speakers:** BoE's Bailey; RBA's Jones; Fed's Bostic, Barr. **Supply:** German Issuance Outlook Q2'25
- **WEEK AHEAD:** Highlights include US PCE, Global PMIs, UK CPI and Spring Statement, Australian & Tokyo CPI, BoJ SoO. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC MLF, Norges Bank, BoC Minutes, Banxico; Reviewing FOMC, BoJ, BoE, SNB, PBoC LPR, Riksbank. [To download the full report, please click here.](#)

MARKET WRAP

Markets chopped on quad witching with stocks ultimately closing mixed with outperformance in the Nasdaq as mega cap stocks caught a bid in the final minutes of trade. T-notes steepened with bonds chopping to the volatile risk environment. The Dollar outperformed while cyclical currencies lagged with GBP pressure seen ahead of the Spring Statement next week. There was little economic data to digest today with the focus on the return of Fed speak after the FOMC blackout period. Waller explained the reason for his dissent against the balance sheet slowdown, while Williams and Goolsbee stressed a wait-and-see approach. Williams noted they are in no rush to adjust monetary policy. In Europe, the German Bundesrat passed the debt reform bill and EUR 500bln fund, as was expected. On Geopolitics, Russia and Ukraine blamed each other for an attack on the Sudzha gas metering station in Russia's Kursk region. In US, Nike (NKE), FedEx (FDX), Micron (MU) and Lennar (LEN) earnings disappointed but Boeing (BA) rallied after US President Trump awarded the co. with the new fighter jet contract. Attention next week turns to treasury supply, Final Q4 US GDP and the February PCE data.

FED

Governor Waller explained his reasoning for his dissent on the balance sheet at this week's FOMC rate decision. The governor voted with others to keep rates on hold, but he was against slowing the pace of the balance sheet runoff. Waller said he preferred to continue the current pace of the balance sheet decline, noting slowing or stopping the run-off will be appropriate as they get closer to an ample level of reserves, but in his view, the Fed is not there yet as reserve balances stand at over USD 3tn, and this level is abundant. He added there is no evidence from money market indicators, or from his conversation that the banking system is close to an ample level of reserves. He believed the slowed run-off pace beginning in June 2024 continues to be the right one. Waller said the Fed has tools available to mitigate unanticipated market disturbances and should rely on these and develop a plan to respond to any short-run strains. He added that even with the new slower pace of runoff, a plan is still needed.

NY Fed President Williams said the current modestly restrictive monetary policy is 'entirely appropriate'; the current rate policy fits with a 'solid' job market and above-target inflation. The Vice-Chair reiterated his prior view that there are no signs inflation expectations are becoming unmoored. He added that data shows public believes near-term inflation climb will dissipate. On the balance sheet, Williams said it was a 'natural step' to slow the pace of the drawdown. Similar to Chair Powell, Williams said the Fed is not in a hurry to make the next monetary policy decision. on UoM, he said inflation expectations data is an outlier. Williams echoed the wait-and-see approach, highlighting the many different economic scenarios, noting it is hard to know of performance and the clear impacts of tariffs on inflation. Regarding growth, he expects it to slow in part due to lower immigration.

2025 Voter Goolsbee said when you have a lot of uncertainty you have to wait for things to clear up, and the current conditions are "maybe" a shock to the economy depending on how long they last. Chicago Fed President added that before judging how monetary policy reacts to tariffs, Fed needs to know how long the tariffs last, the possible retaliation and pass through to consumers. On data, Goolsbee added a lot of the hard data is strong. Ahead, Goolsbee noted that waiting is not free, the longer you wait, the cuts when they come will be backloaded. Right now, Goolsbee said they have to wait amid tariff threats, but there can be a cost to waiting. Furthermore, the Chicago Fed President said a slowdown in the economy would be a reason to cut, and if inflation ticked up outside of tariffs, and inflation expectations rose, they would have to revise the outlook.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 2+ TICKS LOWER AT 111-03

T-notes see two-way price action on quad witching ahead of supply and PCE next week. At settlement, 2s -1.3bps at 3.944%, 3s -1.3bps at 3.922%, 5s -0.4bps at 4.003%, 7s +0.7bps at 4.126%, 10s +1.5bps at 4.248%, 20s +2.8bps at 4.614%, 30s +3.7bps at 4.593%

INFLATION BREAKEVENS: 5yr BEI -1.1bps at 2.459%, 10yr BEI -0.6bps at 2.328%, 30yr BEI -0.9bps at 2.244%.

THE DAY: Another choppy session in T-notes with the curve settling steeper with the 10yr little changed. T-note futures hit lows of 111-00 in the European morning before rebounding thereafter to hit a peak in US trade of 111-14. There was no fresh US data to digest today but with the end of the blackout period we saw several Fed speakers although little was said to alter the dial. Price action was likely driven by volatility on quad-witching and potential pension rebalancing with upside in bonds met with downside in stocks and vice versa. On the Fed Speakers, Governor Waller explained his dissent on the balance sheet runoff slowdown, noting that the reserve balances at above USD 3tln are still abundant and there is no evidence from money market indicators or his conversations that the banking system is getting close to an ample level of reserves. Meanwhile, Williams said that current policy is modestly restrictive and is entirely appropriate, echoing Powell, stating they are not in a rush to adjust policy. Goolsbee stressed uncertainty ahead but also was cautious about the cost of waiting, adding that when cuts do come, they will be backloaded, but they have to wait amid tariff threats. Attention next week turns to 2, 5, and 7-year supply from the US Treasury, as well as US PCE data and the final Q4 GDP print.

SUPPLY

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 23bps (prev. 21bps), July 34bps (prev. 31bps), Dec 71bps (prev. 68bps).**
- NY Fed RRP op demand at USD 201bln (prev. 193bln) across 42 counterparties (prev. 47)
- NY Fed announces it is to carry out additional standing repo facility operations on each business day as of March 27th-April 2nd; Operation limit of USD 500bln will apply to the combined operations.
- SOFR at 4.29% (prev. 4.29%), volumes at USD 2.438tln (prev. 2.376tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 109bln (prev. 106bln).

CRUDE

WTI (K5) SETTLED USD 0.21 HIGHER AT 68.28/BBL; BRENT (K5) SETTLED USD 0.16 HIGHER AT USD 72.16/BBL

The crude complex was choppy, but settled the week slightly in the green as geopolitics dominated the energy space this week.

Regarding Ukraine/Russia on Friday, Kyiv Post reported that Putin's forces shelled the Sudzha gas metering station in Russia's Kursk region with artillery in order to blame Ukraine, while the Kremlin later stated Putin's order not to strike Ukrainian energy infrastructure remains in force, and the attack on Russian Gas transit station shows Zelensky cannot be trusted. Ahead, CBS reported that the US team is to meet with Ukrainians on Sunday and Russians on Monday in Riyadh. In the Middle East, Iran's Supreme Leader Khamenei said the "US need to know if they mess around with Iran, it will receive a hard slap", and that it "has no proxies in the region, those groups act independently". For the record, the weekly Baker Hughes rig count saw Oil rigs -1 at 486, Natgas rigs +2 at 102, leaving the total +1 at 593. In terms of levels, WTI and Brent saw lows of USD 67.67/bbl and USD 71.51/bbl, respectively, vs overnight highs of USD 68.65/bbl and 72.51/bbl, respectively.

EQUITIES

CLOSES: SPX +0.08% at 5,668, NDX +0.39% at 19,754, DJI +0.08% at 41,985, RUT -0.56% at 2,057

SECTORS: Real Estate -1.02%, Materials -1.00%, Utilities -0.66%, Energy -0.62%, Industrials -0.54%, Financials -0.39%, Health -0.30%, Consumer Staples -0.09%, Technology +0.49%, Consumer Discretionary +0.63%, Communication Services +1.00%.

EUROPEAN CLOSES: DAX: -0.47% at 22,891, FTSE 100: -0.68% at 8,643, CAC 40: -0.63% at 8,043, Euro Stoxx 50: -0.71% at 5,412, AEX: -0.48% at 915, IBEX 35: +0.31% at 13,348, FTSE MIB: -0.39% at 39,036, SMI: -0.29% at 13,060, PSI: -0.92% at 6,798.

STOCK SPECIFICS

- **FedEx (FDX):** Profit short & cut FY25 outlook.
- **Nike (NKE):** Next quarter revenue guide disappointed with GMs seen down ~ 400-500bps.
- **Micron (MU):** Gross margin & cash flow from operations missed.
- **Lennar (LEN):** Next quarter new orders guidance light.
- **Nio (NIO):** Deeper loss per shr. than expected with deliveries & revenue missing; Dismal Q1 outlook
- **US Steel (X):** Sees a greater Q1 loss per shr. than forecasted.
- **Nucor (NUE):** Weak Q1 outlook.
- **Tesla (TSLA):** Trade-ins are on pace for record highs this month.
- **Boeing (BA):** US President Trump said US Air Force is moving forward with sixth-generation fighter jet; awarded contract to Boeing. Will be known as F-47. The contract is called the Next Generation Air Dominance (NDAG) programme will replace Lockheed Martin's (LMT) F-22 Raptor with a crewed aircraft built to enter combat alongside drones.

FX

The Dollar rally continued into the weekend, marking the DXY's third consecutive day of gains, finishing a touch above 104. Prompting continued upside, an obvious driver was absent as US data remained light. Folks at ING noted it appears to be more related to unwinding or short positions ahead of US tariffs on April 2nd. This seems plausible given the DXY had its worst week in over 2 years earlier in the month, completely unwinding the upside into the Trump presidency. Highlights of the day included remarks from Fed members, particularly Waller (Vice Chair) explaining his QT dissent at Wednesday's FOMC meeting, noting reserve balances stand at a level abundant with contacts/indicators suggesting no evidence of getting close to an ample reserve level. Separately, Williams and Goolsbee noted uncertainty in the current situation and that the Fed are in a wait-and-see approach with the former in no hurry to make the next policy decision. Concerning trade, US President Trump maintained threats of incoming tariffs, and the flexibility around them, saying "Build plants in the US to avoid paying tariffs". US data will return in the week ahead, Durable Goods, GDP growth (Final Q4), and PCE are all due.

G10 FX weakness was the general theme on Friday as USD strength weighed. That said, gains were seen in NOK and SEK. The best-performing G10 currency this year, SEK, Rabobank sees scope to continue clawing back some of the ground lost in 2022 and 2023 vs. a basket of currencies including the USD, EUR and the NZD. In Europe, the Bundesrat passed the debt reform bill and EUR 500bln fund as expected; EUR/USD sits at ~1.0820 into the close, with DMAs approaching on the downside, 21 DMA (1.0715), 200 DMA (1.0725). Antipodean's underperformance sustained from Thursday as sentiment in China eased overnight.

Cable closely followed Antipodes, briefly trading below 1.29 as pressure ramps up on UK Chancellor Reeves, with perhaps traders hedging into the spring statement. PSNB Ex-Bank topped expectations in February, GBP 10.71bln (exp. 6.6bln). Recent reports note no tax hikes will be in the statement, as such, many are expecting spending cuts to uphold obligations. Ahead of the scheduled April 2nd reciprocal tariffs, the UK government is reportedly considering plans to reduce or even abolish its digital services tax before then, possibly an eager attempt like Brazil to avert a trade war with the US.

CAD saw a muted reaction to headline retail sales declining more than expected, -0.6% (exp. -0.4%, rev. 2.6%), though ex-autos, saw an unexpected rise of 0.2% (exp. -0.2%). At pixel time USD/CAD trades ~ 50 DMA of 1.342. Newsflow came by way of PM Carney cancelling the proposed capital gains tax increase. Elsewhere, USD/JPY was unfazed on the mostly firmer-than-expected Japanese inflation data. BoJ pricing holds the view of 33bps of tightening by year-end.

EMFX: Commentary was seen from a variety of EM central banks, including PBoC, NBP, and CBR. Starting with the PBoC, said it will cut RRR and interest rates at an appropriate time and will keep the Yuan exchange rate at a reasonably stable level. The CBR kept the Bank Key Rate at 21% as expected, Governor Nabiullina stated rate cuts could be expected when they see a sustainable inflation decrease. Meanwhile, NBP's Litwiniuk noted interest rates could be cut by more than 100bps in 2025, a more dovish prospect than the current NBP pricing of 78bps easing by year-end.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com