US Market Wrap - 25th March 2025

Stocks mixed and bonds bid after soft Consumer Confidence data

- **SNAPSHOT**: Equities mixed, Treasuries up, Crude flat, Dollar flat
- **REAR VIEW**: Russia/Ukraine agree maritime and energy facility ceasefire; US President Trump considers two-step tariff regime on April 2nd; US Consumer Confidence disappoints; US New Home Sales slightly worse than expected; Richmond Fed falls into negative territory; Strong US 2yr auction; German Ifo impresses.
- **COMING UP**: **Data**: Australian & UK CPI, US Durable Goods **Events**: BoC & Riksbank Minutes; UK Spring Statement **Speakers**: Fed's Musalem, Kashkari; ECB's Cipollone **Supply**: Australia, Italy, Germany, US **Earnings**: Porsche SE, Dollar Tree

MARKET WRAP

Stocks closed mixed on Tuesday with outperformance in the Nasdaq 100 while Russell underperformed; both SPX and DJIA were roughly flat. Sectors were also mixed with outperformance in Communication, Consumer Discretionary and Energy, while Utilities, Health Care, Real Estate and Consumer Staples heavily underperformed (all defensive sectors). T-Notes bull steepened with the curve catching a bid after soft consumer confidence data, albeit inflation expectations continued to rise. The Dollar was flat with outperformance in the Yen with lower UST yields helping the currency. Aside from the Consumer Confidence data, the Richmond Fed also disappointed. Fed's Kugler spoke, noting that current Fed policy is still restrictive and judges that policy is well positioned, largely echoing Fed Chair Powell. US President Trump spoke in late trade, with the President noting he has the April 2nd tariffs set, and that he thinks he has been fair on countries who abused the US for many decades. Crude prices settled flat with the soft US data and positive rhetoric from Russia/Ukraine weighing on prices from earlier highs. On the latter, Russia and Ukraine have agreed to a maritime ceasefire and also a ceasefire on energy facilities.

US

CONSUMER CONFIDENCE: US Consumer Confidence fell more than expected in March to 92.9 (exp. 94.0) from the upwardly revised 100.1, marking the fourth consecutive month of deteriorating consumer confidence, hitting a four-year low. For the Present Situation index, it fell 3.6 points to 134.5 as current business conditions were significantly less positive in March; 16.6% said business conditions were "bad" (prev. 14.8%) while 17.7% said "good" (prev. 19.1%). The Expectations Index dropped 9.6 points to 65.2, its lowest level in 12 years, extending its decline below the 80 threshold that typically signals a recession ahead. Driving the Expectations Index lower, worsening occurred in consumers' outlook for business conditions and the labour market, as well as growing pessimism on future income. Out of the five index components, only the consumers' assessment of present labour market conditions improved, as 15.7% of consumers said jobs "were hard to get" (prev. 16%) and 33.6% said jobs were plentiful, unchanged from February. Pantheon Macroeconomics noted the resulting net balance saying jobs are plentiful is consistent with a first estimate of private payroll growth of around 125K in March and a slight upside risk to the 4.1% unemployment rate. Meanwhile, Consumers' perceived likelihood of a US recession over the next 12 months held steady in March. Average 12-month inflation expectations rose again to 6.2% (prev. 5.8%) as consumers remained concerned about high prices for key household staples like eggs and the impact of tariffs. Given the proportion of people expecting fewer jobs to be available in 12 months' time exceeded those expecting more jobs the joint-largest gap since March 2013, PM added, "the chances that a burst of tariff-driven goods inflation feeds through to CPI services inflation are low".

RICHMOND FED: Richmond Fed composite manufacturing index fell to -4 in March from 6 in February and was led by a significant decline in the shipments index to -7 from 12. Of its two other component indices, new orders and employment fell to -4 (prev. 0) and -1 (prev. 9), respectively. Elsewhere in the report, local business conditions tumbled to -13 (prev. -5), while the index for future local business conditions considerably dropped to -22 from 2. Ahead, the future indices for shipments and new orders both dipped, to 7 (prev. 13) and 6 (prev. 8). On the inflation footing, prices paid and received both distinctly increased, as did firm's expectations for the next 12 months.

NEW HOME SALES: New Home Sales rose by 1.8% in February to 676k, a touch beneath the 679k forecast but it is an improvement after falling 6.9% in January. The prior was revised up to 664k from 657k. The report showed the median sales price was USD 414,500 with an average sales price of USD 487,100. The estimate of new houses for sale at the end of Feb was 500k, representing a supply of 8.9 months at the current sales rate. Pantheon Macroeconomics notes "Some of the uptick in sales likely reflects more favorable weather, given that January was the coldest since 1988." Pantheon also reminds us the data is too volatile, too heavily revised, and comes with too wide a margin error to take a single month's numbers seriously. The report notes that the 1.8% rise comes with a 90% confidence interval of 18.6%. Looking ahead, Pantheon highlights that "Mortgage applications remain weak, while leading indicators such as the current sales index of the NAHB survey, and components of the Michigan and Conference Board consumer surveys suggest demand is waning."

KUGLER: Fed Governor Kugler took a very neutral approach to her speech. She said she sees current Fed policy as still restrictive and judges that policy is well positioned. She echoed Powell's forecasts that 12-month PCE was 2.5% in February, and also noted that progress on bringing inflation to target has slowed since last summer. She said the return of positive goods inflation is 'unhelpful' as it had helped keep a lid on total inflation and inflation expectations. Kugler acknowledged the surveys show consumers are expecting further increases in prices in the near term, with uncertainty tied to trade policy. She is paying close attention to the acceleration of price increases and higher inflation expectations. She noted the latest economic data for early this year have shown some signs of softness (referencing the weak January retail sales, but said it was not entirely unexpected after a strong December print, some bad weather and difficulties in the seasonal adjustment of the data, while retail sales were more mixed in February). She said the labour market appears to be stable through February, noting the unemployment rate is low.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLE 6+ TICKS HIGHER AT 110-24

T-Notes bull steepened after more soft consumer data . At settlement, 2s -3.0bps at 4.007%, 3s -3.2bps at 3.982%, 5s -3.2bps at 4.061%, 7s -3.2bps at 4.182%, 10s -2.3bps at 4.308%, 20s -0.8bps at 4.677%, 30s -0.4bps at 4.652%

INFLATION BREAKEVENS: 5yr BEI +0.4bps at 2.498%, 10yr BEI -0.3bps at 2.350%, 30yr BEI +0.1bps at 2.266%

THE DAY: T-Notes meandered overnight before selling emerged in the European morning, seeing T-Notes hit a low of 110-10. The downside was primarily led by Bunds after a slightly stronger Germany Ifo report. T-Notes then rebounded as US equity futures started to take a hit, with the downbeat risk sentiment supporting haven demand. The move upwards extended after soft US data, which saw Richmond Fed composite fall into negative territory, while consumer confidence data missed expectations, disappointing once again. The outlook also worsened while inflation expectations rose. However, Powell has made it clear they are waiting to see if the soft survey data filters through to the hard data before acting. Elsewhere, Fed's Kugler was neutral and largely echoed Fed Chair Powell, noting she sees current Fed policy as restrictive and judges that policy is well positioned. It is worth noting that Moody's gave an update on the US, stating the fiscal strength is on course for continued multiyear decline and it has deteriorated further since the rating agency assigned a negative outlook to the US sovereign rating. Moody's noted that even in a very positive economic scenario, US debt affordability remains materially weaker than other AAA-rated sovereigns. Attention then turned to the 2yr T-Note auction which saw 2yr yields fall to lows after a better-than-average offering, albeit not as strong as the February auction.

SUPPLY

US Treasury sold:

- USD 69bln 2-yr notes at a high rate of 3.984%, lower than the prior 2yr auction high yield of 4.169%. Although the auction stopped through by 0.3bps, more-or-less in line with recent auction averages but not as strong as the prior stop-through of 1.1bps, albeit rates were higher back then. The Bid-to-Cover of 2.66x was stronger than the prior 2.56x and average 2.64x, however. Meanwhile, the breakdown saw direct demand rise to 13.6% from 7.6%, but beneath the 16.4% average. Indirect demand fell to 75.8% from 85.5%, but still above the 72% average. This left dealers with 10.7% of the auction, above the prior 6.9% but beneath the 12.0% average. Overall, a strong 2-year auction when compared to averages but not as strong as the February offering.
- USD 70bln 6-wk bills at a high rate of 4.230%, B/C 2.92x

US Treasury to sell:

- USD 70bln 5-yr notes on March 26th
- USD 44bln 7-yr notes on March 27th
- USD 28bln 2-yr FRN on March 26th
- USD 60bln of 17wk bills on March 26th
- USD 75bln of 4wk bills on March 27th
- USD 75bln of 8wk bills on March 27th

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 4bps (prev. 5bps), June 19bps (prev. 22bps), July 30bps (prev. 33bps), Dec 64bps (prev. 69bps).
- NY Fed RRP op demand at USD 215bln (prev. 197bln) across 48 counterparties (prev. 43).
- SOFR at 4.31% (prev. 4.30%), volumes at USD 2.457bln (prev. 2.444bln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 107bln (prev. 106bln).

CRUDE

WTI (K5) SETTLES USD 0.11 LOWER AT 69.00/BBL; BRENT (K5) SETTLES USD 0.02 HIGHER AT 73.02/BBL

The crude complex was ultimately weaker, as a poor US consumer confidence report and positive Ukraine/Russia updates weighed. In the European morning WTI and Brent ground higher to hit highs of USD 69.68/bbl and 73.57/bbl, respectively, as they continued on Monday's strength as US President Trump announced 25% tariffs on countries buying Venezuelan oil. After peaks were hit, benchmarks sold off through the duration of the session to settle just off lows. Starting the weakness was poor US consumer confidence data, whereby the headline fell to 92.9 from 98.3, beneath the expected 94.0. Further adding to the downside were upbeat Ukraine/Russia updates (more details below), and as such benchmarks hit lows of USD 68.52/bbl and 72.50/bbl, respectively. Ahead, attention turns to private inventory data after-hours whereby current expectations are (bbls): Crude -2.6mln, Distillate -2.2mln, Gasoline -2.2mln.

UKRAINE/RUSSIA: The White House came out first and said US and Russia have agreed to ensure safe navigation in the Black Sea, and also agreed to measures for implementing an agreement to ban strikes against energy facilities of Russia and Ukraine. On the war, the White House added it is to continue working towards a durable and lasting peace. Next, both Ukraine and Russia confirmed this, and in that order. Ukraine President Zelensky stated Ukraine's understanding is that the agreed ceasefire is effective immediately, while the agreement does not specify actions if Russia breaks the ceasefire, Ukraine will appeal to the US directly in such a case. Moreover, the Kremlin confirmed that Moscow has agreed to ensure safe navigation in the Black Sea, and that the US will help restore access to the global market for Russian agricultural and fertiliser exports. On the strikes, Russia and US and have agreed to develop measures to halt strikes on Russian and Ukrainian energy facilities for a period of 30 days starting from March 18th.

EQUITIES

- **CLOSES**: SPX +0.16% at 5,777, NDX +0.53% at 20,288, DJI +0.01% at 42,588, RUT -0.66% at 2,095.
- **SECTORS**: Communication Services +1.43%, Consumer Discretionary +0.98%, Financials +0.49%, Energy +0.47%, Technology +0.29%, Industrials +0.10%, Materials +0.03%, Consumer Staples -0.96%, Real Estate -1.22%, Health -1.29%, Utilities -1.61%
- **EUROPEAN CLOSES**: DAX: +1.10% at 23,105, FTSE 100: +0.30% at 8,664, CAC 40: +1.08% at 8,109, Euro Stoxx 50: +1.10% at 5,475, AEX: +0.58% at 921, IBEX 35: +1.36% at 13,504, FTSE MIB: +1.06% at 39,385, SMI: -0.05% at 13,010, PSI: +0.86% at 6,832

STOCK SPECIFICS:

- **Alibaba (BABA)**: Chairman cautioned about a potential bubble in data centre construction
- **Meta (META)**: EU reportedly plans to fine Co. up to USD 1bln for alleged DMA violations
- **KB Home (KBH)**: EPS & revenue missed citing weaker homebuyer demand; Lowered '25 outlook, but noted recent sales trends have improved
- **Boeing (BA)**: Seeks to withdraw 737 MAX guilty plea.
- **Crown Castle (CCI)**: Announces CEO transition; reaffirmed all recently announced financial guidance.
- **Tesla (TSLA)**: Sales in Europe tumbled 40% in Feb., vs. 31% increase in industry-wide EV registrations
- **Trump Media & Technology (DJT)**: Signed a non-binding agreement with Crypto.com to launch ETFs and products focusing on digital assets and securities.
- **Cintas (CTAS)** has ended acquisition talks with UniFirst (UNF) regarding its USD 275/shr cash offer, CEO cited a lack of substantive engagement from UniFirst on key transaction terms.
- **CrowdStrike (CRWD)**: Upgraded at BTIG to 'Buy' from 'Neutral', believing the company has demonstrated its dominance in the core endpoint security target market and a premium valuation is warranted for the shares.
- **Carvana (CVNA)**: Upgraded to 'Overweight' from 'Equal Weight' at Morgan Stanley, noting the sharp pullback in the share price presents a "unique opportunity for investors to gain exposure to a leader in auto retail and fleet fulfillment".
- Engine Capital said to be building stake in **Lyft (LYFT)** and push for a review, according to Bloomberg; Engine Capital reportedly has a USD 50mln stake and said to suggest multiple directors to Lyft's board. Note, Bloomberg initially reported it as a USD 500mln stake.
- **AT&T (T)** reportedly in exclusive talks to buy Lumen’s (LUMN) consumer fiber unit and is valued in excess of USD 5.5bln, according to Bloomberg. Note, Reuters reported in December 2024 the unit is valued at USD 6-9bln, according to sources.

US FX WRAP

The Dollar was initially lower but heads into APAC trade flat, with DXY trading between 103.94-104.46, amid a slew of US data, albeit not tier 1. Recapping, consumer confidence disappointed, and worsened more than expectations, while Richmond Fed also fell into negative territory. There were limited Trump tariff headlines, for a change, with the macro highlight on Tuesday being Ukraine and Russia coming to a ceasefire agreement on energy infrastructure. On the Fed footing, Governor Kugler sees current Fed policy as still restrictive and judges that policy is well positioned and estimates that 12-month PCE, due on Friday, was 2.5% in February, echoing Powell's estimate in the FOMC presser. Elsewhere, Moody's stated US fiscal strength is on course for continued multiyear decline, and had deteriorated further since the rating agency assigned a negative outlook to the US Sovereign rating. Meanwhile, Politico reported that Trump reportedly seeks debt limit increase in tax bill.

G10 FX was pretty contained against the Buck, with JPY outperforming and EUR and CHF, flat, the relative laggards. EUR/USD traded between 1.0778-1.0830, and the Dollar pullback and an encouraging German Ifo release helped move the pair back onto a 1.08 handle. Ifo was stronger than the prior and mostly firmer-than-expected metrics. A couple of ECB speakers hit the wires, but there was little new.

As mentioned, the **Yen** outperformed to see a low of 149.56, as it tries to reclaim some of its earlier week losses ahead of Tokyo CPI due on Thursday. The Yen was also supported by a narrowing of yield differentials with UST yields lower.

AUD was the next best performer, as the Aussie was supported by the slightly upbeat risk environment, while little move was seen overnight on the Australian budget. Recapping, it sees 2025-26 budget deficit AUD 42.1bln, slightly deeper than the expected AUD 40bln, while it unveiled new tax cuts that will cost AUD 17.1bln over 5 years. AUD/USD traded between 0.6279-6325. Ahead, attention overnight will be on inflation metrics with consensus looking for 2.5% headline Y/Y print.

EMFX was mixed. BRL, CLP gained, MXN, ZAR, and RUB saw losses, while TRY, Yuan, and INR were flat. Aside from the aforementioned Dollar moves, there was a bit to digest in the EM space on Tuesday. For the HUF, NBH left rates unchanged, as expected. Overnight reports via the FT noted that China is considering including services in the multi-billion dollar subsidy programme to stimulate consumption. Separately out of Asia, India is reportedly open to cutting tariffs on over half of US imports, worth USD 23bln, and is also open to cutting tariffs to as low as 0 from a 5-30% range on 55% of US imports.

In **LatAm**, Mexican Retail Sales for January were far better than expected, rising 0.6% (exp. 0.1%, prev. 0.1%), while the latest BCB Minutes said beyond the next meeting, the total magnitude of the tightening cycle will be determined by the firm commitment of reaching the inflation target. Moreover, lawmaker Tebet believes that in H2-2025 they may see some interest rate cuts by the BCB, and will probably not hit the GDP growth target of 3% for 2025, but will likely grow "above our own forecasts".