US Market Wrap - 26th March 2025

Dollar bid on tariff developments, while stocks sold as Tech lags

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW**: Trump to announce auto tariffs today & may implement copper tariffs within weeks; FT reports top EU trade official expects Trump tariffs of 20% next week, while Politico says could be 25%; US durable goods unexpectedly rises; Atlanta Fed GDPnow (Q1) unrevised at -1.8%, "gold adjusted" model lowered; UK Chancellor Reeves Budget took action to regain lost headroom & margin for error is very small; UK CPI declined more than expected; Russia's Novak says Sudzha station is significantly damaged; Fed speech largely toes known lines.
- **COMING UP**: **Data:** Spain Retail Sales, US GDP & PCE Final (Q4), Jobless Claims, Japanese Tokyo CPI. **Events:** Norges Bank, Banxico Policy Announcement; BoJ SOO. **Speakers:** BoE's Dhingra; Riksbank's Bremen; Fed's Collins & Barkin; ECB's Schnabel, de Guindos, Lagarde, Norges Bank's Bache. **Supply:** Japan, UK, US. **Earnings:** H&M, Next, Lululemon.

MARKET WRAP

US indices closed notably in the red and were hit by risk-off trade due to a combination of factors, namely Trump tariff developments and an FT article overnight that Chinese energy efficiency rules could hit Nvidia (NVDA) ( ) sales. As such, Technology was the clear sectorial laggard, with mega-cap names Communication Services and Consumer Discretionary the next worst performers. Overall, sectors were mixed as Consumer Staples, Utilities, Energy, and Real Estate all saw gains (in that order), with the former buoyed by gains in the crude complex. However, WTI and Brent trimmed gains amid the souring of broader risk sentiment which was largely stoked by two remarks: 1) Bloomberg reported that US President Trump prepares auto tariff announcement as soon as today, something later confirmed by the White House, and 2) FT reported that EU Top Trade Negotiator Sefcovic expects US President Trump to hit the bloc with tariffs of about 20% next week. In wake of the latter, saw Dollar strength pick up and EUR lag, with equities also selling off to session lows. In FX, JPY and GBP lagged, with the latter hit in response to UK Chancellor Reeves's budget and inflation data. Treasuries chopped to strong durable goods data and the aforementioned downbeat risk tone. For the record, Fed speak saw Goolsbee warn that it may take longer than expected for the next cut to come due to economic uncertainty, while Kashkari said they should sit where they are to see how the economy reacts to tariffs. Musalem also said that patience with policy is appropriate. In addition, doubts continue to linger on whether the Russia/Ukraine partial ceasefire will hold, as both sides accused the other side of launching attacks on their facilities, with each side refuting the other's claims thereafter. Albeit not garnering a market reaction, Atlanta Fed GDPnow (Q1) was unrevised at -1.8% (prev. -1.8%), while "gold adjusted" was revised lower to +0.2% from +0.4% on March 7th.

US

TRADE: There were several updates on the trade front on Wednesday. Reports overnight noted that US President Trump may implement copper tariffs within weeks, while the White House later announced they will give an update on auto tariffs alongside the closing bell, after Bloomberg reported Trump is preparing an auto tariff announcement as soon as today. Meanwhile, the WSJ reported that Trump is considering more limited tariff plans and that automotive tariffs could be narrowed and reciprocal tariffs lowered in the latest administration proposals. The WSJ was citing Senator Moreno (Republican) and others familiar with the discussions. The senator said that the WH is mulling plans to impose tariffs on finished vehicles coming into the US but not automotive parts. On reciprocal tariffs, it reported Trump's team is preparing action by calculating tariff rates for trading partners based on barriers including taxes and regulations, but the administration might not implement the full value of the tariff rate for each country. Also, the FT reported commentary from the EU's Top Trade Negotiator, who said he expects US President Trump to hit the bloc with tariffs of about 20% next week, and it would apply to all 27 member states, although FT reported that a White House official said no final decisions have been made. Meanwhile, Politico suggested tariff rate slightly differed, with the cited two diplomats postulating the Trump April 2nd tariff rate on the EU to be as high as 20 or 25%.

DURABLE GOODS: Durable Goods surprised to the upside in February with the headline rising 0.9%, above the -1.0% forecast, adding to the strong rise in January of 3.3%. The Ex-defense metric rose by 0.8%, above the 0.0% forecast, vs the prior 3.7% print. Ex transport rose 0.7%, above the 0.2% forecast, accelerating from the prior 0.1%. The strong data shows that core numbers were strong, with ex-defense and ex-transport both beating expectations. The better-than-forecast data also likely shows that orders are still flowing ahead of the implementation of tariffs. The US Steel and Aluminum tariffs took effect on the 12th March, so it will be interesting to see if there is a reversal next month. Capital Economics highlights that "Stronger orders for primary metals and fabricated metal products in February suggest that tariff effects helped to drive up core durable goods orders last month". The desk also notes that with underlying capital goods shipments also doing well, machinery and equipment investment is on track to rebound this quarter, albeit not by enough to prevent a sharp slowdown in overall GDP growth. In wake of the data, the Atlanta Fed updated their GDP estimate, which was unchanged at -1.8%, although the gold-adjusted model was updated to show growth at +0.2%, down from the prior 0.4% on March 7th.

FED'S KASHKARI (2026 voter) said a lot of progress can be made on bringing inflation down, but there is still more work to do. Kashkari added that in the next year or two, ought to be able to reduce interest rates further. Note, on 7th Feb he said, barring something really surprising on admin policy, he expects the policy rate to be modestly lower at year-end vs now. On confidence, noted this is the most dramatic shift in confidence in last decade, save for COVID era. Kashkari added that it's conceivable that the hit to confidence could be a bigger effect than the tariffs themselves, and he takes very seriously the hit to confidence; the longer it lasts, the more meaningful it is. He concluded kind of wash between the forces on interest rates from tariffs, so we should sit where we are.

FED'S GOOLSBEE (2025 voter), via FT, said it may take longer than anticipated for the next cut to come because of economic uncertainty. He echoed other officials that a ‘Wait and see’ approach is the correct approach when facing uncertainty. He reiterated that he believes borrowing costs will be a fair bit lower in 12–18 months. The Chicago Fed President added that if investor expectations begin to converge with those of American households, the Fed would need to act. He also noted that market angst over inflation would be a red flag.

FED'S GOOLSBEE (2025 Voter) said risks that inflation will stall above 2% or move higher in the near term appear to have increased, and if the labour market remains strong and second-round tariff effects become apparent, the Fed may need to keep rates higher for longer or consider more restrictive policy. St Louis Fed President added that if labour market is at or close to full employment; appropriate for policy to remain where it is given inflation above target. Moreover, growth will be healthy even if it moderates, and no urgency to lower rates. On the mandates, stated the situation presents some challenges for monpol given the possible tension between mandates, but if expectations start to shift higher, the Fed may have to lean more toward its inflation mandate. Ahead, Musalem does not see a recession on the horizon and expects inflation back to 2% by 2027, which is in-fitting with the most recent Fed SEPs. Right now, the 2025 voter adds a balanced approach to policy remains appropriate because inflation expectations are anchored.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 6 TICKS LOWER AT 110-18

T-Notes chop to strong durable goods data and a downbeat risk tone on NVDA woes and more tariff threats. At settlement, 2s +2.8bps at 4.013%, 3s +2.8bps at 4.007%, 5s +2.6bps at 4.084%, 7s +3.3bps at 4.214%, 10s +3.2bps at 4.340%, 20s +3.7bps at 4.716%, 30s +3.5bps at 4.690%.

INFLATION BREAKEVENS: 5yr BEI +2.4bps at 2.518%, 10yr BEI +1.5bps at 2.368%, 30yr BEI +1.9bps at 2.284%

THE DAY: T-Notes caught a bid in the European morning to hit peaks of 110-23 after softer-than-expected UK CPI gave a boost to global fixed income. Nonetheless, the bid was sold throughout European trade and the US morning. Selling accelerated after the better-than-expected US durable goods report, which saw T-Notes go on to hit a low of 110-12+. However, risk sentiment soured after the US cash open with downside in **Nvidia (NVDA)** on reports in the FT that the company's China sales face a threat from Beijing's environmental curbs. Risk off accelerated, and T-Notes pushed higher after Bloomberg reported US President Trump could announce auto tariffs as soon as today, although details were light. T-Notes hit 110-20 before paring ahead of the 5yr note auction which was ultimately soft and resulted in some minor downside in Treasuries. Trump is set to give an update on auto tariffs at 16:00EDT/20:00GMT, while FT reported that EU's Top Trade Chief Negotiator Sefcovic expects 20% tariffs to be implemented on the bloc next week.

Fed speak saw Goolsbee warn it may take longer than expected for the next cut to come due to economic uncertainty, while Kashkari said they should sit where they are to see how the economy reacts to tariffs. Musalem also said that patience with policy is appropriate. The Fed all seem to be singing from the same hymn street, stressing a no-rush approach and that it is best to wait and see how the economy reacts to Trump's policies.

SUPPLY

US Treasury sold:

- USD 70bln of 5yr notes at a high yield of 4.100%, a slightly lower yield than the prior auction of 4.123%, with the March auction tailing by 0.5bps. The tail was a softer sign of demand when compared to the prior stop-through of 1bps and six auction average stop-through of 0.1bps. The bid-to-cover was also softer at 2.33x (prev. 2.33x, avg. 2.4x). Dealers took 13.2% of the auction, above the prior 10.6% and 11.9% average, although indirect demand saw a slight improvement to 75.8% from 74.9%, above the 69.3% average. Direct demand slipped to 11% from 14.5%, beneath the 18.9% average, which left dealers with the above average takedown.
- USD 60bln of 17wk bills at a high rate of 4.200%, B/C 2.78x.

US Treasury to sell:

- USD 44bln 7-yr notes on March 27th
- 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 5bps (prev. 4bps), June 19bps (prev. 19bps), July 30bps (prev. 30bps), Dec 63bps (prev. 64bps).**
- NY Fed RRP op demand at USD 241bln (prev. 215bln) across 48 counterparties (prev. 48).
- SOFR at 4.33% (prev. 4.31%), volumes at USD 2.460bln (prev. 2.457bln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 107bln).

CRUDE

WTI (K5) SETTLED USD 0.65 HIGHER AT 69.65/BBL; BRENT (K5) SETTLED USD 0.77 HIGHER AT 73.79/BBL

The crude complex was firmer for the duration of the session, but trimmed upside towards settlement amid a continuing souring of risk sentiment. Nonetheless, WTI and Brent earlier saw gains to hit peaks of USD 70.22/bbl and 74.17/bbl, respectively, as doubts continue to linger on whether the Russia/Ukraine partial ceasefire will hold. Highlighting this, both sides accused the other side of launching attacks on their facilities with each side refuting the others claims thereafter. Russian Deputy PM Novak later said the Kropotkinskaya oil station is currently being restored, and it is too early to say when work will be completed, while the Sudzha station is significantly damaged, and its restoration will require considerable time. Elsewhere, focus was on broader macro themes, as new details circulated of further Trump tariff announcements as soon as today, as well as comments from EU's top trade negotiator Sefcovic, which hit risk sentiment and saw benchmarks sell-off from peaks.

EIA: In the weekly EIA data, crude stocks drew more than expected, and similar in terms of quantity to the private inventory figures in terms of mln bbls of actual vs. expected. Gasoline and Distillates both saw a slightly narrow draw than forecasted, while crude production was more-or-less unchanged at 13.574mln.

EQUITIES

CLOSES: SPX -1.12% at 5,712, NDX -1.83% at 19,917, DJI -0.31% at 42,455, RUT -1.03% at 2,074

SECTORS: Technology -2.46%, Communication Services -2.04%, Consumer Discretionary -1.67%, Industrials -0.65%, Health -0.37%, Financials -0.24%, Materials +0.18%, Real Estate +0.51%, Energy +0.60%, Utilities +0.70%, Consumer Staples +1.42%.

EUROPEAN CLOSES: DAX: -1.14% at 22,847, FTSE 100: +0.30% at 8,690, CAC 40: -0.96% at 8,031, Euro Stoxx 50: -1.15% at 5,412, AEX: -0.42% at 917, IBEX 35: -0.43% at 13,426, FTSE MIB: -0.83% at 39,058, SMI: -0.58% at 12,955, PSI: +0.80% at 6,887

STOCK SPECIFICS:

- **Nvidia (NVDA):** FT report states Beijing’s energy efficiency rules could severely impact Nvidia’s China sales, as H20 chip fails to meet new environmental standards.
- **Dollar Tree (DLTR):** Confirmed it will sell Family Dollar unit for USD 1bln.
- **TSMC (TSM):** Will invest a further USD 100bln to build five chip plants & an R&D centre in the US
- **GameStop (GME):** EPS & EBITDA beat; to add Bitcoin as a Treasury reserve asset.
- **Nintendo** (NTDOY): Co. shares surged by 6.4% in APAC trade after Goldman Sachs reinstated coverage with ‘Buy’ rating
- **Apple (AAPL):** Expected to adopt TSMC’s 2nm process tech. for its mobile chips by 2026.
- **Qualcomm (QCOM):** Initiated a global antitrust campaign against ARM, its major supplier, accusing it of anticompetitive practices
- **Summit Therapeutics (SMMT):** Upgraded to 'Buy' from 'Neutral' at Cit, noting it has developed a "strong conviction" that the HARMONi-2 trial has a 70% chance of generating a favorable readout on overall survival at the expected year-end readout.
- **General Motors (GM)** CEO and **Ford (F)** Chairman are to meet with Trump administration over tariffs, via Detroit Free Press.
- **Nvidia (NVDA):** Nears deal to buy GPU reseller for several hundred million dollars, according to The Information.
- US prosecutors probe tip about timing of **Pfizer (PFE)** vaccine, WSJ reports.

FX

The Dollar was stronger as potential optimism over a less aggressive US tariff policy faded. Overnight, Bloomberg reports emerged that US President Trump may implement copper tariffs within weeks (prev. months). Later, the case for Dollar upside was strengthened as Trump is set to make an auto tariff announcement, putting a dent in the WSJ reports over the weekend, that tariffs on industrial sectors (cars, microchips) are no longer to be expected. The main move, however, came from an FT report, citing EU Trade Chief Sefcovic, who expects Trump to hit the bloc with tariffs of about 20% next week, applying to all 27 member states. An immediate upside was seen in the DXY, sending the index above 104.50 at fresh session highs. Later still, Politico said, citing two diplomats, that the tariff rate applied to the EU could be as high as 20 or 25%. With trade dominating the headlines, remarks from Fed members and US data took the back seat. Nonetheless, data saw surprise growth in durable goods in February, while Atlanta Fed GDPnow (Q1) was unrevised at -1.8%, and the gold adjusted model was +0.2% (prev. 0.4%). From the Fed, Kashkari (2026 Voter) was the highlight, noting, "Kind of wash between the forces on interest rates from tariffs, so we should sit where we are". Ahead, Trump's auto tariff announcement will be the key event, with US data also monitored on Thursday, namely, GDP Final (Q4), Adv Goods Trade Balance, Retail and Wholesale Inventories, Initial Claims. Remarks are due from Fed Collins (2025 Voter) and Barkin (2027 Voter).

G10FX was entirely in the red vs. the Dollar as remarks from EU's Sefcovic weighed, but losses were at varying degrees. Relatively outperforming with modest losses were the CAD and NZD; BoC Minutes had a muted impact on USD/CAD. Aside from trade relations, the Euro had little to trade off, with remarks seen from ECB's Villeroy, Centeno, and Holzmann. Centeno does not see any reason for an April pause and would like to see rates closer to 2% sooner rather than later, but "neutral rates might not be enough to sustain inflation at 2%. EUR/USD spent the day largely choppy before turning red on said FT article, leaving EUR/USD at ~1.0750, its sixth day of consecutive losses.

Cable headed into UK Chancellor's Reeves spring statement lower as a softer-than-expected UK inflation report weighed, though, Services Y/Y surprised to the upside. Weakness extended as details over Reeves' statement unfolded. As expected, no further tax hikes were implemented, and OBR GDP forecasts for the year were slashed. Meanwhile, OBR forecasts of GBP 9.9bln of fiscal headroom was unchanged from October, with the Chancellor saying the current headroom is "very small" margin vs. the risks and uncertainty inherent in any fiscal forecast. The main move in Gilts came by way of the DMO forecasting the 2025/2026 remit at GBP 299.2bln (exp. 304bln), erasing earlier downside on the OBR forecasts that showed GBP 47.5bln more borrowing over the next five years. Despite the recovery in Gilt prices, Cable trade remained subdued, with the pair at ~1.2880 into overnight trade.

JPY was weighed as the day's risk-off trade left the Dollar as the more attractive haven bid as US yields were higher across the curve, despite the Yen gaining some support overnight on the soft Japanese services PPI data. Commentary from BoJ's Governor

Ueda did little to spark a move in USD/JPY, which now hovers around 150.50. Ueda noted that cost-push factors are likely to gradually dissipate, and underlying inflation is likely to gradually converge towards the 2% target even when the temporary boost from food inflation disappears.

CZK: The Koruna was unchanged vs the EUR and weaker vs the USD, as tariff developments limited upside following the CNB decision to hold the Repo Rate at 3.75% as expected. The vote was 7-0 in favour of a hold, with CNB noting that inflationary risks include services prices inertia, potential government spending growth, and increased wage demands.