US Market Wrap - 28th March 2025

Risk sentiment sours after dismal UoM weighs as 'Liberation Day' nears

- **SNAPSHOT**: Equities down, Treasuries up, Crude down, Dollar down.
- **REAR VIEW**: UoM surprisingly revised lower, with inflation expectations higher; US Core PCE hotter than expected; EU reportedly plans concessions for Trump after reciprocal tariffs hit; Atlanta Fed Q1 GDPNow model revised down; Fed speak largely sings from the same hymn sheet; Much better-than-exp. UK Retail Sales; Corweave (CRWV) opens beneath IPO price; Dismal LULU guidance
- **COMING UP**: **Data**: Japanese Retail Sales, Chinese PMIs, German Retail Sales, Italian CPI (prelim.), German CPI (prelim.), US Chicago PMI **Note**: UK clocks change from GMT to BST on Sunday, 30th March. Following this, the London to New York time gap returns to five hours from the current four.
- **WEEK AHEAD**: Highlights include US Trade Policy Review, US NFP and ISM PMIs, RBA, ECB Minutes and Canada Jobs. To download the full report, please click here.
- **CENTRAL BANK WEEKLY**: Previewing ECB Minutes, potential RBNZ Governor appointment; Reviewing PBoC MLF, Norges Bank, Banxico. To download the full report, please click here .

MARKET WRAP

It was a risk off trading session on Friday with US equities hit across the board but with the Nasdaq underperforming. The vast majority of sectors were red, with steep losses seen in Communication, Consumer Discretionary and Technology - homes of the mega cap stocks. The Utility sector was the only sector to close in the green, with Real Estate, Health Care and Consumer Staples also "outperforming" but still red with the haven nature of the sectors limiting the losses. There was likely some influence of month/quarter-end at play but also the market moves come ahead of a key risk week. US President Trump's "Liberation Day" is on April 2nd where we are expecting the announcement on reciprocal tariffs. Aside from trade/tariff updates, NFP is due Friday with the ISM PMI data also due next week. The major update on trade today were reports from Bloomberg that the EU is planning concessions for Trump after the reciprocal tariffs hit, according to sources. This supported the Euro and weighed on the Dollar. Elsewhere in FX, the Yen was the clear outperformer due to the risk off trade but also after the hot Tokyo CPI overnight. Elsewhere, focus today was on the February PCE data, which saw the headline in line, but core PCE (Fed's preferred gauge of inflation) rose above analyst forecasts - albeit in line with Fed Chair Powell's estimate. Meanwhile, Consumer Spending missed expectations and Personal Income rose above forecasts. Further signs of distress in the consumer came after the Final UoM survey for March. Headline sentiment was revised down, while inflation expectations were revised up. This further hit equities with the selling pressure seen extending throughout the session into the closing bell. The risk off tone of trade supported Treasuries with 10yr T-Note futures reclaiming 111-00 with yields trading around 4.26% to end the weak, off the 4.4% peak seen on Thursday. Oil prices settled in the red due to the risk environment but off lows after Reuters sources reported negotiations to resume Kurdish oil exports through Iraq-Turkey pipeline hit a snag. Elsewhere, Lululemon (LULU) shares tumbled after woeful guidance while CoreWeave (CRWV) opened at USD 39/shr, beneath the IPO price of USD 40/shr.

US

PCE: Headline PCE was in line with expectations and the prior, rising 0.3% M/M and 2.5% Y/Y. The core metrics, however, rose 0.4% M/M and 2.8% Y/Y, above analyst forecasts of 0.3% and 2.7%, respectively, although in line with Fed Chair Powell's estimate of 2.8% on the Y/Y print, while the prior was revised up to 2.7% from 2.6%. Although core PCE, the Fed's Preferred gauge of inflation, it did not change the dial too much. The latest FOMC projections see Core PCE at 2.8% by year-end, suggesting little progress is to be expected this year - likely due to the implementation of new tariff policies from US President Trump, although there is still a lot of uncertainty around the tariffs and their impact. Elsewhere in the report, personal spending rose 0.1% on a real basis and 0.4% on an adjusted basis, beneath the 0.5% forecast with prior revised down to -0.3% from 0.2%, further evidence of some slowdown in the consumer. Personal Income however rose 0.8%, above the 0.4% consensus although the prior was revised down to 0.7% from 0.9%. Although Personal income was hot, the Fed has told us many times that the labour market is not a source of inflationary pressures, so it should not be too concerned regarding the inflation outlook. However, the Fed is concerned about the inflationary impact from tariffs, but if it is a one-time price increase, then Powell has said they would not act to such an increase. The spending cut and tariff uncertainty is also weighing on the economic outlook which is raising fears of stagflation. The latest Atlanta Fed GDPNow model is tracking growth at -2.8%, with the gold adjusted model at -0.5%. Fed Chair Powell reiterated last week that the Fed can cut rates more quickly if the labour market deteriorates or inflation falls too quickly, or they can hold for longer if inflation progress is slow.

MICHIGAN: The University of Michigan final March revisions for Consumer Sentiment were poor, as the headline was revised lower to 57.0, beneath the expected, and prior, 57.9. Forward looking expectations also dropped to 52.6 from 54.2, while current conditions marginally lifted to 63.8 from 63.5. The report adds that this month's decline reflects a clear consensus across all demographic and political affiliations, and consumers continue to worry about the potential for pain amid ongoing economic policy developments. Notably, two-thirds of consumers expect unemployment to rise in the year ahead, the highest reading since 2009. Further adding to the grim report, inflation expectations lifted with 1yr ahead to 5.0% (prev. 4.9%) and 5yr to 4.1% (prev. 3.9%), with

Copyright © {{ copyright-year }} Newsquawk Voice Limited. All rights reserved.
Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.
newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

the latter hitting a 32-yr high. For the record, March's increase in inflation expectations was seen across all three political affiliations.

COLLINS (2025 voter) spoke after-hours on Thursday, and said she is cautiously and realistically optimistic about the economy, and that the economy started 2025 in a good place. Speaking on inflation, she said it has come down but it was still elevated at the start of the year, and the outlook now is much cloudier for inflation and growth. Further, the Boston Fed President added it is inevitable tariffs will increase inflation in the near term, and it remains a question how long tariff-driven inflation will last. On March's Fed decision, Collins said she strongly supported holding rates steady, and expects they will likely hold rates steady for longer given the outlook. Ahead, she noted that watching inflation expectations and sentiment data is important right now. As such, the final UoM that has been released since Collins spoke may add to her concerns given the final print for March sentiment was revised lower with inflation expectations revised up. Speaking on data, Collins stated it is still early to detect impacts of uncertainty in economic data.

BARKIN (2027 Voter) said that the current "moderately restrictive" policy stance is a good place to be, and if conditions change, the Fed can adjust accordingly. He noted that in the current environment, it's hard to imagine the economy breaking toward significantly more hiring. On inflation and tariffs, the Richmond Fed President warned that the recent period of high inflation could mean tariffs have a greater price impact than in the past, though it's still unclear where rates will ultimately settle or how businesses and consumers in affected countries will respond. He emphasized that federal government policy is now at the center of the conversation, with the pace of change creating a sense of instability and uncertainty. Barkin cautioned that this heightened uncertainty could weigh on consumer and business spending, and the Fed is waiting for greater clarity before taking further action. Barkin also commented on the impact of auto tariffs, saying his instinct is that the headline tariff number likely won't fully translate into higher prices for consumers due to factors like market competition, exchange rates, and other factors. He said that auto companies may struggle to pass on costs, given intense price competition, and that they may have less pricing power than expected. Barkin acknowledged the clear inflationary risks of tariffs but also highlighted possible labor market implications if companies respond by cutting costs. He expects any resulting softness in business demand to show up more in capital spending and hiring decisions. Barkin is not as confident that lowered sentiment will change consumer spending, as he is not yet seeing it in the credit card data. He understands the argument that tariffs would involve a one-time shift in the price level, but he will be watching carefully on how businesses and consumers react. Barkin stressed to not start with the assumption that this will involve a one time change in prices.

DALY (2027 Voter) said two rate cuts are still a reasonable forecast for this year, putting her in line with the Fed median dot plot for the end of 2025. The 2027 voter noted she has not changed her rate-path projection since last year due to insufficient new information, and emphasised the need for a wait-and-see posture on monetary policy and allowing industries time to adjust to tariffs. On the economy, Daly said growth and the labour market remain solid and she is hearing 'cautious optimism' from businesses. Regarding policy, she stated it's in a good place, but patience is needed to ensure inflation comes down; making sure the US is on a sustainable path to 2% inflation is "top of mind". She later noted she is 100% focused on inflation and that progress has been flat. She noted the February PCE confirms her own decreased confidence in her modal outlook. She stated stagflation is a tail risk and they cannot rule it out, but she is not hearing about it from contacts.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 25 TICKS HIGHER AT 111-06+

T-Notes rally in risk-off trade with soft sentiment data supporting the bid despite a mixed PCE report and rising inflation expectations
At settlement, 2s -4.8bps at 4.263%, 3s -5.0bps at 4.274%, 5s -5.5bps at 4.331%, 7s -5.0bps at 4.405%, 10s -4.7bps at 4.478%, 20s -3.3bps at 4.757%, 30s -2.6bps at 4.700%

INFLATION BREAKEVENS: 5yr BEI -2.5bps at 2.653%, 10yr BEI -1.5bps at 2.443%, 30yr BEI -0.7bps at 2.369%

THE DAY: T-Notes were bid throughout Asia, Europe, and the US session in risk-off trade. T-Notes saw slight gains overnight to peak around 110-24 before paring in the European morning to c. 110-18, but the dip was short-lived. With US players arriving, the bid continued throughout the session aside from some chop around the PCE data. On which, headline PCE was in line with expectations, but the core prints were hotter than forecasted (but in line with Chair Powell's estimate). Personal Income rose while consumption fell. T-Notes then accelerated higher around the US equity open, which saw notable weakness, supporting the haven bid. There was more chop around the Final US UoM survey for March, which saw sentiment revised down with inflation expectations revised up, but this only accelerated the risk-off trade and the downside seen after the hot inflation expectations swiftly pared. T-Notes went on to peak at 111-07 before paring marginally into settlement, but holding above 111-00. The Treasury curve had a flatter bias but the belly did outperform. There were a few Fed speakers to digest (Barkin and Collins after-hours Thursday, Daly during hours Friday), all tending to signal a patient approach to policy due to uncertainties. Daly still sees two cuts this year, while Collins noted sentiment data and inflation expectations are important to watch. Barkin said the current "moderately restrictive" stance is a good place to be. On growth, the Atlanta Fed GDPNow tracker was lowered to -2.8% but -0.5% on the gold adjusted model, although the NY Fed nowcast tells a different story, with Q1 '25 growth seen at 2.9%, with Q2 growth seen at 2.6%. Next week, the focus is largely on April 2nd "Liberation Day" for updated trade policies, with tariffs set to be implemented from midnight April 3rd. Elsewhere, US NFP and ISM Manufacturing and Services PMI will be the highlights in what is expected to be a risk-packed week.

SUPPLY:

US Treasury to sell:

- USD 68bln 26-week bills on March 31st
- USD 76bln 13-week bills on March 31st
- USD 70bln 6-week bills on April 1st

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 5bps (prev. 4bps), June 22bps (prev. 18bps), July 36bps (prev. 29bps), Dec 72bps (prev. 63bps).
- NY Fed RRP op demand at USD 287bln (prev. 292bln) across 45 counterparties (prev. 43)

Copyright © {{ copyright-year }} Newsquawk Voice Limited. All rights reserved.
Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.
newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

- SOFR at 4.36% (prev. 4.35%), volumes at USD 2.468bln (prev. 2.472bln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 109bln (prev. 104bln).

CRUDE

WTI (K5) SETTLED USD 0.56 LOWER AT 69.36/BBL; BRENT (K5) SETTLED USD 0.40 LOWER AT 73.63/BBL

The crude complex ended the day lower, but the week firmer as Trump tariff headlines stole the show . On Friday, benchmarks were weighed on by broader risk aversion, highlighted by the significant sell-off in US indices after the dismal final UoM for March. On top of this, risk sentiment was potentially further hampered by reports of a 7.7 magnitude hitting Myanmar, and impacting Thailand, Vietnam, and a part of China. On the geopolitical footing, and which saw benchmarks paring some weakness in the EU morning was Russian Defence Ministry stating Ukraine continued attacks on Russian energy infrastructure, and it attacked the Sudzha gas metering station on Friday and almost destroyed it. This was later echoed by Putin, who said Ukraine is continuing to strike Russian energy targets despite a moratorium on attacks. In the US afternoon, WTI and Brent pared some weakness on Reuters source reports that negotiations to resume Kurdish oil exports through Iraq-Turkey pipeline reportedly hit a snag. For the record, in the weekly Baker Hughes rig count oil fell 2 to 484, natgas rose 1 to 103, leaving the total declining 1 to 592. Overall, WTI traded between USD 68.87-70.09/bbl, while Brent saw a low of USD 73.22/bbl vs. a peak of 73.61/bbl.

EQUITIES

CLOSES: SPX -1.96% at 5,581, NDX -2.61% at 19,281, DJI -1.69% at 41,584, RUT -2.05% at 2,024.

SECTORS: Communication Services -3.81%, Consumer Discretionary -3.27%, Technology -2.43%, Industrials -2.04%, Financials -1.94%, Materials -1.73%, Consumer Staples -0.46%, Energy -0.44%, Health -0.28%, Real Estate -0.01%, Utilities +0.76%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.87% at 5,334, DAX -0.98% at 22,456, CAC 40 -0.93% at 7,916, FTSE 100 -0.08% at 8,659, SMI -0.08% at 12,847, FTSE MIB -0.92% at 38,739, IBEX 35 -0.84% at 13,309,AEX -0.79% at 907

STOCK SPECIFICS:

- **Lululemon (LULU):** Issued weak next quarter & FY outlook as it warned of reduced US consumer spending.
- **US Steel (X)** and **Nippon Steel (NPSCY)** in talks with the Trump admin to salvage their merger; Nippon prepared to offer billions more in investments into Rust Belt facilities.
- EU plans to impose minimal fines on **Apple (AAPL)** and **Meta (META)** under DMA, aiming to avoid tensions with Trump.
- **Eli Lilly (LLY):** Kisunla fails to get EU approval in early Alzheimer's.
- **CoreWeave (CRWV):** Opened at USD 39/shr, beneath the IPO price of USD 40/shr. Closed at USD 40/shr.
- **Salesforce (CRM):** Raised quarterly dividend 4% to USD 0.42/shr.
- **Rocket Lab USA (RKLB):** Rocket Lab and Stoke Space Technologies have been awarded a USD 5.6bln ceiling contract for National Security Space Launch Phase Three Lane One.
- **Wafer Fab Equipment names**: Jefferies refreshed its WFE semiconductor outlook ahead of Q1 earnings: Upgraded **Applied Materials (AMAT)** to 'Buy' from 'Hold and downgraded **KLA Corp (KLAC)** to 'Hold' from 'Buy' with a PT of USD 725 (prev. 875). The firm expects strong DRAM and the beginning of NAND recovery, albeit off a low base. Jefferies notes that Leading Edge and DRAM beneficiary and March guidance brings AMAT's China exposure to the lowest level among its peers while also stating that the AMAT is currently trading at the cheapest multiple in the group.

FX

The Dollar was weaker on Friday, as DXY hit a low of 103.890 as it was hit by a couple factors, namely dismal final UoM for March and EUR strength. On the former, the headline was revised lower to 57.0 (exp. & prev. 57.9), as was expectations to 52.6 (prev. 54.2), while current conditions marginally lifted to 63.8 from 63.5. Further adding to the grim report, inflation expectations lifted with 1yr ahead to 5.0% (prev. 4.9%) and 5yr to 4.1% (prev. 3.9%), with the latter hitting a 32-yr high. Elsewhere on data, US Core PCE (Feb) was above expectations but garnered little market reaction, with the latest Atlanta Fed GDPNow model for Q1 revised down to -2.8% (prev. -1.8%), and the "gold adjusted" at -0.5% (prev. +0.2% on March 26th). Further weighing, was Euro strength after Bloomberg reported that EU plans concessions for Trump after reciprocal tariffs hit.

As such, **EUR** was one of the G10 FX outperformers and gained against the Dollar with EUR/USD hitting a peak of 1.0844. The single-currency saw immediate strength on the aforementioned BBG sources that EU is identifying concessions it's willing to make to Trump's administration to secure the partial removal of the US tariffs that have already started hitting the bloc's exports and that are set to increase after April 2nd. Elsewhere within the EZ, and ahead of Tuesday's EZ-wide inflation report, CPI metrics from France and Spain printed softer-than-expected.

JPY was the G10 gainer and saw appeal due to its haven status, but also after the firmer-than-expected Tokyo CPI data overnight, which is seen as a leading indicator for national price trends and effectively supported the case for further BoJ policy normalisation. USD/JPY traded between 149.87-151.21.

GBP, CAD, and CHF were all more or less flat. In the UK morning, Pound saw modest strength in wake of stronger-than-expected retail sales alongside upward revisions to the quarterly GDP readings between Q4-2023 and Q2-2024. Nonetheless, it is unlikely to change the narrative for the BoE with the focus firmly on inflation from both internal and external drivers, with the latter awaiting updates on Trump's tariffs next week. For the Loonie, it saw gains after US President Trump stated he spoke with Canadian PM Carney, and it was an extremely productive call, "we agree on many things" and will be meeting after Canada's upcoming election to work on factors that will end up being great for both US and Canada. For the record, Canadian GDP M/M was slightly better than Wall St. consensus. Cable and USD/CAD traded between 1.2923-68 and 1.4277-4333, respectively.

Copyright © {{ copyright-year }} Newsquawk Voice Limited. All rights reserved.
Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.
newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

Antipodeans were the distinct G10 laggards amid broader risk averse sentiment, as opposed to anything currency-specific. **Yuan** was flat, although Chinese State Media said China will "certainly respond with countermeasures if the US insists on harming China's interests regarding the April 2nd tariffs"; if they want to discuss cooperation with China, mutual respect is a prerequisite.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

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