

Markets chop on quarter-end ahead of Liberation Day

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar up.
- **REAR VIEW:** Trump is pushing senior aides to go bigger on tariffs; Strong Chicago PMI; Trump threatened to bomb Iran if a nuclear deal can't be reached; Iran said US will receive a blow if they act on Trump's threats; German CPI under expectations; GFS weighs merger with UMC; BBG sources note more ECB officials appear ready to accept April rate pause; Fed's Williams highlights data dependency; Barkin in no rush to cut.
- **COMING UP: Data:** Japanese Unemployment, Tankan Index, Australian Retail Sales, EZ HICP (Flash), Unemployment, US ISM Manufacturing PMI, JOLTS **Events:** US Completion of the Trade Policy Review, RBA Policy Announcement **Speakers:** Fed's Barkin; ECB's Lane, Lagarde & Cipollone; BoE's Greene **Supply:** Germany
- **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

Risk sentiment chopped to start the week with US equity futures initially hit with T-Notes supported following reports over the weekend that US President Trump is pushing senior advisors to go big on tariffs. However, a turnaround was seen after the Chicago PMI data topped all analyst forecasts, with month/quarter-end also at play. This saw T-Notes fall from highs while equities picked up from lows. Crude prices surged after the Chicago PMI data and the reopening of cash energy trade as traders digested escalating geopolitics and the improvement in the risk tone. On geopolitics, US President Trump over the weekend threatened to bomb Iran if they do not make a nuclear deal, while he also threatened oil sanctions on Russia over the war in Ukraine. In FX, the Dollar was bid ahead of the key risk week (Liberation Day, NFP, ISM PMIs, Fed Chair Powell), while the antipodeans lagged, but were off lows on the improvement in risk sentiment while attention for AUD traders turned to the RBA overnight. Gold prices continued to surge ahead of Liberation Day.

FED

WILLIAMS (Voter) stated it is early days in figuring out the impact of tariffs, noting there is a lot of uncertainty and they will need to watch the data to measure the impact. He stated the Fed has the ability to gather more information on hard data as the economy is doing reasonably well with a solid labour market. Williams said that he will not discount the weak survey and anecdotal data, noting uncertainty appears to be impacting behaviour. He warned there are upside risks to inflation being higher than Fed forecasts, and he forecasts that inflation will be relatively stable this year, but with upside risks. Williams expects the economy will continue to grow, but slower than last year, noting the economy does not have stagflation right now. He noted the Fed needs to keep longer-run inflation expectations anchored as they are today. Williams said monetary policy and the target rate for the FFR are currently really well positioned, and when asked about the balance sheet, said it was the natural next step to slow the balance sheet runoff to minimise bumpiness where possible.

BARKIN (2027 Voter) said it's going to take a while before we get clarity on tariff impact, and to cut rates you need confidence on inflation and the higher the inflation numbers, the less likely you'll see that. Barkin added he is in no hurry on rate cuts, this is not a time for him to say how many rate cuts he has pencilled in for this year, and let's wait and see how it plays out, as Fed Chair says. Richmond Fed President on the balance sheet, said run off could be slower for longer. Moreover, Barkin added data right now is okay, there is a risk on the employment side, and he is nervous about inflation and employment.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLE HALF A TICK HIGHER AT 111-07

T-Notes settle off highs as risk sentiment improves after strong Chicago PMI. At settlement, 2s +0.6bps at 3.916%, 3s +1.2bps at 3.908%, 5s +0.7bps at 3.986%, 7s +0.2bps at 4.115%, 10s -0.6bps at 4.249%, 20s -0.9bps at 4.641%, 30s -1.5bps at 4.617%

INFLATION BREAKEVENS: 5yr BEI +4.1bps at 2.572%, 10yr BEI +2.7bps at 2.395%, 30yr BEI +1.5bps at 2.278%.

THE DAY: T-Notes resumed trade after the weekend with an upward bias due to its haven demand with reports of aggressive Trump tariffs over the weekend hitting sentiment. Washington Post reported that US President Trump is pushing senior aides to go bigger on tariffs as the April 2nd deadline nears. T-Notes went on to hit a peak of 111-22+ in the European morning with the 10yr yield hitting lows of 4.18%. T-Notes then reversed after the Chicago PMI data which beat the consensus and came in slightly above the most optimistic forecast. This helped turn sentiment around with T-Notes selling off into settlement while stocks caught a bid. It is a busy week with the main focus on US President Trump's "Liberation Day" where we are expecting reciprocal tariffs to be implemented. Aside from that, there are several key data points including the ISM Manufacturing and Services PMI on Tuesday and Thursday, respectively, to see if it echoes the S&P Global PMI, which saw the manufacturing side tumble but services jump higher. The NFP report on Friday will also be key, ahead of a speech on the economic outlook from Fed Chair Powell.

SUPPLY:

US Treasury sold:

- USD 81bln (exp. 76bln) of 3mth bills at a high rate of 4.205%, B/C 2.74x
- USD 72bln (exp. 68bln) of 6mth bills at a high rate of 4.070%, B/C 2.99x
- Note, the upsid bill sales were due to SOMA reinvestments.

US Treasury to sell:

- USD 70bln 6-week bills on April 1st

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 5bps (prev. 5bps), June 21bps (prev. 22bps), July 36bps (prev. 36bps), Dec 74bps (prev. 72bps)
- NY Fed RRP op demand at USD 399bln (prev. 287bln) across 67 counterparties (prev. 45)
- SOFR at 4.34% (prev. 4.36%), volumes at USD 2.440bln (prev. 2.468bln)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 109bln)

CRUDE

WTI (K5) SETTLES USD 2.12 HIGHER AT 71.48/BBL; BRENT (K5) SETTLES USD 1.11 HIGHER AT 74.74/BBL

The crude complex saw strong gains to start the week, as punchy geopolitical comments from Trump supported the upside .

Highlighting this, over the weekend US President Trump threatened to bomb Iran if a nuclear deal can't be reached, whereby Iran's Supreme Leader Khamenei later responded noting US will receive a blow if they act on US President Trump's threats. Continuing to contribute to the upside, Trump also warned of secondary tariffs on Russian oil but later stated that he is not putting on oil sanctions right now. Regarding price action, WTI and Brent were fairly sideways in the APAC session before seeing strength as European players returned to their desks. Thereafter, WTI and Brent were horizontal again before strength continued as US participants got to desks, and the move higher was notably accentuated after a strong Chicago PMI saw a revival in risk sentiment, also helping US indices pare a lot of their weakness, as benchmarks settled just off highs. For the record, WTI and Brent hit peaks of USD 71.83/bbl and 75.04/bbl, respectively. Ahead, all focus is on 'Liberation Day' on Wednesday, before the US jobs report and Fed Chair Powell on Friday. We also will see the US ISM Manufacturing and Services PMI on Tuesday and Thursday, respectively.

REUTERS POLL: WTI expected to average USD 69.16/bbl (prev. forecast USD 70.66/bbl in Feb); Brent expected to average USD 72.94/bbl (prev. USD 74.63/bbl in Feb).

EQUITIES

CLOSES: SPX +0.55% at 5,612, NDX -0.02% at 19,278, DJI +1.00% at 42,002, RUT -0.56% at 2,012.

SECTORS: Consumer Staples +1.63%, Financials +1.25%, Utilities +1.07%, Materials +1.07%, Energy +1.07%, Health +0.90%, Real Estate +0.88%, Industrials +0.64%, Communication Services +0.24%, Technology +0.03%, Consumer Discretionary -0.18%.

EUROPEAN CLOSES: DAX: -1.33% at 22,162, FTSE 100: -0.88% at 8,583, CAC 40: -1.58% at 7,791, Euro Stoxx 50: -1.44% at 5,255, AEX: -0.95% at 899, IBEX 35: -1.24% at 13,144, FTSE MIB: -1.77% at 38,052, SMI: -2.05% at 12,593, PSI: -1.23% at 6,866

STOCK SPECIFICS:

- **Nvidia (NVDA):** Reportedly faces demand concerns as cloud providers opt for older chips after issues w/ GB200 with GB300 production delayed.
- **Rocket Companies (RKT):** Announced deal to acquire **Mr. Cooper (COOP)** in an all-stock transaction for USD 9.4bln or USD 143.33/shr.
- **Apple (AAPL)** and SpaceX are in a clash over satellite communication services. In other news, Apple is preparing its biggest healthcare push to date with a revamped app and AI doctor service.
- **Goodyear Tire (GT):** Upgraded at Deutsche Bank to 'Buy' from 'Hold'.
- **BioNTech (BNTX), Novavax (NVAX), Moderna (MRNA):** FDA's top vaccine official Peter Marks has resigned, citing HHS Secretary RFK Jr's 'misinformation & lies'
- **Auto names - GM (GM), Ford (F):** US President Trump in an interview with NBC News over the weekend, said that he "couldn't care less" if automakers increased prices as a result of the tariffs.
- **LPL Financial Holdings (LPLA):** Announced an underwritten public offering of USD 1.5bln of its common stock; to acquire Commonwealth Financial Network for ~ USD 2.7bln
- **Comerica (CMA):** Downgraded to 'Equal Weight' from 'Overweight' at Stephens
- **Tesla (TSLA):** PT lowered at Stifel citing reduced near-term delivery forecasts to reflect the rollout of the new Model Y "Juniper" as well as headwinds from "the anti-Elon Musk crowd".
- **TJX (TJX):** Boosted quarterly dividend 13% to USD 0.425/shr and plans to continue buyback programme with about USD 2-2.5bln of repurchases planned for FY26.
- **Newsmax (NMAX)** closed up over 700% on the day of its IPO.

US FX WRAP

The Dollar was firmer in a choppy day of trade as all participants await 'Liberation Day' on Wednesday. On this, Trump is said to be pushing senior advisers to go bigger on tariff policy and reportedly revived the idea of a flat universal tariff single rate on most imports. It was also noted that the option viewed as most likely would be tariffs on products from the 15% of countries the administration deems the worst US trading partners, which account for almost 90% of imports. Elsewhere, Fed's Williams and Barkin both said it makes sense to wait and assess the impact of tariffs before acting on policy. The data highlight was the strong Chicago PMI print, which helped support the turnaround in risk sentiment, likely coupled with month/quarter-end flows.

G10 FX sold off across the board vs. the Greenback, although Antipodeans were the laggards and hit on risk sentiment. Although AUD/USD and NZD/USD are off worst levels, at pixel time, given the reversal in conditions seen through the US afternoon. AUD/USD hit a trough of 0.6220, while NZD/USD bottomed out at 0.5849. Overnight, RBNZ Board Chair Quigley said the process to appoint a new RBNZ Governor will start relatively soon, but is likely to be a six-to-nine-month process. RBA tonight is the week's highlight, with the central bank widely expected to keep rates unchanged as a recent Reuters poll showed all 39 economists anticipate the cash rate to be left at 4.10%.

JPY was the relative outperformer for the large duration of the session amid haven appeal. However, this somewhat turned around through the afternoon as the Yen pared its gains to see it eventually weaken against the Buck with USD/JPY reclaiming 150.00 heading into APAC trade. Overnight, the BoJ cut its amount of super-long bond purchases in its quarterly plan.

GBP and **EUR** saw slight losses, albeit not as deep as peers. For the single-currency, German inflation HICP Y/Y slowed to 2.3% from 2.6% and M/M declined to 0.4% from 0.5%. As a reminder, EZ-wide metrics are due on Tuesday. On cenbank speech, ECB's uber-dove Panetta said uncertainty from US trade policy calls for caution in lowering rates. Moreover, BBG sources reported that more ECB officials appear ready to accept an April rate pause.

EMFX was mixed. BRL, COP, ZAR firmed, Yuan, and CLP were flat, while MXN and TRY saw weakness. EM headline-specific newsflow was pretty light to start the week, with the data highlight being Chinese PMIs overnight - manufacturing lifted but in line with expected, while non-manufacturing rose and topped Wall St. consensus. In Brazil, BCB Director David said BRL did not have a very different dynamic from their peer currencies, and despite the exchange rate having appreciated, inflation expectations have only increased. Lastly, COP saw a bit of strength after the Colombia Central Bank left rates unchanged at 9.50%, with Reuters forecasting a 25bps cut to 9.25%, with the decision backed by a "majority" of board members.

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