

# newsquawk

## US Market Wrap - 2nd April 2025

### Stocks rally with Dollar and Bonds sold ahead of Trump's tariff announcement

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down
- **REAR VIEW:** Sky News sources reported Trump tariffs will be banded 10%, 15% and 20%, depending on country and by industry; EU reportedly plans emergency measures to guard the economy from US tariffs; Bessent tells lawmakers that Wednesday's tariffs are a 'cap'; China said to restrict companies from investing in the US; Trump admin considers revocation of tariff exemptions for cheap shipments from China; US ADP tops expectations; Trump reportedly tells inner circle Musk to AMZN bids for TikTok; Fed's Goolsbee says hard US data is still pretty solid; EIA crude stocks show a surprise build; TSLA Q1 deliveries disappoint; GOOG in adv talks to rent NVDA AI servers from CRWV
- **COMING UP:** **Data:** Swiss CPI, EZ Producer Prices, US Weekly Claims, Challenger Layoffs, ISM Services. **Event:** ECB Minutes, BoE DMP. **Speakers:** Fed's Cook, Jefferson, US VP Vance; ECB's Schnabel, de Guindos. **Supply:** Japan, Spain, France, UK & US

### MARKET WRAP

US indices saw choppy action on Wednesday, as markets reacted to tariff source reports ahead of President Trump's reciprocal tariff announcement scheduled in the Rose Garden for 21:00BST/16:00EDT. In the EU morning, risk sentiment soured on BBG source reports that China is said to restrict companies from investing in the US as it aims to give Beijing more leverage for potential trade negotiations with the Trump administration. Nonetheless, as US trade got underway for the day and in the wake of the cash open, sentiment reversed to see Treasuries pare gains, US indices pare losses, with the majority of G10 FX seeing gains vs. the Dollar. JPY was the G10 laggard and one of the few to see losses against the Buck. Further on tariffs, Sky News reported that Trump's tariffs will be banded 10%, 15% and 20%, depending on the country and by industry. Sectors are predominantly in the green with Consumer Staples, Communication Services, and Energy the only sectors in the red while Consumer Discretionary was the clear outperformer and buoyed by gains in Tesla (TSLA) (+5.3%) after Politico reported that Trump has told his inner circle, including members of his Cabinet, that Musk will be stepping back in the coming weeks from his current role as governing partner. However, WH Press Sec later said that was "no scoop"; Musk later responded to the Press Sec, "Yeah, fake news". T-Notes and the energy complex traded off the risk environment with the ADP ignored and profit taking for the former likely taking place ahead of the aforementioned Trump tariff announcements. For the record, ADP topped expectations and printed towards the top end of ranges ahead of US payrolls on Friday.

### US

**ADP:** The headline ADP showed a 155k increase in private payrolls in March, above the 120k consensus and above February's upwardly revised 84k (prev. 77k). Within the report, the ADP Chief Economist Nela Richardson said "Despite policy uncertainty and downbeat consumers, the bottom line is this: The March topline number was a good one for the economy and employers of all sizes, if not necessarily all sectors,". Regarding wages, the median change in annual pay for job stayers slowed to 4.6% from 4.7%, and for job changers to 6.5% from 6.7% Y/Y. Note, Pantheon Macroeconomics highlights the data distracts more than it informs and recommends disregarding ADP's forecast for private payrolls, given its poor track record in recent years.

**FACTORY ORDERS:** US factory orders rose 0.6% (exp. 0.5%) in February to USD 594bln from USD 590.4bln in January, while ex-transport lifted 0.4%. Elsewhere within the release, shipments were up for the fourth consecutive month, lifted by USD 4.2bln (or 0.7%) to USD 596.8bln. Unfilled orders, up seven of the last eight months, marginally rose 0.1%, while the unfilled orders-to-shipments ratio was 6.81, falling from 6.84 M/M. Inventories, up four consecutive months, lifted USD 1.3bln (or 0.1%) to USD 864.9bln.

**FED'S GOOLSBEE** (2025 voter) said hard data on the US economy is still pretty solid, and if they can get past this period of uncertainty, the underlying strength of the economy is still there. The Chicago Fed President added that people don't want to go back to the inflationary environment of 2021 and 2022. On tariffs, Goolsbee said the fear is if tariffs on imports jump out of just imports and move into other costs, or people freak out and change behaviour. Further on tariffs, Goolsbee said the problem is they are a supply shock. The 2025 voter said confidence is almost cratering and reiterated the notion from other officials that soft data looks very different from hard data.

### FIXED INCOME

#### T-NOTE FUTURES (M5) SETTLED 9 TICKS LOWER AT 111-16

**T-Notes traded off the risk environment with ADP ignored and profit taking likely taking place ahead of Trump tariff announcements.** 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 -1.2bps at 2.481%, 10yr BEI -0.6bps at 2.327%, 30yr BEI +0.2bps at 2.232%

**THE DAY:** T-Notes meandered overnight before catching a bid in the European morning, which coincided with a cautious open in

Europe on Liberation Day. The risk-off morning came with participants highly focused on the tariff updates from US President Trump with EU officials reiterating they expect tariffs on the bloc of somewhere between 20-25%. Upside in T-Notes was also supported by reports in Bloomberg that China is said to restrict companies from investing in the US as it aims to give Beijing more leverage for potential trade negotiations with the Trump administration. The report clarified that "There's no sign that existing commitments by Chinese companies in the US and elsewhere, or China's purchases and holdings of financial products including US Treasuries, would be affected". After T-Note futures peaked at 112-02+ (yield 4.11%, matching the 4th March low - support seen around this area in early December too), T-Notes sold to fresh session lows as risk appetite improved once US cash equity trade was underway with stocks catching a bid at the open. Further on trade/tariffs, US Treasury Secretary Bessent said overnight that the reciprocal tariffs are a cap and thus could go down after implementation, although we are still awaiting Trump's own views on this. With all focus on trade updates, it is likely some profit-taking was seen after the rally in Treasuries recently with still a lot of uncertainty ahead, although hopefully some more clarity on tariffs will be provided tonight. The market largely shrugged off the hotter-than-expected ADP print with NFP due on Friday with market focus largely on Trump trade updates.

**AHEAD:** The focus on Wednesday is primarily on the Rose Garden event with US President Trump, who is set to announce reciprocal tariff rates on countries at 16:00EDT/21:00BST. Thereafter, attention lies on economic data with ISM Services PMI due on Thursday, with NFP on Friday, ahead of Fed Chair Powell. NFP will help paint a clearer picture of the US labour market on Friday, but the March report may be too soon to show the full impact of Trump policies, although the DOGE layoffs are expected to weigh more than what was seen in February.

#### SUPPLY:

##### US Treasury sold:

- US sold USD 60bln in 17wk bills at a high rate of 4.200%; B/C 2.98x.

##### US Treasury to sell:

- USD 80bln (prev. 75bln) in 4wk bills on April 3rd.
- USD 75bln (prev. 75bln) of 8wk bills on April 3rd.

#### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 3bps (prev. 5bps), June 18bps (prev. 22bps), July 33bps (prev. 38bps), Dec 73bps (prev. 79bps).**
- NY Fed RRP op demand at USD 233bln (prev. 230bln) across 41 counterparties (prev. 36).
- SOFR at 4.39% (prev. 4.41%), volumes at USD 2.589bln (prev. 2.636bln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 78bln).

## CRUDE

**WTI (K5) SETTLED USD 0.51 HIGHER AT 71.71/BBL; BRENT (M5) SETTLED 0.46 HIGHER AT USD 74.95/BBL**

The crude complex was choppy on 'Liberation Day', but seemingly tracked risk sentiment as all participants await President Trump's address at 16:00EDT/21:00BST. Crude-specific newsflow was sparse with benchmarks in pretty contained ranges, as the tariff theme will be the main driver after settlement, absent of any major geopolitical update. On Iran/US, Axios sources noted that Trump "is reportedly seriously considering Iran's offer of indirect nuclear talks", while at the same time significantly boosting US forces in the Middle East in case the US opts for military strikes. Meanwhile, Iran reiterated that they are ready for indirect nuclear talks with the US. On OPEC, the JMMC meeting was initially scheduled for April 5th, although one Reuters source said this might take place on Thursday, April 3rd - No change in current policy is expected. In the weekly EIA data, which sparked kneejerk weakness in benchmarks, saw a surprise chunky crude build, in fitting with the private inventory metrics. Gasoline drew less than forecasted, also reciprocating Tuesday's figures, while Distillate saw a surprise build. Overall, crude production rose by 6k. For the record, WTI resided in a USD 70.61-71.94/bbl range and Brent between USD 73.85-74.97/bbl parameter.

## EQUITIES

**CLOSES:** SPX +0.67% at 5,671, NDX +0.75% at 19,582, DJI +0.56% at 42,225, RUT +1.65% at 2,045

**SECTORS:** Consumer Staples -0.18%, Communication Services -0.14%, Energy +0.07%, Utilities +0.44%, Real Estate +0.47%, Technology +0.56%, Health +0.63%, Materials +0.79%, Financials +0.89%, Industrials +0.93%, Consumer Discretionary +2.02%.

**EUROPEAN CLOSES:** DAX: -0.64% at 22,390, FTSE 100: -0.34% at 8,605, CAC 40: -0.22% at 7,859, Euro Stoxx 50: -0.36% at 5,301, AEX: -0.41% at 902, IBEX 35: +0.23% at 13,351, FTSE MIB: -0.31% at 38,436, SMI: -0.79% at 12,589, PSI: +0.11% at 6,958

#### STOCK SPECIFICS:

- US President Trump has told his inner circle, including members of his Cabinet, that **Elon Musk (TSLA)** will be stepping back in the coming weeks from his current role as governing partner, according to Politico. However, the White House said there was no scoop and Musk said it was fake news.
- **Amazon (AMZN):** Said to be making a bid to buy TikTok in the US, according to NYT. The e-commerce giant put in a last-minute offer for the popular video app, according to three people familiar with the talks. TikTok faces a Saturday deadline to change its ownership structure. "Various parties who have been involved in the talks do not appear to be taking Amazon's bid seriously, the people said"
- **nCino (NCNO):** EPS light with poor guidance for next quarter & FY.
- **Nvidia (NVDA):** H2O chips face Chinese supply shortage amid export concerns.

- **Domino's Pizza (DPZ)** and **DoorDash (DASH)** announced a partnership, allowing DPZ to reach new customers through the DoorDash marketplace
- **Charles Schwab (SCHW)**: Upgraded to 'Buy' from 'Neutral' at Citi.
- **Paramount (PARA)**: Downgraded at Deutsche Bank to 'Hold' from 'Buy'.
- **Tesla (TSLA)**: Q1 deliveries and production fell short of expectations.
- **Boeing (BA)**: CEO is hopeful Boeing can hit 38 737 MAX production per month later this year.
- FDA misses deadline for granting full approval for **Novavax's (NVAX)** COVID-19 vaccine, according to WSJ citing sources.
- **Apple (AAPL)**: US labour watchdog NRLB halts Co. cases after Trump picks group's lawyer for top job
- **Meta Platforms (META)**: US Senate probes Cos. efforts to enter the Chinese market
- **Walmart (WMT)**: Continuing to pressure Chinese suppliers to cut prices by up to 10% per tariff round to offset Trump's duties
- Following the update that **Hims & Hers Health (HIMS)** is to sell **Eli Lilly's (LLY)** Zepbound through Telehealth platform, Citi believes HIMS is offering the auto-injector pens for USD 1,900/mth, and not the lower priced Tirzepatide vials, which are priced as low as USD 349/mth on LLY's LillyDirect. Given HIMS does not take insurance, the high cash price "will be prohibitive".
- **Google (GOOG)**: In advanced talks to rent **Nvidia (NVDA)** AI servers from **CoreWeave (CRWV)**, via The Information.

## FX

**The Dollar** broadly weakened ahead of Trump's reciprocal tariff announcement scheduled for alongside the closing bell. The day saw several key trade updates. Firstly, US Treasury Secretary Bessent told lawmakers that Wednesday's tariffs are a 'cap', which, WSJ later confirmed, "tariffs could go down, not likely to go up". Meanwhile, earlier risk-off was seen across markets on Bloomberg reports that China is to restrict companies from investing in the US as it aims to give Beijing more leverage for potential trade negotiations with the US. That said, risk-off evaporated once the US cash open got underway with Treasuries erasing gains seen in the European morning. Concerning FX, the main headline-driven move came from Bloomberg reporting the EU is planning emergency measures to guard the economy from Trump's tariffs, though measures will be dependent on the US announcement. Thereafter, EUR/USD gradually ground higher, sending DXY further into the red, to eventual lows of 103.68. US data had little influence on the day, with ADP's March print showing private businesses added 155k workers, more than the expected 115k. Aside from Trump's announcement, NFP remains the key risk event to be had in the week, with Powell speaking after the release. Until then, ISM services, international trade, and as such an updated Atlanta Fed GDPnow (Q1) will be watched. Rabobank sees the risk that the USD "could see some short-covering pressures in the current quarter if the Fed is reluctant to cut rates for fear of fuelling inflation potential.

**G10 FX** were largely firmer against the Dollar pre-Trump announcement. Outliers in the red included the CAD trimming Tuesday's outperformance and the JPY losing its appeal as a haven in risk on trade. Albeit, the CHF saw marginal gains. Newsflow pertained to speakers, with BoJ's Ueda sticking to the economic implications from possible US tariff hikes while the ECB slate saw Villeroy note the latest EZ inflation data gave them confidence to cut rates again soon. Meanwhile, Holzmans said rates are at a neutral level; no reason to become accommodative. EUR/USD now resides at ~1.0850, above its 21 DMA of 1.0840, ahead of ECB Minutes and a series of Final HCOB PMI revisions on Thursday. Folks at ING "like a decline in EUR/USD" and have 1.070 as a target, but "doubt that would be a straight line even if the US surprises with a more aggressive tariff announcement".

**EMFX**: In CEE, the NBP held its Base Rate at 5.75% as expected, noting it may intervene in the FX market while CPI may be lower than previously forecast in the coming quarters; PLN gained vs EUR and USD amid CEE outperformance amongst EMs. Elsewhere, the losses in the ZAR ramped up after the South African parliament passed the fiscal framework. Separately, Brazilian industrial output metrics fell shy of expectations in February; BRL weakened along with its LatAm peers on Thursday. On the tariff footing, Mexican President Sheinbaum said it will not impose tit-for-tat tariffs [with US] and Mexico will gradually comply with US water treaty after criticism from US State Department.

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