newsquawk

US Market Wrap - 10th April 2025

Stocks trim historic gains and Dollar sinks as US uncertainty remains

- **SNAPSHOT**: Equities down, Treasuries steepen, Crude down, Dollar down
- **REAR VIEW**: US tariffs on China imports totals 145%; Cooler-than expected US CPI; Initial jobless claims as expected; US House passes tax cut bill; EU agrees on a 90 day-pause on April 15th countermeasures unless negotiations are unsatisfactory; Strong US 30yr note auction; FBN's Gasparino reports Trump admin looks at possible delisting of China shares on public US exchanges; EU & China begin negotiations to end EU tariffs on China EVs; China CPI beneath expectations.
- **COMING UP**: **Data:** UK GDP, US PPI, UoM Prelim. **Events:** Moody's review on France, UK, Italy, Spain, Switzerland's Credit Rating. **Speakers:** Fed's Musalem, Williams; BoE's Greene. **Supply:** Australia, Italy. **Earnings:** JPMorgan, BlackRock, Wells Fargo, Bank of New York Mellon, Morgan Stanley, Fastenal

MARKET WRAP

US indices pared some of its historic Wednesday gains after Trump's tariff "pause", except for China, as equities were heavily sold (SPX -3.5%, NDX -4.2%, DJI -2.5%, RUT -4.3%) with the NDX even flirting with the 7% losses circuit breaker at one point. On Thursday, the move away from US assets was notable, as the Dollar was heavily sold, to the benefit of all G10 FX peers, while the long-end of the Treasury curve saw further selling, despite a strong US 30yr auction. Risk-off sentiment was already apparent but was further exacerbated after CNBC reported that the White House told them that US tariffs on China now total 145% after the latest hike. Note, US President Trump said yesterday he raised tariffs on China to 125%, effective immediately. As such, traders are awaiting, if any, China's response to the latest US tariffs, and even more so now after FBN's Gasparino citing sources recently posted on X that the Trump admin is moving toward a possible delisting of Chinese public Co shares on US exchanges. Following this, US-listed Chinese shares saw pronounced weakness, as did the FXI ETF. On the tariff front, the EU has agreed on a 90-day pause in countermeasures due on April 15th against the US, unless negotiations are unsatisfactory, while separately EU Trade Commissioner Sefcovic and Chinese Minister Wang have agreed to look into setting minimum prices rather than duties for China-made EV imports. Elsewhere, there was a slew of Fed speak, albeit little moved the dial as they all appear to be singing from the same hymn sheet. In terms of data, US CPI was cooler than expected across the board, which saw T-Notes hit peaks of 111-11 before paring given uncertainties ahead. As mentioned, the Dollar saw heavy selling with the Swissy the top gainer, seeing its biggest gains vs. the Buck since 2015. The crude complex was lower, giving back some of the hefty gains seen on Wednesday, in light energy energy-specific newsflow.

US

CPI: The March inflation report saw headline CPI decline 0.05% M/M, beneath the +0.1% consensus and down from the prior 0.21%. The Y/Y print rose by 2.4%, beneath the 2.6% forecast and down from February's 2.8%. Core numbers were also soft, rising just 0.06%, beneath the 0.3% forecast and down from the prior 0.23%. The data will be welcome news for the Fed and the administration, while recent tariff news is also positive as Trump implemented a pause on all reciprocal tariffs, excluding China, which has dampened some of the recent inflationary fears from Trump's initial aggressive policies, although nations are still subject to 10% tariffs on all goods, apart from China, who now face a 125% tariff - CNBC said WH told them it's now 145%. Nonetheless, there is still uncertainty ahead on how much inflation is set to impact inflation. The latest Fed Minutes noted a majority of participants saw potential for inflationary effects from various factors to be more persistent than they projected, and almost all viewed risks to inflation as tilted to the upside, with risks to employment as tilted to the downside. Meanwhile, some on the Fed, including Musalem, have said it is risky to assume the Fed can look through higher prices from tariffs, and there is a chance some effects could persist, while Governor Kugler noted that right now, inflation is more pressing. The latest Minutes (although pre-reciprocal tariff announcement and before subsequent pullback) also revealed that a majority of participants noted the potential for inflationary effects from various factors to be more persistent than they projected. It is also worth noting that the impact of tariffs will likely not appear in the inflation data for some months, Fed's Barkin was making the case businesses usually have between 60-90 days of inventory, while this may be increased due to front-loading purchases ahead of tariffs, therefore the price increases may not come into effect until the current inventory has been worked through. Therefore, it may be more impactful on the June data, more than the April data - which adds to the case for the Fed to be patient and keep rates on hold. Note, ahead of PPI tomorrow, Pantheon suggested Core PCE prices rose 0.13%, although this may be updated after PPI data on Wednesday.

JOBLESS CLAIMS: Initial jobless claims (w/e 5th April) printed 223k, bang in line with expectations and marginally rose from the prior 219k. Continued claims (w/e 29th March) fell to 1.85mln from 1.893mln, and shy of the expected 1.882mln. Overall, Pantheon Macroeconomics noted that these numbers come too early to capture any layoffs or furloughs among manufacturers following the president's shock tariff announcement on April 2nd, as people cannot file a claim if they worked for more than 30 hours, earned more than USD 504 that week, or are still serving a paid notice period. Ahead, Pantheon thinks a much bigger increase in jobless claims is in store over the next month or two. Several manufacturing Cos. have announced layoffs in light of the disruption and uncertainty around new tariffs. As a result, the consultancy thinks the combination of weak hiring and a steady grind higher in layoffs means that the unemployment rate will creep up towards 4.5% by the end of this year, from 4.2% in March.

FED

KASHKARI (2026 voter) spoke after-hours on Wednesday and said things have changed dramatically this afternoon [re tariffs] and there'll be a little less of an impact on inflation if the tariff pause endures, while uncertainty could still cause an economic downturn. Added that tariffs can cause inflation; we'll have to see, and the bar for cutting rates is still high.

LOGAN (2026 voter) stated it's important to keep any tariff-related price increases from fostering more persistent inflation, and if higher inflation expectations get entrenched, the road to price stability is longer, and economic scars are deeper. For now, the stance of Fed policy is well positioned, and Logan added that higher-than-expected tariffs would very likely raise both unemployment and inflation.

BOWMAN (voter) said the economy is strong, and growth is solid but slowing. On the CPI report, said inflation came down, as that data showed. On Trump, Bowman noted she is watching to see how evolving policies affect the economy, and it is unclear how tariffs affect the economy.

GOOLSBEE (2025 voter) stated the Fed timetable is not the market timetable, and the Fed's goal is to find through line and not jump to conclusions. On tariffs, the Chicago Fed President stated there's an argument that short-run tariffs would not alter the economy's path, but did note current tariffs are huge. Goolsbee noted that hard data on the economy looks pretty good, and the importance of soft data has gotten more important due to less lag. If confidence is lost, it could cause economic problems, and there are lots of fears of returning to pandemic-era economic conditions. Goolsbee reiterated that 12-18 months from now, rates will be lower than where they are today, and the level of long-term inflation expectations is very important.

SCHMID (2025 Voter) said disruptions in the Treasury market were "instructive", and the Fed is watching markets to ensure liquidity keeps flowing. On the balance sheet, wants MBS to roll off as soon as possible while the growing supply of Treasury debt along with potentially shrinking demand is a recipe for higher interest rates in the longer term. Regarding the US administration, Schmid said the data is not yet reflecting the impact of the Administration's actions while the tariff announcements have elevated economic uncertainty, coincided with falling sentiment and a lift in short-term inflation expectations. The 2025 voter said having a few bps spikes in Tsy yields constitutes high volatility, albeit, looks as if the market is adjusting well, given the volatility in recent weeks; has confidence that there is a high priority put on the Tsy market as an anchor to global finance. Schmid is concerned that further increases (seemingly referring to tariffs) could push up inflation expectations, given previously high inflation.

FIXED INCOME

T-Note vol continues with the curve steepening as stocks pare historic gains, House passes tax cut bill, Trump China tariffs clarified at 145%, and strong 30yr bond auction. At settlement, 2s -11.4bps at 3.835%, 3s -9.8bps at 3.874%, 5s -7.0bps at 4.030%, 7s -4.4bps at 4.204%, 10s +0.0bps at 4.396%, 20s +6.1bps at 4.898%, 30s +6.8bps at 4.858%.

INFLATION BREAKEVENS: 5yr BEI -10.9bps at 2.285%, 10yr BEI -8.8bps at 2.204%, 30yr BEI -4.6bps at 2.187%

THE DAY: Volatility in the bond complex continued on Thursday, the day after Trump hiked tariffs on China again. The curve continued to steepen with the long-end being sold while the front-end saw notable upside. There were a few moving parts, risk-off trade ensued, primarily in the US session with equities paring the historic rally seen on Wednesday. Meanwhile, US CPI was cooler than expected which did see T-Notes hit peaks of 111-11, before paring given uncertainties ahead. T-Notes then caught a bid around the cash equity open as risk sentiment soured, but then saw further downside with the House passing Trump's tax cut bill. Analysts pointed out this likely entails larger auction sizes ahead, and Treasury Secretary Bessent has previously suggested a preference for a longer-term debt strategy. Meanwhile, CNBC reported that a White House official told them that the overall tariff rate on China is now 145%, up from the 125% insinuated by US President Trump on Wednesday - we still await China's response, but China has previously taken an aggressive stance and said they would fight to the end. The 30yr saw the greatest pressure ahead of the 30yr bond auction too, so some concession may have been taking place. The auction was ultimately very strong, giving a helping hand to T-Notes and bond futures (more below).

SUPPLY:

US Treasury sold:

- USD 85bln in 4wk bills at high rate of 4.245%, B/C 2.95x
- USD 75bln in 8wk bills at high rate of 4.235%, B/C 3.10x

US Treasury to sell:

- USD 13bln of 20yr bonds on April 16th
- USD 25bln of 5yr TIPS on April 17th
- USD 76bln of 13wk bills on April 14th
- USD 68bln of 26wk bills on April 14th
- USD 48bln of 52wk bills on April 15th

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 7bps (prev. 5bps), June 26bps (prev. 21bps), July 46bps (prev. 38bps), Dec 87bln (prev. 76bps).
- NY Fed RRP op demand at USD 130bln (prev. 168bln) across 30 counterparties (prev. 31).
- SOFR at 4.42% (prev. 4.40%), volumes at USD 2.663tln (prev. 2.658tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 92bln (prev. 93bln).

CRUDE

WTI (K5) SETTLED USD 2.28 LOWER AT 60.07/BBL; BRENT (M5) SETTLED USD 2.15 LOWER AT 63.33/BBL

The crude complex was lower, giving back some of the hefty gains seen on Wednesday after Trump raised tariffs on China and issued a "90-day pause" on 75 countries. Nonetheless, WTI and Brent were hit today on the risk-off sentiment rather than any specific energy headlines, as all participants await global responses to the tariff decision and what deals will be made. On top of this, traders are awaiting, if any, China's response to the latest US tariffs, which the White House confirmed today is 145%. As such, higher tariffs against China are likely to prompt lower US crude imports by Beijing, potentially backing up supply and lifting US storage levels. For the record, the monthly EIA STEO saw 2025 world oil demand at 103.6mln BPD (prev. 104.1mln BPD), with 2026 world oil demand at 104.7mln BPD (prev. 105.3mln BPD). For the record, WTI and Brent printed lows of USD 58.76/bbl and 62.00/bbl, respectively, against earlier highs of 63.34 and 66.08.

EQUITIES

CLOSES: SPX -3.46% at 5,268, NDX -4.19% at 18,344, DJI -2.50% at 39,594, RUT -4.27% at 1,831

SECTORS: Energy -6.40%, Technology -4.55%, Communication Services -4.14%, Consumer Discretionary -4.12%, Materials -3.00%, Financials -2.89%, Health -2.78%, Industrials -2.61%, Real Estate -2.07%, Utilities -0.63%, Consumer Staples +0.21%.

EUROPEAN CLOSES: DAX: +4.67% at 20,589, FTSE 100: +3.04% at 7,913, CAC 40: +3.83% at 7,126, Euro Stoxx 50: +4.22% at 4,817, AEX: +2.86% at 819, IBEX 35: +4.60% at 12,340, FTSE MIB: +4.73% at 34,277, SMI: +3.31% at 11,230, PSI: +2.41% at 6,405.

STOCK SPECIFICS:

- **Nvidia (NVDA):** Trump admin paused plans for stricter curbs on Cos. H20 chip, crucial for AI development in China.
- **Tesla (TSLA):** Expanding into Saudi Arabia.
- **TSMC (TSM):** Q1 rev. rose 42%, driven by strong demand for AI servers & smartphones ahead of anticipated US tariffs.
- **Dell Technologies (DELL):** Reduced or removed US discounts on many of its computers.
- **Constellation Brands (STZ):** Lowered FY26 profit forecast.
- **Walmart (WMT):** Reaffirmed goal for International GMV to reach USD 200bln by 2028 with strong FY growth in net sales & op. income.
- **US Steel (X):** US President Trump issued a statement opposing the steelmaker’s acquisition by a Japanese company.
- **Cboe Global Markets (CBOE):** Downgraded to 'Neutral' from 'Buy' at BofA, who cited the YTD outperformance of the stock, a higher relative valuation, a better ownership setup and the potential for volume decelerations in the second half.

FX

The Dollar Index was slammed, one of the steepest losses in recent years, hitting 101.17 from earlier highs of 102.95. Ahead of US CPI, the dollar was broadly sold all overnight and through the European morning, reversing the relief seen on Trump dialling back his tariff policy. Perhaps weighing was the continued uncertainty that a 90-day pause will have over both US consumers/businesses and the outcome of Trump's tariff policy. Additionally, the EUR/USD rally continued after the EU agreed to a 90-day pause in countermeasures due on April 15th against the US unless negotiations are unsatisfactory. Upon the CPI release, dollar weakness continued amid all metrics coming in softer than expected, with the headline M/M seeing its first decline since May 2020. Separately, US tariffs on China are said to total 145% after the latest hike, according to CNBC citing the White House. Meanwhile, the day saw a ton of Fed speak, but little was said on the new US tariff approach. On Friday, PPI and UoM will be watched alongside remarks from Fed's Musalem (2025 Voter) and Williams (Voter). Moreover, China's response awaits.

G10FX was well in the green vs the dollar sold theme with the Swiss Franc and Euro seeing their largest gains since 2015. Notable gains were seen across G10, with CAD the relative underperformer amid renewed pressure in crude prices. EU-China relations looked improving, with EU Trade Commissioner Sefcovic and Chinese Minister Wang having agreed to look into setting minimum prices rather than duties for China-made EV imports. Aside from trade developments, data updates were few and far between (mixed Norwegian CPI). As it stands, the uncertainty overhang from Trump's 90-day pause favours the space as does his recent haphazard approach, as concerns remain on the struggles US businesses face on planning and being able to issue guidance given the variability of trade policy. Furthermore, recent woes over the US bond market remained on the long end, with the US 30-year yield US yields on the 30yr continued to rise despite the strong 30yr note auction. Into APAC trade, EUR/USD sits ~1.1201 while Cable hovers around ~1.2950 ahead of UK GP estimate (Feb) on Friday.

EMFX: In China, inflation came in cooler than expected all on metrics, though the big swing in USD/CNH came later in the European morning with CNH seeing continued strength, with no clear driver behind the news. The move does follow reports in recent days that the PBoC has asked major state banks to reduce US purchases. Elsewhere, CEE FX outperformed LatAm, with the latter weighed on the reversal in commodity prices.