

Stocks finish the day green with bonds hit after another chaotic week

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** China raises tariff on US goods to 125% from 84%; US PPI cooler than expected; Dismal UoM, where inflation expectations soared, albeit with political bias; UK GDP surpassed St. consensus; Bank earnings begin; Slew of Fed speak, Williams lifts his inflation & u/e rate forecasts but cuts growth; FBN reports Trump has open door policy; FT reports Fed's Collins said the Fed is "absolutely" ready to step in to stabilise the market if needed.
- **COMING UP: Data:** US NY Fed SCE, Chinese Trade Balance **Speakers:** RBNZ's Conway; Fed's Waller, Harker **Earnings:** Goldman Sachs, LVMH
- **WEEK AHEAD:** Highlights include US Retail Sales, China Trade & Activity Data, BoC, ECB, UK & Aussie jobs, Inflation from Canada, Japan, UK and NZ. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBA Minutes, BoC, ECB, CBRT; Reviewing RBNZ, RBI. [To download the full report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings ramp up with highlights from GS, JNJ, BAC, ASML, UNH, NFLX, TSM. [To download the full report, please click here.](#)

MARKET WRAP

Another choppy session on Friday but stocks ultimately finished the session green. T-Notes initially saw downward pressure to hit lows of 109-08 in wake of a dismal consumer confidence report accompanied by surging inflation expectations. However, stocks and bonds recovered from the earlier lows into the closing bell. Aside from the UoM, the PPI data was soft - in fitting with CPI - but sparked little reaction. On US/China tariffs, China responded in the European morning by raising the additional tariff on US goods to 125% from 84%, matching Trump's latest move. This initially caused risk off trade with the Dollar plummeting, seeing the DXY fall sub-100. There was no response from the US today on China, but we will be on the lookout for any commentary in response to the move from the US over the weekend. However, CNN's Atwood posted on X that in private talks hour before China announced new retaliatory tariffs the Trump admin warned China against such a move & again told them to request a Xi-Trump call. The next catalyst on trade will likely be any conversations between the US and China. Crude prices ultimately settled in the green after sharp losses in recent weeks, while in FX the Dollar downside was the primary driver but NZD and EUR outperformed. In US trade stocks and bonds got a helping hand from two reports released around the same time. The FT posted an interview with Fed's Collins, who said the Fed remains absolutely ready to step in if needed to stabilise the market. Meanwhile, FBN's Gasparino reported that Trump is listening to CEO concerns about the impact of tariffs on the economy and market, while noting the White House has already started to pivot to its growth agenda.

US DATA

PPI: Overall, a soft inflation print. Headline PPI declined by 0.4% M/M, well beneath the +0.2% forecast and down from the prior revised 0.1%. The headline was weighed on by a chunky 4.0% dip in Airline fares, similar to what was seen in the CPI print. Headline Y/Y rose by 2.7%, well beneath the 3.3% forecast and beneath the lowest analyst forecast of 3.0%, falling from the prior 3.2%. The core M/M declined by 0.1% (exp. +0.3%, prev. +0.1%), with the Y/Y easing to 3.3% from 3.5%, beneath the 3.6% forecast. The supercore rose by 3.4%, down from the prior 3.5%, with M/M +0.1%, down from the prior 0.4%. The soft inflation report bodes well for a soft Core PCE print too, with the chunky drop in airline fares - a component of PCE - likely to weigh on PCE prices. The other components were also softer than the prior, aside from Nursing Home Care, which ticked up to 0.2% from 0.1%. After the CPI and PPI data, Pantheon notes the data implies the core PCE deflator increased by 0.13% in March, reducing the Y/Y rate to 2.6% from 2.8% in February. The consultancy highlights their forecast for the core PCE is unchanged from their forecast after the CPI, "due to a lack of volatile movements in most of the PPI components feeding into the core PCE deflator."

UOM CONSUMER SENTIMENT: The preliminary University of Michigan for April was a dismal report. The headline tumbled to 50.8 from 57.0, and well beneath the expected 54.5, with the decline, like last month's, pervasive and unanimous across age, income, education, geographic region, and political affiliation. Conditions and expectations also sank to 56.5 (prev. 63.8, exp. 61.5) and 47.2 (prev. 52.6, exp. 50.8), respectively, with both of them printing outside the bottom end of the forecast range. The inflation expectations surged, with the 1yr ahead lifting to 6.7% from 5.0%, the highest since 1981, while the 5yr expectations rose to 4.4% from 4.1%. However, the inflation expectations have a distinct political bias, so it is hard to read too much into them. Highlighting this, our friends over at ZeroHedge note that Democrats' 1yr forecast was 7.9%, whereas Republicans had 0.9%. Despite this, the report notes that this month's rise was seen across all three political affiliations. For the record, the survey was conducted between March 25th and April 8th, so the cut-off was just before the 9th of April, when President Trump hiked tariffs on China, but reduced reciprocal tariffs on other nations.

FED

WILLIAMS (Voter): Raised his inflation forecast to 3.5-4%, due to a boost from tariffs - in February (pre-tariffs) Williams said he expects inflation to hang around 2.5% this year. Since February, he also changed his unemployment and growth view, now seeing the jobless rate climbing to between 4.5-5% this year (prev. 4-4.25%) and growth to slow considerably to 1% this year (prev. to grow around 2% this year and next). The NY Fed President reiterated his view that modestly restrictive monetary policy is totally appropriate. Williams said the current economy is not one of stagflation, but noted that soft data has weakened a lot, although hard data has held in so far. On Fed policy, Williams said it's well positioned for what lies ahead and allows the Fed space to react. Regarding tariffs, there is still quite a bit of uncertainty about tariffs but there are more details; how other countries respond to tariffs is a big issue. On the economy, said there is an 'unusually wide array' of outcomes that lie ahead for the economy; tariffs and trade are key drivers of the huge uncertainty. Williams added that longer-term inflation expectations are anchored and they must maintain that, noting he remains fully committed to getting inflation back to 2%.

COLLINS (2025 Voter): The current rate policy is well positioned and holding steady for now remains appropriate, though there may still be scope to lower rates later this year. She acknowledged that tighter financial conditions could restrain economic activity, but emphasized that monetary policy is still positioned to reduce inflation pressures. Collins warned of both upside inflation risks and downside risks to growth, noting that the Fed must keep inflation expectations anchored and remain nimble in a highly uncertain environment. She recognized the difficulty of policy choices given the trade-offs involved and cautioned that renewed price pressures could delay the timeline for rate cuts. On tariffs, Collins said they could significantly impact the outlook by pushing core inflation "well above" 3% this year while also dampening economic growth. Collins also spoke later to the FT, noting the Federal Reserve "would absolutely be prepared" to deploy its firepower to stabilise financial markets should conditions become disorderly. However, she said markets are continuing to function well and they are not seeing liquidity concerns overall.

KASHKARI (2026 Voter): It's difficult to get a clear picture of what's happening beneath the surface of the economy, but the Fed's job is to ensure long-run inflation expectations remain anchored. He said he has not seen evidence that expectations are rising yet and highlighted encouraging details in the recent CPI report. However, with inflation still elevated, Kashkari expressed discomfort with a "look-through" approach to tariffs, noting that after four years of high inflation, such an approach would be riskier now than in the past. He warned the effect of tariffs suggests inflation will be going back up again, job is to ensure it does not turn to long-term inflation. The Minneapolis Fed President emphasized that the outlook depends heavily on how tariff negotiations evolve—if they drag on, it may take longer to reach the level of confidence needed to lower rates. Kashkari also stressed caution in any actions that could signal a weakening of the Fed's commitment to reducing inflation. On market dynamics, Kashkari said the Fed has tools to provide liquidity if needed, but any intervention from the Fed or Treasury should only be done reluctantly. Kashkari thinks they are quite a ways away from the market conditions they saw in the pandemic. He is not seeing big dislocations yet, but he is seeing some stresses.

MUSALEM (2025 Voter): There is a distinct possibility that inflation climbs even as the labour market softens, and it is appropriate to lean against tariff-induced 'second-round' inflation that may be persistent. Reiterating a recent message, Musalem said uncertainty is high, and Fed policy is well positioned. He added that downside risks to growth and employment have increased, as well as notable headwinds for the labour market. Re. inflation, the St. Louis Fed President said that limited progress on inflation since mid-2024, and the risks of near-term climb have increased and there is more work to do. Further on inflation, Musalem stated tariffs pose upside risks, but do not know if that's months, quarters, or years. He expects growth this year to be lower than trend, and it could take quarters and years for tariff effects to make their way through the economy.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 27+ TICKS LOWER AT 109-23+

Treasury curve pares recent steepening while consumer inflation expectations rocket higher . At settlement, 2s +11.1bps at 3.958%, 3s +11.8bps at 4.002%, 5s +11.4bps at 4.151%, 7s +11.3bps at 4.322%, 10s +8.2bps at 4.474%, 20s +2.4bps at 4.915%, 30s +0.5bps at 4.853%.

INFLATION BREAKEVENS: 5yr BEI +5.8bps at 2.304%, 10yr BEI +4.9bps at 2.217%, 30yr BEI +0.9bps at 2.171%.

THE DAY: T-Notes saw upside overnight to peak at 110-21+ just ahead of the US equity opening. The morning's upside was supported by China's response to Trump's tariff increase, announcing it is raising additional tariffs on US goods to 125%, from 84%. T-Notes then started to sell off around the cash equity open, albeit a reversal of the recent steepening was seen throughout US trade with the short-end hit much more than the long-end. T-Notes hit a low of 109-08 in response to the surge higher in consumer inflation expectations before paring after Europe left for the day with the curve flattening. Meanwhile, the earlier soft PPI did little to support prices. T-Notes did catch a bid on commentary from Fed's Collins who stated the Fed remains absolutely ready to step in if needed to stabilise the market, but she said markets continue to function well, and they are not seeing liquidity concerns overall. At around the same time, FBN's Gasparino reported that Trump is listening to CEO concerns about the impact of tariffs on the economy and market, while noting the White House has already started to pivot to its growth agenda. T-Notes pared back above 110-00 but settled back beneath the round level.

SUPPLY:

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 6bps (prev. 7bps), June 23bps (prev. 26bps), July 40bps (prev. 46bps), Dec 78bps

(prev. 87bps).

- NY Fed RRP op demand at USD 98.5bln (prev. 130bln) across 25 counterparties (prev. 30)
- SOFR at 4.37% (prev. 4.42%), volumes at USD 2.657tln (prev. 2.663tln).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 98bln (prev. 92bln).

CRUDE

WTI (K5) SETTLED USD 1.43 HIGHER AT 61.50/BBL; BRENT (M5) SETTLED USD 1.43 HIGHER AT 64.76/BBL

The crude complex was choppy to end the week but ultimately saw gains on Friday as risk sentiment improved through the US afternoon. Prior to this, WTI and Brent saw weakness in the European morning due to China's tit-for-tat retaliation against the US, as they raised their tariffs on US goods to 125% from 84%. Thereafter, benchmarks were supported after US President Trump told Russia to "get moving" with regards to a deal on the Ukrainian war. Another contributor helping to cushion crude was the Dollar, which has been under significant pressure, but is currently well off the earlier lows, as DXY fell sub-100. On the geopolitical footing, Trump's Special Envoy Witkoff met with Russian President Putin on Friday, but heading into the Kremlin said it sees no breakthrough from Witkoff's visit. Later on, the Kremlin added that a phone conversation between Putin and Trump following the meeting with Witkoff is theoretically possible. In the weekly Baker Hughes rig count, oil dropped 9 to 480, natgas rose 1 to 97, leaving the total down 7 at 583.

After a manic week of tariff updates and market moves, participants will go into the weekend cognizant of any further updates before the reopening of markets next week. For the record, the week saw WTI trade between USD 63.90 and 55.12/bbl, while Brent traded between USD 67.43 and 58.40, albeit both WTI and Brent were ultimately little changed on the week.

EQUITIES

CLOSES: SPX +1.72% at 5,359, NDX +1.89% at 18,690, DJI +1.56% at 40,213, RUT +1.47% at 1,858.

SECTORS: Materials +2.99%, Technology +2.56%, Energy +2.50%, Industrials +1.73%, Financials +1.67%, Health +1.45%, Real Estate +1.28%, Consumer Staples +1.25%, Utilities +1.18%, Communication Services +1.10%, Consumer Discretionary +1.09%.

EUROPEAN CLOSES: DAX: -0.78% at 20,429, FTSE 100: +0.59% at 7,960, CAC 40: -0.30% at 7,105, Euro Stoxx 50: -0.42% at 4,799, AEX: +0.04% at 820, IBEX 35: -0.43% at 12,287, FTSE MIB: -0.84% at 33,989, SMI: -0.28% at 11,228, PSI: +1.81% at 6,520

STOCK SPECIFICS:

- **JPMorgan (JPM):** EPS, revenue, & equities sales & trading rev. all surpassed exp.; FY NII view slightly tops expected.
- **Wells Fargo (WFC):** EPS & net beat, but revenue & NIM fell short. CFO said NII to be in the low end of 2025 range
- **BlackRock (BLK):** EPS topped & raised quarterly dividend.
- **Morgan Stanley (MS):** EPS, revenue, Equity sales & trading revenue all beat.
- **Logitech (LOGI):** Reaffirmed FY25 rev. outlook but withdrew FY26 outlook due to tariff-related uncertainty
- **Tesla (TSLA):** Suspended new orders for Model S & Model X on its Chinese website & WeChat mini prog.
- **US Defence Contracts:** Defence Secretary Hegseth ordered the cancellation of \$5.1bln in contracts, incl. consulting services from Cos. like **Accenture (ACN)**, **Booz Allen Hamilton (BAH)**, & **Deloitte**
- **Google (GOOG):** Laid off hundreds of employees from its platforms & devices unit
- **Verizon (VZ):** Upgraded to 'Outperform' from 'In Line' at Evercore ISI with a PT of USD 48 (prev. 44). The firm believes Verizon has executed well towards improvements on postpaid subscriber trends at Consumer, showcased continued momentum across Business wireless customers, and is consistently hitting its broadband subscriber targets.
- **General Motors (GM):** Reportedly plans shutdown of plant in Ingersoll, Canada, via CTV news.

FX

The Dollar was sold, with DXY hitting a low of 99.015 and dipping beneath 100.00 for the first time since July 2023, as it was slammed in the wake of China announcing another set of reciprocal tariffs, taking the total rate to 125% (from 84%) on US imports. As such, it once again fell victim to participants not wanting US assets, largely due to a lack of confidence, and so the Dollar plunged to the aforementioned troughs, before seeing a rebound through the US afternoon as sentiment somewhat improved. In the day, US PPI was much cooler than expected, but there was a dismal UoM Prelim for April report, whereby all the main metrics missed and inflation expectations surged, albeit with a political skew. There was a slew of Fed speak, where Williams lifted his u/e rate and inflation forecast, but cut his growth projections. However, sparking another bout of risk on trade were two reports out at a similar time; 1) FBN's Gasparino on X noting CEOs are speaking with the White House on the trade war, and one told FBN that Trump has an open door policy and is listening to their concerns on the tariff impact on the economy and markets. 2) Fed's Collins (2025 voter) told the FT that the Federal Reserve "would absolutely be prepared" to deploy its firepower to stabilise financial markets should conditions become disorderly. Over the weekend all attention will be on any further tariff updates, and what President Trump has to say.

G10 FX saw gains across the board vs. the Greenback, as it benefited from the broader Buck selling as opposed to anything too currency-specific. NZD was the 'outperformer', with the others seeing gains to varying degrees as the JPY 'underperformed'. In terms of newsflow, GBP saw modest upside after the stronger-than-expected UK growth data for February, however, it did prove fleeting given the data is stale in the context of just how much has happened in the last few weeks. For the Swissy, the SNB spokesperson declined to comment when questioned on the CHF's strength and if any steps are planned. In Europe, ECB President Lagarde was on the wires, and she noted they are monitoring and ready to use instruments it has to procure price stability if needed, and also that if she was aware of Fed intervention to support USTs she "would not tell us", and the ECB does not target any particular FX rate.

EMs broadly benefitted from the aforementioned Dollar weakness, but of course the main story was out of China which saw immediate risk off trade. However, later in the session, CNN's Atwood stated, "In private talks hour before China announced new retaliatory tariffs the Trump admin warned China against such a move & again told them to request a Xi-Trump call." Elsewhere, headline newsflow was light for EMs and was dominated by broader risk. For the record, Mexican industrial output was better than expected, while Brazilian inflation data was in line.

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