

### Stocks and bonds rise on more trade updates and dovish Waller

- **SNAPSHOT:** Equities up, Treasuries up, Crude flat, Dollar down.
- **REAR VIEW:** US exempts smartphones and electronics from additional China tariffs, but still face 20% fentanyl tariffs; Trump signals chip and drug tariffs are coming; Dovish Waller; GS earnings impress; NY Fed SCE sees short-term inflation expectations rise, but long-term ticks down; Poor LVMH report; EU Trade Commissioner Sefcovic says he is in Washington for talks; "Very positive and constructive" talks between US/Iran on Saturday
- **COMING UP: Data:** German Wholesale Price Index, UK Jobs, EZ Industrial Production, German ZEW, US Import/Export Prices, Canadian CPI **Events:** RBA Minutes; Fed Discount Rate Minutes **Speakers:** Fed's Bostic, ECB President Lagarde **Supply:** Japan, UK, Germany **Earnings:** Bank of America, Citi, Johnson & Johnson, PNC, UAL, Beiersdorf, B&M European, Wise, Rio Tinto, Sika.
- **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 JNJ, BAC, ASML, UNH, NFLX, TSM. [To download the full report, please click here.](#)

### MARKET WRAP

Risk sentiment was initially buoyed overnight and through Europe after the US announced that smartphones and electronics were exempt from China's additional tariffs, but Trump clarified they are still subject to the 20% tariff rate imposed on China due to the inflows of fentanyl to the US. Equity futures hit peaks around the opening bell, but a soft open saw the upside pare by the time Europe left for the day. Further on tariffs, we are still on the look out for any semiconductor related update, while Trump said today they will do tariffs on imported pharmaceuticals, they do not make their own drugs, and pharmaceutical tariffs in the not too distant future. The upside returned in the US afternoon, perhaps buoyed by dovish commentary from Fed's Governor Waller, which also gave a helping hand to T-Notes as they settled at highs. The Fed Governor noted that under the current tariff rate (effective tariff rate of 25%), he would support cutting rates sooner, and to a greater extent than previously thought. Elsewhere, the data highlight was the NY Fed SCE, which saw inflation expectations rise in the short-term, unchanged in the medium term, and fall in the long term. In FX, The Dollar was choppy, with DXY trading between 99.27-101.16, but heads to APAC trade sub-100. Cyclical currencies outperformed (ex-CAD) while JPY saw marginal gains. The CHF saw some notable weakness during trade but with little headline catalyst, and the moves have since pared. In commodities, crude ultimately settled flat but off earlier lows while gold was down, but silver was up. Attention this week remains on ongoing trade updates with EU's Sefcovic in Washington for trade talks. Elsewhere, US retail sales and US earnings will be in focus.

### US

**NY FED:** The March NY Fed Survey of Consumer Expectations saw the one-year inflation expectations rise, three-year remain unchanged, with the 5-year forecasts falling. The report also found that unemployment, job loss, and earnings growth expectations deteriorated, while household income growth expectations declined. Median one-year-ahead earnings growth expectations fell by 0.2% to 2.8% in March, equaling its 12-month trailing average. The mean probability that the US unemployment rate will be higher one year from now jumped 4.6% to 44.0%, the highest reading since April 2020. The survey found the mean perceived probability of losing one's job in the next year rose 1.6% to 15.7%, while the probability of finding a job if the current job was lost fell by 0.1% to 51.1%. Households were also more pessimistic about their year-ahead financial situations and access to credit. On the stock market, stock price expectations declined and reached the lowest level since June 2022.

**WALLER:** Governor Waller suggested that the new tariff policy represents one of the largest shocks to the US economy in decades. He believes that higher inflation from tariffs will be temporary, but policy is highly uncertain and calls on the Fed to remain flexible. He acknowledged how partial tariff suspension has widened the range of possible outcomes and made the timing less certain. He notes inflation expectations have not become unanchored, and expects inflation to return to a more moderate level in 2026. Waller said policy is meaningfully restricting economic activity (Powell and others have used the term modestly restrictive), and hopes underlying inflation will continue to moderate. Waller added that in Q1, the economy was growing modestly, the labour market was solid, but inflation was too high, and making slow progress. Waller also gave his PCE forecasts for March, Y/Y headline expected at 2.3%, with Core at 2.7%. The Fed Governor also laid out some economic projections under different tariff scenarios. Under a large tariff scenario, where a 25% average tariff rate stays for some time, inflation could peak near 5%, while the drag on output and employment could be longer-lasting, with unemployment climbing to 5%. Under this scenario, Waller would favour cutting the policy rate sooner than previously thought. However, under a scenario where tariffs drop down to 10%, inflation could peak at 3%, would see limited effects on economic activity and he would support a limited monetary policy response. Under a smaller-tariff scenario, the Fed could be more patient and rate cuts could take place in the latter half of the year. In wake of the speech, WSJ's Timiraoss highlighted Waller continuing to be more dovish than his colleagues.

## FIXED INCOME

### T-NOTE FUTURES (M5) SETTLED 1 POINT HALF A TICK HIGHER AT 110-24

T-Notes rally as US eases tariffs on smartphones while a dovish Waller sees T-Notes settle at highs . At settlement, 2s -10.5bps at 3.849%, 3s -12.9bps at 3.871%, 5s -14.1bps at 4.015%, 7s -14.1bps at 4.195%, 10s -11.3bps at 4.380%, 20s -8.1bps at 4.846%, 30s -6.9bps at 4.806%.

**INFLATION BREAKEVENS:** 5yr BEI -0.4bps at 2.322%, 10yr BEI +0.4bps at 2.237%, 30yr BEI +1.6bps at 2.199%.

**THE DAY:** T-Notes gapped lower at the open overnight but gradually pared the move throughout the Asia session. The highlights over the weekend came from the US exempting smartphones and electronics from the 125% tariffs on China, but US President Trump clarified that the items would still be subject to the 20% tariffs in relation to fentanyl. T-Notes saw a bid through Asia and European sessions in risk-on trade, with US equity futures rising. As has been the case in recent sessions, any optimism around trade progress has seen a "buy US" trade, as opposed to the traditional risk on which would see T-Notes sold, with both bonds and stocks firmer on the session, despite some post-open weakness in equities, which also coincided with T-Notes coming off highs at the time.

The data highlight was the NY Fed SCE, which saw short-term inflation expectations rise, medium-term unchanged, and long-term expectations fall. Meanwhile, Fed Governor Waller spoke, which gave T-Notes a push higher into settlement. The governor noted that policy is meaningfully restrictive (Powell has said before it is modestly restrictive), while he also said that if tariffs remain at the current effective rate of 25%, he believes they would only have a temporary impact on prices, economic growth is likely to slow to a crawl and significantly raise the unemployment rate. In this scenario Waller would expect to favour cutting the policy rate sooner, and to a greater extent than previously thought. However, under a scenario where the effective tariff rate falls to 10%, he would support a limited monetary policy response. He did stress the outlook is still highly uncertain and demands policymakers remain flexible. The remarks about policy being meaningfully restrictive, and his preference for lowering the policy rate sooner, and to a greater extent, saw T-notes rally to session peaks ahead of settlement of 110-25. Attention turns to US Retail Sales and Fed Chair Powell on Wednesday, and any potential trade updates from Trump and his team.

#### SUPPLY:

##### US Treasury sold:

- USD 80bln of 3-mth bills at 4.225%, covered 2.96x
- USD 71bln of 6-mth bills at 4.060%, covered 2.80x

##### US Treasury to sell:

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

#### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 5bps (prev. 6bps), June 23bps (prev. 23bps), July 41bps (prev. 40bps), Dec 87bps (prev. 78bps).
- NY Fed RRP op demand at USD 103bln (prev. 98.5bln) across 34 counterparties (prev. 25)
- SOFR at 4.33% (prev. 4.37%), volumes at USD 2.584tln (prev. 2.657tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 98bln).

## CRUDE

### WTI (K5) SETTLED USD 0.03 HIGHER AT 61.53/BBL; BRENT (M5) SETTLED USD 0.12 HIGHER AT 64.88/BBL

The crude complex was choppy, but ultimately settled the first trading session of the week flat . In the European morning, WTI and Brent saw strength on account of the broad-based risk on sentiment which was boosted by Trump tariff exemptions over the weekend on smartphones and electronics, but he later clarified there was no 'exception' and nobody is getting "off the hook". WTI and Brent rose to peaks of USD 62.68/bbl and 65.90, respectively, before selling off through the US afternoon as risk tone soured somewhat to hit troughs of 60.59 and 64.02. Headline newsflow was actually quite sparse for a change, as was energy-specific information, so once again trade was largely driven by the broader market as opposed to any specific crude headline driver. Despite saying that, OPEC MOMR (Mar) saw global oil demand growth forecasts for 2025 and 2026 both revised down by 100k BPD each to 1.3mln BPD apiece (prev. 1.4mln BPD), with the adjustment made due to "received data" for Q1 2025 coupled with US tariffs. On US/Iran, there were "very positive and constructive" talks between the sides on Saturday, while Trump today said that they have another meeting with Iran on Saturday, but they cannot have a nuclear weapon.

## EQUITIES

**CLOSES:** SPX +0.84% at 5,408, NDX +0.57% at 18,796, DJI +0.78% at 40,525, RUT +1.08% at 1,880.

**SECTORS:** Real Estate +2.15%, Utilities +1.75%, Consumer Staples +1.64%, Health +1.18%, Materials +1.09%, Industrials +1.04%, Financials +1.03%, Technology +0.63%, Communication Services +0.25%, Energy +0.25%, Consumer Discretionary -0.10%.

**EUROPEAN CLOSES:** DAX: +2.61% at 20,907, FTSE 100: +2.14% at 8,134, CAC 40: +2.37% at 7,273, Euro Stoxx 50: +2.28% at 4,896, AEX: +2.41% at 839, IBEX 35: +2.32% at 12,571, FTSE MIB: +2.88% at 35,007, SMI: +2.59% at 11,524, PSI: +0.95% at 6,583.

## STOCK SPECIFICS:

- **Goldman Sachs (GS):** EPS, revenue, equities sales & trading revenue topped expectations; Approved up to 40bln share buyback programme.
- **Apple (AAPL):** Counterpoint said Apple tops Q1 smartphone sales as it was helped by iPhone 16e launch & continued expansion in EMs; Also upgraded at KeyBanc.
- **Pfizer (PFE):** Abandoning weight-loss pill danuglipron; Of note for **Eli Lilly (LLY)**, **Viking Therapeutics (VKTXT)**, and **Novo Nordisk (NVO)**.
- **Palantir (PLTR):** NATO acquired an AI military system from Palantir, FT reports.
- **Comcast (CMCSA):** Downgraded to 'Underweight' from 'Equal Weight' at Wells Fargo. The firm said Comcast is being pulled into a convergence investment cycle with higher mobile costs to re-accelerate broadband; "Comcast is no longer defensive".
- **US equities:** Citi downgraded US equities to Neutral from Overweight
- **Intel (INTC):** Confirmed earlier reports of a strategic investment by Silver Lake in Altera and entered into a definitive agreement to sell 51% of its Altera business to Silver Lake with a unit value of USD 8.75bln.
- **Nvidia (NVDA):** To manufacture American-made AI supercomputers in US for first time; within next four years, plans to produce up to half a trillion dollars of AI infrastructure in US via partnerships with **TSMC (TSM)** and **Foxconn (FXCOF)**.
- **LVMH (LVMUY):** Revenue surprisingly declined alongside downbeat commentary; organic sales revenue breakdowns missed across the board.

## FX

**The Dollar** was choppy to start the week, but was ultimately lower with DXY back beneath 100.00 at the time of writing. The main updates came from another Trump tariff update over the weekend. Briefly recapping, sentiment was boosted after Trump announced exemptions on smartphones and electronics, but he since clarified there was no 'exception' and nobody is getting "off the hook", with electronics and smartphones subject to 20% fentanyl-related tariffs, instead of the additional 125% tariffs. Elsewhere, Fed's Waller (voter) provided some interesting comments whereby he gave a range of scenarios, on one he noted that under a large-tariff scenario with a significant economic slowdown, he would favour cutting the policy rate sooner and greater than previously thought. Ahead of PCE at the end of the month, Waller said March PCE 12-month inflation was likely was 2.3% and core PCE likely was 2.7%. NY Fed SCE (March) saw 1yr inflation expectations rise, but 3yr was unchanged, and long-term 5yr ticked lower.

**G10 FX** was largely firmer across the board, aside from EUR and CAD which underperformed and were flat. NZD, GBP, and AUD outperformed, and in that order vs. the Greenback. Once again, headline newsflow was light, but BoJ Governor Ueda spoke overnight and noted global and Japanese economic uncertainty has heightened sharply due to US tariff policy which is likely to put downward pressure on global and Japanese economies through various channels. Swissy saw notable weakness around 12-13:00BST, albeit with nothing behind the move as USD/CHF hit a high of 0.8268 against earlier lows of low of 0.8120. For the record, Swiss Sight Deposits (w/e Apr 11) of domestic banks at 438.374bln (prev. 433.371bln) and total 446.94bln (prev. 443.662bln). In Europe, Trade Commissioner Sefcovic stated he is in Washington for talks, seizing the 90-day window for a mutual solution to unjustified tariffs, but attention resides on ECB later this week. Cable touched 1.3200 on the nose at the high, while EUR/USD crossed 1.14. AUD/USD and NZD/USD sit around session peaks, while USD/JPY hovers around the 143 mark.

**EMFX** was mixed. COP, TRY, Yuan weakened, ZAR, BRL, MXN, and CLP firmed, while ARS slid over 11%. The Argentinian saw strong selling after the country undid large parts of its currency and capital controls at the end of last week, as part of sealing a USD 20bln loan programme with the IMF. There is a floating band in USD/ARS of 1,000 to 1,400 set by Argentine authorities Friday, and the Central Bank can intervene to keep the rate within the range. In Asia, Chinese trade data saw imports decline much more than expected, and exports rise with the trade balance surplus smashing St. consensus. In other news, and also impacting spot gold, the PBoC has allocated fresh gold import quotas for banks, according to Bloomberg; to meet increased demand from institutional and retail investors amid the escalating trade war.

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