

Stocks chop with Bonds and Dollar bid as US-EU trade talks lack progress ahead of Powell

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** EU expects US tariffs to remain as talks make little progress; China reportedly halts BA jet deliveries; Canada to provide temporary six-month relief from counter tariffs on imported US goods on certain products; US import prices unexpectedly fall, export prices unchanged; NY Fed mfg. improves more than anticipated, but 6-month outlook worsens; UK adds more jobs than expected, wages slightly cooler; Softer-than-expected Canadian inflation; IEA OMR cuts 2025 oil demand forecasts; Germany ZEW sentiment slumps; BAC & C top earnings expectations.
- **COMING UP:** **Data:** Chinese GDP, Retail Sales, UK CPI, US Retail Sales, NZ CPI. **Events:** BoC Policy Announcement. **Speakers:** Fed's Powell, Cook, Hammack, Logan & Schmid; BoC's Macklem & Rogers. **Supply:** Australia, Germany, US. **Earnings:** ASML, Heineken, US Bancorp, Abbott, Progressive, Travelers, Prologis, Alcoa, Moncler, Brunello Cucinelli, Lindt.

MARKET WRAP

US indices closed mixed and within contained ranges, amid limited trade updates on Tuesday, albeit still a couple of worthy updates. Recapping, the US implemented a review on pharmaceutical and semiconductor imports ahead of Trump's planned tariff announcements on the separate sectors, while reports suggested China has ordered a halt to Boeing jet deliveries. Canada provided a temporary six-month relief from counter-tariffs for goods imported from the US that are used in manufacturing, processing and food and beverage packaging, and the US announced most tomatoes imported from Mexico to face a 21% duty from July 14th. However, the EU reportedly expects US tariffs to remain as talks make little progress. There was no Fed speak ahead of Chair Powell on Wednesday, while US data was mixed. NY Fed Manufacturing headline was better than expected as were some of the internals, although prices paid rose back into expansionary territory and the 6-month economic outlook deteriorated. Import prices marginally unexpectedly declined, while exports were as expected, flat. Sectors see a downward bias, with Consumer Discretionary the laggard and Real Estate/Financials sitting atop the pile, with the latter buoyed by continued strong bank earnings (BAC & C). The Dollar Index snapped a 3-day losing streak, as Antipodeans outperformed, while CAD and CHF lagged, with the former weighed on by a cooler-than-expected inflation report ahead of the BoC rate decision on Wednesday. T-Note bid continues in wake of Treasury Official commentary on buybacks and SLR talks. The crude complex saw slight losses, albeit in choppy trade, as the focus centred around further trade retaliation from China, IEA OMR, and geopolitical updates. Ahead, participants await US retail sales, Fed Chair Powell speaking, and earnings on Wednesday, in addition to any further trade rhetoric.

US

TRADE: The US implemented a review of pharmaceutical and semiconductor imports ahead of Trump's planned tariff announcements on the separate sectors. Meanwhile, reports suggested China has ordered a halt to Boeing (BA) jet deliveries as the trade war expands. In later trade, the White House press secretary stated the ball is in China's court, they don't have to make a deal with them, and US President Trump is open to deal with China. Canada has provided a temporary six-month relief from counter-tariffs for goods imported from the US that are used in manufacturing, processing and food and beverage packaging. The US announced most tomatoes imported from Mexico to face a 21% duty from July 14th. India said it has signed terms of reference for a trade deal with the US. The EU, however, reportedly expects US tariffs to remain as talks make little progress, according to Bloomberg, with US officials indicating that most US tariffs on the EU will not be removed. Separately, White House press secretary Leavitt said over 15 trade deal proposals are actively being considered and they believe they can announce some very soon.

NY FED MANUFACTURING: NY Fed Manufacturing for April was better than feared, albeit still negative, as the headline rose to -8.1 from -20.0, against the expected -14.5. Within the release, new orders and employment improved to -8.8 (prev. -14.9) and -2.6 (prev. -4.1), respectively, while prices paid lifted back into expansionary territory at 50.8 from 44.9. Shipments rose, while inventories fell. Looking ahead, six-month business conditions index plunged to -7.4 from +12.7, which continues to highlight the obvious uncertainty consumer have regarding tariffs. Richard Deitz, Economic Research Advisor at the NY Fed, said "After declining sharply last month, business activity continued to contract modestly in New York State in April. Input and selling price increases picked up to the fastest pace in more than two years. Firms turned pessimistic about the outlook for the first time since 2022." Note, survey responses were collected between April 2nd-9th.

IMPORT/EXPORT PRICES: US import prices fell by 0.1% in March (prev. 0.4%, rev. 0.2%), slightly shy of the unchanged print analysts had forecasted. The move was led by a 2.3% decrease in import fuel prices (prev. 1.6%), its largest monthly drop since September 2024, as lower prices for petroleum and natural gas weighed. Export prices were unchanged M/M as expected (prev. 0.1%, rev. 0.5%). Lower prices for nonagricultural industrial supplies and materials and nonagricultural foods more than offset higher prices for capital goods, consumer goods, and automotive vehicles. Agricultural export prices were unchanged (prev. 0.6%); higher prices for soybeans offset lower prices for wheat and rice.

Fed's Bostic (2027 voter) said right now the range of possible outcomes has multiplied and boundaries of what he thought could be possible have been blown up. On inflation, Bostic said it is still much higher than the target, and still have a ways to go. Further, he noted that tariffs mean prices are likely to go up, so timing of reaching the inflation target is likely to be pushed out. The Atlanta Fed President added that the Fed are not in a position to boldly move in any direction. Bostic sees growth more than 1% this year. Bostic

echoed a familiar line that businesses and households are not confident in making big investments.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 10+ TICKS HIGHER AT 111-02+

T-Note bid continues in wake of Treasury Official commentary on buybacks and SLR talks. At settlement, 2s +0.3bps at 3.835%, 3s -1.3bps at 3.843%, 5s -2.6bps at 3.972%, 7s -3.8bps at 4.142%, 10s -3.1bps at 4.333%, 20s -1.5bps at 4.817%, 30s -1.5bps at 4.783%.

INFLATION BREAKEVENS: 5yr BEI -3.9bps at 2.278%, 10yr BEI -4.1bps at 2.195%, 30yr BEI -4.4bps at 2.152%

THE DAY: T-Notes chopped overnight and in the European morning but caught a bid in the US session to reclaim 111-00. In wake of the US data, T-Notes chopped after the NY Fed Manufacturing survey beat, but remained in contractionary territory while prices paid returned to expansionary territory. However, the six-month outlook deteriorated. Meanwhile, import prices were softer than expected - adding to the string of soft inflation prints for March. T-Notes then caught a bid, supported by the Deputy Treasury Secretary noting that conversations are occurring on the Supplementary Leverage Ratio, and they are investigating the extent that the SLR could be binding in times of stress. If the Treasury were to remove US Treasuries from the SLR, like it did during COVID, it would boost Treasury liquidity with banks being able to hold more Treasuries on their balance sheet - this would suit President Trump's push for lower yields too, and also help ease any liquidity concerns in the Treasury market following the recent sell-off. However, US Treasury Secretary Bessent spoke after-hours on Monday, where he said that the US is a long way away from needing contingency plans, but did state that all options are on the table if needed, including boosting Treasury buybacks.

SUPPLY:

US Treasury sold:

- USD 50bln in 1yr bills at high rate of 3.820%, B/C 2.94x.
- USD 73bln of 6wk bills at high rate of 4.245%, B/C 2.74x.

US Treasury to sell:

- USD 13bln of 20yr bonds on April 16th
- USD 25bln of 5yr TIPS on April 17th
- USD 60bln of 17wk bills on April 16th
- USD 85bln of 4wk bills on April 17th
- USD 75bln of 8wk bills on April 17th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 5bps (prev. 5bps), June 21bps (prev. 23bps), July 39bps (prev. 41bps), Dec 86bps (prev. 87bps).**
- NY Fed RRP op demand at USD 89bln (prev. 103bln) across 23 counterparties (prev. 34)
- SOFR at 4.33% (prev. 4.33%), volumes at USD 2.561tn (prev. 2.584tn).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 99bln (prev. 105bln).

CRUDE

WTI (K5) SETTLED USD 0.20 LOWER AT USD 61.33/BBL; BRENT (M5) SETTLED USD 0.21 LOWER AT USD 64.67/BBL

The crude complex saw slight losses, albeit in choppy trade, as focus centred around further trade retaliation from China, IEA OMR, and geopolitical updates. On the day, WTI and Brent edged to session highs of USD 62.06/bbl and 65.40, respectively, in the EU morning before reversing as China ordered a halt to Boeing (BA) jet deliveries as the trade war expands. Alongside this, the latest IEA OMR was released, where it cut 2025 oil demand forecasts amid tariffs and sees 2026 surplus; cuts 2025 forecast to 730k BPD from 1.03mln BPD. Note, comes after OPEC's MOMR lowered its 2025 and 2026 forecasts by 100k BPD each, partially blaming tariffs, while the EIA STEO also revised lower 2025 and 2026 world oil demand. Regarding geopolitics, the next round of Iran-US talks will be held in Muscat, Oman, on April 19th (Sat). Following this, Iran Supreme Leader Khamenei stated he is "very pessimistic" towards the other side regarding Iran-US talks in Oman. In addition, Sky News Arabia reported that Iran is expected to oppose a US plan to transfer its stockpile of highly enriched uranium to a third country such as Russia. Ahead, traders attention turns to private inventory figures after-hours whereby current expectations are (bbls): Crude +0.5mln, Distillate -1.2mln, Gasoline -1.6mln.

EQUITIES

CLOSES: SPX -0.17% at 5,397, NDX +0.18% at 18,830, DJI -0.38% at 40,369, RUT +0.11% at 1,883

SECTORS: Consumer Discretionary -0.80%, Health -0.69%, Consumer Staples -0.67%, Materials -0.63%, Communication Services -0.55%, Industrials -0.53%, Energy -0.13%, Utilities +0.05%, Financials +0.23%, Real Estate +0.23%, Technology +0.34%.

EUROPEAN CLOSES: DAX: +1.32% at 21,232, FTSE 100: +1.41% at 8,249, CAC 40: +0.86% at 7,335, Euro Stoxx 50: +1.08% at 4,965, AEX: +2.12% at 857, IBEX 35: +2.06% at 12,870, FTSE MIB: +2.39% at 35,844, SMI: +0.75% at 11,609, PSI: +1.87% at 6,706.

EARNINGS

- **Bank of America (BAC):** EPS, revenue, NII & deposits beat. CFO remains confident on NII outlook.

- **Johnson & Johnson (JNJ):** EPS & revenue topped; Boosted dividend ~5% with mixed FY guidance.
- **PNC Financial (PNC):** Profit beat but revenue missed & maintained outlook.
- **Citigroup (C):** EPS, revenue, and NII beat.

STOCK SPECIFICS

- **Boeing (BA):** China ordered a halt to BA jet deliveries as the trade war expands
- **ON Semiconductor (ON):** Withdrew its USD 35.10/shr all-cash acquisition proposal for Allegro MicroSystems (ALGM).
- **Netflix (NFLX):** Aims to reach a USD 1tn market cap & double revenue by 2030
- **AMD (AMD):** CEO said Co. ready to begin chip production at TSMC's Arizona plant & plans to expand its US AI server manufacturing.
- **Applied Materials (AMAT):** Acquired 9% of BE Semiconductor's shares via market transactions
- **Coty (COTY) and Dow (DOW):** Both double downgraded at BofA.
- US President Trump highlighted **Nvidia's (NVDA)** USD 500bln commitment to build AI supercomputers in the US exclusively, saying all necessary permits will be expedited and quickly delivered to the co.
- **Ericsson (ERIC):** 44% Y/Y rise in adj. operating earnings in Q1, significantly topping expectations.
- **OpenAI:** Reportedly working on its own X-like social network, via The Verge.
- **HB Fuller (FUL):** Raised quarterly dividend by 5.6% to USD 0.2350/shr.
- **KKR (KKR):** Said to be near a buyout deal for German IT firm Datagroup, according to Bloomberg.
- **Apple (AAPL):** Imported iPhones worth nearly USD 2bln from India to the US ahead of Trump tariffs, via Reuters citing customs data; **Foxconn (2317 TT)** sent the highest ever iPhones in a month, worth USD 1.3bln.

FX

The Dollar Index was firmer on Tuesday as an unwinding in some of the recent strength in the EUR, CHF, and CAD added support. Key developments on the day concerned trade, with the EU expecting US tariffs to remain as talks make little progress. The US has rejected the EU's proposal to remove all tariffs on industrial goods, instead suggesting that some tariffs could be offset by increasing investments and exports. Meanwhile, US-China relations worsened, with China ordering a halt to Boeing jet deliveries. Regarding US data, import prices unexpectedly cooled in March, export prices were flat, and NY Fed manufacturing (April) improved more than expected, although prices paid rose back into expansionary territory and the outlook worsened. Ahead, Wednesday is filled with key events. Remarks are due from Fed Chair Powell and 2026 voter Hammack, while retail sales and industrial production are also due.

G10FX performance was mixed against the USD. Antipodeans and GBP saw gains, while the remaining G10FX weakened, particularly Scandis. In Germany, ZEW economic sentiment worsened more than expected, marking its steepest drop since 2022 (Russia invaded Ukraine) and its lowest figure since July 2023. Elsewhere, Canada is to provide a six-month relief from counter-tariffs for goods imported from the US that are used in certain products. Nonetheless, softer-than-expected Canadian CPI (Mar) was the driving factor for USD/CAD, which rose to ~1.3970 into APAC trade. Next for the CAD, the Boc April meeting (Wed) will be closely watched, where analysts are leaning towards the BoC holding rates at 2.75%. [Click here for the Newsquawk BoC rate decision preview.](#)

Cable rose for its sixth consecutive day, now trading above the 1.32 handle and reaching an intra-day high of 1.3252. The day saw a mixed jobs report, with the UK economy adding more jobs than expected while wage growth was a touch softer than forecasted ahead of UK CPI on Wednesday. Capital Economics noted that the growing downside risks to inflation and activity from higher US tariffs may mean the BoE starts to become more worried about the downside risks to activity. "The risk is that interest rates are cut a bit faster than the fall from 4.50% now to 4.00% this year that we expect". Separately, AUD/USD saw a muted reaction to RBA Minutes from the April decision to maintain the Cash Rate 4.10%. The Minutes noted it's not yet possible to determine the timing of the next move in rates, and it is not appropriate at this stage for policy to react to potential risks

EMFX: Weakness was the general theme in the space amid the broad dollar strength. Outperformance was seen in the INR and MXN to a lesser extent. US-Mexico trade tensions increased, with the US Department of Commerce announcing its intent to institute an anti-dumping duty order on July 14th, resulting in duties of 20.91% on most imports of tomatoes from Mexico. For the Yuan, the aforementioned China halt to Boeing deliveries was the trade highlight. On CEE, ING notes that given the lack of conviction in the direction of the markets, they "prefer relative value within CE2 and maintain a stronger CZK view vs the rest of the CEE market.

PREVIEWS

POWELL: Fed Chair Powell is expected to speak on Wednesday on the economic outlook at the Economic Club of Chicago at 13:30EDT/18:30BST. Market participants will be focused on whether the Chair has any updated views on the tariffs given the vast changes since he last spoke on April 4th. Since then, Waller has been dovish and suggested he would favour cutting policy sooner and to a greater extent given the current tariff situation, whereas others have signalled caution about looking through the expected price increases from tariffs. Williams lifted his unemployment and inflation projections while lowering growth forecasts. Collins told the FT that the Fed "would absolutely be prepared" to deploy its firepower to stabilise financial markets should conditions become disorderly. It is likely Powell will continue to reiterate that Trump tariffs risk higher inflation and slower growth. Moreover, he is likely to echo his known position that the Fed is not in a hurry to cut rates and that the current policy stance is appropriate, and modestly restrictive, which was a slight alteration to his previous language of "clearly" restrictive. In terms of Fed pricing, there are 5bps of cuts priced in for May, 21bps for June, 38bps for July, and 85bps by year-end. [To see the full Newsquawk preview, please click here.](#)

BOC: Expectations for the BoC rate decision are split, but analysts are leaning towards the Central Bank leaving rates on hold at 2.75% - the centre of the neutral rate estimate. However, 11 out of 29 analysts surveyed expect the BoC to cut rates. There are valid arguments in either the hold or cut camp, with the BoC previously dropping forward guidance to take a meeting-by-meeting

approach. It would make sense for the BoC to hold rates at the neutral level while there is still a lot of uncertainty ahead due to trade tensions with the US, so it may be wise for the BoC to stand pat and wait to see how the economy is impacted. Meanwhile, although inflation is within the BoC's target range, it has been creeping up this year, but the latest March report provided some solace. On the flip side, however, the BoC could cut rates to get ahead of the curve with uncertainty ahead clearly hitting both consumer and business expectations as outlined in the Q1 '25 surveys, with recession fears rising while recent labour market reports have been weak. The BoC will also release an updated Monetary Policy Report, which will likely see forecasts adjusted to reflect recent tariff announcements from US President Trump, which could see upside to inflation forecasts while growth forecasts will likely be cut as recession fears mount. [To see the full Newsquawk preview, please click here.](#)

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