

Stocks fall and yields steepen as Trump ramps up pressure on Powell

- **SNAPSHOT:** Equities down, Treasuries steepen, Crude down, Dollar down.
- **REAR VIEW:** Trump continues to exert pressure on Fed Chair Powell; Trump had good meetings with Ukraine, Russia, and Iran; Goolsbee notes long-term inflation exp. are not rising; Solid NFLX earnings report; Huawei is readying mass shipments of its new AI chip in China.
- **COMING UP:** **Data:** Canadian Producer Prices, US Richmond Fed Index, EZ Consumer Confidence **Events:** ECB Survey of Professional Forecasters; ECB Survey of Monetary Analysts **Speakers:** ECB's Knot, de Guindos; Fed's Jefferson, Harker, Kashkari, Kugler, Barkin; BoE's Breeden **Supply:** Japan, Germany, US **Earnings:** SAP, Iberdrola, Tesla, Verizon, GE Aerospace, Lockheed Martin, Danaher, Elevance.
- **WEEK AHEAD:** Highlights include Global Flash PMIs, PBoC LPR, Tokyo CPI, UK Retail Sales. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC LPR; Reviewing Fed Chair Powell, ECB, BoC, BoK, RBA Minutes and CBRT. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Plethora of earnings as highlights include: VZ, TSLA, T, BA, IBM, PEP, MRK, PG, INTC, GOOGL. [Click here for the report.](#)

MARKET WRAP

Stocks tumbled on Monday while the Treasury curve steepened in response to further pressure from US President Trump on Fed Chair Powell to lower interest rates. It remains to be seen if the President can fire Powell, but NEC Director Hasset suggested Trump is studying ways on how to do this. The fears of killing Fed independence from the government sparked the risk off session, but the front-end of the curve saw yields fall as it started to price in potentially earlier rate cuts, but the longer end of the curve saw yields rise with fears of cutting rates too-early would boost inflation. The downside in equities was steep with indices lower by c. 2.4% across the board, with slight underperformance in the Nasdaq 100 with reports that Huawei is readying a new AI chip for mass shipments as China looks for alternatives to Nvidia (NVDA) hitting the chip sector. On China, Trump said the US is having nice conversations with China, while China's MOFCOM issued a statement, noting it is firmly opposed to any party striking a deal with the US at the expense of China, and if a situation arises, it will respond. Oil prices saw two-way trade with downside on the risk off environment with ongoing trade fears still weighing, while there were also hopes for progress between US and Iran, after Trump said he had a good meeting with Iran. He also suggested we could see a Ukraine/Russia deal this week. However, oil settled off lows with upside continuing post settlement, with Israeli press reporting the Air Force conducted drills simulating another Iranian missile attack in case talks between the US and Iran collapse. In FX, the Buck was sold to the benefit of G10 peers on the aforementioned Trump criticisms of Powell, with both havens and cyclicals performing well against the Dollar, but CAD was hampered by weaker oil prices. Gold continues to benefit from the uncertain environment under the new administration, with the yellow metal hitting fresh record highs. Note, with UK and EU players were away for Easter Monday, and as such volumes lower than usual. Attention this week turns to Global Flash PMI data, earnings and central bank speakers. On earnings, highlights this week include VZ, TSLA, T, BA, IBM, PEP, MRK, PG, INTC, GOOGL.

US

GOOLSBEE (2025 voter): The Chicago Fed President said that short-run inflation expectations are up, but long-term expectations are not rising. He noted the impact of tariffs on the macro economy could be modest, and in response to calls for a pre-emptive cut, Goolsbee said "we do not know what the impact on the supply chain will be". He reiterated his view that rates will be lower in 12-18 months, adding they need to wait it out and figure out what to do. He stressed it would be difficult if both sides of the Fed's mandates were to go wrong, it is also about the magnitude and how long it lasts. On Fed independence, he said it is important, and noted the Fed Chair is the most important person at the table, their opinion carries a lot of weight.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 11+ TICKS LOWER AT 110-26

Treasury curve steepens as Trump pushes Powell to lower rates and calls for his termination . At settlement, 2s -4.6bps at 3.750%, 3s -2.3bps at 3.772%, 5s +2.4bps at 3.959%, 7s +5.9bps at 4.177%, 10s +7.8bps at 4.405%, 20s +10.9bps at 4.945%, 30s +10.0bps at 4.909%.

INFLATION BREAKEVENS: 5yr BEI -3.2bps at 2.290%, 10yr BEI -1.4bps at 2.220%, 30yr BEI +2.2bps at 2.226%

THE DAY: T-Notes were choppy on Monday with UK and Europe away for Easter Monday. The curve saw notable steepening with 2yr yields falling, but long end yields rose, seeing the 2s10s spread rise back above 60bps. The driver of the price action in the Treasury curve was primarily further threats from US President Trump to fire Fed Chair Powell. The President continues to call for the termination of the Fed Chair, and calls on Powell to lower interest rates, meanwhile, NEC Director Hasset said that Trump is

studying ways to remove Powell. This saw front-end yields fall on the apparent risk of Trump firing Powell, and putting in a new Fed Chair who will look to lower rates. However, the longer end of the curve saw yields rise with fears that low interest rate policies will only boost inflation further, with short-term inflation expectations already high, interest rate cuts would only boost these expectations. However, it is worth noting that longer-term inflation expectations (which the Fed watches closely) remain anchored with 10yr breakeven inflation at 2.23%, while the 5-year 5-year forward measure is at 2.17%. There was a chunky 20k 2yr Treasury block trade which helped extend the buying in the front-end, with 2yr yields ultimately hitting a low of 3.72%, the lowest yield since April 9th - when Trump announced he was easing reciprocal tariffs. Elsewhere, attention turns to 2-, 5-, and 7-year supply this week, alongside the flash S&P Global PMIs.

SUPPLY:

- US sold USD 71bln of 6-mth bills at 4.050%, covered 2.93x; sold USD 79bln of 3-mth bills at 4.225%, covered 3.01x

US Treasury to sell:

- USD 69bln of 2-year notes on April 22nd, USD 70bln of 5-year notes on April 23rd and USD 44bln of 7-year notes on April 24th; all to settle April 30th
- USD 30bln 2-year floating rate notes on April 23, to settle on April 30.
- USD 70bln of 6-week bills on April 22nd.

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 4bps (prev. 3bps), June 20bps (prev. 18bps), July 44bps (prev. 38bps), Dec 97bps (prev. 87bps).
- NY Fed RRP op demand at USD 114bln (prev. 59bln on Thursday) across 38 counterparties (prev. 22).
- EFR at 4.33% (prev. 4.33%), volumes at USD 94bln (prev. 99bln).

CRUDE

WTI (M5) SETTLED USD 1.60 LOWER AT 62.41/BBL; BRENT (M5) SETTLED USD 1.70 LOWER AT 66.26/BBL

The crude complex started the week with losses, albeit in a day of thin liquidity given that UK and EU are still on Easter holiday. Nonetheless, WTI and Brent were lower and hit troughs of USD 61.76/bbl and 65.67, respectively, amid signs of progress in talks between the US and Iran, highlighted by the fact that US President Trump said he had a "good meeting" with Iran. Also aiding the weakness in the energy complex was due to continued economic concerns of what impact tariffs will have. Meanwhile, it was risk off trade with stocks tumbling and T-notes steepening in response to Trump's pressure on Powell to lower rates, and his call for Powell to be fired as Fed Chair. Overall, it was a very quiet day to start the week in terms of headline newsflow given some of the world was still out of office given the market closures, although the US was open as usual. Ahead, the weekly private inventory data is on Tuesday, as well as a slew of Fed speak.

EQUITIES

CLOSES: SPX -2.38% at 5,157, NDX -2.46% at 17,808, DJI -2.56% at 38,142, RUT -2.06% at 1,842.

SECTORS: Consumer Discretionary -2.86%, Technology -2.72%, Energy -2.53%, Utilities -2.39%, Industrials -2.26%, Communication Services -2.21%, Financials -2.15%, Health -2.13%, Real Estate -2.09%, Materials -1.62%, Consumer Staples -1.34%.

STOCK SPECIFICS:

- **Semiconductors, Nvidia (NVDA):** Huawei plans to begin mass shipments of its advanced AI 910c chip to Chinese customers next month.
- **Tesla (TSLA):** Delayed the production launch for an affordable car.
- **Netflix (NFLX):** EPS, revenue and Q2 guidance beat; to ~double ad revenue in 2025.
- **Amazon (AMZN):** Downgraded to 'Outperform' from 'Strong Buy' at Raymond James. In other news, over the weekend Wells Fargo heard from several industry sources that AWS has paused a portion of its leasing discussions on the colocation side, particularly international ones.
- **Discover Financial Services (DFS):** US banking regulators approve **Capital One Financial's (COF)** USD 35.3bln bid for DFS.
- **Boeing (BA):** Has begun flying the 737 MAX jets that were refused by Chinese airline customers back to the US.
- **Alphabet (GOOG):** Google faces trial on Monday, where US antitrust targets Chrome browser sale.
- **Ford (F):** Halted shipments of vehicles to China amid tariffs, WSJ reports.
- **Retailers:** US President Trump will reportedly meet with **Walmart (WMT), Target (TGT), Home Depot (HD) and Lowe's (LOW)** executives on Monday, according to sources via Bloomberg.

FX

The Dollar was lower as it was hit by broader risk-off sentiment, and appeal away from Dollar-denominated assets as there continues to be economic uncertainty around Trump's tariffs and the future of Fed Chair Powell. Tier 1 data was non-existent and newsflow was light on Monday as UK/Europe were still on the Easter break. Nonetheless, President Trump continued to ramp up his rhetoric for Fed Chair Powell to leave his position. Trump on Truth to called on Powell to lower interest rates, again, while NEC Director Hasset said that Trump is studying ways to remove Powell. Elsewhere, the US leading index for March declined more than anticipated, albeit not garnering any reaction, while newswire regular Goolsbee (2025 voter) said little new in an interview with

CNBC.

G10 FX was firmer across the board against the Greenback, and account of the Dollar selling, as opposed to any currency-specific headline. NZD, EUR, JPY, and CHF were the relative outperformers, while CAD, flat, was the laggard and potentially weighed on by the downbeat oil prices. Highlighting the moves, AUD/USD and NZD/USD moved back above 0.6400 and 0.6000, respectively, while EUR/USD topped out at 1.1573. In the UK, Cable peaked at 1.3422 in thinned conditions due to the holiday closure, while it was reported that UK Chancellor Reeves pledged not to raise wealth taxes in the Autumn Budget. In terms of the week ahead, global flash PMIs, Tokyo CPI, UK retail sales, and earnings are the schedule risk events, as well as central bank speakers.

The Yuan saw slight gains, and overnight, China's MOFCOM said China respects all parties to resolve their economic and trade differences with the US through consultations on an equal footing, while it believes all parties should stand on the side of fairness and justice on reciprocal tariffs. In addition, LPR's were left unchanged, as expected.

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