# US Market Wrap - 23rd April 2025

## Stocks rally on trade hopes and Trump having no plans to fire Powell

- **SNAPSHOT**: Equities up, Treasuries flatten, Crude down, Dollar up
- **REAR VIEW**: Trump says no intention of firing Fed chair; Reports note WH is considering China tariff cuts; Bessent says no unilateral offer from Trump to cut China tariffs, full deal may take 2-3 years; S&P US Flash PMI unveils mfg beat and services miss; US New Home Sales top expectations; Several OPEC+ members want the group to approve another accelerated oil output increase; Mixed reports on Kazakhstan cooperation with OPEC+; EIA crude stocks show surprise build; European services PMIs fall short, mfg beat, Strong US 5yr note auction; TSLA issues poor report, but Musk to spend less time on DOGE; Strong BA numbers.
- **COMING UP**: **Data:** German Ifo, US Durable Goods, Jobless Claims. **Events:** IMF/World Bank Spring Meeting **Speakers:** ECB's Lagarde, Lane, Fed's Kashkari, and BoE's Lombardelli. **Supply:** Japan, Italy, UK, US. **Earnings:** Alphabet, Intel, American Airlines, Freeport, Southwest Airlines, PepsiCo, Dow Chemical, Merck, PG&E, T-Mobile, Anglo American, Sanofi, STMicroelectronics, Renault, Roche, and Nestle.

## MARKET WRAP

Stocks had rallied overnight and accelerated to peaks in the US session on positive rhetoric regarding China and US trade. The WSJ reported that the White House is considering cutting China tariffs to de-escalate the trade war, with tariffs likely to be between 50-65%, but no final decision has been made. This report saw the E-Mini S&P 500 futures test 5,500 to the upside. However, the gains then pared with officials noting the WH is not considering something unilaterally, it would be part of negotiations, and that negotiations are yet to take place. Stocks closed well off the earlier peaks but remained firmly in the green. Also supporting the equity space was US President Trump overnight, saying he would not fire Fed Chair Powell, but he continued to call for lower rates. This saw the Treasury curve flatten, while T-notes were choppy in response to the WSJ trade report. T-notes initially chopped on the report but swiftly pared with a one-way trade lower thereafter into settlement, settling relatively unchanged (nearly a whole point off the highs). The downside was likely driven by details of the report being digested (50-65% tariffs are still very high), and as officials dialled down the softening tone on China. Crude prices were choppy but ultimately settled in the red with reports from Reuters that several OPEC+ members want the group to approve another accelerated oil output increase for June, hitting both WTI and Brent. In FX, the Dollar was bid against the Yen, Euro and Franc during the risk-on trade. Elsewhere, earnings were in focus with Tesla (TSLA) rallying despite a weak report, but as Musk signalled, he will be scaling back his DOGE work. Boeing (BA) rose after a stronger-than-expected report, while AT&T (T) were flat. Philip Morris (PM) also beat expectations. Data took the back seat with the focus largely on trade/Trump updates. Nonetheless, Flash PMI data in the US was mixed (services missed, manufacturing beat, but composite fell), while new home sales topped all analyst forecasts.

## US

**US FLASH PMI:** The S&P Global Flash PMIs for April saw Manufacturing top expectations at 50.7 (exp. 49.1, prev. 50.2), while Services missed at 51.4 (exp. 52.5, prev. 54.4), meaning the Composite fell to 51.2 from 53.5, which incidentally is a 16-month low. Business expectations about the year ahead also dropped to one of the lowest levels seen since the pandemic, while prices charged for goods and services rose at the sharpest rate for just over a year, with an especially steep increase reported for manufactured goods, linked to tariffs. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, said that the data points to a marked slowing of business activity growth at the start of Q2, accompanied by a slump in optimism about the outlook. As well as this, as price pressures intensified, it creates a headache for the Fed, which is coming under increasing pressure from the President and also to shore up a weakening economy just as inflation looks set to rise. Manufacturing is broadly stagnating as any beneficial effect of tariffs is offset by heightened economic uncertainty, supply chain concerns and falling exports. Lastly, confidence about business conditions is worsening due to the impact of the Trump administration announcements, while tariffs are also cited as the key cause of higher prices.

**NEW HOME SALES:** New Home Sales rose 7.4% in March to 724k (prev. 0.674k), above the 680k forecast and above the top end of analyst forecasts (700k). Despite the report being much stronger than expected, Oxford Economics "still see limited upside for sales in 2025 given our forecast for mortgage rates to remain elevated and the economy to weaken in response to the Trump administration's tariff policies.

**FED'S KUGLER** (voter) said tariff increases are significantly larger than previously expected, and the economic effects of tariffs and uncertainty are likely to be larger than anticipated. Kugler added that they are facing potential shocks now, much related to tariffs and uncertainty. Ahead, Kugler supports holding the policy rate steady as long as upside risks to inflation remain, while economic activity and employment remain stable. Kugler reiterated a familiar Fed line that the central bank policy is well-positioned for macroeconomic changes. Speaking on inflation expectations, something the Fed watches closely, she added that they are largely well-anchored and hopes they remain so.

FED BEIGE BOOK

- **Economic activity** was little changed since the previous report, but uncertainty around international trade policy was pervasive across reports. Just five Districts saw slight growth, three Districts noted activity was relatively unchanged, and the remaining four Districts reported slight to modest declines. Manufacturing was mixed, but two-thirds of Districts said activity was little changed or had declined. The energy sector experienced modest growth. Agricultural conditions were fairly stable across multiple Districts. The outlook in several Districts worsened considerably as economic uncertainty, particularly surrounding tariffs, rose.

- **Employment** was little changed to up slightly in most Districts, with one District reporting a modest increase, four reporting a slight increase, four reporting no change, and three reporting a slight decline. This is a slight deterioration from the previous report with a few more Districts reporting declines. Several Districts reported that firms were taking a wait-and-see approach to employment, pausing or slowing hiring until there is more clarity on economic conditions. In addition, there were scattered reports of firms preparing for layoffs. Most Districts and markets reported an improvement in overall labour availability, although there were some reports of constraints on labour supply resulting from shifting immigration policies in certain sectors and regions. Wages generally grew at a modest pace, as wage growth slowed from the previous report in multiple Districts.

- **Prices** increased across Districts, with six characterizing price growth as modest and six characterizing it as moderate, similar to the previous report. Most Districts noted that firms expected elevated input cost growth resulting from tariffs. Many firms have already received notices from suppliers that costs would be increasing. Firms reported adding tariff surcharges or shortening pricing horizons to account for uncertain trade policy. Most businesses expect to pass through additional costs to customers. However, there were reports about margin compression amid increased costs, as demand remained tepid in some sectors, especially for consumer-facing firms.

## FIXED INCOME

**T-NOTE FUTURES (M5) SETTLED 4+ TICKS LOWER AT 110-21**

**T-Notes flatten as Trump says he won't fire Powell.** At settlement, 2s +7.0bps at 3.859%, 3s +5.7bps at 3.870%, 5s +2.9bps at 4.007%, 7s +1.4bps at 4.191%, 10s -0.8bps at 4.381%, 20s -5.2bps at 4.858%, 30s -5.2bps at 4.827%

**INFLATION BREAKEVENS:** 5yr BEI +4.7bps at 2.402%, 10yr BEI +2.5bps at 2.295%, 30yr BEI +0.2bps at 2.251%.

**THE DAY:** It was a choppy day for T-notes, but the curve continued to flatten with US President Trump announcing he will not be firing Fed Chair Powell, but continued to call for lower rates. T-notes hit a peak of 111-18+ after WSJ reported the WH is considering cutting China tariffs to de-escalate the trade war. The move higher was short-lived, however, with T-notes swiftly paring. Although the report said tariffs will be lowered, it suggested it will likely be between 50-60%, which is still high but an improvement from the current 145% rate. That said, it continues to highlight the unpredictability and uncertainty around the current administration's proposals - this is what likely contributed to the paring of the upside, with T-notes ultimately going on to hit 110-24+, but holding above the overnight low of 110-18+. Other factors likely also weighed. The S&P Global PMI data was released at a similar time to the WSJ report, which beat on Manufacturing but missed on Services. The Composite fell but it was accompanied by hawkish commentary on prices. Meanwhile, both CNBC and Reuters reported shortly after the WSJ piece that a White House official said they are not considering something regarding China unilaterally, it would be a part of negotiations, and there is no evidence that the US is engaging in negotiations with China. Elsewhere, economic data was mixed, as mentioned above, Services PMI missed, manufacturing beat, seeing the composite decline. New Home Sales beat at 724k, above the 680k forecast and prior of 674k. Fed Governor Kugler continues to support holding the policy rate steady, noting how policy is well-positioned. On supply, the 5yr auction was solid, showing a 1bp stop-through, while the 2yr FRN was weak (more below).

**SUPPLY:**

- **Overall, a solid 5yr auction, stopping through by 1bps, but the breakdown was only marginally better than recent averages.** The Treasury sold USD 70bln of 5yr notes at a high yield of 3.995%, stopping through the WI by 1bps, an improvement from the prior 0.5bps tail and better than the six auction average of a 0.1bps tail. The bid-to-cover of 2.41x was in line with recent averages, but above the prior 2.33x. The breakdown saw an improvement in direct demand to 24.8% from 11.0%, above the 17.7% average, although indirect demand fell to 64% from 75.8%, beneath the 70.2% average. This left dealers with a slightly below-average take of 11.12% (prev. 13.2%, average 12.1%).
- Overall, a weak FRN auction. US Treasury sold USD 30bln of 2yr FRNs at a high discount margin of 0.16%, above the prior 0.11% and six auction average of 0.13%. The B/C of 2.69x was beneath both the prior 2.87x and average 2.90x. The breakdown saw direct demand little changed at 1.8%, with indirect demand plummeting to 48.6% from 64%, well beneath the 70.6% average. This left dealers with an above-average take of 49.6% (prev. 34.19%, average 28.1%). US Sold 60bln in 17wk bills at a high rate of 4.21%, B/C 2.92x.

**US Treasury to sell:**

- USD 44bln of 7-year notes on April 24th; all to settle April 30th
- USD 85bln of 4-wk bills and USD 75bln of 8-wk bills on April 24th; all to settle on April 29th.

**STIRS/OPERATIONS:**

- Market Implied Fed Rate Cut Pricing: May 2bps, June 16bps July 34bps, Dec 82bps
- NY Fed RRP op demand at USD 172bln (prev. 138bln) across counterparties 45 (prev. 42).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 99bln (prev. 96bln).
- SOFR at 4.30% (prev. 4.32%), volumes at USD 2.527tln (prev. 2.469tln).

## CRUDE

### WTI (M5) SETTLED USD 1.40 LOWER AT 62.27/BBL; BRENT (M5) SETTLED USD 1.32 LOWER AT USD 66.12/BBL

**The crude complex was lower and weighed on by Kazakhstan/OPEC headlines, while mixed messages on China trade resulted in choppy trade.** On the day, WTI and Brent gapped higher overnight amid the risk-on sentiment seen on Tuesday, before then trading more or less sideways until Reuters reported that the Kazakhstan Energy Minister said national interests take priority over OPEC+ interests when it comes to oil output levels. As such, benchmarks saw notable downside. A decent portion of the move was pared as the risk-on sentiment was accelerated as WSJ sources said that the White House was mulling cutting China tariffs to de-escalate the trade war. Thereafter, benchmarks saw another bout of weakness and extended lower on further Reuters source reports that several OPEC+ members want the group to approve another accelerated oil output increase for June at its meeting on May 5th. Another leg lower was seen after BBG reported that Treasury Secretary Bessent poured cold water over the WSJ piece, noting that no unilateral offer from Trump to cut China tariffs and that a full China trade deal may take 2-to-3 years. Prices attempted to recover once more after the Kazakhstan Energy Minister hit the wires again, noting the country is committed to constructive work with OPEC+ and it is fulfilling its obligations. However, crude ultimately settled well in the red on the OPEC production increase report. For the record, albeit garnering little move, in the weekly EIA data, crude saw a surprise build, against last night's larger draw than expected, while Gasoline and Distillates drew more than expected. WTI and Brent saw highs of USD 64.87 and 68.65/bbl, respectively, against later lows of 61.53 and 65.29/bbl.

## EQUITIES

**CLOSES**: SPX +1.67% at 5,376, NDX +2.28% at 18,693, DJI +1.07% at 39,607, RUT +1.53% at 1,919

**SECTORS:** Consumer Staples -0.42%, Energy -0.27%, Materials +0.02%, Real Estate +0.13%, Utilities +0.41%, Health +0.54%, Financials +1.18%, Industrials +1.25%, Communication Services +2.27%, Consumer Discretionary +2.76%, Technology +2.92%.

**EUROPEAN CLOSES**: DAX: +3.00 % at 21,932, FTSE 100: +0.90 % at 8,403, CAC 40: +2.13 % at 7,482, Euro Stoxx 50: +2.86 % at 5,103, AEX: +1.45 % at 870, IBEX 35: +1.52 % at 13,208, FTSE MIB: +1.42 % at 36,458, SMI: +1.38 % at 11,807, PSI: +0.10 % at 6,837.

### EARNINGS

- **Tesla (TSLA):** Poor earnings report, but CEO Musk said he would spend less time working for the US admin.
- **Boeing (BA):** Revenue beat with loss per shr. & negative FCF not as deep as expected; on track to increase 737 prod. to 38/mth cap over next few months
- **A&T (T):** Q1 major metrics exceeded expectations & reaffirmed FY25 financial & operating guidance.
- **Intel (INTC):** BBG reports that Co. is poised to announce plans this week to cut >20% of its staff.
- **GE Vernova (GEV):** Top & bottom line beat; Reaffirmed ’25 guidance but said it's well-positioned to navigate the current dynamic environment.
- **Boston Scientific (BSX):** EPS & revenue surpassed expectations.
- **Enphase Energy (ENPH):** EPS & revenue missed with disappointing Q2 revenue guide
- **Capital One Financial (COF):** EPS surpassed expectations.
- **Phillips Morris (PM):** Q1 EPS & rev. topped alongside lifting FY profit view.

### STOCK SPECIFICS

- **Bristol Myers Squibb (BMY):** Phase 3 ARISE trial results disappoint.
- **Apple (AAPL)** fined EUR 500mln by EU antitrust regulators for breaching landmark rules; Meta (META) fined EUR 200mln as its binary consent or pay advertising model in breach of EU rules.
- **American Express (AXP):** Upgraded to 'Neutral' from 'Sell' at Redburn Atlantic, noting its valuation now more appropriately matches the future returns profile of the business.
- **SolarEdge Technologies (SEDG):** Downgraded at Morgan Stanley citing worsening end market demand, potential negative impacts to earnings from tariffs, and the Cos. heightened exposure to potential changes to the IRA for the downgrade.
- US-listed China stocks (BABA, PDD, BIDU, KWEB, XPEV etc) gain after toned down comments on trade deals w/ China by Trump.
- DoJ probes **Disney (DIS)-Fubo (FUBO)** deal over competition concerns, according to Bloomberg.
- **TSMC's (TSM)** cutting-edge A14 chip tech to start production in 2028.
- **Google's (GOOG)** Chrome worth "upwards of USD 50bln", according to Bloomberg citing rival.

## FX

**The Dollar saw broad-based strength against major peers on both US President Trump quashing the idea he will fire Fed Chair Powell and noting the future tariffs on China will not be anywhere near 145%.** Concerning the latter, the day saw a couple of source reports that the White House is looking at cutting tariffs on Chinese imports, though a decision would not be made unilaterally (confirmed by US Treasury Secretary Bessent), and as Reuters reported that any steps would be in conjunction with China talks. That said, Bessent noted a full China trade deal may take 2-3 years. Ultimately, an imminent solution between the US and China looks unlikely, given that Bessent said both sides are waiting to speak to the other and are not talking yet. Additionally, Reuters reported that U.S.-China fentanyl talks are hanging by a thread amid the trade war. Regarding data, the upside extended on the Flash S&P Global PMI April report, which saw Mfg top expectations despite a slowdown in the Services component. April's Beige Book unveiled that hiring was generally slower for consumer-facing firms than for business-to-business firms and there were scattered reports of firms preparing for layoffs. As such, Initial Claims claims on Thursday will be watched alongside Fed's Kashkari, Durable Goods and Existing Home Sales.

**G10 FX** saw red across the board with Scandsi and Havens the worst performers on the day while AUD was flat. Moves in the space were largely a function of the USD strength on aforementioned drivers, but there were a few separate highlights. The UK, similar to European peers, saw Services PMI data in April fall short of expectations, amid its sharpest fall in new export orders since May 2020; an immediate downside in Cable was seen, with session lows of 1.3235 just shy of its 10 DMA of 1.3223. Meanwhile, the UK DMO cut its 2024/25 planned sales of long-dated Gilts (increased sales of short-dated Gilts) while the Chancellor said the UK will not rush trade talks with the US and will not relax food standards to secure a deal.

**In Europe,** the theme was beats on Mfg PMI and misses on both the Services and Composite components, with the EZ report noting the "Eurozone private sector saw output remain broadly stable in April". On the ECB, Nagel wouldn't exclude a German recession this year, while Knot said a US tariff of 25% on imports from Europe would lower Euro Area growth by about 0.3%, but the impact would be greater with retaliation. The USD strength saw EUR/USD move below its 10 DMA of 1.1359 ahead of APAC trad,e while EUR/GBP sits at ~ 0.8530. Concerning Japan, Besssent said US-Japan trade talks do not have specific currency targets and he expects Japan to honour G7 agreements on FX.

**EMFX:** The space was mostly in the red amid the USD strength, though outperformance was seen in the CNH and BRL. For the former, existing strength extended on the possible US reductions on China tariffs, but the move largely pared. Note, for CEE currencies, ING noted that they believe that both the story in Poland and the Czech Republic support their view of a lower PLN/CZK.