newsquawk

US Market Wrap - 24th April 2025

Stocks and bonds rise on trade optimism and dovish Fed speak

- **SNAPSHOT**: Equities up, Treasuries up, Crude up, Dollar down
- **REAR VIEW**: Trump said they are in direct talks with China, China denies this; US prepared to exempt some Chinese auto parts from tariffs; Fed's Waller prepared to look through tariff price hikes, Hammack opens up door to June rate cut; Mixed Durable Goods; Existing Home Sales beat; Jobless Claims inline; AMZN and NVDA say AI data centre demand is not slowing down; IBM fall post earnings, LRCX, TXN rise; KDP, PG, PEP fall; Pakistan/India tensions rise; Weak 7yr auction.
- **COMING UP**: **Data**: Japanese Tokyo CPI, UK Retail Sales **Speakers**: SNB's Schlegel & Steiner, BoE's Greene, ECB's Nagel, Rehn, Cipollone **Earnings**: Safran, SLB, AbbVie, Phillips 66, Centene

MARKET WRAP

Stocks continued to move higher on Thursday, supported by trade optimism after commentary from US President Trump overnight hinted at talks with China. However, China denied such talks were occurring but Trump still said that there was a meeting with China this morning. The risk tone was also supported by reports in ABC News that the administration is considering exceptions for some Chinese auto parts. Elsewhere, reports suggested talks are going well with India, and Treasury Secretary Bessent said things are moving quicker than thought with South Korea. On Japan, Nikkei reported that Japan is considering buying more US soybeans as part of a trade deal to help the US offset the loss of exports to China. However, Bloomberg reported Japan is to resist Trump's efforts to form a trade bloc against China. On geopolitics, Trump continues to push for peace with Russia and Ukraine, but a Russian strike overnight has left Trump "not happy". On Iran, Trump said that talks are going very well, although Axios reported that the Iranian Foreign Minister told White House envoy Witkoff that it might not be possible to reach a final nuclear accord on Trump's proposed timetable. Stocks and bonds saw one-way trade higher, with the upside in T-Notes also supported by dovish Fed commentary from both Waller and Hammack; Waller continued to say he is willing to look through price hikes from tariffs, while Hammack opened the door to a June rate cut. Data was mixed, Headline durable goods skyrocketed, but it was all due to strong aircraft orders. Ex-aircraft durable goods disappointed. Existing home sales beat expectations while jobless claims were in line with expectations. In FX, Antipodeans outperformed while the Dollar lagged as risk-on trade supported the cyclical currencies, while China trade hopes gave a helping hand to the Antipodes, given their exposure to China. Crude prices were choppy but ultimately settled green thanks to the encouraging risk sentiment. On earnings, IBM sold off as it reported it lost 15 government contracts amid DOGE cuts, although the latest quarter was a strong one. LRCX and TXN both rallied post earnings, while airlines also saw a bid, despite both LUV and AAL withdrawing guidance. Staple names disappointed, with PEP, KDP and PG taking a hit post-earnings.

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FED'S HAMMACK (2026 Voter): Cleveland Fed President Hammack highlighted how uncertainty is really weighing on business and their planning, and she does not yet know what uncertainty and trade policy will do to the economy. Therefore, it is too soon to consider a rate move in May, as the Fed needs to be patient, stressing it is too soon to change rates. However, she noted the Fed could move in June if the data is clear about the state of the economy. She noted she is seeing good things in hard data, but softer data is an issue. She said when it is clear where the economy is going the Fed will act, but the US economy is currently very resilient. Hammack also noted how if it is needed, the Fed will move quickly. Hammack also spoke separately on the balance sheet, saying she supported the recent slowdown of the balance sheet while noting there are costs for keeping the balance sheet too large. She also sees possible cases for return to Fed repos, depending on market conditions, and she supports work to strengthen the standing repo facility. Hammack also noted that there has to be a high bar for the Fed to step in to aid markets.

FED'S WALLER (Voter): Fed Governor Waller said the general tone is that many companies are frozen by tariff uncertainty. Further on tariffs, the influential Waller, albeit dovish, said it is unlikely by July that there will be a clear view of the impact of tariffs, but H2 will bring clarity on the impact. In addition, Waller said the demand slowdown [from tariffs] would offset some inflation impact. On the inflationary footing, he stated it will take courage to stare down tariff price increases and see them as transitory. Lastly, Waller said data focus brings a risk of being late on policy action, and rate cuts could come from rising unemployment.

EXISTING HOME SALES: Existing Home Sales fell more than expected in March, declining 5.9% to 4.02mln (exp. 4.13mln) from February's 4.27mln. The median existing-home sales price climbed 2.7% Y/Y to USD 403,700, with all four US regions experiencing price increases. The inventory of unsold existing homes rose 8.1% to 1.33mln, the equivalent of 4.0 months supply at the current monthly sales pace. NAR Chief Economist said, "Home buying and selling remained sluggish in March due to the affordability challenges associated with high mortgage rates". On the report, Oxford Economics noted that the rise in supply is typical at the start of the spring home-selling season and expects "sales to remain sluggish throughout the remainder of 2025, with elevated mortgage rates and broader economic weakness weighing on activity".

INITIAL JOBLESS CLAIMS: Initial Jobless Claims (w/e 19th April) increased by 6k to 222k in line with analysts' expectations, while Continued Claims (w/e 12th April), which coincide with the NFP survey window, unexpectedly fell beneath the expected 1.875mln to 1.841mln (prev. 1.878mln). Note, that seasonal factors had expected a weekly decrease of 7.6% in the advance number of actual initial claims under state programs (actual was -5.1%). Initial claims filed by former Federal government employees rose by only 87 to 629, with the continued claims aspect at 7,025 in the week ending April 5, a decrease of 167 from the previous week. Oxford Economics notes the claims report is now "consistent with a labor market that is stable enough to allow the Federal Reserve to keep policy on hold while it monitors the path of inflation as tariffs kick in. The consultancy expects "claims by federal workers to pick up further as federal layoffs accelerate" and maintains the view of ~ 200k federal job losses in 2025, including 75k who accepted the administration's designated resignation offer.

DURABLE GOODS: Durable Goods surged in March, rising by 9.2% on the headline, well above the 2.0% forecast. Durables, ex-Defense, rose 10.4%, well above the 0.2% forecast and 0.8% prior. However, the upside was primarily led by aircraft orders, as when excluding the volatile aircraft component, the numbers were soft. Durable Goods ex-aircraft saw no growth, vs expectations for a 0.3% gain. Nondefense Capital goods, excluding aircraft, rose by 0.1%, below the 0.2% forecast. Pantheon Macroeconomics highlights the surge in headline orders was almost entirely due to a 190% leap in the volatile aircraft orders, likely driven in part by worries about tariffs. The consultancy also notes that Core capital goods shipments (the direct input into the business equipment numbers in the national accounts) rose by 0.3% in March, which suggests a slight decline in real terms in Q1 overall. Looking ahead, Pantheon notes that "Far weaker capital goods orders and equipment investment surely lie ahead, however, over the next few quarters. The rush of pre-tariff activity probably now will unwind sharply, policy uncertainty is so intense that many new investment projects will be paused or shelved, and capital goods exports to China will nosedive."

FIXED INCOME

T-NOTE FUTURES (M5) SETTLE 18 TICKS HIGHER AT 111-07

T-Notes catch a bid across the curve, supported by dovish Fed comments . At settlement, 2s -7.0bps at 3.791%, 3s -8.2bps at 3.793%, 5s -8.6bps at 3.931%, 7s -8.4bps at 4.114%, 10s -7.6bps at 4.311%, 20s -7.4bps at 4.791%, 30s -6.3bps at 4.769%.

INFLATION BREAKEVENS: 5yr BEI +1.8bps at 2.426%, 10yr BEI +0.2bps at 2.303%, 30yr BEI -0.8bps at 2.248%.

THE DAY: T-Notes ground higher overnight, through Europe and the US sessions. T-Notes rose from a low overnight of 110-20 to a peak of 111-07. Treasuries trended higher overnight alongside optimistic trade commentary and reports. The FT reported that is to exempt car makers from US tariffs, but separately, Trump noted that over the next two or three weeks, they will set the tariff for China and that there is daily direct contact between the US and China. However, China later denied that talks were occurring between the US and China. There was some chop around the US data in Treasuries, with a well-above forecast durable goods report seeing brief pressure, but when excluding aircraft orders, the data was softer than expected. Fed's Hammack (2026 voter) spoke just after the data and said that it is too early to consider a move at the May FOMC, but she did open the door to a cut in June, which saw T-Notes push higher again. Elsewhere on Fed Speak, Governor Waller continued to suggest he is willing to look through price increases, noting it will take courage to see tariff price increases as transitory. He also warned that data focus brings a risk of being late on policy action, adding that rate cuts could come from rising unemployment. T-Notes saw little reaction to the weak 7-year note auction (more below).

SUPPLY:

- Overall, a weak 7yr auction. US Treasury sold USD 44bln of 7yr notes at a high yield of 4.123%, a lower yield than the prior 4.233%, which tailed the when issued by 0.2bps, an improvement from March's 7yr offering, but very weak in comparison to the six auction average of a stop through of 1.1bps. The Bid-to-Cover was relatively unchanged M/M at 2.55x but below the six-auction average of 2.67x. The breakdown of demand was weak, direct demand saw a slight dip from the prior month but remained above the six-auction average, while indirect demand fell to 59.3% from 61.2%, below the 69.7% average. This left dealers with 15.3% of the auction, above the prior 12.7% and the average of 9.7%.
- US Treasury sold USD 75bln of 8wk bills at high rate of 4.225%, B/C 3.01x; Sold USD 85bln in 4wk bills at high rate 4.220%, B/C 2.90x

US Treasury to sell:

- USD 68bln 26-wk bills and USD 76bln 13-wk bills on April 28th
- USD 70bln 6-wk bills on April 29th

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 2bps (prev. 2bps), June 17bps (prev. 16bps), July 36bps (prev. 34bps), Dec 87bps (prev. 82bps)
- NY Fed RRP op demand at USD 130bln (prev. 172bln) across 33 counterparties (prev. 45).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 107bln (prev. 99bln).
- SOFR at 4.28% (prev. 4.30%), volumes at USD 2.475tln (prev. 2.527tln).

CRUDE

WTI (M5) SETTLES USD 0.52 HIGHER AT 62.79/BBL; BRENT (M5) SETTLES USD 0.43 HIGHER AT 66.55/BBL

The crude complex was choppy on Thursday but ultimately saw slight gains as it was buoyed by risk-on sentiment in a day of heavy headline newsflow. Overall, benchmarks retraced some of Wednesday's losses, which were due to reports of OPEC+ production hikes and after Kazakhstan said it cannot lower oil output and prioritises domestic interest over the cartel's. Back to Thursday, Russia/Ukraine tensions continue to rise with no sign of a deal, as Russia struck Kyiv overnight using a barrage of missiles and drones - Ukraine later reported it was a North Korean missile fired by Russia. US President Trump spoke on the topic and said he was not happy with the strike, but they are getting very close to a deal. Elsewhere in geopols, tensions are rising between India and Pakistan following the recent terrorist attack in Kashmir which has driven a wedge between the two nations. WTI and Brent saw peaks of USD 63.31/bbl and 67.02/bbl, respectively, and troughs of 61.99 and 65.80/bbl, with the trough hit in the wake of an Axios sources piece. It noted that Iran had proposed an interim deal, although within the article it suggested it might not be possible to reach a final nuclear accord on President Trump's proposed timetable, seeing crude prices swiftly pare.

EQUITIES

- **CLOSES**: SPX +2.03% at 5,485, NDX +2.79% at 19,214, DJI +1.23% at 40,093, RUT +2.00% at 1,958.
- **SECTORS**: Technology +3.49%, Communication Services +2.30%, Consumer Discretionary +2.24%, Industrials +2.22%, Materials +2.03%, Energy +1.45%, Health +1.25%, Financials +1.12%, Real Estate +0.26%, Utilities +0.17%, Consumer Staples -0.96%
- **EUROPEAN CLOSES**: Euro Stoxx 50 +0.38% at 5,118, DAX +0.49% at 22,069, CAC 40 +0.27% at 7,503, FTSE 100 +0.05% at 8,407, SMI +1.09% at 11,937, FTSE MIB +0.96% at 36,809, IBEX 35 -0.22% at 13,180, PSI +0.61% at 6,878, AEX +0.27% at 872.

STOCK SPECIFICS:

- **Texas Instruments (TXN)**: EPS & rev. beat; Strong next quarter guidance.
- **Lam Research (LRCX)**: Top & bottom line beat with stellar next quarter outlook.
- **IBM (IBM)**: Initially surged on strong earnings, but saw weakness as it lost 15 government contracts.
- **Southwest Airlines (LUV)**: Not reiterating FY25 or ’26 EBIT guides
- **Hasbro (HAS)**: Strong Q1 metrics
- **Bristol Myers Squibb (BMY)**: EPS & rev. topped; Strong FY outlook
- **Comcast (CMCSA)**: EPS & revenue beat, but domestic broadband customer additions fell more than expected.
- **Procter & Gamble (PG)**: Q3 revenue and FY25 core EPS disappointed.
- **Mobileye Global (MBLY)**: EPS marginally beat & revenue topped; reaffirmed FY outlook.
- **Union Pacific (UNP)**: Q1 major metrics missed; affirmed FY25 guide.
- US President Trump posted on Truth "**Boeing** should default China for not taking the beautifully finished planes that China committed to purchase."
- **Amazon (AMZN) and Nvidia (NVDA)** said AI data centre demand is not slowing down, via CNBC.
- Authentic Brands Group is reportedly weighing a rival bid for **Guess? (GES)**, according to Bloomberg.

US FX WRAP

The Dollar was weaker amid the broad risk-on sentiment, as seen by the notable gains in US indices, continuing on the strength seen for the most part this week. On the Fed footing, dove Waller and Hammack spoke, with the latter noting the Fed "could move in June if data is clear about economy's state". In the wake of that, we saw a slight dovish move, with money markets seeing a 75% chance of a June 25bps cut, vs. 60% pre-comment. On data, jobless claims continued to hover around the 220k mark, and Durables Goods surged way past expectations, but the upside was primarily led by aircraft orders, as when excluding the volatile aircraft component, the numbers were soft. Following the data, the updated Atlanta Fed GDPnow model sees Q1 GDP at -2.5% from -2.2%, and gold adjusted at -0.4% from -0.1%. On the trade footing, the key highlight, which sparked brief risk on, was ABC News reporting that the Trump admin is reportedly weighing exceptions for some Chinese auto parts. Meanwhile, US President Trump overnight said "it depends" on how soon China tariffs can come down, noting over the next two or three weeks, they will set the tariff for China, adding there is daily direct contact between the US and China. However, China denied that talks between the US and China on trade are taking place. Looking to Friday, there is just final UoM and it is the last potential day of Fed speak ahead of the blackout before the FOMC meeting on the 7th May.

G10 FX was exclusively firmer vs. the Buck and benefitted from a bout of Dollar selling, as opposed to much currency-specific news. Antipodeans outperformed and were supported by the aforementioned risk tone, with AUD/USD and NZD/USD hitting peaks of 0.6408 and 0.5996, respectively, both supported by China optimism given the Antipodean exposure to China. For both EUR and GBP, there was a deluge of central bank speakers, while German Ifo was better than expected across the board. For the Pound watchers, The Times reported that BlackRock CEO Fink is buying up ‘undervalued’ UK assets, and he is more confident about the investment prospects for the UK than this time last year. EUR/USD sits just beneath 1.14, while Cable resides at session highs around 1.3340. Looking to Friday, UK retail sales are the highlight.

As mentioned, the **JPY** saw strength. On the trade front, Japanese Economic Minister Akazawa plans to visit the US for tariff talks from April 30th, while it was also reported that the US told Japan it cannot give special treatment regarding tariffs during talks held earlier this month. The Nikkei however did report Japan is considering buying more US soybeans as part of a tariff deal. USD/JPY delved as low as 142.29 but was still some way clear of yesterday's trough at 141.49.

EMFX held upside bias, while Yuan and TRY were flat, and ZAR was the notable laggard. In Asia, the key story surrounds India and Pakistan tensions. The former has reportedly cancelled the ceasefire with Pakistan with immediate effect, according to journalist Siddhant Anand, citing sources. Meanwhile, South Africa’s finance minister has scrapped a controversial VAT increase in a big concession to his party’s main governing partner, after a fierce battle threatened to bring down the country’s grand coalition. In data, South African and Mexican inflation metrics were hotter than expected.