

Stocks grind higher with bonds bid on soft US data ahead of a event-filled Wednesday

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Trump expected to announce auto tariff relief; Lutnick says one trade deal is reached with a country, FBN's Gasparino citing Wall St. noise says India or South Korea; JOLTS falls underneath bottom end of expectations; US Consumer Confidence deteriorates; US Adv Goods Trade Balance deficit widens; AtlantaFed GDPnow (Q1) revised lower; Canada's Liberals win election; Putin said to demand control of four Ukraine regions at US talks; AMZN rejects reports that its to label tariff price hikes; WFC announces USD 40bln share buyback; GM believes the future impact of tariffs could be significant.
- **COMING UP:** **Data:** Japanese Retail Sales, Chinese NBS PMI, Australian CPI, Chinese Caixin Manufacturing PMI (Final), French GDP, German Import Prices, Retail Sales, Unemployment Rate, GDP, CPI, Italian GDP, CPI, EU GDP, US ADP, GDP, PCE (Q1 & for March), ECI. **Events:** BoC Minutes. **Speakers:** BoE's Lombardelli. **Supply:** UK, Germany, US. **Earnings:** Microsoft, Meta, Robinhood, Qualcomm, Albemarle, eBay, Humana, Caterpillar, International Paper, GE Healthcare, and Hess.

MARKET WRAP

US indices ended the day in the green, and grinded higher for large parts of the US session as both Treasury Secretary Bessent and Commerce Secretary Lutnick spoke, albeit indices saw a bout of pressure on the former, but strength on the latter. The appearances come ahead of President Trump speaking this evening in Michigan where he is expected to announce auto tariff relief. On trade deals, Lutnick said one trade deal is reached with a country he does not name, whereby FBN's Gasparino later suggested, citing word on Wall St, it is either India or South Korea. Elsewhere, regarding US data, JOLTS printed below the bottom end of analyst estimates, while consumer confidence also disappointed and tumbled beneath expectations with responses detailing tariff concerns. The advanced goods trade balance widened in March, despite expectations for a slight pull back. In wake of the data, the Atlanta Fed GDPNow model was updated for the last time before the official Q1 report to be released on Wednesday. It now tracks growth at -2.7% but -1.5% on a gold adjusted basis, vs the consensus for the Q1 print of +0.3%. Sectors were almost exclusively in the green, aside from Energy, which was weighed on by weakness in the crude complex. There was a deluge of earnings, with highlights including UPS, SPOT, RCL, KO, PYPL (more details below). The Dollar Index was firmer against all G10 peers, while CAD, flat, was the relative outperformer. T-Notes rose across the curve after the aforementioned job openings declined, consumer confidence fell, and trade deficit rose, increasing growth concerns. Ahead, the week is littered with scheduled risk events with PCE, GDP, NFP, ISM Mfg. on the data docket and earnings from the likes of META, AAPL, MSFT, AMZN. Also, US President Trump is due to speak at Michigan later today and confirm the auto tariff relief measures.

US

JOLTS: The March JOLTS saw Job Openings fall to 7.192mln from 7.568mln, beneath the analyst consensus of 7.48mln. Meanwhile, the number of hires was little changed at 5.4mln, and was little changed in all industries. The quits rate rose to 2.1% from 2.0%, while the vacancy rate eased to 4.3% from 4.5%. Oxford Economics highlight the report showed some cooling of labour market conditions, but it is not enough to bring forward Fed rate cut expectations as the Fed will be monitoring the tariff impact on inflation. Oxford Economics continue to expect the first Fed rate cut to occur in December, which is more hawkish when compared to market pricing that has the first 25bps rate cut fully priced by July, with a 72% probability of a 25bps rate cut in June.

US ADVANCE GOODS TRADE BALANCE: The US goods trade deficit reached a record size in March at USD 162bln, up from February's 148bln, despite expectations for this to dial back to USD 145bln. Analysts have warned that the surge in the deficit will likely put pressure on the Q1 GDP numbers. In wake of the data, the Atlanta Fed GDPNow model was updated for the last time before the official Q1 report to be released on Wednesday. It now tracks growth at -2.7% but -1.5% on a gold-adjusted basis, vs the consensus for the Q1 print of 0.3%. The widening trade deficit in goods saw imports surge by USD 16.3bln to USD 342.7bln, primarily driven by consumer goods and capital goods, while exports only rose by USD 2.2bln, to USD 180.8bln. Within the report, Wholesale inventories rose by 0.5%, matching the last month's print, which was revised up from 0.3%. Retail inventories (ex-auto) rose by 0.4%, above the 0.1% prior. Pantheon Macroeconomics summarises that "The picture for Q1 overall remains that President Trump's tariff threats set off a rush to buy goods now rather than face higher prices later, prompting a startling surge in imports that has left previous blowouts in the trade deficit looking trivial."

CONSUMER CONFIDENCE: Consumer confidence fell to 86.0 from 92.9 and beneath the expected 87.5. The Present Situation Index decreased 0.9 points to 133.5, while Expectations Index tumbled 12.5 points to 54.4, the lowest level since October 2011. The headline fall was broad-based across all age groups, most income groups, and across all political affiliations. Within the report, average 12-month inflation expectations reached 7% in April, the highest since November 2022. The report adds that write-in responses on what topics are affecting views of the economy revealed that tariffs are now on top of consumers' minds, with mentions of tariffs reaching an all-time high. Additionally, present situation consumers' assessments of current business conditions were more positive in April, but consumers' views of the labour market weakened. Expectations six months hence consumers' outlook for business conditions fell further, and consumers' outlook for the labour market outlook also worsened. Overall, consumer confidence declined for a fifth consecutive month, falling to levels not seen since the onset of the COVID pandemic, Stephanie Guichard, Senior Economist at The Conference Board stated. Adding, "The decline was largely driven by consumers' expectations."

The three expectation components, business conditions, employment prospects, and future income, all deteriorated sharply, reflecting pervasive pessimism about the future." Furthermore, Guichard noted, "expectations about future income prospects turned clearly negative for the first time in five years, suggesting that concerns about the economy have now spread to consumers worrying about their own personal situations. However, consumers' views of the present have held up, containing the overall decline in the Index."

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 8 TICKS HIGHER AT 112-05

T-Notes rise across the curve after job openings decline, consumer confidence falls, and trade deficits rise, increasing growth concerns. At settlement, 2s -2.9bps at 3.656%, 3s -3.1bps at 3.646%, 5s -4.3bps at 3.771%, 7s -4.5bps at 3.964%, 10s -4.6bps at 4.170%, 20s -5.3bps at 4.659%, 30s -4.9bps at 4.644%.

INFLATION BREAKEVENS: 5yr BEI -3.5bps at 2.350%, 10yr BEI -2.5bps at 2.228%, 30yr BEI -1.6bps at 2.179%.

THE DAY: T-Notes meandered overnight but saw marginal selling pressure ahead of Treasury Secretary Bessent's press briefing at the White House. Participants were looking out for an update on an easing of auto tariffs, following reports in WSJ overnight, but Bessent gave little details. Meanwhile, the White House Press Secretary said Amazon's labelling of tariff-related cost increases on products is a hostile act, which hit the stock in the pre-market and weighed on broader US equity indices. Note, Amazon spokesperson later said that the reported decision to label tariff price hikes was never under consideration for the main Amazon website. The downbeat risk sentiment gave a helping hand to T-Notes, rising to just shy of 112-00 from the pre-interview lows of 111-21+. T-Notes later went on to rise above 112-00 with peaks of 112-07+ seen in wake of the latest JOLTS and Consumer Confidence data. The JOLTS data was soft, with job openings falling to 7.192mln from 7.48mln (revised down from 7.568mln) and beneath the 7.48mln consensus, and even beneath the lowest estimate of 7.288mln. Consumer Confidence fell to 86.0 from 93.9, beneath the 87.5 forecast. Elsewhere, US trade data saw the advanced goods trade deficit widen to a record USD 162bln from USD 148bln, which raised growth fears ahead of Wednesday's GDP data. The Atlanta Fed GDPNow model now tracks Q1 growth at -2.7%, or -1.5% on a gold-adjusted basis, vs the analyst consensus for growth of +0.3%. Attention on Wednesday turns to the GDP and PCE data, while Quarterly Refunding will also be released (primer below). On Thursday, ISM Manufacturing PMI will be eyed ahead of Friday's NFP report.

QRA PREVIEW: For the quarterly refunding, the guidance in the Q1 refunding was left unchanged to show the "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters." Any change to this guidance would be key. HSBC expects the Treasury to keep auction sizes unchanged for notes, bonds and FRNs, and to reiterate its view that the current issuance sizes are sufficient to fund near-term borrowing needs. The desk also expects the Treasury to continue its incremental adjustment of TIPS auction sizes, expecting minor increases of USD 1bln each for the 5yr reopening and new 10yr issuance. For the full primer, please click here.

SUPPLY:

- US Treasury sold USD 70bln of 6-wk bills at 4.23%, covered 3.14x
- US Treasury to sell USD 85bln of 4wk bills and USD 75bln of 8wk bills on 1st May, and USD 60bln of 17wk bills on April 30th; all to settle May 6th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 3bps (prev. 3bps), June 17bps (prev. 17bps), July 39bps (prev. 38bps), Dec 97bps (prev. 93bps).**
- NY Fed RRP op demand at USD 158bln (prev. 149bln) across 37 counterparties (prev. 38)
- EFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 112bln).
- SOFR at 4.36% (prev. 4.33%), volumes at USD 2.567tln (prev. 2.565tln).

CRUDE

WTI (M5) SETTLED USD 1.63 LOWER AT 60.42/BBL; BRENT (N5) SETTLED USD 1.51 LOWER AT 63.28/BBL

The crude complex was under pressure throughout Tuesday's session, albeit in a lack of energy-specific newsflow. WTI and Brent saw recent lows of USD 60.23/bbl and 63.09, respectively, against earlier highs of 62.07 and 64.81. In light headline trade, the main updates came in the geopolitical space, whereby BBG reported that Russian President Putin is to demand control of four Ukrainian regions at US talks. Separately, US Treasury targets network in Iran and China for role in procuring missile propellant ingredients for Iran. Whilst Tuesday was pretty quiet, the scheduled risk events really ramp up from Wednesday, with PCE, GDP, NFP, ISM Mfg. and earnings from the likes of META, AAPL, MSFT, AMZN all this week as well. In after-hours, the weekly private inventory data is due, whereby current expectations are (bbls): Crude +0.5mln, Distillate -1.7mln, Gasoline -1.2mln.

EQUITIES

CLOSES: SPX +0.58% at 5,561, NDX +0.61% at 19,545, DJI +0.75% at 40,528, RUT +0.56% at 1,977

SECTORS: Energy -0.37%, Technology +0.46%, Health +0.49%, Communication Services +0.50%, Consumer Discretionary +0.59%, Industrials +0.64%, Utilities +0.71%, Real Estate +0.74%, Consumer Staples +0.77%, Materials +0.92%, Financials +0.97%.

EUROPEAN CLOSES: DAX: +0.80 % at 22,450, FTSE 100: +0.55 % at 8,463, CAC 40: -0.24 % at 7,556, Euro Stoxx 50: -0.15 % at 5,163, AEX: +0.23 % at 875, IBEX 35: -0.67 % at 13,366, FTSE MIB: +1.09 % at 37,875, SMI: +0.22 % at 12,057, PSI: +1.37 % at 6,967.

EARNINGS

- **NXP Semiconductors (NXPI):** Solid Q1 metrics, but CEO Sievers informed the Board of his intention to retire at end '25.
- **United Parcel Service (UPS):** Top & bottom line surpassed expectations.
- **Honeywell International (HON):** EPS & revenue topped; raised FY profit guidance.
- **Spotify (SPOT):** EPS, revenue, and MAUs all missed with light next quarter revenue outlook.
- **Royal Caribbean Cruises (RCL):** Profit topped alongside strong next quarter & FY EPS guidance.
- **General Motors (GM):** Q1 major metrics beat, but withdrew guidance & paused \$4bln of share buybacks amid potential tariff impacts.
- **Pfizer (PFE):** Bottom line beat & reaffirmed 2025 guidance.
- **Coca-Cola (KO):** Mixed results.
- **PayPal (PYPL):** Beat on profit while revenue missed & maintained FY guidance due to uncertainty in the global macro environment.
- **Corning (GLW):** Solid Q1 report.
- **Sysco (SYY):** EPS & revenue missed with downbeat commentary.

STOCK SPECIFICS

- **Hims & Hers Health (HIMS), Novo Nordisk (NVO):** Announced a bundled offering of Wegovy on Hims and Hers.
- **Amazon (AMZN):** Responded to White House Press Secretary Leavitt comment that the **Amazon (AMZN)** announcement was hostile (reports surfaced that Amazon would post the new price of products on its website, which shows the increased cost due to Trump tariffs). That said, an Amazon spokesperson said the reported decision to label tariff price hikes was never under consideration for the main Amazon website; Amazon Haul has considered listing import price duties on certain products, according to WaPo. Later, White House Deputy Chief Miller said they'll take Amazon's response at face value.
- **Wells Fargo (WFC):** Announced a dividend of USD 0.40/shr to be paid from June 1st and a USD 40bln buyback programme.
- **Google (GOOGL)** launches AI tools for practicing languages through personalized lessons, via TechCrunch

FX

The Dollar Index clawed back some of the losses seen on Monday, seeing gains against all G10 peers. The day saw both soft and hard data, with the former showing US Consumer Confidence deteriorating for a fifth consecutive month in April, largely driven by consumers' expectations. Meanwhile, hard data saw job openings fall to a six-month low, with the largest decrease stemming from transportation, warehousing, and utilities. Following the widening of the Advance Goods Trade Balance, the Atlanta Fed issued their final estimate for Q1 GDP, now forecasting a 2.7% contraction in GDP growth (prev. -2.4%); "adjusted gold" model now sees a 1.5% decline (prev. -0.4%). Separately, trade commentary came from US Treasury Secretary Bessent and Commerce Secretary Lutnick. Bessent said they will speak to at least 17 partners in the next few weeks, and said he has learned to ignore the survey data, a look at the actual data, which "has been quite good". On Lutnick, he said little new, but that one trade deal has been reached with a country, and is waiting for their approval before announcing; a country, that is likely to be India or South Korea, said FBN's Gasparino, citing the word on Wall Street. Ahead, hard data is to remain a key focus on Wednesday, with ADP, GDP Advance, Core PCE, and earnings from MSFT and META all due. Tonight, US President Trump is expected to sign three orders on auto manufacturing, via BBG.

G10 FX was entirely lower as USD strength pervaded the space with US headlines dominating the newswires. Aside from the US, the main highlight was out of Canada, where the Liberal party won the election, albeit the question over whether the ruling party will achieve an overall majority remains to be seen as the count continues. As such, the smaller-than-expected win by the Liberal party has weighed on the CAD's initial strength on the outcome, with lower crude prices in the background limiting a bounce. USD/CAD sits near its 10 DMA (1.3845) ahead of Canadian GDP (Feb) and BoC Minutes (Apr) on Wednesday. As a reminder, the BoC in April held rates at 2.75%, after seven consecutive rate cuts, willing to support economic growth while ensuring that inflation remains well-controlled.

In Europe, EZ sentiment declined in the Services, Economic, and Industrial components in April, while Spanish inflation was hotter than expected on the Y/Y and M/M core prints. At the ECB, Stournaras said the ECB should be cautious on further rate cuts, with rates likely to go down to 2% this year. As it stands, ~ 80% chance of a 25bps rate cut is priced by money markets for the ECB's meeting in June. Into the close, EUR/USD is at ~ 1.1380 ahead of EZ GDP Flash (Q1), and German employment/CPI data. Overnight, Australian CPI (Q1) is expected to accelerate on a quarterly basis.

EMFX: In CEE, the NBH held rates as expected, with the base rate at 6.5% for the seventh consecutive meeting. The central bank said maintaining tightening conditions is warranted and that the risks to the path of inflation projections have risen. Meanwhile, CNB Governor Michel said they will remain hawkish and will now allow another period of zero interest rates. At pixel time, EUR/HUF and EUR/CZK are unchanged.

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