

# newsquawk

## US Market Wrap - 30th April 2025

### Markets chop to soft US data

- **SNAPSHOT:** Equities mixed, Treasuries steepen, Crude down, Dollar up
- **REAR VIEW:** US GDP contracts in Q1, Core PCE Prices above expected; Mixed March PCE report; ADP sinks below expectations; US Q1 Employment Costs as expected; Atlanta Fed GDPnow (Q2) 2.4%; Saudi officials say the Kingdom can sustain a prolonged period of low oil prices; Surprise draw in weekly crude stocks; GDP out of Europe either beat or was in line; Germany's April Prelim CPI report tops expectations; Chicago PMI falls more than expected; Chinese NBS Mfg. PMI shows deeper contractionary print than anticipated; Hotter-than-expected Australian Q1 CPI; MSFT to increase data centre capacity by 40% in Europe; Dismal S&P 500 prelim earnings
- **COMING UP:** **Data:** Australian Import/Export Prices, US Challenger Layoffs, Jobless Claims, ISM Manufacturing. **Events:** BoJ Rate Decision. **Speakers:** BoJ Governor Ueda. **Earnings:** Amazon, Apple, Riot Platforms, Reddit, Airbnb, Eli Lilly, Roblox, CVS, MasterCard, McDonald's.

### MARKET WRAP

Markets chopped to the slew of data releases with contracting US GDP initially hitting equities and bonds, but the move faded to see T-notes settle flat while stocks closed green (ex-Russell). The GDP report was soft and accompanied by rising Core PCE Prices, boosting stagflationary concerns. T-notes tumbled in response, particularly the long-end but Treasuries recovered those losses by settlement. Equity futures also tumbled on the report but pared throughout the session, with buying accelerating into the US cash close on month-end flows. Meanwhile, the ADP employment report was woeful ahead of NFP on Friday, Chicago PMI disappointed ahead of the ISM Manufacturing PMI on Thursday, and the March PCE was mixed overall but with upward revisions. The slew of soft data adds to the weak data seen earlier in the week (falling consumer confidence, falling JOLTS and rising trade deficits), ahead of ISM Manufacturing PMI on Thursday and NFP on Friday. In FX, the CAD outperformed on trade talk hopes between Carney and Trump, while the AUD was buoyed by hotter-than-expected Q1 inflation in Australia. USD was bid on month end after seeing sharp losses in April, while the Pound, Euro and Yen underperformed on the Dollar strength; eyes turn to the BoJ overnight. Crude prices were lower, primarily on reports via Reuters that Saudi Arabia has been telling allies and contacts that the Kingdom can withstand prolonged periods of lower oil prices. On trade, China press reported the US has reached out to China for trade talks, which briefly lifted equities, weighed on bonds and supported crude, but the move was short-lived and ultimately did little to change the overall direction of trade. Elsewhere, earnings are in focus with META, MSFT and QCOM due after-hours, with AAPL and AMZN due on Thursday. *Note, both META and MSFT had strong reports and rallied in after-hours trade, giving a further boost to US equity futures.*

### US DATA

**GDP (Q1):** The advance GDP print for Q1 saw growth contract by 0.3%, a touch beneath the Bloomberg consensus of -0.2%, although not as sharp as the Atlanta Fed gold adjusted model that was looking for a decline of 1.5%. The decline in growth in Q1 was primarily due to an increase in imports (a subtraction in the GDP calculation) and a decrease in government spending. These were partially offset by increases in investment, consumer spending, and exports. Consumer spending rose 1.8%, slowing from the prior 4.0%. Meanwhile, the Core PCE Prices rose 3.5% y/y, above the 3.3% consensus and 2.6% prior. Overall, slowing growth and rising prices raise stagflationary fears. That said, this data does not yet fully incorporate the impact of tariffs. Albeit, some tariff impact can be seen given that the primary driver for the decline in growth was the surge in imports as firms looked to front-run the US tariffs implemented on April 2nd. Nonetheless, ING suggests the stagflation narrative is likely to continue to dominate the economic debate, putting the Fed in a sticky situation.

**PCE (Mar):** US PCE, the Fed's preferred gauge of inflation, was mixed in March. Highlighting this, headline M/M printed 0.0%, as expected, from the prior +0.4%, while Y/Y rose 2.3% (prev. 2.7%), slightly above the consensus of 2.2%. Core PCE M/M also came in at 0.0%, albeit shy of the expected 0.1% and prior 0.5%, with Y/Y accelerating at a pace of 2.6% (exp. 2.6%, prev. 3.0%). Note, all priors were revised up. For the record, the Y/Y metrics were in line with what Fed Chair Powell said on April 16th. Adj. consumption and personal income both came in above Wall St. consensus at 0.7% (exp. 0.5%, prev. 0.5%) and 0.5% (exp. 0.4%, prev. 0.7%), respectively, with real consumption jumping 0.7% from 0.1%. Overall, the data is closely watched given the importance the Fed puts on it but March was likely too early for the full impact of tariffs to be incorporated into the PCE data as of yet, as broader reciprocal tariffs did not come into effect until April. Overall, it is unlikely that this PCE reading will have any impact on the Fed's overall policy calculation, and Chair Powell is likely to maintain his wait-and-see approach, and that the Fed is well-positioned to wait for greater clarity before considering altering its policy stance.

**ECI (Q1):** Q1 US employment costs were unchanged at +0.9%, and in line with the expected, while Y/Y was +3.6%, down from a Y/Y gain of 3.8% in Q4 of 2024. Wages printed 0.8% Q/Q (prev. 1.0%) and 3.5% Y/Y, the slowest annual gain since Q2 2021. Wages and salaries for private sector workers were up 3.4% Y/Y, while wages and salaries for state and local government workers were up 4.1% Y/Y. On the headline, Oxford Economics notes that the relatively tame reading is more noteworthy since residual seasonality tends to lend an upward bias in the first quarter of the year. In addition, the consultancy adds that the latest ECI metrics, which they considered to be one of the better measures of wage growth, confirms that after surging following the pandemic, wage growth is well aligned with the Fed's inflation target of 2%. Overall, OxEco adds the good news is that wage growth is now well aligned with the Fed's inflation target and not a source of inflationary pressures. The not-so-good news is that inflation will rise this year due to

tariffs, and as a result, expect the Fed to delay any rate cuts until late this year.

**ADP (April):** ADP national employment plunged to 62k in April from 147k in March (exp. 115k), printing outside the bottom end of the forecast range, and ahead of the monthly payrolls report on Friday. In terms of median change in annual pay, job stayers ticked marginally lower to 4.5% (prev. 4.6%), while job-changers rose to 6.9% from 6.7% in March. ADP Chief Economist Nella Richardson said, "Unease is the word of the day. Employers are trying to reconcile policy and consumer uncertainty with a run of mostly positive economic data. It can be difficult to make hiring decisions in such an environment".

**PENDING HOME SALES (Mar):** Pending home sales for March rose 6.1%, much above the forecasted rise of 1.0%, and the prior 2.1%. The Northeast experienced M/M losses in transactions, while the Midwest, South, and West saw gains, which were most substantial in the South. According to NAR Chief Economist Lawrence Yun, "Home buyers are acutely sensitive to even minor fluctuations in mortgage rates. While contract signings are not a guarantee of eventual closings, the solid rise in pending home sales implies a sizable build-up of potential home buyers, fuelled by ongoing job growth". Nonetheless, Pantheon Macroeconomics suggests that a meaningful further recovery seems ruled out by the still very elevated level of mortgage rates. PM notes any boost to housing demand from here from lower long-term rates is likely to come at the expense of a hit to demand from slower economic activity and a weaker labour market.

## FIXED INCOME

### T-NOTE FUTURES (M5) SETTLED TICKS 2 TICKS HIGHER AT 112-07

**T-notes steepen as soft US data spreads ahead of IJC, ISM Mfg. PMI and NFP.** At settlement, 2s -4.9bps at 3.609%, 3s -4.6bps at 3.602%, 5s -3.3bps at 3.740%, 7s -2.2bps at 3.947%, 10s -0.4bps at 4.170%, 20s +2.6bps at 4.691%, 30s +3.1bps at 4.679%.

**INFLATION BREAKEVENS:** 5yr BEI +1.1bps at 2.360% 10yr BEI +0.6bps at 2.232% 30yr BEI +1.9bps at 2.195%

**THE DAY:** T-notes meandered overnight and through European trade with peaks seen in the wake of a dismal ADP report of 112-13, ahead of NFP on Friday. However, the main mover was the GDP report. GDP printed -0.3% in Q1, beneath the 0.2% Bloomberg consensus, while Core PCE rose by 3.5%, above the 3.3% forecast, raising stagflationary fears. This led to selling in bonds, particularly on the long end, while equities were also slammed in response to the hot PCE numbers. However, bond markets started to adjust and focused on the slowing growth angle, with markets now fully pricing in 100bps (four x 25bps) rate cuts, which saw the curve steepen, seeing front-end yields lower and longer-end yields rise. T-notes fell to a low of 111-26+ in the wake of the GDP data but ultimately pared back above 112-00. There was plenty of other data to digest too; Employment Costs rose by 0.9%, in line with the expected and prior, while the Chicago PMI fell beneath analyst expectations. Meanwhile, the March PCE report was mixed vs expectations but saw revisions higher on the priors. It is worth noting that data this week has been soft - falling JOLTS, rising trade deficits, soft consumer confidence, weak ADP, contracting GDP, and soft Chicago PMI. Attention turns to the ISM Manufacturing PMI on Thursday and the NFP report on Friday. Elsewhere, there was little reaction to quarterly refunding (more below).

**QRA:** The Quarterly Refunding Announcement was largely as expected, the Treasury left nominal coupon and FRN auction sizes unchanged as expected, and it also maintained its guidance that "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters." It also continues to believe it would be prudent to continue with incremental increases to TIPS auction sizes in order to maintain a stable share of TIPS as a percentage of total marketable debt outstanding. Therefore, over May-July, it plans to maintain 10yr TIPS reopening auction size at USD 18bln, increase June 5yr TIPS by USD 1bln to USD 23bln, and increase the 10yr TIPS new issue by USD 1bln to USD 21bln. On bills, the Treasury noted until the debt limit is suspended or increased, debt-limit-related constraints will lead to greater-than-normal variability in benchmark bill issuance and significant usage of CMBs. Regarding buybacks, the Treasury is evaluating potential enhancements to its buyback program to better achieve its liquidity support and cash management goals. The Treasury will evaluate a broad range of possible enhancements, such as changes to maximum purchase amounts, buyback operation scheduling and frequency, security eligibility, maturity bucket composition, execution process, and counterparty eligibility. The Treasury anticipates that over the coming quarter, it will purchase up to USD 30bln (prev. 30bln) in off-the-run securities across buckets for liquidity support and up to USD 20bln in the 1-month to 2-year bucket for cash management purposes (prev. USD 59.5bln).

### SUPPLY:

- US Treasury sold USD 60bln of 17-wk bills at high rate 4.190%, covered 3.08x
- US Treasury to sell USD 85bln of 4wk bills and USD 75bln of 8wk bills on 1st May; all to settle May 6th
- US Treasury to sell USD 58bln of 3yr notes on May 5th, USD 42bln of 10yr notes on May 6th, USD 25bln of 30yr bonds on May 8th; as expected.

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing:** May 2bps (prev. 3bps), June 17bps (prev. 17bps), July 41bps (prev. 39bps), Dec 102bps (prev. 97bps)
- NY Fed RRP op demand at USD 251bln (prev. 158bln) across 54 counterparties (prev. 37)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 104bln (prev. 105bln).
- SOFR at 4.36% (prev. 4.36%), volumes at USD 2.623tln (prev. 2.567tln).

## CRUDE

### WTI (M5) SETTLED USD 2.21 LOWER AT 58.21/BBL; BRENT (N5) SETTLED USD 2.22 LOWER AT 61.06/BBL

The crude complex was initially pressured due to risk sentiment, but later plunged on reports that Saudi Arabia can withstand prolonged periods of low oil prices. WTI and Brent fell to initial troughs of USD 59.20/bbl and 62.00/bbl, respectively, around the US cash equity open before rebounding off these levels as risk appetite improved in the US. Risk appetite was initially subdued in the

wake of some tier 1 US data, which resulted in renewed stagflation fears as there was soft GDP and hot PCE in Q1. In addition, ADP, ahead of payrolls on Friday, also underwhelmed. Moreover, benchmarks cratered and hit fresh lows of USD 57.91/bbl and 60.76/bbl after Reuters sources reported that Saudi officials have briefed allies and industry experts that the Kingdom can sustain a prolonged period of low oil prices. In the geopolitical space, Bloomberg reported that Ukraine is ready to sign US resources deal as early as Wednesday. Thereafter, Reuters sources leaked a Ukraine-US Minerals Deal Draft which suggested 50% of revenue from royalties, production sharing agreement on new natural resources permits and licenses will go into the fund. If the US provides military assistance ahead, the cost will count as a contribution. Note, the deal does not cover Ukraine's energy or port infrastructure. However, the US said it is ready to sign the deal, but Ukraine has made last-minute changes. In Asia, overnight Pakistan's Information Minister said they have credible evidence that India is planning "military aggression" against Pakistan within 24-36 hours. Lastly, and in the weekly EIA data, crude stocks saw an unexpected draw, against Tuesday's larger-than-anticipated build. Meanwhile, Gasoline drew more than forecasted, in fitting with Tuesday's metrics, but Distillates saw a surprise build. Overall, crude production was more or less unchanged.

## EQUITIES

**CLOSES:** SPX +0.15% at 5,569, NDX +0.13% at 19,571, DJI +0.35% at 40,669, RUT -0.63% at 1,964

**SECTORS:** Energy -2.61%, Consumer Discretionary -1.11%, Utilities -0.48%, Communication Services -0.26%, Financials +0.21%, Technology +0.42%, Real Estate +0.50%, Materials +0.51%, Consumer Staples +0.71%, Industrials +0.74%, Health +0.89%.

**EUROPEAN CLOSES:** DAX: +0.16 % at 22,461, FTSE 100: +0.37 % at 8,495, CAC 40: +0.50 % at 7,594, Euro Stoxx 50: -0.09 % at 5,157, AEX: +0.36 % at 878, IBEX 35: -0.97 % at 13,238, FTSE MIB: -0.71 % at 37,605, SMI: +0.30 % at 12,106, PSI: +0.36 % at 6,992.

### STOCK SPECIFICS:

- **Super Micro Computer (SMCI):** Dismal Q3 prelim results; said during Q3 some delayed customer platform decisions moved sales into Q4.
- **Snap (SNAP):** Omitted Q2 guidance due to uncertain macro conditions.
- **Starbucks (SBUX):** EPS light with comp. sales weak as global, US & NA all declined more than expected.
- **Caterpillar (CAT):** Machine, energy & transportation retail sales rose 3% & maintained guidance in the alternative scenario that includes tariff impact.
- **Western Digital Corp (WDC):** Top & bottom line beat with stellar next quarter guidance.
- **Microsoft (MSFT):** To increase data centre capacity by 40% over the next two years in Europe.
- **GE HealthCare (GEHC):** EPS & revenue beat; authorised USD 1bln buyback programme.
- **Norwegian Cruise Line Holdings (NCLH):** EPS & revenue marginally light as was FY profit view.
- **First Solar (FSLR):** Profit missed with dismal FY guidance.
- **Nvidia (NVDA):** CEO Huang said "China is not behind" in AI; is certain the Co. can manufacture chips onshore with the resources of the US, according an interview on CNBC; Trump should revise rules for AI chips exports.
- US President Trump says they'll have one big contractor; maybe **Raytheon (RTX)** and **IBM (IBM)** for ATC contract.
- **Ford (F):** CEO says co. is to delay vehicle price hikes to see what rivals do, co. should get government credit for export; a lot more work to do on tariffs.
- US President Trump told Elon Musk (**TSLA**) he is invited to stay as long as he wants regarding working in the government, adds that Musk wants to get back home to his cars.

## FX

**The Dollar Index** gained on Wednesday amid broad strength against G10 peers into month-end. Despite the soft US data, gains were seen, perhaps with buying enforced to meet rebalancing requirements into month-end (DXY -4.5% M/M). Regarding data, GDP Advance (Q2) came in below both expectations provided by BBG and Reuters from surveyed economists, contracting by 0.3%, the first decline since Q1 22. Meanwhile, the March PCE report showed mixed signals, with the yearly metrics in line with Fed Chair Powell's expectations (2.3% for headline, 2.6% for core), while the monthly prints were both unchanged (headline in line, core cooler than expected). Elsewhere, trade updates had little sway over the current dynamic, with USTR Greer noting they are "some weeks out" on trade deal, while the Chinese press offered optimism on US-China relations, noting the US reached out to China recently for tariff talks. Ultimately, the Dollar was largely unfazed by the newsflow, with the latest job ADP reading signalling a slowdown in private business job growth ahead of NFP on Friday (exp. +130k) and the Chicago PMI declining more than expected into contractionary territory. Currently, the DXY sits ~ 99.50 a touch above its 10 DMA (99.298).

**G10FX** price action was mixed, with Antipodeans outperforming in the green alongside the CAD, while EUR, JPY, and GBP were the top laggards. On the Aussie, hotter-than-expected Q1 CPI offered support for the AUD/USD, paving the way for eventual session highs of 0.6417. Elsewhere, BoC minutes were a non-event, but CAD extended its strength following US President Trump noting Canadian PM Carney called him on Tuesday and said let's make a deal. In Japan, Industrial Production and Retail Sales were disappointing, evoking concerns over GDP growth in Q1. Ahead, the focus will be on the Yen before the BoJ's meeting overnight. As it stands, the central bank is expected to hold its interest rate at 0.50 as a recent Reuters poll indicated 84% of economists surveyed expect a hold through to end-June. Additionally, the BoJ is to release its latest Outlook Report containing members' median forecasts for Real GDP and Core CPI. [For the full Newsquawk BoJ preview, click here.](#)

In Europe, multiple regions reported Prelim CPI (Apr) and GDP (Q1). On the former, Germany and France were hotter than expected, while Italy was on the cool side; EZ and Italy topped GDP Prelim expectations, while Germany and France were in line. Despite the hot CPI's and decent GDP data, EUR succumbed to the USD strength and trimmed earlier strength vs GBP.

**EMFX:** In China, the NBS Manufacturing PMI was deeper in contractionary territory than analysts had forecasted, its first contraction since January. The move was driven by a big drop in new export orders, given the escalating trade war, while the production

subindex also contracted. Elsewhere, the CLP and COP saw their respective central bank decide on interest rates, the former maintaining the benchmark at 5% as expected in an unanimous decision, while the Colombian central bank surprised markets with a 25bps rate cut to 9.25% (exp. unchanged), in an unanimous decision; COP unperformed amongst EMs on the decision.

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