newsquawk

US Market Wrap - 1st May 2025

Stocks bid on strong MSFT/META earnings and ISM Mfg PMI beat

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar up
- **REAR VIEW**: ISM Mfg. PMI tops expectations; Stellar META & MSFT earnings; Initial Jobless Claims above expectations; US Construction Spending unexpectedly declines; Atlanta Fed GDPnow (Q2) revised lower; BoJ holds as expected, cuts GDP and CPI forecasts; Trump says whoever takes oil from Iran cannot do business with the US, and will face secondary sanctions; US weighs easing NVDA chip curbs on UAE as Trump plans visit; Fourth round of US-Iran talks to be postponed to next week; US National Security Adviser Walz to leave post; MCD misses on revenue.
- **COMING UP**: **Data:** Japanese Unemployment Rate, Australian Retail Sales, EZ Manufacturing PMI (Final), HICP, US NFP, Durable Goods. **Earnings:** Exxon Mobil, Chevron, Apollo, Brookfield, ING, BASF.

MARKET WRAP

US indices closed in the green (SPX +0.6%, NDX +1.1%, DJI +0.2%, RUT +0.6%), buoyed by strong mega-cap earnings from Microsoft (MSFT, +7.6%) and Meta (META, +4.2%), with the latter raising its CapEx views despite recent market jitters over data centre demand. Moreover, the ISM Manufacturing PMI also added support after the US cash opened, with the headline's drop not as bad as feared, with new orders and employment rising; prices paid rose less than expected. The report offered optimism surrounding US risk assets, while the Dollar extended on existing strength to start the month against all G10 peers, with yields rising across the Treasury curve, particularly on the 2yr as economic conditions in the near term improve, bolstering the case for the Fed to stay on hold for longer; money markets now price in 96bps of easing through year-end, vs the 102bps priced on Wednesday. On the contrary, initial and continued jobless claims topped expectations, and construction spending unexpectedly declined in March, resulting in the Atlanta Fed's GDPnow (Q2) estimate being revised down to 1.1% from 2.4%. In crude, prices were firmer after three days of notable selling, supported by increased pressure from US President Trump on Iran's oil trading partners, threatening immediate secondary sanctions. On trade, the EU Trade Commissioner said Europe is ready to make Trump a EUR 50bln offer, but cautioned a deal would be "very difficult" and suggested the bloc would not settle for a deal that kept tariffs at 10%. On China, the US White House Economic Adviser said he is hopeful for progress with China on trade, and separately, expects tariffs news by the end of the day. Nvidia (NVDA) briefly hit fresh session highs on BBG reporting the US weighs easing Nvidia chips curbs on UAE as Trump plans a visit. In FX, the Yen was hit on the BoJ leaning dovish in their commentary and cutting GDP and CPI forecasts amid holding interest rates as expected.

US

ISM MFG PMI: ISM Manufacturing PMI saw the headline fall to 48.7 from 49.0, but above the expected 48.0 Within the breakdown, employment and new orders remained subdued but rose to 46.5 (prev. 44.7) and 47.2 (prev. 45.2), respectively. The inflationary gauge of prices paid marginally lifted to 69.8 from 69.4, but was shy of the Wall St. consensus of 70.3. Production, backlog of orders, and new export orders all fell further into contractionary territory (beneath 50), while imports sank to 47.1 from 50.1. Inventories and customers inventories declined to 50.8 (prev. 53.4) and 46.2 (prev. 46.8), respectively, while supplier deliveries lifted to 55.2 (prev. 53.5). Overall, "the past relationship between the Manufacturing PMI and the overall economy indicates that the April reading corresponds to a change of +1.8% in real GDP) on an annualized basis, said Timothy R. Fior Chair of the ISM Mfg Business Survey Committee. As expected, in the respondent's answers to the survey, tariff concerns were the clear standout, with varying sectors all mentioning the potential impacts. In addition, the survey's commentary suggests that many companies are dealing with shortages of inputs, especially from China, which helps to explain the run-down in the inventories index.

CONSTRUCTION SPENDING: Construction spending unexpectedly declined in March, falling by 0.5% (exp. +0.2%, prev. +0.7%, rev. +0.6%). The breakdown sees private construction 0.6% lower from February, weighed on by monthly drops in residential (-0.4%) and non-residential (-0.8%) construction; public construction was down 0.2%, weighed on by downfalls in educational (-0.6%) and highway (-0.5%) construction. On the report, Oxford Economics noted the implications for the baseline forecast "aren't overly significant as we have already anticipated substantial Q2 declines in residential investment and business spending on structures". Ahead, the consultancy said that high mortgage rates, trepidation among builders about the economic outlook, and the need to clear new-home inventory are all "obstacles for single-family homebuilding".

CHALLENGER: US Challenger Layoffs fell to 105.44k in April from 275.24k in March. Despite the 62% M/M decline, it's still the highest total for the month since April 2020. Overall, DOGE actions led all job cut reasons in 2025 with 283,172, while 2,919 occurred in April with a further 6,945 cuts attributed to "DOGE Downstream Impact". Moreover, hiring remains tepid and hiring plans rose to 16,191, a sluggish figure despite the 65% Y/Y jump. In the release, Andrew Challenger, Senior VP and Workplace Expert for Challenger, Gray & Christmas, stated "Though the Government cuts are front and center, we saw job cuts across sectors last month. Generally, Cos. are citing the economy and new technology. Employers are slow to hire and limiting hiring plans as they wait and see what will happen with trade, supply chain, and consumer spending."

JOBLESS CLAIMS: Initial Jobless Claims rose to 241k, the highest level since February 27th, up from the prior week's 223k and well above the consensus of 224k. The four-week average rose to 226k from 220.5k. The unadjusted data totalled 224k, rising 12.9k W/W while seasonal factors expected a decrease of 3.8k. The continued claims rose to 1.916mln from 1.833mln, the highest since November 2023. Regarding initial claims (unadjusted), the report shows the majority of the increase in claims came from New York, rising by 15k - Oxford Economics suggest this is likely a function of the school Spring holidays. The desk also notes that the rise in continued claims shows that workers who lose their job are still facing challenges in finding new employment. Regarding the Fed, the claims data is one to watch to gauge the strength of the labour market, but a sharp rise in one week is not enough to suggest the Fed that the labour market is breaking and instead, a trend of higher claims will likely need to be seen before it becomes a concern. The Fed is widely focused on the economic impact of tariffs on the hard data.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 11+ TICKS LOWER AT 111-27+

T-Notes hit on better than feared ISM Manufacturing PMI report ahead of NFP. At settlement, 2s +8.4bps at 3.705%, 3s +7.5bps at 3.690%, 5s +6.2bps at 3.814%, 7s +5.8bps at 4.017%, 10s +5.8bps at 4.233%, 20s +5.4bps at 4.750%, 30s +5.7bps at 4.737%.

INFLATION BREAKEVENS: 5yr BEI +1.0bps at 2.366%, 10yr BEI +1.2bps at 2.246%, 30yr BEI +0.8bps at 2.210%.

THE DAY: T-Notes traded sideways overnight before catching a bid in the European morning, likely supported by the BoJ, which kept rates on hold as expected, but cut CPI and GDP forecasts. Governor Ueda said the timing to attain the underlying 2% inflation target will be delayed. T-Notes saw little reaction to the soft ADP private payrolls report, but jumped higher on the surge in initial jobless claims, which rose to the highest level since the end of February, while continued claims hit the highest level since November 2024. However, all upside seen was pared, and more, after the ISM Manufacturing PMI print. After the string of weak data seen this week, the ISM data was not as bad as feared. The headline fell, but not as much as expected, while prices paid rose, but not as much as forecasted. Employment remained in contractionary territory, but still improved from the last report. This weighed on T-Notes with the curve pressured into settlement. Also likely weighing on T-Notes was the encouraging risk environment with equity futures bid throughout the session thanks to stellar earnings from Meta (META) and Microsoft (MSFT), ahead of Apple (AAPL) and Amazon (AMZN) later tonight. Attention turns to NFP on Friday and the FOMC next week.

SUPPLY:

- US Treasury sold 85bln of 4-wk bills at 4.240%, covered 2.74x; USD 75bln of 8-wk bills at 4.220%, covered 3.28x
- US Treasury to sell USD 76bln of 13-wk bills, USD 68bln of 26wk bills on May 5th, and USD 70bln of 6wk bills on 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. 2bps), June 16bps (prev. 17bps), July 37bps (prev. 41bps), Dec 96bps (prev. 102bps)
- NY Fed RRP op demand at USD 157bln (prev. 251bln) across 37 counterparties (prev. 54).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 92bln (prev. 104bln).
- SOFR at 4.41% (prev. 4.36%), volumes at USD 2.830tln (prev. 2.623tln).

CRUDE

WTI (M5) SETTLED USD 1.03 HIGHER AT USD 59.24/BBL; BRENT (N5) SETTLED USD 1.07 HIGHER AT 62.13/BBL

The crude complex gained, was buoyed by the broader risk-on sentiment in US indices, given the strong META and MSFT earnings, and settled at highs amid Trump's Iran threats. In the European morning, benchmarks were under pressure in a continuation of action seen WTD, with WTI and Brent hitting troughs of USD 56.39/bbl and 59.30, respectively. However, as US players entered for the day, the complex saw a turnaround to hit initial intra-day peaks of USD 59.04/bbl and 61.79, buoyed along the way after US President Trump stated they [US] put sanctions on Iranian oil yesterday, and whoever takes oil from Iran cannot do business with the US. In proximity to settlement, benchmarks saw upside to hit fresh highs after Trump continued this message, threatening that any country or person who buys any amount of oil or petrochemicals from Iran will be subject to, immediately, secondary sanctions. There was nothing fresh on the Saudi/OPEC+ front thus far, and while geopols are in focus they have not moved the dial. Elsewhere, Rtrs source and cited ship tracking data said a second Chevron (CVX)-chartered vessel begins to return oil cargo in Venezuela. In other news, Trump nominated Waltz to be the next US Ambassador to the US, meaning he will no longer be National Security Advisor, and in the interim, Secretary of State Rubio will take the roll.

EQUITIES

CLOSES: SPX +0.63% at 5,604, NDX +1.10% at 19,787, DJI +0.21% at 40,753, RUT +0.60% at 1,976

SECTORS: Health -2.79%, Consumer Staples -0.78%, Materials -0.50%, Financials -0.08%, Real Estate +0.15%, Utilities +0.30%, Energy +0.37%, Industrials +0.70%, Consumer Discretionary +0.99%, Communication Services +1.55%, Technology +2.21%.

EUROPEAN CLOSES: FTSE 100: +0.02 % at 8,497. (Rest of major EU indices were close on account of Labour Day)

STOCK SPECIFICS:

- **Microsoft (MSFT):** All major metrics beat; strong next quarter outlook.
- **Meta Platforms (META):** EPS & revenue topped; raised FY capex view.
- **Qualcomm (QCOM):** Next quarter guidance underwhelmed despite solid current quarter metrics
- **KLA (KLAC):** Profit missed, but revenue beat; raised dividend & authorised a USD 5bln increase in the share buyback programme.

- **Albemarle (ALB):** Shallower loss per shr. than expected.
- **Estee Lauder (EL):** Top & bottom line beat with strong FY EPS view
- **General Motors (GM):** Cuts outlook; said tariff exposure is USD 4-5bln. Said can offset at least 30% of tariff exposure.
- **CVS Health (CVS):** EPS & revenue topped; lifted FY25 profit guide; Caremark partnered with **Novo Nordisk (NVO)** to increase Wegovy's use.
- **Eli Lilly (LLY):** Cut FY EPS guidance & reaffirmed FY25 revenue view which came in beneath forecasts.
- **McDonalds (MCD):** Revenue short, US comp. sales declined more than expected & global comp. sales unexpectedly fell.
- **Roblox (RBLX):** EPS, op. income, pre-tax profit, and net income all reported a shallower loss per shr. than expected; next quarter bookings view topped expectations.
- **Mastercard (MA):** EPS beat.
- **Kohl's (KSS):** Terminates CEO Ashley Buchanan for cause; Michael Bender appointed interim CEO of Kohl's. Q1 25 EPS view -0.24 to -0.20 (exp -0.52).
- US reportedly weighs easing Nvidia (NVDA) chip curbs on UAE as President Trump plans visit, according to Bloomberg.
- **Becton, Dickinson and Company (BDX):** Cut FY25 adj.EPS and FY25 revenue views.

FX

The Dollar was stronger against all G10 peers as US optimism grew on strong earnings from META and MSFT, and ISM's Mfg PMI fall into contractionary territory not as bad as Wall. St had feared. Additionally, the DXY upside was helped by the heavy weakness in the Yen amid the risk-on sentiment and the BoJ's leaning dovish in the statement and updated outlook. The ISM headline remained in contractionary territory, but positives were drawn from the rise in employment and new orders and a marginal lift in price paid relative to expectations. Meanwhile, initial and continued claims rose above expectations, while an unexpected decline in construction spending weighed on Atlanta Fed's GDPnow model estimate for Q2, now estimating 1.1% down from the 2.4% seen on Wednesday. On trade, US Economic Adviser Hassett is hopeful for progress with China on trade, and separately noted he expects tariff news by the end of the day. Meanwhile, US President Trump ramped up pressure on oil trade partners with Iran, threatening immediate secondary sanctions. Ahead, the job market will be of focus on Friday, given the release of NFP for April, expectations are for 130k jobs to get added to the US economy while the Unemployment Rate is to stay steady at 4.2%.

G10FX was entirely in the red as amid USD strength with the JPY the clear underperformer, while AUD and CAD were the relative outperformers. On account of Labour Day, newsflow out of Europe was light, with all EU equity indices (ex-FTSE 100 & OMX) closed for the day; EUR/USD now sits below 1.13, a tad above its 21 DMA (1.1265) with EUR/GBP at ~0.85.

JPY was hit on Thursday despite the BoJ holding rates as expected at 0..5%, as the language and updated outlook accompanying the decision leaned dovish. The Central Bank noted risks to the economic outlook are skewed to the downside, with economic growth likely to moderate, and a prolonged period of high uncertainties stemming from trade and other polices could lead to price rises in wages weakening. The quarterly outlook report, saw the median forecast for Real GDP in 2025 and '26 revised down by 60bps to 0.5% and by 40bps to 0.7%, respectively; Core CPI 2025 and '26 forecasts were also revised lower. At the time of writing, USD/JPY is well above its 21 DMA (143.84), sitting at the upper half of the 145 handle, with the 50 DMA (146.96) coming into view. BoJ pricing now has ~9bps of tightening priced in by year end.

EMFX: Weakness was the general theme in the space, particularly in the PLN , HUF, and CZK, while CLP relatively outperformed. NBP member Kotecki said a rate cut in May is a "foregone conclusion" and is inclined to put forward a motion to lower rates in May, according to Business Insider. Currently, money market pricing has priced ~77bps of NBP rate cuts priced in by May and ~204bps by year end.