

Stocks and bonds chop as Powell maintains wait-and-see approach

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Fed hold rates as expected, uncertainty on economic outlook increased further, risks to higher inflation/unemployment rose; Powell reiterated view of solid economy and wait-and-see approach; Trump not open to pulling back 145% tariffs; Trump to impose chip controls on countries that have diverted chips to China; Bessent and Greer to meet with China this weekend, Bessent said China talks are a beginning, not advanced discussions; PBoC cuts LPR, RRR and more; EU to announce provisional list of tariffs against US on Thursday, if talks fail; Vance thinks Russians are asking for too much; EIA crude stocks draw more than expected; India told foreign envoys it will respond if Pakistan responds to strikes; AAPL explores adding AI to search browser, browser searches fell for first time in April
- **COMING UP: Data:** German Trade Balance; US Jobless Claims, Wholesale Sales, NY Fed SCE . **Events:** BoE, Norges, Riksbank Policy Announcements; BoE DMP. **Speakers:** BoE's Bailey; BoC's Macklem. **Supply:** Japan, Spain, US. **Earnings:** Coinbase, Cloudflare, Draftkings, Affirm, Shopify, ConocoPhillips, Warner.

MARKET WRAP

US indices ended the day in the green and saw two-way action in wake of the Fed decision and Powell presser. The decision was largely as expected, with rates left unchanged, although in the accompanying statement added risks to the economic outlook increased further, and that risks to both sides of the mandate have risen. In the presser, Powell repeatedly reiterated the wait-and-see approach, to see how tariffs affect the economy before adjusting policy. Through both, markets were choppy but ultimately, not much movement was seen. Sectors were largely in the green with a couple in the red, but Communication Services was the clear laggard and hit by Alphabet (GOOGL) (-7.5%) after an Apple exec said it is exploring adding AI to search browser. Elsewhere, the Dollar was firmer to the detriment of G10 FX peers, with Antipodeans seeing the strongest selling, followed by the Yen. Treasuries chopped to the aforementioned Fed statement tweaks and Powell's wait-and-see approach, while the crude complex was lower and sold off through the duration of the day as risk sentiment soured alongside trade updates. On the latter, EU is to reportedly announce a provisional list of tariffs against the US on Thursday, and EU is expected to target US-made cars with tariffs if trade talks fail. On China, US/China are set to meet this weekend, but Treasury Secretary Bessent stated that the Saturday talks are the beginning of talks, not advanced discussions. Moreover, US President Trump is not open to pulling back 145% tariffs to get China to the negotiating table. On Chips, Bloomberg reported that the Trump administration is planning to rescind Biden-era chip curbs as part of a broader effort to revise semiconductor trade restrictions. It looks to refashion a policy launched under Biden that created three broad tiers of countries for regulating the export of chips from Nvidia (NVDA) and others.

FOMC

FED RATE DECISION: The FOMC left rates on hold between 4.25-4.50%, as expected, in a unanimous decision. Within the statement, it said that economic outlook uncertainty has increased further (prev. uncertainty around the economic outlook has increased), and added a line that "risks of higher unemployment and higher inflation have risen." The Fed maintained language from the March meeting that "recent indicators suggest that economic activity has continued to expand at a solid pace", although it acknowledged "swings in net exports have affected the data". It maintained its description of the current state of inflation and the labour market, saying "The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated." All in all, the rate decision was largely as expected, but the tweaks in language surrounding uncertainty in the economic outlook and increased risks to both sides of the mandate were the highlights. In Powell's presser, attention will be on any further clarity surrounding the path ahead for the Fed, and whether he maintains his "wait-and-see" approach, while also paying attention to any communications around Trump tariff impacts.

POWELL PRESS CONFERENCE: In Chair Powell's press conference and Q&A, he largely reiterated a familiar tone, stating that the current stance of policy leaves the Fed well-positioned to respond in a timely manner, and that the Committee is in "wait-and-see" mode to assess the impact of tariffs before making the next move. Speaking on tariffs, the Chair said so far they have been significantly bigger than expected and the Fed has not seen big economic effects in the data yet, adding people are worried but the shock has not yet hit. Powell added that as the economy continues to evolve, the Fed will determine the appropriate policy stance, and if dual mandate goals are in tension, they will consider distance from the goal, and time to close gaps. When further questioned about what side of the mandate is at greater risk, he said it is too early to say which way risks will shake out, and once again reiterated that are in no hurry, and can they be patient. However, the Chair did state that when things develop, the Fed can move quickly if appropriate. Powell was later questioned about the path for a soft landing, and if higher inflation and higher unemployment were seen, the Fed would not see further progress towards their goals and would see a delay in getting to goals for the next year. Right now, it is not a situation where they can be pre-emptive and need to see more data. On future rate decisions, when asked about March projections for two rate cuts, stated the Fed can't make a projection now, and we will have to wait until June [for updated SEPs]. Fed Chair Powell stressed that until they know more, the Fed can wait and see, adding that everyone on the committee supported waiting. He also added that the costs of waiting are fairly low. Note, Governor Waller has recently been dovish and warned if the Fed waits until the new policies are seen in the hard data, it would likely be too late.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 7+ TICKS HIGHER AT 111-17+

T-notes chop to Fed statement tweaks and Powell's wait-and-see approach. At settlement, 2s -1.3bps at 3.777%, 3s -1.4bps at 3.746%, 5s -2.7bps at 3.870%, 7s -3.8bps at 4.061%, 10s -4.1bps at 4.277%, 20s -3.5bps at 4.791%, 30s -3.3bps at 4.780%

INFLATION BREAKEVENS: 5yr BEI -1.1bps at 2.386%, 10yr BEI -1.6bps at 2.268%, 30yr BEI -1.9bps at 2.227%.

THE DAY: T-notes meandered overnight and in the European morning, trading between 111-10+ and 111-04 with traders cognizant ahead of the FOMC rate decision and amid a lack of US economic data. The reaction to the Fed was a mixed one. T-notes saw a knee-jerk move lower before paring once the dust settled post-statement. The Fed left rates on hold as expected, but made some tweaks to its statement, noting how risks to the economic outlook have increased further, while adding that risks to higher unemployment and higher inflation have risen. Elsewhere, the statement was broadly left unchanged aside from an acknowledgement that swings in net exports have affected the data. T-notes hit session highs of 111-22 in the wake of the decision, but pared thereafter, with downside accelerating during Powell's Press conference. The Fed Chair continued to stress that the Fed is in wait-and-see mode, current policy is appropriate, and they will let data guide their decisions, stressing the outlook is too uncertain to commit to a particular rate path. He said they could move quickly if needed, and there are scenarios where a rate cut would be needed this year, but also scenarios where a rate cut would not be needed. The Fed is waiting for greater clarity before acting, with Powell noting that the costs of waiting are fairly low. He also said how everyone on the committee supported waiting. T-notes had reversed to 111-12+ from the post-statement peaks, but pared into settlement. Post settlement, T-note futures briefly sold off on reports that US President Trump is to rescind global chip curbs amid AI restrictions debate, according to Bloomberg, citing sources.

SUPPLY:

- US Treasury sold USD 60bln in 17wk bills at high rate of 4.200%, B/C 3.02x
- US Treasury to sell USD 25bln of 30yr bonds on May 8th, USD 85bln of 4-wk bills and USD 75bln of 8-wk bills on May 8th. To sell USD 25bln in 16-day CMBs on May 8th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: June 6bps (prev. 8bps), July 21bps (prev. 25bps), September 42bps (prev. 42bps) Dec 78bps (prev. 81bps)
- NY Fed RRP op demand at USD 155bln (prev. 130bln) across 46 counterparties (prev. 34)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 120bln (prev. 117bln).
- SOFR at 4.32% (prev. 4.33%), volumes at USD 2.620tln (prev. 2.632tln).

CRUDE

WTI (M5) SETTLED USD 1.02 LOWER AT USD 58.07/BBL; BRENT (N5) SETTLED USD 1.03 LOWER AT USD 61.12/BBL

The crude complex was lower and sold off through the duration of the day as risk sentiment soured alongside trade updates. On the latter, Bloomberg reported that the EU is to announce a provisional list of tariffs against the US on Thursday, and later separately stated that the EU is expected to target US-made cars with tariffs if trade talks fail. Nonetheless, the complex was earlier buoyed amid constructive US-China trade rhetoric, with the sides set to meet this week. However, the sentiment turned as European players were leaving for the day on a combination of headlines: 1) Apple exec noting Co. is exploring adding AI to search browser, which heavily weighed on Alphabet; 2) Bessent stating the Saturday talks with China are a beginning for talks, not advanced discussions. Upon the Fed decision to hold rates as expected, downside extended in crude prices, with the Fed statement noting the uncertainty surrounding the economic outlook has increased further. Elsewhere, geopolitical developments included Israel's plans for an expansion of its Gaza offensive, whilst India conducted a missile strike on 'terrorist infrastructure' in Pakistan, in turn ramping up tensions between the two nuclear-armed nations. In the weekly EIA data, crude saw a larger draw than anticipated, in line with the private metrics, while distillates noticed a shallower than expected draw, and gasoline saw a surprise build. For the record, WTI and Brent traded between USD 57.81-60.26/bbl and 60.83-63.25/bbl, respectively.

On the gas footing, an Iraqi energy executive announced in a statement that the country has seen an increase in natgas production and associated gas capture projects. As such, these initiatives, aimed at reducing flaring and meeting local demand, have led to the availability of large volumes of condensates, reaching approximately 160k BPD.

EQUITIES

CLOSES: SPX +0.43% at 5,631, NDX +0.39% at 19,868, DJI +0.70% at 41,114, RUT +0.33% at 1,990

SECTORS: Communication Services -1.84%, Materials -0.50%, Real Estate -0.02%, Energy +0.08%, Consumer Staples +0.20%, Utilities +0.29%, Industrials +0.51%, Financials +0.62%, Health +0.81%, Technology +0.91%, Consumer Discretionary +1.02%.

EUROPEAN CLOSES: DAX: -0.57% at 23,118, FTSE 100: -0.44% at 8,559, CAC 40: -0.91% at 7,627, Euro Stoxx 50: -0.59% at 5,233, AEX: +0.05% at 896, IBEX 35: -0.37% at 13,480, FTSE MIB: -0.62% at 38,320, SMI: -0.80% at 12,127, PSI: +0.19% at 7,022.

STOCK SPECIFICS:

- **Apple (AAPL)** - VP of Services Cue said Apple is exploring adding AI to search browser; said searches in browser fell for the first time in April. Cue said that Perplexity or Anthropic could be options to add and Apple has no intention of making its own general search engine; looked at Anthropic, DeepSeek, Grok and Perplexity for AI. Following the news that Apple looked at others to for AI, **Alphabet (GOOG)** shares tumbled.
- **AMD (AMD):** EPS & revenue beat with strong data centre growth but warned of USD 1.5bln revenue hit in 2025 from AI chip export controls to China.
- **Super Micro Computer (SMCI):** Top & bottom line light with weak next Q guide as it cites economic uncertainty, tariffs, &

delayed AI server demand.

- **Arista Networks (ANET):** Pressured on sequential margin guidance cuts.
- **Electronic Arts (EA):** Revenue & bookings topped with strong FY bookings outlook.
- **Coty (COTY):** EPS & revenue light; Cut FY guide amid weak US demand and tariff uncertainty.
- **CrowdStrike (CRWD):** To cut ~5% of its workforce.
- **Disney (DIS):** EPS & revenue beat with solid FY EPS outlook.
- **Uber (UBER):** Top line & gross bookings light.
- **Marvell Technology (MRVL):** Postponed a previously scheduled investor day conference, citing a "dynamic macroeconomic environment".
- **AvidXchange (AVDX):** TPG & Corpay to acquire the Co. in USD 2.2bln take-private deal or USD 10/shr.

FX

The Dollar Index was firmer on Wednesday following the Fed's decision to hold the FFR at 4.25-4.50% as expected in a unanimous decision. The accompanying Fed statement, unveiled, members view the uncertainty around the economic outlook as having increased further from the March meeting, while risks to higher unemployment and higher inflation have increased. Thereafter, Chair Powell maintained recent rhetoric in the press conference, advocating a wait-and-see/patient approach, and that the policy is moderately restrictive. Going forward, Powell said he needs to see more data, and it's not a situation where they can be pre-emptive, while the Fed do not see big economic effects in the data from tariffs yet. Money market pricing was ultimately little changed, but moved somewhat hawkishly throughout the year. Dollar strength kicked off throughout the Powell press conference, whereby Powell remained optimistic on economic conditions. DXY largely pared Tuesday's downturn, currently trading at ~ 99.80. On trade, risk-on was seen in equities (faded throughout the day) on US Treasury Secretary Bessent and USTR Greer to meet with China on economic matters this weekend. That said, in Bessent's testimony to the House, he said the Saturday talks with "China are a beginning for talks, not advanced talks", thus downplaying any hopes for an imminent solution. Meanwhile, the EU is to lay out retaliatory measures on Thursday if talks with the US fall. On Thursday, initial claims and the EU's provisional tariff response will be watched.

In Europe, the EU is to announce a provisional list of tariffs against the US on Thursday, where enforcement will occur if talks fail; tariffs are reported to include targeting Boeing and US-made cars in tariffs. Aside from trade, the European calendar was on the quiet side, while the announcement of China's monetary stimulus overnight was perhaps behind the Euro's relative outperformance. That said, Antipodeans were the top laggards despite said stimulus measures out of China. Following the Fed decision, and USD strength that followed, G10 downside was exacerbated, while the CHF pared modest upside/outperformance; USD/JPY now sits ~ 143.90 ahead overnight trade. Ahead, the Pound is the focus amid the BoE's rate decision on Thursday, where expectations are for a 25bps cut to 4.25%. [Click here for the full BoE Newsquawk preview.](#)

EMFX: The Yuan was weaker against USD following a deluge of cuts from PBoC, including the 7-day reverse repo rate by 10bps, the RRR by 50bps, and the Standing Lending Facility across all tenors by 10bps, where effective dates vary, but are by May 15th. The move was expected given the communication from the PBoC, and also involved accommodative modes to support consumption and the tech sectors through relending programmes, aiming to encourage banks to lend to these sectors. Oxford Economics is expecting another 40bps and 100bps of cuts to the 7-day Reverse Repo Rate and RRR, respectively, by year-end, a slightly more dovish view than the current market consensus.

In CEE, the NBP cut the Base Rate by 50bps as expected, noting it may intervene in the FX market; EUR/PLN was little changed. Meanwhile, the CNB cut the Repo Rate by 25bps as forecasted. The CNB Governor stated that there was no agreement if this was the last interest rate cut. Money markets price ~ 32bps further CNB rate cuts by year-end.

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