

newsquawk

US Market Wrap - 15th May 2025

Stocks and bonds rise on mixed US data

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down
- **REAR VIEW:** US PPI comes in soft; Mixed US Retail Sales; Initial claims little changed; US Industrial Production misses expectations; Trump says Iran deal is getting close while India has offered to drop all tariffs on the US; EU's Sefcovic says the US and EU have agreed to intensify trade talks; Trump admin told EU it wants to discuss EU's ag/food tariffs and non-tariff barriers in trade talks; After talks, France says no solution was found to cognac trade issues with China; NY & Philly Fed surprise on the upside; Atlanta Fed GDPnow (Q2) revised higher; UK GDP tops expectations; China tightens control over AI data centres; Australia adds more jobs than anticipated; DoJ investigates UNH.
- **COMING UP:** **Data:** Japanese GDP, US Export/Import Prices, UoM Sentiment Survey. **Events:** BoC SLOS. **Speakers:** BoJ's Nakamura; ECB's Lane, Cipollone; Fed's Barkin. **Supply:** Australia.

MARKET WRAP

Stocks had pared overnight weakness once US players started arriving, with equities ultimately closing in the green. Despite the upside, the Nasdaq underperformed with Mag7 names weighing. Meta (META) saw further weakness in late trade as WSJ reported it had delayed the rollout of its flagship AI model, Behemoth. The main focus of the session was the plethora of US data, which saw PP softer than expected overall but met with chunky revisions higher. Meanwhile, Retail Sales were more downbeat despite the headline beat, with both core and control measures missing expectations. Meanwhile, Jobless Claims were in line, with Philly Fed seeing a solid beat while NY Fed saw a slight beat. Markets saw two-way trade in response, but ultimately stocks started to grind higher while T-notes also caught a bid, with the latter driven by the soft PPI and downbeat retail sales. Fed Chair Powell also spoke, but focused on the Fed framework review, while providing his PCE forecast of 2.2% Y/Y for headline PCE in the wake of the CPI report on Tuesday. Following the data, the Atlanta Fed's GDPnow model now estimates GDP growth of 2.5% (prev. 2.3%). On trade, US President Trump said India has offered to drop all tariffs on the US, while the India Trade Secretary said the Indian team is expected to visit the US to take trade talks forward. On Japan, JiJi reported the US is considering the possibility of revising the US-Japan trade agreement in bilateral tariff negotiations. Regarding Europe, EU Trade Commissioner Sefcovic said the US and EU have agreed to intensify talks, while WSJ reported the US has told the EU it wants to discuss the EU's agricultural food tariffs and non-tariff barriers in trade talks. The US and UAE also finalised a technology framework agreement, where Trump secured USD 200bln in new US/UAE deals and announced a new AI campus in the UAE, which will be powered by US companies. Elsewhere, Crude prices fell on optimistic commentary from US President Trump on a deal with Iran, but pared off lows as Iran downplayed the remarks. In FX, the dollar was slightly lower while antipodeans underperformed and havens outperformed on the favorable rate differentials.

US/FED

RETAIL SALES: US retail sales in April marginally beat expectations, rising 0.1% (exp. 0.0%) after a 1.4% jump in March. Ex-Autos rose 0.1%, falling short of the expected 0.3%, albeit the prior was revised up to 0.8% from 0.5%; Ex-Gas/Autos rose 0.2% (prev. 0.8%). Retail Control (excludes Building Materials, food services, gas & autos) unexpectedly declined by 0.2% (exp. +0.3%, prev. +0.4%), a metric ING notes has a better track record for reflecting the underlying trend within consumer spending. Within the report, the largest increases were seen in eating out sales (1.2%), building material and garden equipment supplies dealers (0.8%), and furniture and electronics (0.3%). Albeit, ING points out that the category of eating out is not particularly exposed to tariffs. Most other components were flat or down. ING notes, in general, the figures this morning suggest the Fed will be in a position to loosen monetary policy later this year. Once deflating to attain real GDP growth, ING says Retail Control implies a GDP contraction of 0.3-0.4 M/M.

PPI: The April PPI report was cooler than expected in April, with the headline declining by 0.5% (exp. +0.2%), while the prior was revised up to 0.0% from -0.4%. The Y/Y print eased to 2.4% from 3.4% (revised up from 2.7%), below the 2.5% forecast. The core metrics saw the M/M softer than expected at -0.4% (exp. 0.3%), vs the prior 0.4% (revised up from -0.1%), while Y/Y was in line at 3.1%, but the prior was also revised up to 4.0% from 3.3%. The report for April is in fitting with a softer CPI report, which bodes well for the Fed's preferred gauge of inflation, Core PCE, due at the end of the month. Meanwhile, although the April numbers were soft, there were chunky revisions higher to the March report. The March report was also soft initially due to tumbling airline passenger service prices, albeit this saw a chunky revision higher to -1.6% from -4.0%. Within the report, the components that feed into the PCE calculation saw Airline passenger services at -1.5% (prev. -1.6%, revised from -4.0%), while the largest move lower was in the portfolio management prices at -6.9% from the prior +0.1%. Physician Care and Hospital Inpatient Care eased from the prior report, while Hospital Outpatient Care saw prices steady at 0.6% growth. However, Nursing Home Care, Home Health and Hospice Care prices accelerated. Note, Fed Chair Powell today said April PCE is likely around 2.2% Y/Y (prev. 2.3% Y/Y in March) - this only incorporated CPI, not PPI.

INDUSTRIAL PRODUCTION/MANUFACTURING OUTPUT: Industrial Production was unchanged in April, disappointing expectations for 0.2% growth after a 0.3% decline in March. The flat figure resulted from declines in manufacturing and mining output offsetting the growth in utilities output. The drop in Manufacturing Output was steeper than expected, falling by 0.4% (exp. -0.2%), with the April figure revised up to 0.4% from 0.3%. Capacity Utilisation SA unexpectedly fell to 77.7% from the expected and prior 77.8%. On the report, Pantheon Macroeconomics noted that output is currently running above its trend, as firms both in the US and abroad

seek to build an inventory of US-made goods, due to the risk of additional tariffs being imposed in the summer. Going forward, the consultancy continues to think "that manufacturing output will end this year slightly lower than at the conclusion of 2024".

JOBLESS CLAIMS: Initial Jobless Claims (w/e 10th May), were steady at 229k, in line with expectations and unchanged from the prior week. The four-week average rose 3k to 230.5k. The unadjusted data saw claims at 205k, down 2.6k W/W, while seasonal factors had expected a decrease of 2.7k. The continued claims rose to 1.881mIn from 1.872mIn but below the 1.89mIn forecast. The 4-week average rose slightly to 1.874mIn from 1.873mIn. Overall, this data does little of note for the Fed with claims remaining stable recently. Looking ahead, Pantheon Macroeconomics suggests "a gradual climb higher still seems likely in the coming months, as an uncertainty-driven pullback in hiring makes it harder for recently laid-off workers to find new roles".

NY FED: NY Fed Manufacturing for May declined less than expected to -9.2 (exp. -10.0) from -8.1 in April. New Orders and Prices Paid rose to +7.0 (prev. -8.8) and +59.0 (prev. +50.8), respectively, while employment fell deeper into negative territory to -5.1 from -2.6. Six-month business conditions improved to -2.0 from -7.4, but still remains below 0. Overall, Economic Research Advisor at the New York Fed Richard Deltz noted, "Business activity continued to decline modestly in New York State in May. New orders and shipments increased after a decline last month, while supply availability worsened. Firms remained pessimistic about the outlook."

NAHB: NAHB housing market index for May declined to 34.0 from 40.0, below expectations for an unchanged print. It also printed outside the bottom end of the forecast range, amid an uncertain economic and policy outlook. Current sales conditions led the headline plunge as it fell to 37 (prev. 45), while sales expectations in the next six months and traffic of prospective buyers edged lower to 42 (prev. 43) and 23 (prev. 25), respectively. In addition, the survey showed that 34% of builders cut home prices in May (prev. 29% in April), and the highest level since December 2023 (36%). Meanwhile, the average price reduction was 5%, unchanged M/M, and the use of sales incentives was 61%, also the same rate as the prior month.

PHILLY FED: Philly Fed rose to -4.0 (exp. -11.0, prev. -26.4) in May, and printed above the top end of the forecast range (-5.0), albeit still remaining in negative territory. Delving into the dataset, new orders and employment soared to 7.5 (prev. -34.2) and 16.5 (prev. 0.2), respectively. Capex jumped to 27.0 (prev. 2.0), while the 6m index surged to 47.2 (prev. 6.9), continuing the strong report. However, the prices paid and shipment metric were disappointing – the former rose to 59.8 from 51.0, while the latter fell to -13 (prev. -9). In this month's special questions, firms were asked to forecast the changes over the next four quarters. Regarding their own prices over the next year, the firms' median forecast was for an expected increase of 3.8%, up from 3% when this question was last asked in February. Firms reported a median increase of 3% in their own prices over the past year, the same as last quarter. Firms' median forecast for the rate of inflation for US consumers over the next year rose to 3.8% from 3.0% in February.

POWELL: Fed Chair Powell did not comment on the outlook or monetary policy in his remarks but broadly spoke on the framework review. Despite saying this, ahead of April PCE on May 30th, Powell said April PCE is likely around 2.2% Y/Y (prev. 2.3% Y/Y in March). Note, Powell's CPI forecast doesn't account for the April PPI report. On the framework, the Chair noted officials agree that strategic language around both shortfalls of employment and average inflation needs to be reconsidered, but certain aspects of the Fed's approach are permanent, such as the focus on inflation expectations.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 17 TICKS HIGHER AT 110-08

T-notes catch a bid after soft PPI and downbeat retail sales. At settlement, 2s -9.0bps at 3.963%, 3s -9.7bps at 3.952%, 5s -9.8bps at 4.064%, 7s -9.1bps at 4.250%, 10s -7.9bps at 4.449%, 20s -6.0bps at 4.938%, 30s -5.3bps at 4.914%

INFLATION BREAKEVENS: 5yr BEI -3.0bps at 2.415%, 10yr BEI -2.8bps at 2.347%, 30yr BEI -1.7bps at 2.306%.

THE DAY: T-notes traded sideways overnight before a slight bid was seen in the European morning, perhaps supported by lower crude prices after Trump said the US is getting close to a deal with Iran. Nonetheless, attention then turned to the plethora of US data, which ultimately took T-Notes higher. Recapping the data, PPI was softer than expected overall but met with chunky revisions higher. Meanwhile, Retail Sales were more downbeat despite the headline beat, with both core and control measures missing expectations. Meanwhile, Jobless Claims were in line, with Philly Fed seeing a solid beat while NY Fed saw a slight beat. The market took focus on the soft PPI prints and downbeat retail sales report, with T-Notes moving higher thereafter to a peak of 110-111 before hovering around that level into settlement. Fed Chair Powell spoke, too, but had little to say, primarily commenting on the Fed Framework Review, and he did provide his PCE forecasts due at the end of the month. The Fed Chair expects PCE at 2.2% in May, based on the CPI report. Analysts may update their PCE forecasts after today's PPI report and tomorrow's Import/Export data.

SUPPLY:

- US Treasury sold USD 85bln of 4wk bills at high rate of 4.220%, B/C 2.91x; USD 75bln of 8wk bills at a high rate of 4.225%, B/C 2.85x
- US Treasury to sell USD 16bln of 20yr bonds on May 21st to settle June 2nd; to sell USD 18bln of 10yr TIPS on May 22nd, to settle May 30th.
- US Treasury to sell USD 70bln of 6-week bills on May 20th, USD 68bln of 26wk bills on May 19th and USD 76bln of 13wk bills on May 19th; all to settle May 22nd.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: June 2bps (prev. 2bps), July 10bps (prev. 9bps), September 25bps (prev. 22bps), Dec 56bps (prev. 48bps).**
- NY Fed RRP op demand at USD 109bln (prev. 165bln) across 25 counterparties (prev. 36)
- EFR at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 113bln).
- SOFR at 4.29% (prev. 4.30%), volumes at USD 2.543tln (prev. 2.565tln).
- Treasury Buyback (1mth-2yr, liquidity support): Accepts USD 4bln, max USD 4bln, of USD 30bln offers, accepts 6 issues, vs

60 eligible issues.

CRUDE

WTI (M5) SETTLED USD 1.53 LOWER AT 61.62/BBL; BRENT (N5) SETTLED USD 1.56 LOWER AT 64.53/BBL

The crude complex was lower, pressured by Trump's Iran commentary, but off lows after Iranian remarks. In the European morning, US President Trump stated the US is getting close to doing a deal with Iran, and is in serious negotiations to achieve peace. WTI and Brent took an initial leg lower on these remarks before extending to fresh session troughs of USD 60.47/bbl and 63.44/bbl, respectively. Thereafter, benchmarks inched higher, before a notable leg higher, paring some of the gains, in the wake of Iran casting some doubt on Trump's comments. A senior Iranian official, according to Reuters, said they have not received any fresh US proposal to resolve outstanding issues in the nuclear dispute. Elsewhere, Ukraine/Russia are supposedly meeting tonight in Istanbul, but neither Putin, Zelensky, nor Trump are attending, which diminishes the likelihood of an agreement. On top of this, Tass reported that talks can be delayed to tomorrow [Friday].

IEA lifted the 2025 average oil demand growth forecast by 20k BPD to 740k BPD on upward revisions to its GDP growth forecast and lower oil prices. It also sees global oil demand growth dropping to 650k BPD for the remainder of 2025, from 990k BPD in Q1. As a reminder, OPEC maintained demand forecasts and cut supply forecasts in their respective monthly report yesterday [Wednesday].

EQUITIES

CLOSES: SPX +0.41% at 5,917, NDX +0.08% at 21,336, DJI +0.65% at 42,323, RUT +0.52% at 2,095

SECTORS: Utilities +2.12%, Consumer Staples +2.00%, Real Estate +1.84%, Health +1.28%, Materials +1.15%, Industrials +1.11%, Financials +0.64%, Energy +0.08%, Technology -0.03%, Communication Services -0.42%, Consumer Discretionary -0.68%.

EUROPEAN CLOSES: DAX: +0.76 % at 23,681, FTSE 100: +0.60 % at 8,636, CAC 40: +0.16 % at 7,850, Euro Stoxx 50: +0.12 % at 5,410, AEX: -0.08 % at 929, IBEX 35: +0.76 % at 13,927, FTSE MIB: +0.15 % at 40,418, SMI: +0.93 % at 12,219, PSI: +0.01 % at 7,177.

STOCK SPECIFICS:

- **Walmart (WMT):** EPS & comp. sales topped expectations, but revenue missed; CFO said co. cannot hold off price increase forever & could start raising prices this month.
- **Cisco (CSCO):** EPS beat & raised FY profit view
- **CoreWeave (CRWV):** Deeper loss per shr. than expected, largely due to USD 177mln in IPO-related stock-based compensation, to raise CapEx.
- **Dick's Sporting Goods (DKS)** to acquire **Foot Locker (FL)** for ~ USD 2.4bln, or USD 24/shr.
- **UnitedHealth (UNH):** DoJ is investigating Co. for possible criminal Medicare fraud.
- **Alibaba (BABA):** Revenue & EPS light; confident in business outlook.
- **Deere & Company (DE):** Top & bottom line surpassed expectations; cut the lower end of its FY net income view.
- **Lockheed Martin (LMT):** Trump floats possible new F-55 warplane, an F-22 upgrade.
- **Coinbase (COIN):** Criminals targeted customer support agents overseas & account data for a small subset of customers was stolen. Meanwhile, the SEC is investigating whether Coinbase misstated its user numbers, via New York Times. Later, Coinbase's chief legal officer said the reported SEC investigation is a hold-over from prior admin about a metric they stopped reporting 2.5 years ago.
- **China** tightens control over AI data centers, according to The Information.
- **Chubb (CB):** Raised dividend by 6.6% to USD 3.88/shr annually, declared new USD 5bln buyback programme.
- **Nasdaq (NDAQ):** Thoma Bravo is reportedly selling its remaining stake in Nasdaq (NDAQ) for USD 3.4bln, according to Bloomberg.
- **Pfizer (PFE):** Lawmakers are investigating whether Pfizer (PFE) waited to share results of the Covid vaccine in 2020 until after that year's presidential election, according to WSJ citing a letter.
- **Meta Platforms (META):** Delaying the rollout of a flagship AI model, Behemoth, prompting internal concerns about the direction of its multibillion-dollar AI investments, WSJ reports; it's been delayed to fall or later.
- **Vaccine Names (PFE, BNTX, NVAX, MRNA):** The Trump administration is planning to drop recommendations that pregnant women, teenagers and children get Covid-19 vaccines as a matter of routine, according to WSJ citing sources

FX

The Dollar was mostly softer against major peers, accompanied by lower UST yields as markets turned back towards two Fed 25bps rate cuts by year-end following a ton of US data. Driving the Fed repricing was likely the mixed Retail Sales report, which, despite beating on the headline, fell short on Ex-Autos and the Retail Control component. Similar to CPI earlier in the week, PPI came in mainly on the cool side, but did see chunky revisions to prior results. Following said data and other gauges (unch initial claims, industrial production miss and more), Atlanta Fed's GDPnow (Q3) was revised up to +2.5% from +2.3%. Aside from data, a few trade updates were of importance. Namely, US President Trump said India has offered to drop all tariffs on the US, a headline that sparked a modest Dollar upside. Meanwhile, JiJi reported that the US is considering the possibility of revising the US-Japan trade agreement in bilateral tariff negotiations. Fedspk saw remarks from Barr (Vice Chair Supervision), who reiterated the theme of a solid US economy, and Chair Powell, who said little, but said April PCE was ~ 2.2% Y/Y (but that doesn't account for Apr PPI).

G10FX was mixed, where Havens benefited from the risk-averse FX mood while Antipodes and NOK were hit. For the Euro, drivers for price action were limited, leaving EUR/USD flat on the day. The few updates included the EU's Trade Commissioner Sefcovic

noting the US and EU have agreed to intensify trade talks, while the Trump admin, via WSJ citing sources, told the EU it wants to discuss the EU's ag food tariffs/non-tariff barriers in trade talks. Meanwhile, ECB's De Guindos said financial stability in the euro area has remained sound throughout the market turbulence and major uncertainty. Separately, USD/JPY sits around lows of 145.44, helped by lower US yields, into APAC trade. The latest Reuters poll unveiled that 67% of economists expect the BoJ to keep its interest rate at 0.50% through the end of September, while 52% of economists expect the BoJ to raise the key interest rate to at least 0.75% by year-end.

Cable saw decent gains, supported by a generally softer Dollar and a better-than-expected GDP report. The UK showed growth of 0.2% M/M in March (exp. 0.0%) while the 3M/M estimate rose to 0.7% (exp. 0.6%), leaving the preliminary estimate for Q1 GDP at 0.7% Q/Q (exp. 0.6%). Meanwhile, UK Manufacturing Output fell by a greater magnitude than expected in March after a notable jump in February. Next Monday marks the first UK-EU summit post Brexit, with ING noting a UK-EU alignment should help GBP, and amid the "Dollar looking a bit vulnerable, GBP/USD looks biased to the 1.3360/3400 area short term". For EUR/GBP, the downside resumed with May lows of 0.8403 approaching, with EU leaders urging UK PM Starmer to improve the mobility deal in last-ditch 'reset talks', FT reported.

Antipodes and the NOK lagged G10 peers as higher-beta FX took the backseat. The Aussie failed to hold onto earlier upside on stronger-than-expected job data, whereby the Australian economy added 89k, well above the expected 20k (prev. 32.2k). The Unemployment Rate held steady at 4.1% as expected. AUD/USD now trades back below its 21 DMA (0.6410) at ~ 0.6400, while NZD/USD trades a smidge below its 200 DMA of 0.5879. NOK was pressured by lower oil prices.

EMFX: Banxico cut rates by 50bps as expected in a unanimous decision to 8.50%, maintaining guidance that it could continue calibrating the monetary policy stance and consider adjusting it in similar magnitudes. On inflation, Banxico said it anticipates that the environment will allow it to continue the rate-cutting cycle, albeit maintaining a restrictive stance; USD/MXN upside continued after the decision. Separately, Brazil's government is considering a series of proposals aimed at boosting President Lula's 2026 election chances, Estadão reported. That said, Finance Minister Haddad dismissed any suggestion of seeking additional fiscal space, insisting all measures will remain within existing fiscal rules. Elsewhere, ZAR outperformed on the back of remarks of the South African deputy finance minister, indicating that a lower inflation target could be introduced soon.

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