

Stocks sold as Trump touts EU & AAPL tariffs

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar down
- **REAR VIEW:** Trump floats 50% tariff on EU, cites no progress in trade talks; Trump threatens AAPL with at least 25% tariffs if they don't reshore production; Trump signs nuclear energy orders; Japan holds steady on demands in US trade talks; India and US close to a trade deal in principle; US-Iran talks to continue; US New Home Sales rise in April; Hot-leaning Japan CPI; Trump announces planned partnership between US Steel and Nippon Steel; ORCL to buy USD 40bln NVDA chips for OpenAI's new data centre
- **COMING UP: Data:** Japanese CPI, Germany GDP, UK Retail Sales, EZ Negotiated Wage Rates, Canadian Retail Sales. **Speakers:** ECB's Lane, Schnabel; BoE's Pill; Fed's Musalem, Cook. **Supply:** Australia.
- **WEEK AHEAD:** Highlights include Nvidia earnings, FOMC Minutes, US PCE, RBNZ, Australia CPI and OPEC JMMC. [Click here for the full report.](#)
- **Central Bank Weekly:** Previewing RBNZ, FOMC Minutes, BoK; Reviewing PBoC LPR, RBA, ECB Minutes. [Click here for the full report.](#)
- **Weekly US Earnings Estimates:** NVDA Wednesday AMC the clear highlight. [Click here for the full list.](#)

MARKET WRAP

US indices were lower on Friday, albeit well off earlier lows, which were induced after US President Trump touted a 50% straight tariff on the EU. On top of this, and weighing on stocks (AAPL/tech underperformed), was US President Trump suggesting at least 25% tariffs on the tech behemoth if it does not sell and manufacture iPhones in the US. Nonetheless, after the cash equity open and through the US session, risk sentiment improved to see US equities pare a large chunk of their losses, albeit seemingly not over a single headline driver, ahead of the long weekend due to US Memorial Day and UK May Bank holiday. Back to sectors, there were mixed but the aforementioned Tech lagged, while Utilities was the clear outperformer with names such as Constellation Energy supported in wake of Trump signing a nuclear energy executive order. Elsewhere, the Dollar plunged to the benefit of all G10 FX, snapping a four-week winning streak as fears over US economic growth reared in ugly head given fresh tariff concerns. High-beta FX outperformed, and relative underperformance was seen in the Euro due to the increased aggression from Trump. Treasuries were firmer across the curve and caught a bid on fresh Trump tariff threats, but Treasuries did pare some of the move as equities moved off lows, meanwhile, the inflationary impact of aggressive tariffs may have also been a reason for the downside. The crude complex was choppy, but ultimately ended the day with gains as some desks cited short covering into the long weekend and Iran/US nuclear talks, whereby rhetoric seemed more constructive highlighted by a senior US admin official noting US-Iran talks continue to be constructive and they made further progress. There was no tier 1 data to end the week, while there was plenty of Fed speak but did little to move the dial, with more details below.

US

NEW HOME SALES: New Home sales in April rose by 10.9%, accelerating from the prior 2.6% rise to 743k units from the revised down 670k, above the expected 693k. The supply of new homes fell to 8.1months worth from 9.1 months worth in March. Regarding the increase, Oxford Economics highlight how home builders have been offering price concessions to encourage sales and Y/Y new home prices declined for a fourth straight month. Looking ahead, OxEco "expect the pace of sales to weaken in the months ahead, given our forecast for the economy and labor market to soften while mortgage rates stay elevated."

FED'S GOOLSBEE (2025 voter) said businesses are telling the Fed they want consistency in policy before making big decisions; there is anxiety among firms that continued tariff announcements would disrupt the supply chain and lead to a rising price environment. In the short run, the Fed needs to wait for the dust to clear; the bar for action is higher until that happens. On the recently touted Trump 50% tariffs on the EU, Goolsbee said it's an order of magnitude different from the current situation, and tariff rates that high would be scary for the supply chain. The Chicago Fed President fears that the data is lagging, and upcoming reports will show a more serious impact from actions already taken. Thus far, he believes finance stability worries are overblown, and if there were a crisis over US fiscal stability, interest rates would be moving higher. Concerning the policy path, rate cuts are still possible over a 10-16 month horizon, but if tariffs have a stagflationary impact, then that is the Fed's worst situation. Ultimately, Goosbee still believes the economy remains strong, yet he is going to have to reassess his long-term views.

FED'S SCHMID (2025 Voter) said when deciding monetary policy, the Fed needs to be careful how much weight to put on soft data; will lean heavily on hard data when making interest rate decisions, allowing for less focus on forecasts. On rates, the Kansas Fed President noted nothing good happens when rates hit the zero lower bound, and cutting to zero again would probably mean there is a crisis; hopefully, the Fed is approaching a more range-bound, normalised rate curve.

FED'S MUSALEM (2025 voter) stated business execs are trying to figure out how to manage uncertainty about supply chains, inventory, and inflation. St Louis Fed President expects higher prices for inputs and outputs, and the Fed is watching that carefully. Musalem does not want a rise in short-term inflation expectations to bleed into longer-term ones, and said GDP is close to potential, the labour market around full employment, and inflation still above target.

FED'S COOK (voter) noted she is seeing some signs of stress among low-, and moderate-income households and sufficiently large

income shock could push up defaults, and lead to losses for lenders. Cook is watching the CRE market closely.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 8 TICKS HIGHER AT 110-02+

T-notes caught a bid on fresh Trump tariff threats. At settlement, 2s -0.6bps at 3.993%, 3s -1.8bps at 3.961%, 5s -3.5bps at 4.078%, 7s -4.4bps at 4.281%, 10s -4.4bps at 4.509%, 20s -3.7bps at 5.037%, 30s -3.3bps at 5.031%.

INFLATION BREAKEVENS: 5yr BEI -1.2bps at 2.422%, 10yr BEI -1.5bps at 2.341%, 30yr BEI -1.5bps at 2.315%.

THE DAY: Trade on Friday was largely dictated by fresh tariff threats from US President Trump on the EU, as well as Apple (AAPL). T-Notes largely traded sideways overnight before rallying in risk-off trade after Trump threatened Apple with 25% tariffs if they do not manufacture iPhones in the US, with the bid in T-Notes extending to session highs of 110-17+ after Trump then threatened a 50% tariff on the EU amid a lack of progress in trade talks. On the EU, Trump recommended the 50% tariff from 1st June as discussions with the EU are "going nowhere". After T-Notes hit the bid, the move did start to pare as equities moved off lows, meanwhile, the inflationary impact of aggressive tariffs may have also been a reason for the downturn. However, Waller was exclaiming yesterday he believes that tariffs will have a one-time price impact and the Fed should look through it. Regarding the recent downside amid the tax bill, Treasury Secretary Bessent denied recent action in Congress is moving bonds. However, he did sound quite optimistic on the EU, noting they may see a US-Germany reset under Chancellor Merz and he is optimistic that Germany can help push the EU forward. On SLR, Bessent said they are very close to moving the SLR and could see the SLR move over the summer, seemingly providing a little spurt higher in T-Notes, before paring slightly into settlement.

SUPPLY:

- US to sell USD 69bln of 2yr notes on May 27th, USD 70bln of 5yr notes on May 28th, and USD 44bln of 7yr notes on May 29th; all to settle June 2nd.
- To sell USD 70bln of 6-wk bills, USD 76bln of 13-wk bills, and USD 68 bln of 26-wk bills on May 27th and all to settle May 29th; to sell USD 28bln of reopened 2yr FRN on May 28th and to settle May 30th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing:** June 1bps (prev. 1bp), July 6bps (prev. 8bps), September 17bps (prev. 20bps), Dec 47bps (prev. 51bps)
- NY Fed RRP op demand at USD 155bln (prev. 173bln) across 39 counterparties (prev. 37).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 118bln (prev. 118bln).
- SOFR at 4.26% (prev. 4.26%), volumes at USD 2.540tln (prev. 2.517tln).

CRUDE

WTI (N5) SETTLED USD 0.33 HIGHER AT 61.53/BBL; BRENT (N5) SETTLED USD 0.34 HIGHER AT 64.78/BBL

The crude complex was choppy to end the week, but ultimately ended the day with gains as some desks cited short covering in addition to Iran/US nuclear talks. Despite saying that, WTI and Brent saw notable weakness in the EZ morning and hit troughs of USD 60.02/bbl and 63.32/bbl, respectively, as significant risk-off was seen after US President Trump touted a straight 50% tariff on the EU on Truth Social. This comes in wake of FT reports prior to the Truth, that Trump pushes the EU to cut tariffs or face extra duties with US negotiators to tell Brussels they expect unilateral concessions. However, benchmarks swiftly pared this weakness, and more, to hit peaks of USD 61.88 and 65.04, with little crude-specific newsflow. As mentioned, desks cited short covering ahead of the long weekend, due to Memorial Day in the US, but also there was some slightly more constructive commentary on US/Iran nuclear talks. Omani Foreign Minister said the fifth round of Iran-US talks concluded with some but no conclusive progress and hopes to clarify remaining issues in the coming days. Meanwhile, an Iranian source, close to the negotiating team, noted talks are expected to continue with the date and venue to be decided by Oman. Iran's Foreign Minister added that talks are complicated and more talks are needed, but there is potential for progress with proposals put forward by Oman. For the record, in the weekly Baker Hughes Rig Count, Oil fell 8 to 465, Natgas dropped 2 to 98, leaving the Total declining 10 to 566.

EQUITIES

CLOSES: SPX -0.67% at 5,803, NDX -0.93% at 20,916, DJI -0.61% at 41,603, RUT -0.28% at 2,040

SECTORS: Technology -1.33%, Communication Services -0.99%, Consumer Discretionary -0.91%, Industrials -0.40%, Financials -0.39%, Health -0.22%, Materials -0.10%, Real Estate +0.04%, Energy +0.28%, Consumer Staples +0.31%, Utilities +1.16%.

EUROPEAN CLOSES: DAX: -1.61% at 23,612, FTSE 100: -0.24% at 8,718, CAC 40: -1.65% at 7,734, Euro Stoxx 50: -1.77% at 5,329, AEX: -1.03% at 917, IBEX 35: -1.33% at 14,083, FTSE MIB: -1.94% at 39,475, SMI: -0.43% at 12,210, PSI: -0.61% at 7,331.

STOCK SPECIFICS

- **Apple (AAPL):** Expanding its manufacturing in India; following this, Trump said AAPL faces a 25% tariff if iPhones are not sold & manufactured in the US.
- **Intuit (INTU):** Strong tax season results & upbeat outlook.
- **Autodesk (ADSK):** Raised FY revenue view, driven by strong demand for cloud-based design software & AI investments.
- **Workday (WDAY):** Disappointing guidance.
- **Ross Stores (ROST):** Poor next quarter outlook & withdrew FY25 guidance citing macroeconomic & tariff-related uncertainties

impacting profitability.

- **Copart (CPRT):** Revenue light.
- The FTC dropped its case to block **Microsoft's (MSFT)** USD 69bn acquisition of Activision Blizzard, citing public interest.
- The FTC unanimously dismissed an antitrust lawsuit against **PepsiCo (PEP)**, which alleged price discrimination.
- **Morgan Stanley (MS):** Upgraded at Erste Group to 'Buy' from 'Hold'. The firm expects earnings in 2025 will increase more strongly than revenue, and its ROE is significantly higher than that of competitors; Morgan Stanley's dividend yield is also higher than the sector average.
- **Oracle (ORCL):** To buy USD 40bn of **Nvidia (NVDA)** chips for Open AI's new data centre, FT reports; ORCL will purchase around 400k of NVDA's GB200 chips
- **Salesforce (CRM):** Said to be in talks to acquire **Informatica (INFA)**.
- US President Trump on Truth Social announced **US Steel (X)** will remain in America; will be a planned partnership between US Steel and **Nippon Steel (5401 JT)**; will create at least 70,000 jobs, and add USD 14bn to the US economy; the bulk of that investment will occur in the next 14 months.

FX

The Dollar saw broad weakness against peers to end the week, snapping a four-week consecutive streak of gains. DXY was trading notably lower leading into the key developments of the day, in which US President Trump recommended 50% tariffs on the EU, due to the EU being very difficult on trade, with talks going nowhere. Dollar upside followed the announcement, only to fade later in a similar fashion to recent trade on tariff escalation, where the woes over the impact on the US economy outweigh that of the opposition. US Treasury Secretary Bessent appeared on Fox News, noting he hopes the floated 50% tariff on the EU would light a fire under the EU, as it has a collective action problem. Elsewhere, the data was light, but many Fed members were present. Goolsbee (2025 voter) said in the short run, the Fed needs to wait for the dust to clear, and the bar for action is higher until that happens. Despite Memorial Day on Monday, next week will see tier 1 releases pick back up with Durable Goods (Apr), FOMC Minutes, GDP Growth Rate 2nd Est (Q1), and PCE (Apr) all due. Fed Chair Powell sees April PCE likely around 2.2% Y/Y (vs 2.3% Y/Y in March)

G10FX was entirely firmer vs. the Dollar on the day, and most beneficial for high-beta FX, which saw large gains. Relative underperformance was seen in the Euro due to the increased aggression from Trump. As it stands, markets await the outcome of the talks between the EU Trade Chief Sefcovic and USTR Greer. Note that the EU Commission declined to comment on the US trade tariffs until the call took place. Separately, German GDP offered some promise for the region, with Q1 GDP revised up to 0.4% from 0.2%, marking the sharpest economic expansion since Q3 2022. That said, net exports and private consumption drove the move, likely in anticipation of tariffs/Liberation Day. Into the weekend, EUR/USD trades ~1.1360, EUR/GBP ~ 0.8390, USD/JPY 142.50, Cable 1.3530.

JPY was buoyed by US pessimism and a firmer Treasury environment in response to sold equities in risk-averse US trade. Out of Japan, the April CPI report was generally in line with expectations, though the CPI ex-Fresh Food was a touch on the hot side. Before Chief Tariff Negotiator Akazawa visited the US on Friday, PM Ishiba noted on his call with US President Trump on US tariffs, that there is no change to the stance of demanding the elimination of tariffs. Elsewhere, existing strength in GBP continued following the April Retail Sales report, 1.2% (exp. 0.2%). Pantheon Macroeconomics writes, "The gain in retail sales will add around 0.1pp to April GDP growth, which sets the stage for solid quarterly performance".

EMFX: The Philippine Central Bank Governor said they are looking at cutting holdings of US Treasuries; looking at two more rate cuts and that cuts are not necessarily consecutive but noted a rate cut is on the table in June. Nonetheless, PHP was firmer. On recent Asia FX strength, ING discussed a couple of possible drivers, 1) A bullish reassessment of Chinese and global demand on signs that the US and China are looking for a negotiated trade settlement, or, 2) The US Treasury will get its way with strong currencies for Asian trading partners. The EM space was largely stronger vs the USD, with TRY the exception.

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