

# newsquawk

## US Market Wrap - 27th May 2025

### Stocks and bonds rally as Trump extends EU trade deadline

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Trump delays EU trade deadline; Consumer confidence rises above top end of forecast range; Japan's MoF to potentially trim issuance of super long debt; Fed's Kashkari notes healthy debate over "looking through" tariffs inflationary impacts; Durable Goods declined less than expected; Q2 Atlanta Fed GDPnow forecast trimmed lower; Solid US 2yr auction.
- **COMING UP: Data:** Australian CPI, German Unemployment Rate, ECB SCE, US Richmond Fed Index **Events:** RBNZ Policy Announcement, Financial Stability Report; FOMC Minutes, OPEC+/JMMC **Speakers:** Fed's Williams, Kashkari; BoE's Pill; RBNZ's Hawkesby **Supply:** Japan, UK, Germany, US **Earnings:** NVIDIA, Salesforce, Abercrombie, Macy's

### MARKET WRAP

Stocks rallied on Tuesday on the return from the long weekend with markets reacting to US President Trump delaying his 50% tariff threat to the EU to 9th July from 1st June, allowing more time for negotiations. The market also caught a bid on the sharp rebound in consumer confidence. Sectors rallied, with Consumer Discretionary, Tech and Communication outperforming (up over 2-3%), while Energy, Utilities and Consumer Staples lagged (but still with gains of 0.7-0.9%). Meanwhile, US Treasury yields were lower across maturities with the curve bull flattening. The downside in long-end yields largely tracked that of JGBs on reports that Japan's MoF is looking to cut super-long-end issuance, while the Trump/EU trade relief also likely helped. The Dollar outperformed on the reduced trade tensions while the Yen lagged on lower JGB yields and the rally in equities. Oil prices settled lower ahead of OPEC+ JMMC, although the meeting of the eight OPEC+ countries conducting voluntary cuts will take place on Saturday. Market focus will be on the Saturday meeting, assuming no policy decision is front-run and announced at the Wednesday meeting. Data out of the US saw Durable Goods tumble, but not as much as forecast, albeit it was primarily led by volatile aircraft orders after the surge in the prior month. Meanwhile, Consumer Confidence saw a notable recovery, well above analyst expectations. Fed speak saw Kashkari note that there is a healthy debate on the FOMC over whether to look through the inflationary impact of new tariffs. Barkin toed the usual wait-and-see approach line.

### US

**CONSUMER CONFIDENCE:** US Consumer Confidence rose to 98.0 from 86.0, above the expected 87.0 and even above the top end of the forecast range. The Present Situation Index and Expectations rose to 135.9 (prev. 133.5) and 72.8 (prev. 54.4), respectively, while 12mth inflation expectations ticked lower to 6.5% from 7.0%. Note, that the cutoff date for preliminary results was May 19th - About half of the responses were collected after the May 12th announcement of a pause on some tariffs on imports from China. Consumers saying jobs "plentiful" and "hard to get" both increased. On the responses, Stephanie Guichard, Senior Economist at The Conference Board noted the rebound was already visible before the May 12th US-China trade deal but gained momentum afterwards. Meanwhile, she added consumers were less pessimistic about business conditions and job availability over the next six months and regained optimism about future income prospects. Consumers' assessments of the present situation also improved. However, consumers were more positive about current business conditions than last month, and their appraisal of current job availability weakened for the fifth consecutive month. Note, that May's rebound in confidence was broad-based across all age groups and all income groups. It was also shared across all political affiliations.

**DURABLE GOODS:** Durable Goods declined by 6.3% in April, beating the expected decline of 7.8%, but falling notably from the prior rise of 7.6%. Ex-defense fell 7.5%, vs the prior 9.0% upside. Ex-transport rose by 0.2%, vs the prior -0.2%. Nondefense Capital Goods Ex-aircraft fell 1.3%, vs the prior +0.3%. The more tame figures in ex-transport show that the fall in the headline was primarily due to a fall in the volatile aircraft orders from the strong March report. However, Pantheon Macroeconomics does highlight that "other headline numbers from this report provide further indication that underlying investment demand is slowing significantly in the wake of the tariff shock." The consultancy highlights that the 0.2% ex-transport increase is equivalent to a 0.4% decline in real terms, given the 0.6% jump in PPI capital goods last month. It also adds that the 1.3% drop in Nondefense Capital Goods ex-aircraft is consistent with a near 2% decline in real terms. Elsewhere within the report, Pantheon Macroeconomics highlights the Core Capital goods shipments fell by 0.1%, but is consistent with a 0.7% drop in real terms. "That tentatively suggests a moderate decline in equipment investment in Q2, but one month's data are not definitive."

**NVIDIA PRIMER:** Looking ahead to the earnings, while obvious attention will be on the quarterly figures and guidance, participants will be cognizant of what is said about China-US relations, chip bans, and the new China chip. On top of this, NVDA investors will be looking for definitive answers on how much US chip curbs on China will cost the Co., even as a pullback in other regulations is expected to open up new markets. [To see the full report, please click here.](#)

### FIXED INCOME

**T-NOTE FUTURES (M5) SETTLE 14 TICKS HIGHER AT 110-16+**

**T-Notes bull flatten on reports Japan's MoF is to cut super-long JGB issuance, while Trump delayed the EU's 50% tariff threat .** At settlement, 2s -1.3bps at 3.974%, 3s -2.9bps at 3.926%, 5s -5.0bps at 4.026%, 7s -6.3bps at 4.219%, 10s -7.5bps at 4.436%, 20s -8.9bps at 4.955%, 30s -9.3bps at 4.944%.

**INFLATION BREAKEVENS:** 5yr BEI -1.5bps at 2.406%, 10yr BEI -1.1bps at 2.330%, 30yr BEI -1.7bps at 2.298%.

**THE DAY:** T-Notes bull flattened on Tuesday with upside in the long-end tracking JGB futures higher after reports early morning from Reuters sources that suggested Japan's Ministry of Finance will consider tweaking the composition of its bond issuance plan that could involve trimming issuance of super-long debt. Meanwhile, the UK is also shifting to shorter-term borrowing, reducing its reliance on long-term borrowing, according to the FT, citing the DMO Chief. On trade, US President Trump agreed to extend the EU trade talk deadline to avoid the EU facing a 50% tariff in the near term, which also appears to be helping the long end. ING highlighted that long-end yields are experiencing some relief, but the desk thinks US yields will find it particularly difficult to shake off a bearish taint over the coming weeks and months with a focus on fiscal concerns, while eyes will be on any changes the Senate makes to Trump's "Big Beautiful Bill". On the flip side, it is also worth bearing in mind any adjustments to the SLR over the Summer that Treasury Secretary Bessent hinted at last week. The US data saw Durable Goods post a smaller decline than forecast, which did little to change the dial with the downside simply paring the prior month rally due to volatile aircraft components. On Fed speak, Kashkari noted how there is a healthy debate among the FOMC members on whether to look through the inflationary impact of new tariffs. Waller has previously stated it is standard practice to look through one-time price increases, although Kugler has suggested there could be some permanency to price hikes from tariffs. Kashkari personally finds arguments against tariff-induced inflation as more compelling, which supports the Fed's stance of keeping rates on hold until there is more clarity on the path for tariffs and their effects. The 2yr was ultimately well received with a 1bps stop-through, although the internals were not quite as strong (more below).

#### SUPPLY:

#### Notes

- US Treasury sold USD 69bln of 2yr notes at a high yield of 3.955%, stopping through the when issued by 1bps, a better sign of demand when compared to the prior 0.6bps tail and six auction average of a 0.4bps stop through. Despite the strong stop-through, the bid-to-cover was below average at 2.57x but above the prior 2.52x. Meanwhile, the breakdown saw direct demand fall to 26.2% from 30.1%, but well above the 16.4% average. Indirect demand rose to 63.3% from 56.2% but below the six auction average. This left dealers with 10.5% of the auction, better than the prior 13.7% but only slightly under the six-auction average.
- US to sell USD 70bln of 5yr notes on May 28th, and USD 44bln of 7yr notes on May 29th; all to settle June 2nd.
- US to sell USD 28bln of reopened 2yr FRN on May 28th; to settle May 30th.

#### Bills

- US sold USD 80bln of 3-month bills at a high rate of 4.255%, B/C 3.18x; sold USD 72bln of 6-month bills at a high rate of 4.160%, B/C 2.95x; sold USD 74bln of 6-week bills at high rate of 4.235%, B/C 3.00x.
- US to sell USD 60bln of 17-week bills on May 28th, USD 65bln of 8-week bills and USD 75bln of 4-week bills on May 29th; all to settle June 3rd

#### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 1bps (prev. 1bp), July 7bps (prev. 6bps), September 19bps (prev. 17bps), Dec 50bps (prev. 47bps)
- NY Fed RRP op demand at USD 138bln (prev. 155bln) across 30 counterparties (prev. 39)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 123bln (prev. 118bln).
- SOFR at 4.26% (prev. 4.26%), volumes at USD 2.542tln (prev. 2.540tln).

## CRUDE

**WTI (N5) SETTLES USD 0.64 LOWER AT 60.89/BBL; BRENT (N5) SETTLES USD 0.65 LOWER AT 64.09/BBL**

The crude complex was lower, albeit choppy, as participants await OPEC later in the week. Oil-specific newsflow was light on Tuesday as traders returned from the long holiday weekends in both the UK and the US. Nonetheless, US President Trump continues to ramp up his rhetoric on Russian President Putin after calling him "crazy" over the weekend. Today, Trump said Putin is playing with fire, while CNN sources reported that Trump could impose new Russia sanctions in the coming days as he vents frustration at Putin for his aerial assault on Ukraine over the weekend. Back to OPEC, the JMMC will take place on Wednesday at 14:00 BST, with the full OPEC and OPEC+ meetings also set to take place following the JMMC. However, the meeting of the eight OPEC+ countries conducting the voluntary cuts will now take place on Saturday, May 31st. The market focus will be on the Saturday meeting, assuming no policy decision is front-run and announced at the Wednesday meeting. Delegates are reportedly discussing the prospect of a third consecutive output hike, according to Bloomberg sources, on May 22nd. [For a full Newsquawk preview, please click here.](#) WTI and Brent traded between USD 60.26-62.14/bbl and 63.50-65.14/bbl, respectively. Note, that private inventory data is delayed a day until Wednesday after-hours due to the aforementioned US holiday.

## EQUITIES

- **CLOSES:** SPX +1.90% at 5,913, NDX +2.14% at 21,364, DJI +1.67% at 42,297, RUT +2.33% at 2,087.
- **SECTORS:** Consumer Discretionary +3.04%, Technology +2.55%, Communication Services +2.14%, Industrials +1.79%, Financials +1.79%, Materials +1.68%, Real Estate +1.65%, Health +1.39%, Consumer Staples +0.92%, Energy +0.84%, Utilities +0.77%
- **EUROPEAN CLOSES:** DAX: +0.83% at 24,226, FTSE 100: +0.69% at 8,778, CAC 40: -0.02% at 7,827, Euro Stoxx 50: +0.43% at 5,418, AEX: +0.56% at 930, IBEX 35: +0.13% at 14,240, FTSE MIB: +0.34% at 40,125, SMI: +0.18% at 12,340, PSI: -0.02% at 7,371.

## STOCK SPECIFICS:

- **Nvidia (NVDA)**: Plans to launch a cheaper AI chip using its Blackwell architecture for China.
- Trump admin plans to issue a limited license to **Chevron (CVX)**, allowing minimal maintenance & safety work in Venezuela.
- **Tesla (TSLA)**: European auto sales dropped 49% Y/Y in April despite a 27.8% rise in battery EV sales overall.
- **Salesforce (CRM)** signed a definitive agreement to acquire Informatica (INFA) for USD 8bln in equity value; expected to close in FY 2027.
- **Trump Media & Technology (DJT)**: Announces an approximately USD 2.5bln Bitcoin Treasury Deal; DJT will issue and sell USD 1.5bln in stock and USD 1.0bln of 0.00% convertible senior secured notes to fund the deal.
- **Southwest Airlines (LUV)**: Ends free baggage policy; To charge \$35 for first checked bag
- **Block (XYZ)**: Upgraded to 'Outperform' from 'Neutral' at BNP Paribas Exane. The firm noted guidance for mid-teens gross profit growth acceleration in Q4 looks attainable as headwinds fade, such as high comps in bitcoin and continued pressure in the cash business; sees room for a re-rating of the shares.
- **TPG and Blackstone (BX)** offered USD 16bln to take **Hologic (HOLX)** private, according to FT; Hologic in recent weeks rejected the nonbinding offer, which would value the group at USD 16.3-16.7bln including debt.
- Iceberg Research short on **TMC the metals company (TMC)**

## US FX WRAP

**The Dollar** saw gains on Tuesday, to the detriment of all G10 FX, albeit with headline drivers on the lighter side ahead of FOMC Minutes and Nvidia (NVDA) earnings on Wednesday. On data, Durable Goods declined less than expected, but garnered little reaction, while Consumer Confidence impressed and even printed outside the top end of the forecast range. The updated Atlanta Fed GDPnow for Q2 was revised lower to 2.2% from 2.4%. Barkin (2027 voter) and Kashkari (2026 voter) spoke, with the latter noting there is a healthy debate amongst FOMC members over whether to "look through" the inflationary impact of new tariffs. Ahead, aside from the aforementioned risk events, focus will be on the second reading of Q1 GDP and monthly PCE metrics.

**JPY** was the G10 laggard and weighed on by a sharp fall in domestic long-dated bond yields. The pair initially retreated overnight amid a softer dollar and the subdued risk appetite in Japan, although it was largely unfazed by comments from BoJ Governor Ueda who stated that, to an extent, incoming data allows them to gain more confidence in the baseline scenario and that as economic activity and prices improve, they will adjust the degree of monetary easing as needed. Nonetheless, the pair eventually clawed back losses as the dollar rebounded off lows and as long-term JGB yields declined in response to source reporting via Reuters that Japan's MoF will consider tweaking the composition of its bond issuance plan, which could involve trimming the issuance of super long debt; will meet with primary dealers on June 20th. USD/JPY ventured as high as 144.44 vs. an overnight trough of 142.12.

The rest of **G10 FX** was lower vs. the Buck, albeit to varying degrees, as they were largely weighed on by the broader Dollar strength as opposed to currency-specific newsflow. There was central bank speak from ECB and SNB officials, where the latter's Chair said in the coming months cannot rule out negative inflation in Switzerland, and SNB policy rate is the main instrument, but they will also consider additional measures like FX interventions. For the ECB, chief economist Lane said they will pay close attention to the data in the next meetings, and if they see signs of further falling inflation, they will respond with further interest rate cuts – but the range of discussion is not that wide: no one is talking about dramatic rate cuts. EUR/USD traded between 1.1324-1.1407 while USD/CHF saw a high of 0.8279.

**GBP** gave up some of its recent gains as UK participants returned from their long weekend. Cable tested its multi-year peak of 1.3593, but could not mount a serious effort, before falling back down towards the round 1.35. Antipodeans lost out today, and pared some of the strength they saw on Monday on the broader risk-on conditions after President Trump extended the deadline for 50% tariffs on the EU by one week.

**EMFX** was mixed. COP, CLP, and BRL all strengthened, while HUF, ZAR, CNH, and TRY weakened, and MXN was flat. LatAm assets saw strength on Tuesday, with the BRL boosted after Brazil's mid-month inflation printed underneath expectations, which was the third consecutive deceleration. In CEE, NBH held rates unchanged, as expected, while NBP's Duda stated a good moment to cut rates would be the end of Q3, but further data on wages is important; no changes to monetary policy should be expected in June.

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