

newsquawk

US Market Wrap - 28th May 2025

NVDA tops earnings expectations despite incurring USD 4.5bln charge in Q1

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Trump says Iran deal could happen over next few weeks, while it will take a week to find out if Putin wants to end the war; Trump orders US chip designers to stop selling to China; Tehran denies Reuters reports of halting uranium enrichment for a year; US says it can do "significant reduction" in Iranian petroleum; RBNZ cuts OCR by 25bps as expected; Weak 40yr JGB auction; NVDA tops earnings expectations; BMW, MBG, VOW3 in talks with US on tariffs.
- **COMING UP:** **Data:** Spanish Retail Sales, Italian Industrial Sales, US GDP 2nd Estimate (Q1), Core PCE Prices (Q1), Jobless Claims. **Events:** SARB, BoK Policy Announcement, Swiss & Scandinavian Holiday, RBNZ hearing. **Speakers:** Fed's Barkin, Goolsbee, Kugler, Daly, RBNZ Governor Hawkesby, BoE's Bailey & Breeden. **Supply:** Italy, US. **Earnings:** Marvell, Costco, Dell, Gap, ULTA, Foot Locker, Best Buy, Kohl's.

MARKET WRAP

US indices closed lower (SPX -0.6%, NDX -0.5%, DJI, -0.6%, RUT -1.1%) but still remained well in the green for the week thus far, with focus on NVIDIA (NVDA) AMC. Note, NVIDIA beat on profit and revenue, despite incurring a USD 4.5bln charge in Q1; Q2 revenue outlook fell short, but reflected a USD 8bln loss in H2O revenue. Sectors closed entirely in the red with Utilities, Energy, and Materials underperforming while Real Estate outperformed. Pressure was seen in the likes of Cadence Systems (CDNS, -10.7%) after US President Trump ordered US chip designers to stop selling to China (via FT). Keeping on trade, a US Commerce spokesperson said the US is reviewing exports of strategic significance to China and has suspended some export license while review takes place. Concerning the EU, In FX, talks between US and EU officials are to occur on Thursday, and then on every other day. Aside, from trade, FOMC Minutes was watched but sparked little reaction across markets. Members agreed that they were well positioned to wait for greater clarity on the economic outlook but pointed to tariff policies as posing a larger drag on economic activity than previously assumed. In FX, Dollar strength continued with gains seen across the board, while NZD outperformed following a hawkish RBNZ cut. Treasuries were sold across the curve, leaving yields higher similar to global peers. Treasury downside was aided by commentary from Fed's Williams, who sounded cautious on inflation expectations, and a poorly received 40yr JGB bond auction. Note, the USD 5yr note auction was decent, but signalled weaker demand than the prior, and to a lesser extent the six-auction average. Crude prices settled higher amid Trump continuing to disapprove of Russian President Putin's recent action, noting he's playing with fire and said it will take about a week to find out if Putin is playing them. Meanwhile, Tehran denied Reuters reports of halting uranium enrichment for a year, adding, the continuation of enrichment in Iran is non-negotiable. Concerning OPEC+, the meeting went as expected with no oil output decision made, but the door was left open for a further accelerated output hike for July at the upcoming Saturday meeting.

US

FOMC MINUTES REVIEW: Minutes from the FOMC's May 7th policy meeting stated that participants agreed that they were well positioned to wait for greater clarity on the economic outlook, adopting a cautious stance on monetary policy amid the risks and challenges facing the economy. Staff pointed to tariff policies as posing a larger drag on economic activity than previously assumed. Officials noted that uncertainty around their outlooks had increased, and was unusually elevated. Most participants highlighted a risk that inflation could prove more persistent than expected and agreed that the risks of both higher inflation and higher unemployment had risen. They acknowledged the possibility of facing difficult trade-offs should persistent inflation coincide with weakening growth and employment prospects. It is worth noting that the minutes of the meeting are an account of information that was available to them at the time of the May 7th meeting, and therefore it will not incorporate the recent de-escalation on trade frictions with China. Still, on asset prices, some participants observed changes in typical correlations across asset prices during the first half of April, while others noted that a durable shift in such correlations or a weakening of the perceived safe-haven status of US assets could have lasting implications for the economy. Elsewhere, for those looking for any clues on how the Fed's five-year review of its policy framework, due later this year, officials said that maintaining the 2% price target supports transparency, accountability, and monetary policy effectiveness.

RICHMOND FED: Richmond Fed composite manufacturing index rose to -9 in May from -13 in April, remaining in negative territory. Of its three component indices, shipments and new orders rose to -10 (prev. -17) and -14 (prev. -15), respectively, and employment edged up to -2 from -5. Backlog of orders lifted to -19 from -24, but local business conditions declined to -25 from -21. Looking ahead, the index for future local business conditions rose significantly from -37 to -6. The future indices for shipments and new orders increased notably, with shipments rising from -20 to 2 and new orders increasing from -26 to -3. Prices paid dipped, while received rose slightly, but both notably fell looking ahead.

FED WILLIAMS (voter) said inflation expectations are well anchored, and he wants to avoid inflation becoming highly persistent as that could become permanent; a way to avoid that is to respond relatively strongly when inflation begins to deviate from target. Meanwhile, the NY Fed President said misperceptions about 'r star' can lead to long-lasting deviations. He added, that you want the whole curve of inflation expectations to be well-behaved.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 10 TICKS LOWER AT 110-08

T-notes pare Tuesday upside on weak JGB auction, commentary from Fed's Williams and likely profit taking. At settlement, 2s +4.3bps at 3.992%, 3s +4.1bps at 3.960%, 5s +4.2bps at 4.065%, 7s +4.8bps at 4.264%, 10s +4.3bps at 4.477%, 20s +4.1bps at 4.992%, 30s +3.3bps at 4.973%.

INFLATION BREAKEVENS: 5yr BEI -0.3bps at 2.410% 10yr BEI +0.4bps at 2.336% 30yr BEI +0.4bps at 2.302%

THE DAY: T-notes pared some of the prior day's bull flattening in response to reports that Japan's MoF is considering cutting super long bond issuance. Downside was seen overnight, seemingly aided by commentary from Fed's Williams, who sounded cautious on inflation expectations, while lows were seen after a poorly received 40yr JGB bond auction. T-notes hit a low of 110-07+ before paring throughout European trade to a peak of 110-15. Gains were short-lived and downside resumed in US trade, perhaps as US players responded to the JGB auction and remarks from Fed's Williams, or some profit taking place since the upside on Tuesday, while corporate issuance may have also had an impact. There were eight issuers looking to sell fresh debt, Bloomberg reported, which noted this added to the nine who raised capital on Tuesday. Meanwhile, some block activity may have accelerated the downside, including a 5k 5yr block sale at 107-27, a 5k 2yr block sale at 103-187, although this was later countered with a 14.4k block buyer at the same price. The data highlight was the Richmond Fed, which improved from the prior thanks to a rebound in shipments, but the services index disappointed. On Fed speak, Williams spoke overnight, noting inflation expectations are well anchored, and he wants to avoid inflation becoming highly persistent, as that could become permanent. He also added that misperceptions about the neutral rate can lead to long-lasting deviations. The 5yr auction was well received, which saw T-notes pare slightly from the lows. The FOMC Minutes sparked little reaction in Treasuries, were participants in the May meeting agreed they are well positioned to wait for greater clarity on the economic outlook, while almost all participants commented on the risk that inflation could prove more persistent than expected.

SUPPLY:

Notes

The US Treasury sold USD 70bln of 5yr notes. Overall, a decent auction. The 0.4bps stop through was not as strong as the 1bp stop through in the prior auction, and slightly softer than the six-auction average of a 0.5bps stop through. The bid-to-cover was inline with recent averages and the prior. The breakdown was interesting, indirect demand surged to 78.37% from 64.0%, above the 68.2% six-auction average. Meanwhile, Direct demand fell to 12.39% from 24.8%, below the 20.2% average. However, Dealers were left with just 9.24% of the auction, slightly below the prior and average, showing the strong indirect demand helped offset the weak direct demand. US Treasury sold USD 28bln of 2yr FRNs at a high discount margin of 0.144%, lower than the prior 0.16% and six auction average of 0.13%. The bid-to-cover was strong at 2.95x, well above the 2.69x prior and 2.86x average. Meanwhile, direct demand saw a slight pick up while indirect demand surged to 63.1% from 48.61%, albeit remaining below the six auction average of 66.1%. This left dealers with 35% of the auction, above the six-auction average, but well below the prior 50%. US to sell USD 44bln of 7yr notes on May 29th

Bills

- US sold USD 60bln of 17-week bills at a high rate of 4.220%; B/C 3.36x
- US to sell 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. 1bps), July 6bps (prev. 7bps), September 17bps (prev. 19bps), Dec 45bps (prev. 50bps).**
- NY Fed RRP op demand at USD 173bln (prev. 138bln) across 36 counterparties (prev. 30).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 123bln).
- SOFR at 4.31% (prev. 4.26%), volumes at USD 2.655tln (prev. 2.542tln).

CRUDE

WTI (N5) SETTLED USD 0.95 HIGHER AT USD 61.84/BBL; BRENT (N5) SETTLED USD 0.81 HIGHER AT USD 64.90/BBL

The crude complex was firmer and ground higher throughout the US session, albeit on little headline newsflow as some desks continued to cite Trump's comment on Putin "playing with fire". Despite saying that, in the OPEC+ meeting, Reuters sources said they will not make any oil output decisions, and as such, the market focus will be on the Saturday meeting between the eight members conducting voluntary cuts (as expected). WTI and Brent saw a bid in the US afternoon and came after the US said it could do a "significant reduction" in Iranian petroleum. Elsewhere, Russia's Kremlin, on German Chancellor Merz's remarks regarding Ukrainian long-range missiles, said this is nothing but a further provocation of the war. Prices were pressured in the US afternoon on Reuters, citing sources, "Iran may agree to pause nuclear enrichment work temporarily if the US recognises Tehran's right to enrich Uranium for civilian uses". Additionally, the sources noted that any temporary halt to nuclear activity under a "political agreement" would also require the US to release frozen Iranian funds. Ahead, and aside from OPEC, traders will be eyeing the delayed Private Inventory metrics after-hours, whereby current expectations are (bbls): Crude (exp. 0.1mln), Distillate (exp. 0.5mln), Gasoline (exp. -0.5mln). Aside from that, tech-behemoth NVIDIA earnings are also AMC, and have the capacity to shake or support global macro markets.

EQUITIES

CLOSES: SPX -0.56% at 5,889, NDX -0.45% at 21,318, DJI -0.58% at 42,099, RUT -1.08% at 2,068

SECTORS: Utilities -1.44%, Materials -1.27%, Energy -1.25%, Consumer Discretionary -0.93%, Financials -0.70%, Health -0.57%, Consumer Staples -0.56%, Industrials -0.52%, Technology -0.34%, Communication Services -0.17%, Real Estate -0.01%.

EUROPEAN CLOSES: DAX: -0.66 % at 24,067, FTSE 100: -0.59 % at 8,726, CAC 40: -0.49 % at 7,788, Euro Stoxx 50: -0.72 % at 5,376, AEX: -0.61 % at 924, IBEX 35: -0.90 % at 14,111, FTSE MIB: +0.01 % at 40,128, SMI: -1.21 % at 12,190, PSI: -0.13 % at 7,361

STOCK SPECIFICS:

- **NVIDIA (NVDA)** Q1 2026 (USD): Adj. EPS 0.96 (exp. 0.92), Revenue 44.1bln (exp. 43.28bln); incurred a USD 4.5bln charge in Q1 of FY26.. **Outlook:** Q2 outlook reflects USD 8bln loss in H2O revenue, Q2 revenue 45.0bln (exp. 46.4bln).
- **Apple (AAPL):** Will launch a dedicated gaming app later this year.
- **Nvidia (NVDA):** Suppliers have resolved key issues with Blackwell GB200 AI racks
- **Motorola Solutions (MSI):** To acquire Silvus Technologies for USD 4.4bln
- **Okta (OKTA):** Solid earnings but notes uncertain economic environment & prudent outlook approach
- **Box (BOX):** EPS & revenue topped with strong guidance
- **Travelers (TRV):** To sell most of its Canadian personal & commercial insurance units to Definity for ~USD 2.4bln
- **Vail Resorts (MTN):** Appointed Rob Katz as CEO, succeeding Kirsten Lynch, who is to step down but will advise temporarily; reaffirmed FY25 guidance.
- **Macy's (M):** EPS & revenue beat, but next quarter guidance was light & cut FY profit view
- **Abercrombie & Fitch (ANF):** EPS and revenue beat.
- **Meta (META):** Reportedly plans to open physical stores and hire retail workers, according to Business Insider.
- **Apple (AAPL):** Is planning major software rebrand with year-based names; Apple's successor to iOS 18 software will be called 'iOS 26'

FX

The Dollar bounce continued on Wednesday as the strong US Consumer Confidence report on Tuesday continues to lend the buck breathing room for now, resulting in DXY rallying just shy of 100 to 99.96. On trade, talks between the US and EU are to occur on Thursday, and then every other day, which are likely to continue until the July 9th deadline for US 50% tariffs on the EU to take effect. White House CEA Chair Miran thinks the EU will come around. From the EU, Trade Commissioner Sefcovic on conversations with the US, said they are looking into tariff lines and cooperation in fields such as aviation, semiconductors, and steel (fits with earlier reports in the week). Aside from trade, the highlight was the FOMC Minutes. The release reinforced the wait-and-see state Fed members are currently in, while staff cited tariff policies as implying a larger drag on activity than policies they had assumed in their prior forecast. Attention now looks to NVIDIA earnings after the US market close, and GDP 2nd estimate (Q2) and weekly initial claims on Thursday.

G10 FX was primarily in the red on USD strength, with GBP, EUR, and JPY the biggest losers. JPY was weighed by higher global bond yields, with another weak JGB auction (40yr) adding upside to JGB yields. For the Euro, unemployment rose more than expected in Germany, but the rate remained as expected at 6.3% in May, while import prices in April were below expectations. From the ECB, April's Consumer Expectations Survey saw 1yr ahead inflation expectations at 3.1% (prev. 2.9%), while economic growth expectations for the next 12 months fell to -1.9% (prev. -1.2%). EUR/USD now resides at ~ 1.1290 with the 10 DMA (1.1285) and 21 DMA (1.1270) approaching on the downside, while EUR/GBP was unchanged at ~ 0.8380.

NZD/USD ended the session higher following a hawkish cut by the RBNZ. The decision to cut the OCR by 25bps to 3.25% was expected, but markets were surprised by the 5-1 split vote, with 1 dissenting for a hold. Additionally, the RBNZ is no longer committing to a set path, likely meaning future decisions will be dictated by incoming data. RBNZ's OCR forecasts for 2025 and 2026 were lowered alongside a lower annual CPI projection by June 2026. RBNZ Chief Economist Conway said rates are in the neutral zone, suggesting a high likelihood that the RBNZ's easing cycle is close to or at completion in the near future.

EMFX: Weakness was the theme in EMs, with the downside led in MXN, while COP outperformed with modest strength. Banxico issued its Q1 report, seeing 2025 and 2026 GDP growth forecasts slashed, and the forecast for headline inflation to converge at the 3% target unchanged for Q3 2026. Governor Rodriguez reiterated remarks from the May statement, where the board estimates that going forward it could continue calibrating the monetary stance and consider adjusting it by a similar amount as May's 50bps cut.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com