newsquawk

US Market Wrap - 30th May 2025

Markets chop on month end amid US data and US/China friction

- **SNAPSHOT**: Equities flat, Treasuries steepen, Crude down, Dollar up..
- **REAR VIEW**: Trump accuses China of violating deal with US; PCE cools, relatively in line with expectations; Personal Income surges, sluggish consumer spending; Trade deficit narrows as imports plummet; Woeful Chicago PMI; UoM sentiment rises further, Inflation expectations ease; Atlanta Fed GDP surges; US does not budge on tariffs in Japan talks; US plans wider China tech sanctions; OPEC+ could discuss output hike larger than 411k BPD over the weekend; Hot German CPI, Soft Spanish CPI; ULTA, DELL catch a bid while GAP tumbles post-earnings.
- **COMING UP**: **Data**: EZ, UK, Canadian, US Manufacturing PMI Finals, Swiss GDP, ISM Manufacturing **Speakers**: Fed's Waller, Logan, Goolsbee, Powell; BoE's Mann; ECB President Lagarde **Supply**: EU.
- **WEEK AHEAD**: Highlights include US NFP, ISM PMIs, ECB, BoC, EZ CPI, Canada Jobs, Swiss CPI and Aussie GDP. Click here for the full report.
- **CENTRAL BANK WEEKLY**: Previewing RBA Minutes, BoC, ECB, RBI; Reviewing FOMC Minutes, RBNZ, BoK. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES**: Thin earnings docket but highlights include CRWD, AVGO, LULU. Click here for the full list.

MARKET WRAP

Stocks chopped on month-end with focus on US President Trump commentary and US data. Stocks ultimately finished the day little changed, although the Russell did underperform, while bonds settled rather flat but with a steeper curve. In the morning, Trump took aim at China noting how they are violating their agreement with the US after Trump dialled back the tariffs on China goods. Meanwhile, the US data also hit bonds and stocks. To summarise the data, the April PCE was broadly in line with expectations but eased from the prior, however Personal Income surged while consumer spending saw minimal growth, suggesting there is some sense of caution in the consumer. Meanwhile, the trade deficit sharply narrowed to just USD 87.62bln from USD 162.25bln, well beneath the 143bln deficit forecast. This was primarily due to a plunge in imports (19.8%), the largest drop on record, as the front-loading of tariffs is now scaled back with tariffs in effect from April 2nd. The drop in the deficit is a positive calculation for Q2 GDP. This was later confirmed with the Atlanta Fed lifting the Q2 growth estimate to 3.8% from 2.2%, which also briefly hit bonds and stocks. In addition, Chicago PMI notably underperformed and even printed outside the bottom end of the forecast range. Thereafter, notable pressure was seen in equities during US trade but with little fresh headlines, likely driven by month-end price action as Europe was leaving - which did help T-Notes to highs. A report in Bloomberg that the US is planning wider China tech sanctions further hit sentiment, but there was a sharp rebound thereafter, and led to Treasuries coming off those highs into settlement. There was little fresh news behind the rebound, which likely suggests it was month-end related, albeit sentiment was supported once Trump suggested he will speak to China President Xi and hopefully they will sort the issue of China breaching violations. On which, WSJ reported the violations are regarding rare-earth exports. Elsewhere, crude prices were also choppy but weakness was seen on reports from Reuters, and then Bloomberg, that the OPEC 8 are considering lifting production above the touted 411k BPD on Saturday. In FX, the CAD saw large outperformance while the Pound, while price action elsewhere was rather mundane.

US

PCE: Core PCE M/M and Y/Y printed in line with expectations at 0.1% (prev. 0.1%) and 2.5% (prev. 2.7%), respectively, as did headline M/M at 0.1% (prev. 0.0%). Although, headline Y/Y was 2.1%, slightly cooler than the forecasted 2.2% and March's 2.3%. Adj. consumption came in as projected at 0.2% (prev. 0.7%), while real consumption was 0.1% from 0.7% - personal income was way above at 0.8% (exp. 0.3%, prev. 0.7%). On consumer spending, it was a touch weaker than Oxford Economics expected, and there was evidence of a reversal of some of the front-loading seen in March. The softer reading lends some downside risk to OxEco's forecast for consumer spending in Q2, but it is still early days. Regarding personal income, that was helped by a rise in Social Security payments funded by the Social Security Fairness Act, but OxEco note those payments and a benign inflation reading also boosted real disposable income, but real income growth is expected to slow in the months ahead. Nonetheless, while PCE inflation continued to decelerate in April, helped by numerous factors that are likely to be transitory, which Oxford notes includes declines in portfolio management fees and falling egg prices, they expect inflation to accelerate in the months ahead as tariffs kick in more fully, although there is clearly more uncertainty around its forecast in the wake of recent court rulings on the president's ability to impose tariffs.

TRADE: The Advance International Trade in goods saw the deficit tumble by USD 74.6bln to USD 87.6bln, primarily led by a USD 68.4bln M/M drop in the April imports to USD 276.1bln. The move higher in the trade deficit in 2025 so far was primarily due to the US front-loading Trump's tariffs, which were implemented on Liberation Day (April 2nd), before tariff rates had been scaled back thereafter (April 9th for reciprocal tariffs, May 12th for China tariffs). The surge in the Q1 deficit figures also was the main driver of negative GDP growth (imports are a subtraction within the GDP report). Therefore, the mass drop of imports should be a positive for Q2 GDP. In wake of the data (and PCE report), the Atlanta Fed GDPNow tracker raised its estimate of Q2 GDP to 3.8% from 2.2%.

UOM: The Final UoM Consumer Sentiment Survey for May was revised up from the preliminary report. Headline Sentiment rose above expectations to 52.2 from 50.8, while current conditions ticked up to 58.9 from 57.6, with forward-looking expectations rising to 47.9 from 46.5. Compared to the Final April report, UoM noted that sentiment was unchanged, ending four consecutive months of plunging declines. Regarding the improvement in the final print, it highlighted it was due to the temporary pause on tariffs on some China goods. On inflation expectations, the 1yr ahead eased to 6.6% from 7.3% in the prelim, with the 5-10year easing to 4.2% from 4.6%. When compared to April, the year-ahead ticked up to 6.6% from 6.5%, but marks the end of a four-month streak of extremely large jumps in the short-run expectations, while the decline in the long-run forecasts to 4.2% from 4.4%, is the first decline since Dec 2024. It also found that "despite the many headlines about the tax and spending bill that is moving through Congress, the bill does not appear to be salient to consumers at this time".

FIXED INCOME

T-NOTE FUTURES (U5) SETTLE 2 TICKS HIGHER AT 110-24

T-Notes chop to risk sentiment and US data but ultimately settled little changed . At settlement, 2s -3.5bps at 3.902%, 3s -3.9bps at 3.863%, 5s -3.8bps at 3.960%, 7s -3.0bps at 4.170%, 10s -2.6bps at 4.398%, 20s -1.5bps at 4.924%, 30s -0.6bps at 4.917%.

INFLATION BREAKEVENS: 5yr BEI +1.3bps at 2.411%, 10yr BEI +2.1bps at 2.346%, 30yr BEI +3.0bps at 2.321%

THE DAY: T-Notes were choppy on Friday, trading within an 11-tick range between 110-18 to 110-29+, ultimately settling little changed. T-Notes saw brief upside in the European morning, likely led by EGBs after softer-than-expected Spanish inflation, albeit the move was short-lived. Thereafter, T-Notes printed new highs in response to Trump's comments on China, exclaiming how they have totally violated its agreement with the US. Attention turned to the US data, which briefly hit T-Notes, taking them to the earlier lows. The data saw PCE ease from the prior but relatively in line with expectations. However, Personal Income soared while consumption only saw a marginal increase, likely signalling a cautious attitude to the consumer. However, the move lower in T-Notes was driven by the Trade data, which saw imports tumble, seeing the deficit come in much lower than expectations, bolstering growth hopes in the US. Thereafter, a dismal Chicago PMI was seen but had little impact on T-Notes. The UoM data was revised up to incorporate the May 12th China tariff de-escalation, with both short and long-term consumer inflation expectations falling. T-Notes pared as risk sentiment soured once Europe had finished for the day, supported by Bloomberg reports that the US is planning wider China tech sanctions with a subsidiary crackdown. T-Notes ultimately settled flat with attention next week turning to remarks from Fed Chair Powell, US ISM Manufacturing and Services ISM surveys and the NFP report on Friday.

SUPPLY:

Bills

- US to sell USD 76bln of 13-week bills and USD 68bln of 26-week bills on June 2nd; US to sell USD 60bln (prev. USD 70bln) of 6-week bills on June 3rd.

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 1bps (prev. 1bps), July 7bps (prev. 6bps), September 22bps (prev. 20bps), Dec 54bps (prev. 50bps).
- NY Fed RRP op demand at USD 316bln (prev. 166bln) across 64 counterparties (prev. 34)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 108bln).
- SOFR at 4.33% (prev. 4.31%), volumes at USD 2.652tln (prev. 2.605tln).

CRUDE

WTI (N5) SETTLED USD 0.15 LOWER AT 60.79/BBL; BRENT (Q5) SETTLED USD 0.57 LOWER AT 62.78/BBL

The crude complex was choppy to end the week, but ultimately finished the day slightly lower . In the US morning a couple of bearish headlines weighed, as benchmarks saw pressure from Reuters, and later Bloomberg, sources that OPEC+ could discuss an output hike larger than 411k BPD in July at the weekend meeting. Shortly after, WTI and Brent printed fresh intra-day lows and extended on the initial OPEC weakness as US President Trump posted on Truth that China has totally violated its agreement with the US. Further still, while there was little reaction on US data, more weakness was seen as the OPEC sources got wider airing. Benchmarks hit troughs of USD 59.74/bbl and 62.09/bbl, respectively, in the US afternoon as risk sentiment soured but pared into settlement, following the broader market moves. Heading into settlement, WTI and Brent managed to erase most of the earlier weakness and settled slightly lower. There was also a blip higher as Trump said he will speak to Xi, although it pared when he said there is chance for deal with Iran, and it is possible in the not too distant future. Prior to this, WSJ's Norman said, "I'm hearing of zero progress with Iran. No advance on safeguards. Iran sticking to its old lines on the material found." In addition, Fars News noted Iran said Trump's threat to destroy Iran's nuclear facilities is a clear red line, it will have severe consequences. Elsewhere, the Kremlin said Russian delegation will be in Istanbul, and ready for second round of talks with Ukraine on June 2nd. For the record, in the weekly Baker Hughes rig count, oil fell 4 to 461, natgas rose 1 to 99, leaving the total down 3 to 563.

EQUITIES

CLOSES: SPX -0.14% at 5,903, NDX -0.11% at 21,340, DJI +0.13% at 42,270, RUT -0.46% at 2,065.

SECTORS: Consumer Staples +1.16%, Utilities +1.08%, Communication Services +0.49%, Health +0.25%, Financials +0.20%, Real Estate +0.14%, Materials +0.12%, Industrials +0.11%, Technology -0.43%, Consumer Discretionary -0.58%.

EUROPEAN CLOSES: : DAX: +0.31 % at 24,007, FTSE 100: +0.64 % at 8,772, CAC 40: -0.36 % at 7,752, Euro Stoxx 50: -0.11 % at 5,365, AEX: -0.14 % at 923, IBEX 35: +0.25 % at 14,152, FTSE MIB: +0.26 % at 40,087, SMI: +0.27 % at 12,220, PSI: +0.17 % at 7,388.

STOCK SPECIFICS:

- **Dell Technologies (DELL):** Revenue beat with strong guidance for next quarter and FY.
- **Microchip (MCHP)** raised guidance.
- **NetApp (NTAP)** reported weak next quarter guidance.
- **Ulta Beauty (ULTA):** Q1 profit beat expectations, as did comp. sales, prompting Co. to raise FY sales and profit outlook.
- **Gap (GAP):** Reports cite potential tariff impact, which could hit Co. by USD 100-150mln.
- **American Eagle (AEO):** Reported a deeper loss per shr. than expected.
- **Regeneron (REGN) and Sanofi (SNY)** said Itepekimab met primary endpoint in one of two COPD Phase 3 trials; AERIFY-1 trial met the primary endpoint but AERIFY-2 Phase 3 trial did not.
- **Airbnb (ABNB):** Downgraded at Truist Securities to a 'Sell' rating from 'Hold'; said investors haven't fully accounted for soft summer leisure trends, both in the US and Europe.
- **TSMC (TSM)** said to be considering building an advanced chip plant in the UAE, according to Bloomberg.
- **Rivian (RIVN)** eyes new debt deal as expected vehicle deliveries slump and Co. aims to raise as much as USD 2bln, according to Bloomberg

FX

The Dollar was ultimately flat on Friday, although it saw strength overnight. Thereafter, the Greenback saw weakness as President Trump posted on Truth that China totally violated its agreement with the US. In wake of that, there was a deluge of US data, as April PCE was overall mixed – Core prices printed in line, as did headline M/M, but Y/Y was slightly cool while personal income shot up. Advanced goods trade balance was a much smaller deficit than expected, which was primarily led by a USD 68.4bln M/M drop in the April imports. Final UoM for May was revised up from the prelim report, and inflation expectations tumbled. In wake of the data, Atlanta Fed GDPNow Q2 forecast was revised notably higher to 3.8% from 2.2%. For the record, DXY traded between 99.126-667.

G10 FX was mixed, but CAD was the notable gainer as USD/CAD hit a low of 1.3717. NZD, JPY eked out gains, while CHF and AUD were more-or-less flat, and EUR, GBP saw marginal losses. Recapping some of the main newsflow, Tokyo CPI printed below consensus of the headline, but ex food and ex food & energy both rose 0.1% more than anticipated. On the trade footing, Japanese Economy Minister Akazawa met with US Treasury Secretary Bessent and Commerce Secretary Lutnick for 130 minutes, and he strongly requested that the US rethink its tariff measures. He later said there is no change in US stance on tariffs, including those on auto parts, and it is regrettable. USD/JPY hit a low of 143.45 against an earlier peak of 144.44.

The EUR was largely unaffected by the day's inflation prints from Spain, Italy and most recently Germany, and overall the skew for a moderation in next week's EZ headline and perhaps a slightly cooler core seems to be intact. In North America, Canadian GDP for March printed as Wall St. forecasted, but Q1 notably exceeded expectations, while GBP was largely at the whim of the Dollar with little headline newsflow and saw Cable trade between 1.3449-1.3510.

Broad based losses were seen in **EMs** vs. the Dollar, with the ZAR and CLP the laggards. For the Yuan, and even though it saw little move, China's US embassy spokesperson said both China and US have maintained communication over their respective concerns in the economic and trade fields on various bilateral and multilateral occasions at multiple levels. In LatAm FX, Mexican Jobless Rate for April was 2.5% (exp. 2.5%, prev. 2.2%), while JPMorgan expects BCB to remain on hold until December, removing its 25bps June hike estimate. Lastly, Turkish President Erdogan noted he has often stated that interest rates and an economic system based on interest rates cannot be viewed as legitimate, and he will work to change and find alternatives to an interest rates based system.