

### Stocks pare overnight weakness despite ongoing trade uncertainties and soft data

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar down.
- **REAR VIEW:** Trump doubles steel and aluminium tariffs; China vows to take measures if US undermines China's interests; Xi and Trump set to meet this week; Weak ISM Manufacturing PMI & Construction Spending; Atlanta Fed GDPNow revised up; OPEC8 agree to hike production by 411k BPD; Ukraine hits Russia with large drone attack; Mixed reporting on US/Iran deal; BMY/BNTX announce partnership
- **COMING UP: Data:** Chinese Caixin Manufacturing PMI Final, Swiss CPI, EZ HICP, Unemployment Rate, US Durable Goods, JOLTS Job Openings, RCM/TIPP Economic Optimism **Events:** RBA Minutes **Speakers:** RBA's Hunter; BoJ's Ueda; Fed's Goolsbee, Logan, Cook; BoE's Bailey, Breeden, Dhingra, Mann; ECB's Lagarde **Supply:** Japan, UK, Germany **Earnings:** CrowdStrike, Hewlett Packard, Dollar General, NIO.
- **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 ultimately closed the session in the green with the Nasdaq leading the gains as outperformance in the Tech sector kept indices bid once cash equity trade was underway. The majority of sectors were green, but there was clear outperformance in Energy and Tech. Energy stocks were supported by a revival in oil prices, largely sparked by geopolitical escalation over the weekend. Ukraine struck Russian bombers with drones well inside Russia, meanwhile, Iran said the US proposal for a nuclear deal is "imaginary". However, reports in late trade via Axios suggested the US would allow limited, low-level uranium enrichment. On the supply side, the OPEC 8 agreed to hike production by 411k BPD over the weekend, as was widely expected last week, but also there had been reports there would be discussions for a larger output increase, albeit this did not come to fruition. T-Notes were lower across the curve in a steeper fashion with the increased trade uncertainties bolstering term premium (back and forth US/China commentary, Trump and Xi to speak this week; Trump raising steel and aluminium tariffs; Trump reportedly requesting a "best offer" from nations by Wednesday). T-Notes did bounce in the wake of the data, which saw a weak ISM Manufacturing PMI report and weak Construction Spending. However, the upside faded once the Atlanta Fed updated their Q2 GDP model, which saw a chunky revision higher to 4.6% from 3.8%, seeing the earlier strength reverse with T-Notes settling around lows. Also, Fed's Goolsbee (2025 voter) was warning the soft inflation prints seen so far may be the last before the tariff impact of tariffs kicks in. In FX, the Dollar was sold on trade uncertainties while antipodes were supported by the turnaround in US equities, as well as firmer base metal prices on Trump's tariff lift on steel and aluminium.

### US

**GOOLSBEE (2025 Voter)** spoke on inflation, noting that so far they've had excellent inflation reports and surprisingly little direct impact of tariffs, although he does not know if that will remain true in the next 1-2 months. The Chicago Fed President still thinks that underneath all the tariff 'dirt in the air', rates can come down over 12-18 months. He also still believes that if they can get past this bumpy period, the Fed's dual mandate looks pretty good. He also noted that he is a little "gun-shy" about arguing that tariffs will have a transitory effect on inflation, warning the recent PCE inflation print may have been the 'last vestige' of pre-tariff impact.

**ISM MANUFACTURING PMI:** The US ISM Manufacturing PMI for May fell to 48.5 from 48.7, and beneath the expected 49.5. Prices paid marginally dipped to 69.4 from 69.8, while new orders and employment both remained in contractionary territory but ticked higher to 47.6 (prev. 47.2) and 46.8 (prev. 46.5), respectively. Inventories fell beneath 50 to 46.7 from 50.8, while production, supplier deliveries, and backlog of orders rose. New export orders and imports tumbled to 40.1 (prev. 43.1) and 39.9 (prev. 47.1), respectively. Within the respondents comments, once again, many noted the impacts of tariffs with one saying, "Government spending cuts or delays, as well as tariffs, are raising hell with businesses. No one is willing to take on inventory risk". On the data set, Pantheon Macroeconomics notes manufacturing is muddling through tariff-related disruptions for the time being rather than falling apart, but the sector remains under intense pressure, with marked increases in the prices of many goods likely in the pipeline. Overall, survey data continues to disappoint but it is yet to be seen whether it will filter through to the hard data remains to be seen.

**CONSTRUCTION SPENDING:** US Construction Spending declined by 0.4% in May, adding on to the 0.8% decline seen in April (revised down from -0.5%), well beneath the analyst consensus of +0.3%. On a YTD basis, construction spending amounted to USD 660.2bn, 1.4% above the USD 651.3bn for the same period in 2024. Private construction fell 0.7% M/M, with residential -0.9%, and nonresidential construction -0.5%. Public construction, however, rose 0.4%, with educational construction -0.1%, with highway construction +0.5%. Following the report, analysts at Oxford Economics noted that "The baseline forecast has already anticipated meaningful weakness in residential investment and business structures investment in Q2". OxEco explains that construction outlays

feed into GDP primarily via residential investment and business structures investment. The consultancy expects residential investment to decline by 2.8% annualised in Q2, representing a 0.1ppt drag on Q2 growth.

## FIXED INCOME

### T-NOTE FUTURES (U5) SETTLE 9 TICKS LOWER AT 110-15

**T-Notes chop to trade uncertainty and soft data, but a revision higher to the Atlanta Fed GDPNow keeps the curve pressured**. At settlement, 2s +2.9bps at 3.943%, 3s +3.0bps at 3.908%, 5s +3.7bps at 4.016%, 7s +3.9bps at 4.229%, 10s +4.4bps at 4.462%, 20s +5.6bps at 4.999%, 30s +6.2bps at 4.994%.

**INFLATION BREAKEVENS:** 5yr BEI +1.2bps at 2.397%, 10yr BEI +1.4bps at 2.337%, 30yr BEI +1.6bps at 2.313%.

**THE DAY:** T-Notes ultimately bear steepened on Monday in a choppy session. T-Notes had trended lower throughout Asia and Europe sessions whereby any attempts of upside were rejected. However, T-Notes spiked higher in response to the weak ISM Manufacturing PMI and Construction Spending report but had once again sold off and settled around lows. Despite the weak data, there was another chunky revision higher to the Q2 Atlanta Fed GDP Now, which appears to have weighed across the curve, after it rose to 4.6% from 3.8%. The Atlanta Fed noted that "the nowcasts of second-quarter real personal consumption expenditures growth and real gross private domestic investment growth increased from 3.3 percent and -1.4 percent, respectively, to 4.0 percent and 0.5 percent". Elsewhere, trade uncertainty remains with tensions between China and US continuing to rise, although Trump and Xi are set to speak at some point this week. Meanwhile, oil prices settled in the green after the recent pressure - with upside sparked by enhanced geopolitical tensions with Russia/Ukraine and worries regarding the US/Iran nuclear deal, albeit there was a positive report from Axios just ahead of the energy settlement, (US would allow limited, low-level Uranium enrichment).

### SUPPLY:

#### Bills

- US sold USD 78bln of 3-month bills at 4.250%, covered 2.68x; sold USD 69bln of 6-month bills at 4.150%, covered 3.13x.

### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 1bps (prev. 1bps), July 6bps (prev. 7bps), September 21bps (prev. 22bps), Dec 51bps (prev. 54bps).
- NY Fed RRP op demand at USD 316bln (prev. 166bln) across 64 counterparties (prev. 34)
- EFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 114bln).
- SOFR at 4.35% (prev. 4.33%), volumes at USD 2.641tn (prev. 2.652tn).

## CRUDE

### WTI (N5) SETTLED USD 1.73 HIGHER AT 62.52/BBL; BRENT (Q5) SETTLED USD 1.85 HIGHER AT 64.63/BBL

The crude complex saw gains amid a trifecta of factors, as Ukraine/Russia tensions escalated over the weekend, OPEC8 agreed to lift output, and also a few updates from Iran. On the former and latter, Ukraine's forces launched a massive drone attack on four airfields deep inside Russia, while Iran said the US proposal for a nuclear deal is "imaginary" and the IAEA report on Iran released expressed "serious concern" over the estimated 409kg of uranium enriched to 60% as of May 17th. On the supply side, the OPEC 8 agreed to hike production by 411k BPD, as widely touted last week, but there had been some reports that there would be discussions for a larger output increase, albeit this did not come to fruition. Back to Russia and Ukraine, regarding the meeting in Turkey, between delegates, they only seemingly ironed out a prisoner exchange. WTI and Brent hit highs of USD 63.88/bbl and 65.76/bbl, respectively, before hitting fresh daily lows of USD 61.06/bbl and 63.00 in the US afternoon after Axios reported that US nuclear deal offer allows Iran to enrich uranium at low levels and doesn't include full dismantlement of the nuclear facilities. Note, benchmarks still closed notably in the green but settled close to intra-day troughs.

## EQUITIES

**CLOSES:** SPX +0.41% at 5,936, NDX +0.71% at 21,492, DJI +0.08% at 42,305, RUT +0.19% at 2,070.

**SECTORS:** Energy +1.15%, Technology +0.89%, Communication Services +0.61%, Materials +0.48%, Consumer Staples +0.19%, Utilities +0.18%, Consumer Discretionary +0.15%, Financials +0.08%, Real Estate +0.07%, Health +0.01%, Industrials -0.24%

**EUROPEAN CLOSES:** DAX: -0.21% at 23,946, FTSE 100: +0.02% at 8,774, CAC 40: -0.19% at 7,737, Euro Stoxx 50: -0.26% at 5,353, AEX: -0.50% at 918, IBEX 35: +0.36% at 14,203, FTSE MIB: -0.26% at 39,984, SMI: -0.10% at 12,215, PSI: +0.50% at 7,426.

### STOCK SPECIFICS

- **Steel, Aluminium Stocks (NUE, CLF, STLD):** Trump said he would raise tariffs on imported steel to 50% from 25%.
- **Meta (META):** Aims to fully automate ad creation using AI.
- **SAIC (SAIC):** Posted weak profit.
- **Bristol Myers (BMY), BioNTech (BNTX):** Cos. announce cancer drug partnership.
- **Blueprint Medicines Corporation (BPMC):** To be acquired by **Sanofi (SNY)** for USD 129/shr or equity value of USD 9.1bln; note, BPMC closed Fri. at 101.35
- **Campbell Soup (CPB):** EPS & rev. topped; reaffirmed FY guidance.
- **Apple (AAPL):** Appealed the EU's DMA interoperability requirements.
- **Disney (DIS):** Laying off several hundred employees, according to Variety

## FX

**The Dollar** saw hefty losses to start the week, with DXY printing a low of 98.612 on continued uncertainty following the punchy rhetoric seen between the US and China since Friday, alongside Trump upping the blanket steel and aluminium tariffs to 50% from 25%. On the data footing, ISM Mfg. largely underwhelmed while Construction Spending also disappointed. However, the Atlanta Fed GDPNow was upgraded to 4.6% from 3.8%. Fed's Goolsbee (2025 voter) also gave some interesting remarks - said so far they've had excellent inflation reports and surprisingly little direct impact of tariffs but does not know if that will remain true in the next 1-2 months. The Chicago Fed President added he is a little gun-shy about arguing that tariffs will have a transitory effect on inflation, and the recent PCE inflation print may have been the 'last vestige' of pre-tariff impact. Powell spoke but did not comment on the economic outlook or monpol as participants await NFP on Friday.

**G10 FX** was exclusively in the green against the Greenback and benefitted from the broader Dollar weakness, as opposed to too much currency-specific newsflow.

**Antipodeans** outperformed as US equities made a comeback, while it also benefitted from upside in base metals on the back of Trump upping steel and aluminium tariffs to 50% from 25%. AUD/USD saw a peak of 0.6500 with NZD/USD topping out at 0.6038.

For the **Pound**, BoE's Mann noted they must consider the interactions of QT and rate decisions, and noted how QT tightening cannot perfectly offset rate cuts, but little reaction was seen in Cable which traded between 1.3455-1.3559. EZ data was mixed - Spanish and French mfg. PMI beat outside the upper end of the forecast range, while Italian and German PMIs missed. **EUR/USD** hit a peak of 1.1449 against an earlier low of 1.1345 ahead of the ECB later in the week. **SEK** gained, while Riksbank's Theeden said there are no major changes in the outlook since the last policy meeting in May.

**JPY** was another top performer amid the softer US dollar coupled with ongoing trade uncertainty amid Trump upping steel and aluminium tariffs and back-and-forth commentary between the US and China. In trade-related news, Japan's tariff negotiator Akazawa plans to visit the US for tariff talks for four days from Thursday, according to Jiji News. USD/JPY resides towards the bottom of a 142.55-144.09 range.

**EMFX**, ex. CNH and RUB, were exclusively firmer against the Buck. PLN initially strengthened on the second round exit poll, which showed Trzaskowski the victor with 50.3% of the vote, following this, he claimed victory in the Presidential election. However, the full vote count showed right-wing Nawrocki was the victor and the new Polish President. A result that has hit the PLN. Elsewhere, Russia was hit by a Ukrainian drone attack deep in their own country. For MXN watchers, the latest Reuters Banxico Poll showed private sector analysts see the benchmark interest rate closing 2025 at 7.5% (7.75% in the prior poll).

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