

Stocks bid and bonds sold in wake of rising JOLTS

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up.
- **REAR VIEW:** JOLTS rise above expectations; Factory orders soft; Bostic in no hurry to adjust policy stance; Trump set to speak with Xi on Friday; Chinese Caixin Manufacturing PMI underwhelms; Dutch Far Right Leader Wilders quit government coalition; Cooler-than-expected EZ inflation; Strong 10yr JGB auction; META to buy nuclear power from CEG; Trump will sign EO order to double steel & aluminium tariffs today, and takes effect tomorrow; EU/China to hold fourth round of trade talks.
- **COMING UP:** **Data:** Australian, Swiss, EZ, UK, US Composite/Services PMI Final, Australian Real GDP, US ADP National Employment, US ISM Services **Events:** BoC, NBP Policy Announcement; Fed Beige Book **Speakers:** Fed's Bostic, Cook, US Treasury Secretary Bessent **Supply:** Australia, UK **Earnings:** PVH, Dollar Tree.

MARKET WRAP

Stocks had reversed the overnight weakness on trade worries, and once US trade was underway. Upside extended in the wake of the rise in April JOLTS ahead of the May NFP due Friday, which also saw bonds pare earlier gains. Sectors were predominantly firmer, with outperformance in Technology, Energy and Materials. Meanwhile, Communication Services, Real Estate and Consumer Staples lagged. The comms. sector was weighed on by losses in Alphabet (GOOGL) following more reports that Apple (AAPL) is considering Perplexity as an iPhone search alternative from Google Search. T-Notes saw a bid overnight and throughout the European session, primarily sparked by the strong 10yr JGB auction overnight, although upside pared thereafter after the rise in JOLTS, seeing T-Notes settle little changed. In FX, the dollar staged a comeback with DXY rising back above 99.00 while the turnaround in the risk environment weighed on haven currencies JPY and CHF. Oil prices continued to rise this week, largely on the risk environment, but also on reports from Kpler that OPEC+ did not even discuss hiking production above 411k BPD, despite reports late last week suggesting they were considering such a move. Gold and Silver prices fell as yields rose and as sentiment was buoyed. On Fed speakers, Bostic said one cut this year still seems possible, while Cook toed the party line that policy is well-positioned, but warned tariffs could lead to a stagflationary environment. Goolsbee reiterated that they could see direct tariff effects on prices within a month, but warned the slowdown related to tariffs might not show up for a while in the data. Attention on Wednesday turns to the ADP employment report and the ISM Services PMI ahead of the NFP report on Friday.

US

JOLTS: The Job Opening and Labour Turnover Survey rose to 7.4mln from 7.2mln, above the expected 7.1mln. The report notes that both hires and total separations were little changed at 5.6mln and 5.3mln, respectively. Within separations, quits (3.2mln) and layoffs and discharges (1.8mln) saw little change. The vacancy rate ticked up to 4.4% from 4.3%, while the quits rate eased to 2.0% from 2.1%. The number of hires rose by 169k to 5.573mln, from 5.404mln in March. Analysts at Pantheon Macroeconomics describe the pick-up in JOLTS as an aberration, given the ongoing decline in Indeed's measure of postings throughout April and May, as well as the drop in the hiring intentions indexes of the regional Fed surveys. However, the consultancy notes the first estimate is often revised. PM also highlights "The ratio of job postings to unemployment—a key barometer of labor market tightness—edged up to 1.03 in April, from 1.02 in March, but remained well below last year's 1.15, which was close to the 1.16 average in the two years before the pandemic."

Bostic (2027 Voter) reiterated that the best monetary policy approach at this stage is one of patience, given the overall health of the US economy. He emphasized that the Fed has time to watch how uncertainty, particularly around trade, resolves, and stated clearly that he is in no hurry to adjust policy. While Bostic still sees a possible path to one rate cut this year, he stressed that more progress on inflation is needed before he would support such a move. He remains cautious and he is not ready to declare victory on inflation, highlighting that core prices remain a concern and that "there is still a ways to go." Bostic noted that it remains unclear how tariffs will affect the inflation outlook, and although sentiment has turned gloomier, he noted that hard data has yet to reflect this shift. Bostic said it's a "tough call" to say whether the Fed would be cutting rates at all this year if not for trade-related uncertainty. He added that while the job market appears broadly healthy, some signs of softening have emerged. Importantly, he noted that there is no evidence yet that tariffs are pushing inflation higher, and a recession is not in his baseline forecast.

Governor Cook stated that current Fed policy is well-positioned to handle a range of economic scenarios and reaffirmed her commitment to keeping longer-term inflation expectations anchored. She emphasized the importance of balancing the Fed's dual mandate when considering future policy decisions. Cook highlighted that trade policies are creating risks for both inflation and the labour market, noting there is emerging evidence that these policies are already impacting the economy. She anticipates economic growth will slow this year but maintains that the economy remains in a solid position despite the uncertainty. Regarding inflation, Cook warned that trade policy may make it more difficult to bring inflation down, particularly as firms may now be more willing to raise prices compared to the past. She acknowledged that tariffs present clear challenges to both sides of the Fed's mandate but said it's important to see how the situation evolves before drawing conclusions. She also warned that tariffs may lead to stagflation-like conditions. She also noted she cannot prejudge what the FOMC will do now with rates, Fed has to be open to all possibilities. She also spoke on the bond market, noting she always watches market functioning and that bond markets proved resilient in April amid stress.

Goolsbee (2025 voter) said the Fed has to wait and see if tariffs have a big or small inflation impact, and reiterated they could see

direct tariff effect on prices within a month, and that the slowdown related to tariffs might not show up for a while in the data. As a reminder, on Monday the Chicago Fed President said so far they've had excellent inflation reports and surprisingly seen little direct impact of tariffs, but he does not know if that will remain true in the next 1-2 months, noting the April PCE was likely the "last vestige" before tariffs start to boost inflation.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED HALF A TICK LOWER AT 110-14+

T-Notes flatten after rise in JOLTS, paring the upside in the wake of a strong 10yr JGB auction overnight . At settlement, 2s +1.2bps at 3.957%, 3s +1.6bps at 3.925%, 5s +0.9bps at 4.028%, 7s +0.4bps at 4.234%, 10s -0.2bps at 4.460%, 20s -1.1bps at 4.990%, 30s -1.3bps at 4.982%

INFLATION BREAKEVENS: 5yr TIPS +3.7bps at 1.643%, 10yr TIPS +2.3bps at 2.110%, 30yr TIPS +1.6bps at 2.679%.

THE DAY: T-Notes had been grinding higher overnight and in the European morning to a peak of 110-26+ with upside supported by a strong Japanese 10yr JGB auction. A further lift was seen in Europe, likely tracking EGBs higher on the collapse of the Dutch Government, while a cooler-than-expected EZ inflation report also helped lift Bunds. T-Notes hit highs in the US morning but started to pare once US trade got underway, with the majority of the downside thereafter stemming from the rise in US JOLTS, ultimately taking T-Notes to session lows, before settling essentially unchanged. Fed speak saw Bostic (2027 voter) state his call for one rate cut this year still seems possible, noting he is in no hurry to adjust the policy stance, stressing he is very cautious about jumping to cut rates. Fed Governor Cook toed the party line, stating policy is well-positioned, but noted trade policy makes it harder to get inflation lower. Attention on Wednesday turns to the ISM Services PMI, while Thursday will see the 30yr JGB auction, as well as next week's treasury supply announcement (3-, 10- and 30-year paper expected at USD 58, 39 and 22bln, respectively), and Friday eyes will be on the May Nonfarm Payrolls report.

SUPPLY:

Bills

- US sold USD 61bln of 6-week bills at a high rate of 4.225%, B/C 3.44x
- US to sell USD 60bln of 17-wk bills on June 4th (unchanged); to sell USD 65bln of 4-wk bills (prev. USD 75bln) and USD 55bln of 8-wk bills (prev. USD 65bln). on June 5th; all to settle on June 10th.

STIRS/OPERATIONS:

-Market Implied Fed Rate Cut Pricing: June (prev. 1bps), July (prev. 6bps), September (prev. 21bps), Dec (prev. 51bps). - NY Fed RRP op demand at USD 153bln (prev. 136bln) across 34 counterparties (prev. 28) - EFR at 4.33% (prev. 4.33%), volumes at USD 113bln (prev. 105bln). - SOFR at 4.35% (prev. 4.35%), volumes at USD 2.771tln (prev. 2.641tln).

CRUDE

WTI (N5) SETTLED USD 0.89 HIGHER AT 63.41/BBL; BRENT (Q5) SETTLED USD 1.00 HIGHER AT 65.63/BBL

The crude complex continued on Monday's gains amid heightened geopolitical tensions between Russia and Ukraine . Overnight and through the European morning, benchmarks saw some weakness to hit lows of USD 62.40/bbl and 64.51/bbl, respectively, before US players entered for the day, seeing energy prices reverse and grind higher alongside an improvement in the risk tone. Price action was also likely supported by Kpler's Bakr reporting that "During the OPEC+ meeting on Saturday with the 8 member states, there were no discussions at all about a higher hike than the 411k/bd, according to delegates attending the meeting", and that does follow source reports last week that the group could be discussing a larger hike than the telegraphed 411k BPD. Elsewhere, White House Press Secretary Leavitt said Trump is keeping sanctions on Russia as a tool in the toolbox, and he does remain optimistic about progress in Russia-Ukraine discussions. Ahead, private energy data is due after hours, whereby current expectations are (bbls): Crude -1mln, Distillates +1mln, Gasoline +0.6mln.

EQUITIES

CLOSES: SPX +0.59% at 5,970, NDX +0.80% at 21,662, DJI +0.51% at 42,519, RUT +1.58% at 2,102.

SECTORS: Technology +1.48%, Energy +1.11%, Materials +0.97%, Industrials +0.76%, Consumer Discretionary +0.31%, Utilities +0.22%, Health +0.19%, Financials +0.18%, Consumer Staples -0.15%, Real Estate -0.39%, Communication Services -0.75%.

EUROPEAN CLOSES: DAX: +0.64 % at 24,083, Euro Stoxx 50: +0.34 % at 5,374, FTSE 100: +0.15 % at 8,787, CAC 40: +0.34 % at 7,764, IBEX 35: -0.52 % at 14,128, PSI: +0.41 % at 7,456, FTSE MIB: +0.23 % at 40,074, SMI: +0.31 % at 12,236.

STOCK SPECIFICS:

- **Pearson (PSN):** Cut FY rev. view.
- **Signet Jewelers (SIG):** EPS beat w/ midpoint of FY26 guidance above forecast.
- **Dollar General (DG):** EPS & rev. topped with a solid FY SSS outlook.
- **Merck (MRK)** made a nonbinding offer to acquire **MoonLake Immunotherapeutics (MLTX)** for over USD 3bln.
- **TSMC (TSM):** Said US tariffs are having some indirect impact but AI demand remains robust & continues to exceed supply.
- **Meta (META)** to buy nuclear power from **Constellation Energy (CEG)** for data centres.
- **Bumble (BMBL):** Downgraded at JPM.
- **Pinterest (PINS):** Upgraded at JPM.

- **Alphabet (GOOGL):** Saw weakness amid reports Apple (AAPL) is reportedly in talks with Perplexity to bring its AI search to iPhones—potentially replacing Google in Safari and ChatGPT in Siri.

FX

The Dollar was firmer on Tuesday as it attempted to recoup some of Monday's losses on account of trade woes, ongoing fiscal concerns, and ISM mfg. PMI disappointing. On the former, the White House confirmed earlier source reports on the Wednesday trade offer deadline, and that it can confirm the letter is authentic and they are on track for good deals. White House Press Secretary said the Trump and Xi call will be held "very soon", with earlier sources noting they are to speak on Friday, but no clarification was made on the timeframe. Datawise, ahead of payrolls on Friday, the April JOLTS exceeded expectations while the vacancy rate rose, but the quits rate fell, while the April factory orders were soft.

All G10 FX was softer against the Greenback, with underperformance in safe-havens, CHF and JPY. For the Yen, Governor Ueda reiterated the Bank will continue to raise rates if the economy and prices move in line with forecasts. He also noted there was no preset plan for rate hikes and that they will raise interest rates only if the economy and prices turn up again and outlooks are likely to be realised. USD/JPY traded between 142.39-144.10. For the Swissy, CPI declined 0.1% Y/Y, as expected, while SNB's Governor Tschudin noted the inflation print was just one data point and they are more focused on the mid-term inflation.

GBP and CAD were the relative G10 outperformers, albeit still saw marginal losses, with Loonie watchers awaiting the BoC on Wednesday. USD/CAD traded between a narrow range of 1.3702-1.3742, while Cable saw a high of 1.3559 vs. a low of 1.3493. **AUD, NZD, and EUR** all saw similar losses with Antipodeans paring some of Monday's gains. Overnight, RBA Minutes from the May meeting stated the Board considered keeping rates unchanged and cutting by 25bps or 50bps. As a reminder, the RBA cut the Cash Rate by 25bps to 3.85%, which was widely expected, while it stated that inflation continues to moderate, the outlook remains uncertain and that maintaining low and stable inflation is the priority. Out of Europe, EZ CPI came in cooler than expected ahead of the ECB on Thursday, while on the trade footing, the EU said it did not receive a US letter demanding the best trade negotiations offers by Wednesday, according to Reuters sources. Although, that did come prior to comments from the White House comments above.

EMFX was mixed. ZAR, BRL, TRY, CNH, COP saw strength, while MXN, KRW, CLP weakened. Overnight, Chinese Caixin Manufacturing PMI disappointed and even fell into contractionary territory. Turkish CPI M/M was underneath expectations, while Brazilian industrial output surprisingly declined Y/Y, while M/M metrics also underwhelmed. Lastly, and out of South Korea, liberal candidate Lee Jae-Myung was confirmed to win the Presidential election.

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