

## Stocks and yields rise as NFP beat calms economic fears

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** NFP beats, unemployment rate inline, wages rise; US/China teams to meet on Monday; China grants export licenses to rare earth suppliers; No plans for Musk/Trump call; Holzmann dissented at the ECB rate decision
- **WEEK AHEAD:** Highlights include US CPI, China inflation and trade data, UK jobs, GDP and spending review. [To download the report, please click here](#)
- **CENTRAL BANK WEEKLY:** Reviewing ECB, BoC, RBI and RBA Minutes. [To download the report, please click here](#)

### MARKET WRAP

US indices were firmer to end the week, while Treasuries sold off in the wake of the US jobs report. Overall, it was solid as the headline topped expectations, and the u/e remained at 4.2%, as expected, albeit with a revision lower to the headline NFP print. Nonetheless, the metrics indicated that the labour market is still healthy and helped offset some of the economic fear seen in the wake of Trump's tariffs. The Dollar also gained to the detriment of all G10 FX, with the safe-haven Yen the laggard and also weighed on by disappointing Japanese data overnight. Aussie and Loonie were the relative outperformers, but both still saw slight losses. Sectors were exclusively in the green with Energy, Communication Services, and Consumer Discretionary sitting atop of the pile with the former buoyed by the gains in the crude complex which was supported by the broader risk environment. Elsewhere, the Trump/Musk feud continues to bubble with no plans for a call between the two, and as the President said he is considering getting rid of his Tesla. Regarding US/China, Trump posted on Truth that Bessent, Lutnick, and Greer will be meeting with representatives of China on trade on June 9th (Monday), with talks taking place in London. Spot gold saw weakness, as all attention now turns to US CPI next week, given the Fed is on blackout ahead of their confab on June 18th. The Apple WWDC will also be eyed.

### US

**NFP:** Overall, it was a solid jobs report. The headline of 139k beat expectations of 130k but pared from the prior, downwardly revised, 147k (initially 177k), while two-month net revisions fell further to -95k from -58k. The downward revisions and ease in the pace of job growth continue to show the labour market is slowing, but it has not yet reached the point of concern. If the prints start to fall beneath 100k, concerns will likely increase. Ahead of the data, JPM warned a print of sub-100k would likely end the current bull run, and a sub-100k print would put the entire market on recession watch. The unemployment rate was unchanged at 4.2%, albeit the labour force participation did ease, but unemployment remains beneath the Fed's year-end projection (from March) of 4.5%, suggesting there is still room to move higher without cause for concern. Wages were hotter than forecasts and the prior, albeit with the labour market not currently a source of inflation, it has not sparked more inflationary fears, with economists more concerned about the impact of tariffs on prices. In the wake of the solid headline prints, money markets dialled back Fed rate cut expectations, with just 45bps of easing priced throughout 2025. This fully prices one rate cut, which is fully priced by October - with an 80% probability of a second rate cut. US CPI next week will help further shape Fed rate expectations. Fed speakers have been warning that inflation reports ahead may start to show the impact of tariffs to a greater extent, but suggest it may take a bit longer for the impact to show up in other economic indicators.

**FED'S HARKER (2026 voter)** said amid uncertainty, it is still possible the Fed can cut rates later this year, but uncertainty makes it very hard to divine monetary policy outlook. The Philadelphia Fed President worries the quality of economic data is eroding, and they are increasingly flying blind when it comes to critical data. Harker later added that he sees steadiness in the 'solid' latest job data, and much of tariff impacts yet to be felt. Harker added Fed interest rate policy is modestly restrictive, and repeated the familiar line that now is the time for the Fed to hold steady and watch data. As a reminder, Harker is set to retire from the Philadelphia Fed at month's end.

### FIXED INCOME

#### T-NOTE FUTURES (U5) SETTLE 28+ TICKS LOWER AT 109-29

**T-Notes bear flatten after solid jobs report sees traders unwind Fed rate cut bets**. At settlement, 2s +11.7bps at 4.041%, 3s +12.9bps at 4.024%, 5s +13.7bps at 4.126%, 7s +13.2bps at 4.313%, 10s +11.5bps at 4.510%, 20s +9.2bps at 4.990%, 30s +7.8bps at 4.962%.

**INFLATION BREAKEVENS:** 5yr BEI +4.1bps at 2.367%, 10yr BEI +2.8bps at 2.315%, 30yr BEI +2.1bps at 2.293%.

**THE DAY:** T-Notes meandered overnight before seeing a slight bid in the morning ahead of the NFP report. The NFP report was solid, with the headline beating expectations and the unemployment rate remaining at 4.2% as expected, although there was a revision lower to the headline print. Nonetheless, the report showed that the labour market is still healthy and helped offset any economic growth concerns in wake of Trump's tariffs. On the data, JPM's Mike Feroli says for the Fed, the May jobs report was almost tailor-made to reinforce their bias to sit back for a long while and wait for employment and inflation developments to dictate where policy goes next. It makes the June FOMC meeting a "non-event". The report resulted in immediate downside in Treasuries, which were pressured into settlement with the curve bear flattening as traders unwound rate cut bets from the Fed as a healthy jobs market

reduces the need for Fed rate cuts when inflation risks are prevalent. The May jobs report now includes two months of tariffs and it shows that Trump's policies are yet to take a hit to the labour market, although there is still uncertainty ahead. Money markets now only price 45bps of easing throughout year-end, no longer fully pricing in two rate cuts, helping the front-end yields outperform. Attention next week will be on US CPI to help further shape Fed rate cut expectations. Meanwhile, 3, 10 and 30-year supply will also be in focus. On trade, Trump announced that the US trade team will be meeting with China counterparts in London on Monday for another round of talks.

#### SUPPLY:

##### Notes/Bonds

- US Treasury to sell USD 58bln of 3yr notes on June 10th, USD 39bln of 10yr notes on June 11th and USD 22bln of 30yr bonds on June 12th (as expected); all to settle June 16th

##### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 0bps (prev. 0bps), July 4bps (prev. 8bps), September 17bps (prev. 23bps), Dec 45bps (prev. 54bps).
- NY Fed RRP op demand at USD 149bln (prev. 153bln) across 24 counterparties (prev. 29)
- EFR at 4.33% (prev. 4.33%), volumes at USD 118bln (prev. 114bln).
- SOFR at 4.29% (prev. 4.28%), volumes at USD 2.685tln (prev. 2.625tln).

## CRUDE

**WTI (N5) SETTLES USD 1.21 HIGHER AT 64.58/BBL; BRENT (Q5) SETTLES USD 1.13 HIGHER AT 66.47/BBL**

The crude complex ended the day, and week, with gains as it was buoyed by the general risk-on sentiment in wake of the US payrolls data. WTI and Brent were already clambering off their respective lows of USD 62.82/bbl and 64.80/bbl prior to the US jobs metrics, but that provided a boost to risk sentiment and a further fillip for the energy space to extend higher absence of any oil-specific newsflow as a robust labour market keeps the demand side of the equation alive. Benchmarks reached daily highs of USD 64.80/bbl and 66.67/bbl, before sliding just off them into settlement. There was little update regarding Russia/Ukraine, aside from further attacks from Russia on Ukraine, and Iran/US, although Abas Aslani said Iran Foreign Minister said no exact date has been set for the next round of Iran-US talks. Nonetheless, participants will be cognizant of any given update, or escalation, over the weekend. For the record, in the weekly Baker Hughes rig count, oil fell 9 to 442, nat gas rose 5 to 114, leaving the total down 4 to 559.

## EQUITIES

- **CLOSES:** SPX +1.03% at 6,000, NDX +0.99% at 21,761, DJI +1.05% at 42,763, RUT +1.66% at 2,132
- **SECTORS:** Energy +1.98%, Communication Services +1.92%, Consumer Discretionary +1.66%, Financials +1.25%, Health +0.92%, Industrials +0.89%, Technology +0.79%, Utilities +0.43%, Real Estate +0.34%, Materials +0.25%, Consumer Staples +0.19%
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.32% at 5,428, DAX -0.12% at 24,295, FTSE 100 +0.30% at 8,838, CAC 40 +0.19% at 7,805, AEX +0.48% at 930, IBEX 35 +0.31% at 14,248, FTSE MIB +0.55% at 40,602, SMI +0.39% at 12,366, PSI +0.44% at 7,454

##### STOCK SPECIFICS:

- **Tesla (TSLA):** Attempted to recoup some of Thursday's ~14% losses amid the public Trump/Musk spat. In the latest developments, Trump said he is considering getting rid of his Tesla, while Reuters sources reported he is not interested in speaking to Musk.
- **Broadcom (AVGO):** Solid results, although reports suggested the downside was likely due to profit-taking following a 78% rally since April.
- **DocuSign (DOCU):** Soft billings guidance
- **Lululemon (LULU):** Weak next quarter outlook and cut FY profit view.
- **Mosaic (MOS):** Cut Q2 phosphate sales volumes
- **Applied Materials (AMAT):** Upgraded at MS on valuation
- **Automakers (F, GM, STLA):** China grants export licenses to rare earth suppliers of the top three US automakers, which are valid for six months, according to Reuters sources
- US President Trump's **US Steel (X)** decision may come later than expected, according to Axios.
- **Boeing (BA):** Reportedly set to restart jet handovers to China amid trade spat, via Bloomberg.
- **Social media names (META, SNAP, PINS):** President Trump is planning to give TikTok another lifeline with a mid-June deadline approaching and trade talks with China in limbo, according to WSJ.
- **Amazon (AMZN):** Freezes hiring budget for its big retail business this year, according to Business Insider.

## US FX WRAP

The Dollar saw gains to end the week, and it was largely buoyed by the US jobs report, which saw the headline come in at 139k (exp. 130k, prev. 147k), and avoided the downside surprise many had been looking for, while the u/e rate came in-line at 4.2% and wage growth exceeded forecasts. As such, DXY ended up printing a high of 99.36. Elsewhere, the Trump/Musk feud continues to bubble with no plans for a call between the two, and as the President said he is considering getting rid of his Tesla. Regarding US/China, and following the Trump/Xi call this week, Trump posted on Truth this afternoon that Treasury Secretary Bessent, Commerce

Secretary Lutnick, and USTR Greer will be meeting with representatives of China on trade on June 9th (Monday) with talks in London. Meanwhile, and continuing to potentially indicate an improvement in relations, Reuters sources reported that China grants export licenses to rare earth suppliers of top three US automakers and are valid for six months. However, Reuters sources also reported the US suspended licenses to ship nuclear plant parts to China.

**G10 FX** was weaker across the board due to the Greenback's strength, with the JPY the notable laggard as USD/JPY hit a high of 145.08. The Yen was already on the backfoot pre-Dollar strength amid the underwhelming household spending data overnight. Elsewhere, Japan's government said trade negotiator Akazawa met with US Commerce Secretary Lutnick and Akazawa strongly sought a review of US tariffs. Separately, Japan's former top FX diplomat stated narrowing US-Japan rate gap will likely support the yen at around 135-140 against USD by year-end.

**CAD, Antipodeans, GBP, CHF, and EUR** all saw losses to varying degrees against the Dollar amid little currency-specific newsflow. There was a slew of ECB speak in wake of the decision on Thursday, and Holzmann confirmed he was the dissenter, as was expected. EUR/USD traded between 1.1372-1.1457. Out of North America, Canada surprisingly added jobs for May, and the u/e rate ticked higher to 7.0%, as expected. USD/CAD hit a low of 1.3661 against a later high of 1.3704.

Out of **Switzerland**, SNB President Schlegel said the SNB supports the government's banking stability proposals, in what was in response to the proposals to UBS. The bank faces an extra USD 26bln capital requirement under Swiss proposal. Note, it had little effect on the Swissy with USD/CHF trading between 0.8191-8248.

**EMFX** was mixed. COP was flat, BRL, MXN, TRY firmed, while CLP, HUF, Yuan, and TRY all saw losses. In central bank decisions, the CBR surprisingly cut, and by 100bps, to 20.0% with Governor Nabiullina noting a rate hike is not ruled out and they discussed cutting and holding key rate today, with both a 50 and 100bps reduction spoken about. Out of Asia, RBI cuts its Repurchase Rate by 50bps to 5.50%, against a forecasted 25bps cut, and changed its stance to neutral from accommodative.

In **LatAm FX**, MXN was up in excess of a percent, primarily driven by rising oil prices, while the BRL was muted after data showed producer prices in Brazil fell for the third consecutive month in April. The real has risen about ~2.4% this week, taking its yearly gains to about 9.6%, which is the best among its LatAm, peers. Finally, and as desks note, in a significant relief for investors, the Brazilian government is expected to back a bill proposing a 10% cut to federal tax breaks, which could allow it to scrap last month's controversial tax hike on financial transactions (IOF).

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