

Stocks and bonds chop as markets await US/China trade updates and US CPI

- **SNAPSHOT:** Equities flat/up, Treasuries up, Crude up, Dollar down.
- **REAR VIEW:** Bessent says US/China talks was a 'good meeting'; US/China to continue talks on Tuesday; Trump says they are doing well with China & meeting Iran Thursday; NY Fed consumer inflation expectations ease across all horizons; China imports see large drop, trade surplus widens; WBD to separate into two media companies; AAPL WWDC underwhelms
- **COMING UP: Data:** UK Jobs Events: ECB Survey of Monetary Analysts, EIA STEO, US-China Talks in London, US-Iran Nuclear deal "counter offer" **Speakers:** ECB's Rehn, Fed Blackout Period **Supply:** Netherlands, Germany, US.
- **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

Stocks ultimately saw minor gains on Monday, but the Russell clearly outperformed. Sectors were predominantly green with outperformance in Consumer Discretionary, Materials and Energy, while Utilities, Financials and Consumer Staples lagged. The main developments on Monday were the resumption of US/China trade talks, which have concluded for the day, but will resume on Tuesday at 10:00BST/05:00EDT. Elsewhere, the latest NY Fed SCE saw consumer inflation expectations ease across the 1, 3 and 5-year horizons. T-Notes were choppy but ultimately settled firmer supported by the fall in consumer inflation expectations, although attention turns to supply and US CPI/PPI later in the week. The Dollar saw slight weakness while Antipodes outperformed with a focus on the US/China trade talks, which so far have been "good" or "fruitful", according to US Treasury Secretary Bessent and Commerce Secretary Lutnick. Energy prices settled green with the focus on negotiations between Iran and US. Trump said that they will be meeting Iran on Thursday, but so far Iran is asking for things they cannot have, like enrichment, noting how alternatives are very, very dire and they are not there yet. If the talks fail reports suggest Israel will have to decide whether to strike Iran again.

US

NY FED SCE: The NY Fed Survey of Consumer expectations showed consumers have eased their inflation expectations across the 1, 3 and 5-year horizons. The one-year ahead forecast fell to 3.2% from 3.6% in the April report, with the 3-year dipping to 3.0% from 3.2% and the 5-year falling to 2.6% from 2.7%. Elsewhere, the report saw the median one-year-ahead earnings growth expectations increase by 0.2 ppt to 2.7% in May. Consumers' outlook on the job market improved. The mean unemployment expectations—or the mean probability that the US unemployment rate will be higher one year from now — dropped 3.3 ppt to 40.8%, remaining well above the trailing twelve-month average of 37.7%. The mean perceived probability of losing one's job in the next twelve months decreased by 0.5 ppt to 14.8%. The mean probability of leaving one's job voluntarily in the next twelve months increased by 0.1 ppt to 18.3%. Year-ahead expected food price rise at 5.5%, highest since October 2023, but consumers are expecting slower gains in gas, medical care, college and rent.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 8 TICKS HIGHER AT 110-05

T-Notes chop but ultimately settle firmer after falling consumer inflation expectations . At settlement, 2s -3.8bps at 4.006%, 3s -4.0bps at 3.986%, 5s -3.5bps at 4.091%, 7s -3.1bps at 4.282%, 10s -2.4bps at 4.486%, 20s -1.0bps at 4.980%, 30s -0.6bps at 4.957%.

INFLATION BREAKEVENS: 5yr BEI -0.5bps at 2.359%, 10yr BEI -0.1bps at 2.307%, 30yr BEI -0.4bps at 2.284%.

THE DAY: T-Notes chopped in a narrow range. T-Notes ground higher overnight paring some of the Friday downside seen in wake of the NFP report, rising from an overnight low of 109-28 to a peak in the European morning of 110-06. There was little fresh for the upside aside from an unwind of Friday's price action, albeit once US trade was underway selling resumed to see T-Notes test the overnight lows. There was little for this but perhaps with some positioning ahead of supply and US data due during later in the week. However, T-Notes bounced from the lows to rise above the earlier highs, supported by falling inflation expectations in the May NY Fed survey of Consumer Expectations. There was no Fed speak as the FOMC are now in the blackout period ahead of the June 18th meeting, but the NY Fed survey saw the 1yr ahead inflation expectations ease to 3.2% from 3.6%, the 3yr ease to 3.0% from 3.2%, with the 5yr easing to 2.6% from 2.7%. Inflation expectations have been rising in 2025 but since the US/China agreement to scale back tariffs, consumer inflation expectations have started to calm. Nonetheless, there is still uncertainty ahead given the US-China tariff relief expires on August 10th, but it provides several months of solace whilst the two sides attempt to work out a trade agreement. The US and China teams had been meeting today in London, NEC Director Hassett has said that they have a goal of seeking a handshake on rare earths agreement from China, in which the US will ease export controls in return.

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

Bills

- US sold USD 78bln of 3-month bills at a high rate of 4.250%, B/C 2.69x; sold USD 70bln of 6-month bills at a high rate of 4.150%, B/C 2.74x

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 0bps (prev. 0bps), July 4bps (prev. 4bps), September 17bps (prev. 17bps), Dec 46bps (prev. 45bps).
- NY Fed RRP op demand at USD 179bln (prev. 149bln) across 37 counterparties (prev. 24)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 118bln (prev. 118bln).
- SOFR at 4.29% (prev. 4.29%), volumes at USD 2.667tln (prev. 2.685tln).

CRUDE

WTI (N5) SETTLED USD 0.71 HIGHER AT 65.29/BBL; BRENT (Q5) SETTLED USD 0.57 HIGHER AT 67.04/BBL

The crude complex was choppy, but ultimately firmer, in the first trading session of the week. Oil-specific newsflow was light, and was broader news, in lack of any tier 1 US data and as participants await a readout from US/China talks in London on Monday. Whilst benchmarks swung between gains and loses in the European session, all strength was initially wiped out on news that US President Trump would speak to Israeli PM Netanyahu on Iran. These talks, expected to commence in the US morning, will come ahead of a potential "counter-offer" to the US Nuclear Proposal, expected by Tuesday. Nonetheless, as risk sentiment improved, albeit on no specific headline driver, WTI and Brent rose again to hit intra-day highs of USD 65.27/bbl and 67.07, respectively, but retested these into settlement and settled at fresh peaks. As mentioned, US/China is the key event on traders' radars ahead of US CPI on Wednesday, with the Fed on blackout ahead of the meeting next week. Elsewhere, BofA notes crude oil could see further upside from CTA short covering. Moreover, the banks adds that medium to long-term trend followers are short CL in size, with long-term models stretched even more so. As such, BofA model expects covering to accelerate from USD 64.90/bbl to 71.4 on the front CL future.

EQUITIES

CLOSES: SPX +0.09% at 6,006, NDX +0.17% at 21,798, DJI unch. at 42,762, RUT +0.57% at 2,144.

SECTORS: Consumer Discretionary +1.08%, Materials +0.62%, Technology +0.25%, Energy +0.22%, Communication Services +0.14%, Real Estate -0.07%, Industrials -0.09%, Health -0.16%, Consumer Staples -0.24%, Financials -0.55%, Utilities -0.66%.

EUROPEAN CLOSES: DAX: -0.54% at 24,174, FTSE 100: -0.06% at 8,832, CAC 40: -0.17% at 7,791, Euro Stoxx 50: -0.17% at 5,421, AEX: +0.23% at 932, IBEX 35: +0.01% at 14,249, FTSE MIB: -0.35% at 40,462, PSI: -0.38% at 7,426.

APPLE WWDC: Shares ultimately saw downside as the event somewhat underwhelmed investors amid little updates on AI. The event was largely focused on software updates and redesign as opposed to Apple Intelligence or new products. Nonetheless, highlighting some of the key features saw Apple open up access for any app to tap directly into the LLM model at the core of Apple Intelligence with a new foundation model framework, noting that Apple Intelligence models are coming for developers. Apple also unveiled liquid glass technology and live language translation.

STOCK SPECIFICS:

- **Broadcom (AVGO):** Co. received a cautious mention in WSJ, which said that while the semiconductor company benefits from demand for custom AI chips, investors may be overestimating its growth potential despite strong sales linked to AI.
- **Meta Platforms (META):** In talks to invest over USD 10bln in AI startup 'Scale AI'
- **EchoStar (SATS):** Considering a Chapter 11 bankruptcy filing to protect its wireless spectrum licenses from potential federal revocation, according to the WSJ.
- **Tesla (TSLA):** Downgraded at Baird to 'Neutral' from 'Outperform' on CEO Musk's remarks regarding the robotaxi ramp rate, "are a bit too optimistic". Meanwhile, Tesla Optimus Robot Programme Head Milan Kovac left the company
- **Boeing (BA):** Preparing to resume deliveries of its 737 MAX aircraft to Chinese customers after a halt in April.
- **RobinHood (HOOD):** Not included in SPX rebalance despite speculation they may be included
- **Warner Bros Discovery (WBD):** To separate into two leading media companies.
- **Qualcomm (QCOM):** Agreed to acquire Alphawave for ~USD 2.4bln, as part of efforts to strengthen its AI tech.
- **UnitedHealth (UNH):** Eyes USD 1bln deal to exit LatAm as Co. refocuses on US.
- **Amazon (AMZN):** To invest USD 20bln in Pennsylvania to expand cloud computing and advanced AI innovation, creating 1.250 jobs.
- **Walmart (WMT):** CFO said they have been having dialogues with the administration regarding tariffs and current consumer behaviour, via the Oppenheimer conference.

FX

The Dollar Index was slightly weaker, albeit with DXY in a narrow range in thin newsflow to start the week amid a lack of tier 1 US data and Fed blackout ahead of the confab next Wednesday. All participants await a readout from US/China talks in London, although ahead of the meeting NEC Director Hassett said it will be short but bear results, and the US is seeking handshake on rare earths agreement from China. Talks are set to continue from 10:00 BST/ 05:00 EDT. Aside from this, traders will be watching for US CPI on Wednesday. Elsewhere on Monday, NY Fed SCE saw inflation expectations ease over all time horizons (1yr, 3yr, 5yr) and the Atlanta Fed GDPnow (Q2) was unchanged at 3.8%. MUFG notes that the Dollar is vulnerable to further weakness after NFP fails to provide lasting support. Nonetheless, the bank still expects the US labour market to weaken further, opening the door for the Fed to resume rate cuts in H2 of this year and supporting its forecasts for further US dollar weakness.

G10 FX was firmer across the board against the Greenback with Antipodeans outperforming, while CAD and CHF were the relative laggards. As mentioned, headline risk was sparse but for the Pound BoE's Greene said over the weekend that the disinflation process is ongoing and expects inflation to continue to come down to the target over the medium-term. However, more attention is on Wednesday's UK spending review, which is a precursor to the Autumn Budget, ahead of which Reeves has once again ruled out a major tax increase for "working people", and more generally that she has "no intention of raising taxes again on the scale of the 2024 budget". Elsewhere on this week's agenda is UK labour market metrics due out on Tuesday. Cable traded between 1.3525-81.

USD/JPY hit a low of 143.98 against an earlier high of 144.94. Overnight, Japan saw an upward revision to Q1 GDP, and Economy Minister Akazawa continued to urge the US to reconsider tariff measures, whilst suggesting that further progress has been made in trade talks with the US.

EUR/USD traded within a very narrow range, and the highlight out of Europe was arguably ECB's Kazimir noting he thinks the bank is nearly done with, if not already at the end of the easing cycle, and he sees clear downside risks to growth but would be a mistake to ignore upside inflation risks. Note, little reaction was seen on his remarks.

For the **Antipodes**, they outperformed but overnight Chinese imports declined much more than expected, while exports did not rise as much as forecasted, but ultimately a larger surplus than Wall St. anticipated was seen. China inflation was broadly in line, with CPI -0.2%, or -0.1% Y/Y with PPI -3.3%. AUD/USD and NZD/USD traded between 0.6493-6533 and 0.6014-65, respectively.

EMFX was mixed. HUF, MXN, ZAR firmed, CLP, COP weakened, and MXN was flat. In LatAm, according to O Globo, the Brazilian government is to propose a fixed income tax rate of 17.5% for financial investments. Elsewhere, Mexican inflation for May was slightly hotter than anticipated.

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