

Stocks bid and bonds flat ahead of CPI

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar flat
- **REAR VIEW:** US/China talks going well, may continue to tomorrow; Trump says Iran is becoming much more aggressive in nuclear talks; OPEC official says there is no peak in oil demand on the horizon; EIA STEO lowers 2025 world oil demand outlook; Average US 3yr note auction; Soft UK jobs report; OpenAI taps GOOGL in unprecedented cloud deal; BA hits 737 MAX production rate target.
- **COMING UP:** **Data:** ECB Wage Tracker, US CPI, Weekly Earnings. **Events:** UK Spending Review. **Speakers:** ECB's Lagarde, Lane, Cipollone. **Supply:** Australia, UK, Germany, US. **Earnings:** Oracle, Inditex.

MARKET WRAP

US indices close at session highs (SPX +0.6%, NDX +0.5%, RUT +0.6%) as comments from US Commerce Secretary Lutnick offer optimism over the US-China trade talks. While US-China trade talks have yet to conclude, session highs in stocks were seen on Lutnick's reiteration that trade talks are going well. Sectors closed largely higher, with gains led in Energy (XOM +2.2%, CVX +1.9%) and Consumer Discretionary, while Industrials lagged in the red. For communications, the conversation was on OpenAI tapping Google (GOOGL +1.4%) in an unprecedented cloud deal, reducing OpenAI's dependency on Microsoft (MSFT -0.4%). Early in the US afternoon, stocks were briefly hit by US President Trump telling Fox News that Iran is becoming much more aggressive in nuclear talks. On which, a brick wall between the US and Iran has seemingly formed, with neither side willing to give up on its demands regarding the prospect of uranium enrichment in Iran. The headline marked session highs in crude prices, which then headed lower into settlement following the EIA STEO, which marginally lowered its 2025 world oil demand forecast. However, the OPEC Sec General suggested oil demand grow this to continue, with no peak in sight. In FX, the dollar saw mixed price action, benefiting most notably against GBP following a poor UK jobs report. Gains were also present against Havens, while modest weakness was incurred vs the EUR, CAD, and AUD. The US Treasury curve flattened, albeit changes in yields were relatively small following an average 3yr note auction. Still, attention remains on the US-China trade talks (could go into tomorrow), but also on Wednesday's US CPI report (preview below).

US

CPI PREVIEW: Headline CPI is expected to rise by 2.5% Y/Y, vs the April read of 2.3%, with forecasts ranging between 2.2-2.7%. The M/M print is expected at 0.2%, matching the prior pace. Core CPI is expected to rise by 2.9% in May, accelerating from the prior 2.8%, with analyst forecasts ranging between 2.7-3.1%. The M/M core print is expected to tick up to 0.3% from 0.2%. [To download the full preview, please click here.](#)

FIXED INCOME

T-NOTE FUTURES (U5) SETTLE 1+ TICKS HIGER AT 110-06+

T-notes pare earlier gains as risk tone improves ahead of CPI and supply . At settlement., 2s +0.7bps at 4.010%, 3s +0.2bps at 3.985%, 5s -0.5bps at 4.082%, 7s -1.2bps at 4.267%, 10s -1.4bps at 4.470%, 20s -2.0bps at 4.957%, 30s -2.1bps at 4.933%.

INFLATION BREAKEVENS: 5yr BEI -1.2bps at 2.342%, 10yr BEI -0.8bps at 2.296%, 30yr BEI -0.4bps at 2.275%.

THE DAY: The Treasury curve flattened on the day, but with yields little changed across the curve by settlement, seeing the 10-year yield lower by just 1bp on the day. However, T-note futures trended higher overnight and in the European morning to peak at 110-14 at the US equity opening bell. The upside in T-notes was likely supported by a move higher in Gilts as a soft UK jobs report saw traders unwind BoE rate cut bets. Meanwhile, broader risk conditions likely gave a helping hand with an overnight sell-off in stocks, sparking a haven bid. However, once the US equity trade was underway, stocks staged a revival throughout the rest of the session, seeing T-notes slide back to the more-or-less unchanged mark by settlement. Attention also turned to the 3-year auction, which saw the 3-year underperform ahead of the results, but the auction was in line with recent averages and saw little market reaction. Focus also remains on the ongoing US/China trade talks, which are going well (according to Lutnick) but may continue over into tomorrow. All eyes now turn to the US CPI report; [Newsquawk Preview available here.](#)

SUPPLY:

Notes/Bonds

- The US Treasury sold USD 58bln of 3yr notes at a high yield of 3.972%, a higher yield than the prior 3.824% but lower than the six auction average of 4.044%. Despite the higher yield at the June offering, the auction still tailed by 0.4bps, vs the April stop through of 0.2bps, but more in line with recent averages. The Bid-to-Cover, however, was softer than both the prior and average. The breakdown, overall, was in line with averages. Direct demand fell to 18% from 24%, while indirect demand rose to 67% from 62%, leaving dealers with an inline 15%. Overall, an average auction.
- The U.S. Treasury to sell USD 39bln of 10yr notes on June 11th and USD 22bln of 30yr bonds on June 12th; to settle June 16th

Bills

- US to sell USD 65bln 4wk bills and USD 55bln 8wk bills on June 12th; to sell USD 60bln 17wk bills on June 11th; all to settle on June 17th
- US sold USD 50bln in 1yr bills at a high rate of 3.940%, B/C 3.22x; sold USD 55bln in 6wk bills at a high rate of 4.195%, B/C 3.32x

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: June 0bps (prev. 0bps), July 4bps (prev. 4bps), September 16bps (prev. 17bps), Dec 44bps (prev. 46bps).
- NY Fed RRP op demand at 183bln (prev. 179bln) across 31 counterparties (prev. 31)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 118bln).
- SOFR at 4.29% (prev. 4.29%), volumes at USD 2.643tln (prev. 2.667tln).

CRUDE

WTI (N5) SETTLES USD 0.31 LOWER AT 64.98/BBL; BRENT (Q5) SETTLES USD 0.17 LOWER AT USD 66.87/bbl

The crude complex settled lower, paring bullish geopolitical developments on the day. Starting with Russia, President Putin extended the oil sale ban to those complying with the EU price cap, after the EU lowered the Russian price cap to USD 45/bbl from USD 60/bbl. Regarding geopolitics, Iran's nuclear deal counteroffer still awaits. As it stands, a deal with the US appears unlikely as discourse builds. Specifically, Iranian Lawmakers showed no sign of yielding to US demands on uranium enrichment; "any such US demand should be rejected". These remarks came despite US President Trump calling Iran's push for uranium enrichment unacceptable, later saying, Iran is becoming much more aggressive in nuclear talks. The latter remark sparked risk-off in US equities, and marked the session high in WTI and Brent, that is, USD 66.28/bbl, and USD 68.00/bbl. Meanwhile, the OPEC Secretary General Ghais' spoke, noting oil demand growth is to continue and no peak is in sight. He added the organisation is very concerned by the IEA's "flip-flopping" on oil investment. Meanwhile, the EIA STEO saw the world oil demand forecast lowered for 2025 (2026 was unchanged) with US oil demand steady in 2026, but US oil production to decline. Note, Crude prices pared from earlier peaks into settlement, ultimately settling lower. Ahead, private energy data is due after hours, whereby current expectations are (bbls): Crude - 2mIn, Distillates +0.8mIn, Gasoline +0.9mIn.

EQUITIES

CLOSES: SPX +0.55% at 6,039, NDX +0.66% at 21,942, DJI +0.25% at 42,867, RUT +0.56% at 2,156

SECTORS: Energy +1.77%, Consumer Discretionary +1.19%, Health +1.09%, Communication Services +1.08%, Real Estate +0.83%, Materials +0.56%, Technology +0.46%, Utilities +0.19%, Consumer Staples +0.16%, Financials +0.06%, Industrials -0.44%

EUROPEAN CLOSES: DAX: -0.58 % at 24,034, FTSE 100: +0.24 % at 8,853, CAC 40: +0.17 % at 7,804, Euro Stoxx 50: -0.15 % at 5,414, AEX: +0.70 % at 939, IBEX 35: +0.06 % at 14,259, FTSE MIB: -0.63 % at 40,208, SMI: -0.12 % at 12,352, PSI: +0.94 % at 7,495.

STOCK SPECIFICS

- **Alphabet (GOOGL):** OpenAI taps Google in unprecedented cloud deal despite AI rivalry, according to Reuters, citing sources; OpenAI reduced dependency on Microsoft (MSFT) in favour of Google. Google faces pressure to balance its external cloud offering and AI development.
- **TSMC (TSM):** May revenue grew 39.6% Y/Y; sales fell 8.3% M/M.
- **Meta Platforms (META):** CEO is recruiting a new "superintelligence" AI team to pursue AGI.
- **McDonald's (MCD):** Double downgraded at Redburn Atlantic.
- **CoreWeave (CRWV):** Cautious commentary from DA Davidson.
- **IBM (IBM):** Set to build the world's first large-scale, fault-tolerant quantum computer at a new data centre.
- **Casey's General Stores (CASY):** EPS & revenue topped expectations; raised quarterly dividend by 14%.
- **J.M. Smucker (SJM):** Q4 revenue and FY adj. EPS outlook disappointed.
- **Insmid (INSM):** Announced positive results from a Phase 2b study of its inhalation powder.
- **Paramount (PARA):** To cut 3.5% of its workforce.
- **Boeing (BA):** Booked 303 gross orders in blockbuster May, including co.'s largest widebody order; delivered 45 aircraft in May, including 31 737 MAX and seven 787s; Boeing hit 737 MAX production rate target of 38 per month in May.
- **Snap (SNAP):** To launch lightweight and immersive specs in 2026.
- **Morgan Stanley (MS):** CEO sees a strong end to the quarter; there was a pause after tariffs went into May; The dividend is "Sacrosanct"; Stock buybacks will be opportunistic; Inorganic opportunities may be interesting if supplementary leverage ratio changes.
- **JPMorgan (JPM) -** CEO Dimon said wants his people looking for M&A but not pushing them to do it; They are not going to change the ROTCE target.

FX

The Dollar Index was flat. USD-specific newsflow was light with US data thin ahead of CPI on Wednesday, and talks between the US and China on trade continuing into the London evening. So far, details have been sparse, with Commerce Secretary Luntick noting discussions with China are "going really well", adding they may spill over into tomorrow. Meanwhile, the US and India have reportedly advanced towards an interim trade deal, expected to sign the agreement by the end of the month, likely meaning the

currently paused 26% reciprocal tariff on the US would be lower by the time the pause ends on July 9th. Apart from trade, the USD had little to trade off, with the US 3yr auction in line with the six auction average. On geopolitics, stocks were briefly hit (USD unch) on US President Trump telling Fox News that Iran is becoming much more aggressive in nuclear talks. Ahead, the US CPI brings attention back to US data, but the outcome of the US-China trade talks will also be closely watched.

G10FX saw mixed performance. EUR, CAD, and AUD eked out marginal strength, while losses were prevalent in GBP, havens and NOK. On the latter, lower oil prices weighed while havens were less favoured than the USD as US equities moved higher throughout US trade. Overnight, BoJ Governor Ueda reiterated the conditions for a further BoJ hike, but pointed out it has limited room to underpin growth with easing given the 0.5% short-term rate; USD/JPY now sits ~ 144.90. For the Euro, ECB speakers were the highlight. Stournaras said the stable EU policy is drawing investors to the Euro, on which Vujcic assumes the push towards Euro area assets will continue. Meanwhile, ECB's Holzmann, who dissented at the last ECB meeting, said a pause in cutting rates could last a while.

GBP was the clear G10 underperformer following the soft UK jobs report. HMRC Payrolls Change in May saw its biggest drop since May 2020, but ONS cautioned about timing effects. Earnings growth eased more than expected with the unemployment rate ticking higher, albeit as expected. The report bolstered BoE rate cut bets. Now money markets price the first full 25bps rate cut by September (prev. November), with ~100% chance of another 25bps cut by year-end. On the report, an ING economist noted the drop in wages was due to come anyway from base effects, but it does mark a bigger drop than expected. Additionally, they point out the payroll data always gets revised, "and more often than not, it's revised up". EUR/GBP saw a decent jump up to ~0.8465 while Cable is hovering just below 1.3500.

EMFX: Performance favoured the greenback with most EMs in the red. COP was the biggest laggard while HUF and PLN were the top gainers. ING points out recent EM strength, which has come from Latin America and Central Europe, highlights that investors seem prepared to overlook clear fiscal challenges in Brazil, Romania, and Hungary in quiet markets and opt for the carry. "Subdued US price data this week should retain interest in these EM high-yielders".

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