

### Stocks chop, bonds bid with Dollar sold following soft US PPI & heightened geopolitical tensions

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Soft US PPI; Initial claims remain steady, continued claims jump higher; Israel reportedly considering military action in Iran in coming days; Trump says Israeli strike could happen; Trump says auto tariffs may go up; Iran to continue with enrichment; Trump to set unilateral tariff rates within two weeks; UK GDP contracts more than expected; BA Air India flight crashes; Solid US 30yr bond auction.
- **COMING UP:** **Data:** UoM Sentiment (Prelim). **Events:** S&P to Review Germany's Credit Rating. **Speakers:** ECB's Panetta, Elderson.

### MARKET WRAP

US indices were mostly higher (SPX +0.4%, DJI +0.2%, NDX +0.2%, RUT -0.4%) with gains on a soft May PPI report offsetting geopolitical concerns in the Middle East. Sectors were generally firmer, with Utilities, Tech, and Healthcare leading gains, while Industrials, Communications and Discretionary lagged in the red with the former weighed on by Boeing (BA) (-4.8%) after a 787-8 Dreamliner crashed after taking off in India. Back to PPI, it was largely softer on all metrics, yet experienced chunky revisions. Meanwhile, initial claims held steady at 248k, while continued claims surged above expectations to the highest reading since November 2021. The weekly claims report added to existing gains in Treasuries, which were found on both heightened Middle East rhetoric and renewed trade tensions. Namely, US President Trump said he would send out letters in a week and a half for countries to take or leave, likely referencing a "final offer". Outperformance in long-dated Treasuries followed the US 30yr auction, which showed strong demand via the stop through and indirect demand. Despite geopolitical angst remaining solid with the IAEA voting to censure Iran for nuclear violations, crude prices settled lower, after notable gains on Wednesday, with the next leg higher likely requiring a new escalation. As it stands, officials from both the US and Iran note a potential Israeli attack on Iran, given fears over talks between the US and Iran collapsing. That said, the meeting on Sunday between the US and Iran is still scheduled. Trump touched on a few subjects in a bill signing ceremony. Specifically, an Israeli strike is not imminent, but it looks like it could happen, yet is fairly close to an agreement with Iran. In FX, G10 all strengthened on USD weakness. In the UK, GDP growth declined more than expected, leaving GBP sold vs the EUR despite strength vs USD. The US calendar is to be fairly quiet on Friday, with the UoM Prelim for June due.

### US

**PPI:** In May, PPI was largely cooler than expected, but not without upward revisions to the April figures. Core M/M rose by 0.1%, below the expected 0.3% (prev. -0.4%, rev. -0.2%), core Y/Y rose by 3.0%, shy of the expected 3.1% (prev. 3.1%, rev. 3.2%), and headline M/M rose by 0.1% (exp. 0.2%, prev. -0.5%, rev. -0.2%). Meanwhile, headline Y/Y matched expectations of 2.6% with the prior revised to 2.5% from 2.4%. The report adds to the soft inflationary theme seen in CPI earlier in the week, but similar to the April PPI report, upward revisions continued. Nonetheless, Fed pricing took another slight dovish turn, with money markets views of two Fed 25bps rate cuts solidifying. The PPI components that feed into PCE varied M/M. Acceleration was seen in Physician care, 0.2% (prev. 0.1%), and the rate of decline slowed, particularly in portfolio management and airline passenger services; portfolio management -1.0% (prev. -7.1%), airline passenger services -1.1% (prev. -1.8%). Hospital outpatient care fell M/M by 0.3% (prev. 0.6%), inpatient care was flat (prev. 0.4%), nursing home care was 0.2% (prev. 0.4%), and home health, hospice care was 0.0% (prev. 0.2%). Post PPI, Pantheon Macroeconomics suggest CPI and PPI imply the core PCE deflator rose by 0.12% in May, and "look for hefty increases in the core PCE deflator of 0.4% in June and 0.3% in July, followed by a run of increases averaging 0.25% over the remainder of the year". GS note based on the details in the PPI and CPI reports, they estimate that the core PCE price index rose 0.14% in May (vs. 0.18% prior to PPI), corresponding to a Y/Y rate of +2.58%. Additionally, GS expect headline PCE price index increased 0.10% in May, or increased 2.26% Y/Y.

**JOBLESS CLAIMS:** Initial jobless claims (w/e) were unchanged W/W at 248k, but were above the expected 240k, in what is now a clear trend upwards in jobless claims around the 240-250k mark as opposed to the prior ~230k range. Note, the seasonal factors had expected an increase of 35,200 (or 16.8%) W/W. As a result, the 4wk average ticked higher to 240.25k from 235.25k. Continued claims (w/e) rose to 1.956m (highest reading since November 2021) from 1.902m, much above the anticipated at 1.91m. Even though the headline was flat W/W, both initial and continuing claims are trending higher, and Oxford Economics notes that while residual seasonality may be at play, the claims data are signalling slower labour-market conditions against a backdrop of higher tariffs and heightened policy uncertainty.

### FIXED INCOME

#### T-NOTE FUTURE (M5) SETTLED 12 TICKS HIGHER AT 111-02

Treasuries saw gains with the curve flattening amid renewed tariff woes, escalating geopolitics, and cooler-than-expected US PPI. At settlement, 2s -3.7bps at 3.908%, 3s -4.5bps at 3.865%, 5s -4.7bps at 3.965%, 7s -5.4bps at 4.148%, 10s -5.5bps at 4.359%, 20s -6.7bps at 4.856%, 30s -6.7bps at 4.842%.

**INFLATION BREAKEVENS:** 5yr BEI -2.7bps at 2.289%, 10yr BEI -2.0bps at 2.257%, 30yr BEI -2.2bps at 2.247%.

**THE DAY:** Treasuries were largely sideways in overnight trade before extending higher as European players entered for the day, whereby T-Notes were hovering around 110-21. Tsys quickly moved higher as heightened geopolitical rhetoric between Israel/Iran further weighed on risk sentiment, and supported the leg higher in Treasuries. Further adding to the fuel for the gains in Treasuries were the renewed tariff woes, as on Wednesday evening, it was reported that US President Trump said at a certain point, they will send letters out for countries to take or leave and will send those letters out in a week and a half. Thereafter, and with Treasuries already seeing strength, T-Notes extended to session highs of 111-06 in the wake of a cooler than expected US PPI release. On the data, Pantheon forecasts CPI and PPI points to a core PCE deflator of 0.12% (vs. 0.2% post-CPI). However, they look for hefty increases in June and July of 0.4% and 0.3% respectively. Oxford Economics estimates headline PCE rose by 0.09% in May, while core PCE is on track for a similar 0.12% gain. Moreover, there was a very solid US 30yr bond auction, but little action was seen across the Treasury curve. Heading into the final trading session of the week, attention will of course be on any further geopolitical updates with tensions heightened amid continued reports of a possible Israel attack on Iran, as well as prelim UoM for June.

#### SUPPLY:

##### Notes/Bonds

- The US Treasury sold USD 22bln of 30yr bonds at a high yield of 4.844%, slightly higher than the prior 4.819%, with the auction stopping through the when issued by 1.5bps, much better than the prior auctions' 0.7bps tail and the six-auction average of a 0.1bps tail. The bid-to-cover was 2.43x, above both the prior, 2.31x, and six auction average of 2.39x. Direct demand was 23.4% (prev. 27.2%, six-auction avg. 22.3%), while indirects took 65.2%, higher than the prior 58.9% and the average 63.2%. This left dealers with a below-average 11.4% (prev. 13.9%, avg. 14.4%).
- US to sell USD 13bln of reopened 20yr bonds on June 16th and to sell USD 23bln of reopened 5yr TIPS on June 17th; to settle on June 30th.

##### Bills

US sold 4wk bills at high rate of 4.080%, B/C 3.22x; sold USD 55bln 8wk bills at high rate of 4.38%, B/C 2.67x. US to sell USD 76bln of 13-wk bills, and USD 68bln of 26-wk bills on June 16th; to sell USD 55bln of 6-wk bills on June 17th; all to settle June 20th.

##### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: June 0bps (prev. 0bps), July 6bps (prev. 5bps), September 23bps (prev. 20bps), Dec 53bps (prev. 50bps).**
- NY Fed RRP op demand at USD 181bln (prev. 205bln) across 34 counterparties (prev. 46).
- EFR at 4.33% (prev. 4.33%), volumes at USD 111bln (prev. 112bln).
- SOFR at 4.28% (prev. 4.28%), volumes at USD 2.600tln (prev. 2.634tln).

## CRUDE

**WTI (N5) SETTLED USD 0.11 LOWER AT 68.04/BBL; BRENT (Q5) SETTLED USD 0.41 LOWER AT 69.36/BBL**

**The crude complex was choppy on Thursday, but eventually settled slightly lower as geopolitical angst dominated the tape.**

Through the European morning, WTI and Brent saw pressure and hit lows of USD 66.72/bbl and 68.36/bbl, respectively, in wake of the marked strength seen on Wednesday despite the ever-escalating rhetoric between Iran and Israel. Before the Europeans departed for the day, the highlight was that the IAEA voted to censure Iran for nuclear violations, prompting increasingly escalatory speak from Iran and other nations involved. As such, we await full details on exactly how Iran will respond, on top of the new enrichment facility, and if this weekend's 6th US-Iran meeting will go ahead or not. However, benchmarks saw pronounced upside after ABC reported that Israel is considering military action vs. Iran in the coming days. Thereafter, WTI and Brent printed fresh highs of USD 69.29/bbl and 70.25/bbl, respectively, and saw two-way action as US President Trump spoke - said he'd love to avoid a conflict with Iran, Israeli strike not imminent but looks like it could happen, and want to have an agreement with Iran and fairly close, although there's a chance of massive conflict and something could happen soon. As Trump was speaking, Axios' Ravid said White House envoy Witkoff warned Republican senators that Iran could respond to an Israeli attack on its nuclear facilities with a massive missile attack that would overcome Israeli defences and cause massive damage and casualties.

## EQUITIES

**CLOSES:** SPX +0.38% at 6,045, NDX +0.24% at 21,913, DJI +0.24% at 42,968, RUT -0.38% at 2,140

**SECTORS:** Communication Services -0.59%, Consumer Discretionary -0.41%, Industrials -0.24%, Financials +0.06%, Energy +0.41%, Consumer Staples +0.47%, Materials +0.52%, Real Estate +0.53%, Health +0.82%, Technology +1.01%, Utilities +1.26%.

**EUROPEAN CLOSES:** DAX: -0.71% at 23,779, FTSE 100: +0.23% at 8,885, CAC 40: -0.14% at 7,765, Euro Stoxx 50: -0.65% at 5,358, AEX: -0.54% at 930, IBEX 35: -0.32% at 14,089, FTSE MIB: -0.58% at 39,948, SMI: -0.26% at 12,306, PSI: +0.64% at 7,527.

##### STOCK SPECIFICS

- **Oracle (ORCL):** EPS & revenue beat; Sees solid cloud infrastructure revenue growth for the next FY, with orders seen more than doubling.
- **Boeing (BA):** Air India 787-8 Dreamliner crashed.
- **CoreWeave (CRWV):** Will provide GPU-based compute capacity to Google Cloud.
- **Amazon (AMZN):** Restructuring Whole Foods.
- **Tencent (TCEHY):** Exploring a potential acquisition of Nexon, a USD 15bln South Korean game developer.

- **Dana (DAN):** To sell its Off-Highway unit to **Allison (ALSN)** for USD 2.7bln.
- **Oklo (OKLO):** Announced a USD 400mln stock offering to fund general corporate purposes, working capital, capital expenditures, and potential future investments.
- **GameStop (GME):** Plans to offer USD 1.75bln in 0.00% convertible senior notes due 2032 via private placement, subject to market conditions.
- **Target (TGT):** Raised quarterly dividend to USD 1.14/shr (prev. 1.12).
- **CureVac (CVAC):** To be acquired by **BioNTech (BNTX)** for USD 1.25bln.
- **Cardinal Health (CAH):** Raised FY25 non-GAAP diluted EPS guidance.
- **Tesla (TSLA)/EV:** US President Trump said EV chargers are too expensive; likes Tesla. Trump added, Musk does like him; have talked to Musk about EVs. Meanwhile, Trump signed a resolution nixing California's EV rules
- **AppLovin (APP):** Culp Research short on AppLovin.
- **NVIDIA (NVDA):** CEO said will stop including China in its forecasts amid US chip export controls.
- **AMD (AMD):** CEO expects AI chip market to be worth USD 500bln in 2028; has made 25 strategic investments in AI related Cos. in the last year. Launched MI350 and MI355 chips; MI400 chips coming next year.
- **FTC is considering restrictions on Omnicom (OMC) and Interpublic (IPG)** to prevent combined company from refusing to place ads on platforms for political reasons, NYT reports.

## FX

**The Dollar** was on the back foot into the US session, with EUR optimism heavily weighing. Weakness against peers continued in the wake of the soft US PPI report, signalling a similar theme on US prices seen in Wednesday's CPI report. Despite the growing turmoil in the Middle East, the Buck remained offered against G10 peers, and some EMs as its attractive safe-haven status dwindles. Officials in both Iran and the US highlight a potential Israeli attack on Iran. US President Trump said an Israeli strike is not imminent but "looks like it could happen". As mentioned, US PPI was soft, yet with consecutive upward revisions to the prior print. Meanwhile, job data showed initial claims remaining steady at 248k while continued claims surged well above expectations to 1.956mln, the highest reading since November 2021. Trade updates came by way of Trump, who is to set unilateral tariff rates within two weeks and will send out letters in a week and a half to countries to take or leave, presumably regarding final deal offers. Prelim UoM on Friday for June is the US highlight.

**G10FX** was entirely in the green on said USD weakness. Newsflow was generally light, with movement a function of USD, while EUR headlines were once again dominated by ECB speakers. ECB's de Guindos said the use of the US dollar in international funding, payments, or as a reserve currency will not be challenged in the near term. On monetary policy, ECB's Simkus said they have arrived at the neutral rate, but easing may still come due to the increased risk of inflation being below expectations. EUR/USD now sits at new YTD highs, despite retreating from the session high of 1.1631 back to the 1.15 handle.

**GBP** was weighed by continued data signalling the BoE is potentially behind in its easing cycle, according to some desks. UK GDP M/M contracted by 0.3% in April more than the expected -0.1% with GDP services also falling by 0.4% (exp. unch); mfg output was also beneath expectations. Cable still benefitted GBP, now residing around 1.36, whereas EUR/GBP rallied above 0.85.

**Antipodes** both saw decent gains, erasing Wednesday's underperformance. ING says the narrowing rate differential of AUD relative to NZD means periods of calm in risk assets can favour NZD more than AUD for the remainder of the year. "For now, we stick with our short-term targets of 0.66 in AUD/USD and 0.61 in NZD/USD".

**Havens** strengthened off the back of USD weakness, increased geopolitical concerns and a favourable US Treasury curve. CHF outperformed the Yen, with USD/CHF approaching 0.8100. Gold was helped by said factors, hitting USD ~3,386/oz

**EM** performance was mixed, with upside in the COP, CLP, HUF, and PLN. Updates came via the NBP's Kotecki, noting the main rate could fall to 4.75%, perhaps to 4.5% at the end of 2025. This is a more hawkish view when compared to money market pricing, which has the main rate at ~4.37% by year-end. Meanwhile, CNB's August meeting may bring opposing views on whether a further rate cut is warranted; may see another 25 bps easing in August, depending on developments.

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