US Market Wrap - 16th June 2025

Stocks and crude pare Friday extremes despite ongoing geopolitics

- **SNAPSHOT**: Equities up, Treasuries down, Crude down, Dollar down.
- **REAR VIEW**: Israel/Iran continue striking each other; Netanyahu not interested in peace talks with Iran; Solid US 20yr auction; Chinese retail sales impress, but industrial output underwhelms; Dismal NY Fed Mfg. index; META to introduce ads to WhatsApp.
- **COMING UP**: **Data**: German ZEW, US Export/Import Prices, Retail Sales, Industrial Production **Events**: BoJ Policy Announcement, BoC Minutes, G7 Leaders' Summit **Speakers**: BoJ's Ueda, IEA OMR **Supply**: UK, Germany & US.
- **WEEK AHEAD**: Highlights include Chinese Activity Data, BoJ, US Retail Sales, UK CPI, Riksbank, FOMC, BoE, SNB, Norges Bank, Japanese CPI, MOF Bond Meeting. Click here for the full report.
- **CENTRAL BANK WEEKLY**: Previewing BoE, BoJ, FOMC, PBoC LPR, SNB, Riksbank, Norges Bank. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES**: Thin earnings docket but highlights include LEN, ACN, KR. Click here for the full report.

MARKET WRAP

It was a risk-on session with equities bid across the board, with notable outperformance in the Nasdaq. The majority of sectors were green, although Energy, Health Care and Utilities were hit with energy stocks tracking crude prices lower. Crude initially gapped higher at the open as the Israel/Iran conflict escalated, although crude then tumbled from the peaks while equities moved higher, paring some of the moves seen late last week. Nonetheless, crude prices still remain elevated compared to recent weeks and kept Treasuries pressured on inflationary fears. In FX, the Dollar was sold but off lows heading into APAC while Antipodes outperformed, tracking risk sentiment. The risk on trade was seen despite continued conflict in the Middle East, but reports in WSJ suggested Iran wants to de-escalate, which took crude prices to session lows and stocks to highs, but ultimately finished off best levels as the two sides continued with the missile exchanges. Attention will largely be on any de-escalation (ceasefire, resumption of nuclear talks), or escalation (strikes on energy facilities, targeting of leaders, US gets involved). Elsewhere, data sparked little reaction but the NY Fed Manufacturing index saw a chunky miss due to a fall in New Orders and Shipments. Attention turns to US Retail Sales on Tuesday, ahead of FOMC and updated Dot Plots on Wednesday.

US

NY FED: The NY Fed Manufacturing survey in June tumbled to -16.0 from -9.2, despite expectations for a rise to -5.5. The primary reason for the drop in the headline business conditions index was the fall in New Orders to -14.2 from +7.0. Shipments also declined, falling to -7.2 from +3.5. Meanwhile, delivery times held steady, and supply availability worsened. Inventories were little changed. Regarding prices, Prices Paid fell to 46.8 from 59.0, while Prices Received rose to 26.6 from 22.9, suggesting selling price increases accelerated somewhat, while the drop in prices paid suggests the pace of price increases slowed, but remained significant. The six-month outlook saw a large improvement, rising to +21.2 from -2.0, rising above zero for the first time since March.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 4 TICKS LOWER AT 110-15+

T-Notes sold across the curve as elevated oil prices kept the curve pressured . At settlement, 2s +0.6bps at 3.964%, 3s +0.5bps at 3.925%, 5s +0.9bps at 4.031%, 7s +1.4bps at 4.224%, 10s +2.6bps at 4.450%, 20s +3.7bps at 4.970%, 30s +3.7bps at 4.952%.

INFLATION BREAKEVENS: 5yr BEI +1.9bps at 2.334%, 10yr BEI +1.9bps at 2.299%, 30yr BEI +2.3bps at 2.291%.

THE DAY: T-Notes were choppy on Monday and pushed lower in the European morning to see futures bottom out at 110-10+. Oil prices gapped higher on the resumption of trade overnight but pared throughout the session, albeit remaining at elevated levels compared to recent weeks, which kept inflationary fears ignited. Nonetheless, T-Notes did pare from lows as oil continued to move lower, with Treasuries catching a bid on reports that Iran wants to de-escalate the war, pressuring oil prices to lows and T-Notes to session highs of 110-26. However, as both Israel and Iran continued to attack each other throughout the day, crude prices moved higher from the lows, taking T-Notes lower into settlement. Regarding the US, T-Notes were little phased by a dire NY Fed Manufacturing survey for June, pressured by a drop in New Orders and Shipments. Meanwhile, Prices Paid eased, and Prices Received and Employment rose. The 20-year bond auction sparked little reaction with the high yield coming in on the screws vs. the When Issued. Attention remains on geopolitical updates, either through escalation (continued attacks, targeting leaders) or de-escalation (agreement to return to diplomatic solution, ceasefire). However, US retail sales will be released on Tuesday for another gauge of how the consumer is faring in the Trump world, while while the FOMC rate decision and dot plot will be released on Wednesday, with a lot of attention on the 2025 dot plot, which currently has a median of two rate cuts in 2025, in fitting with current market pricing.

SUPPLY:

Note/Bonds

- The US Treasury sold USD 13bln of 20yr bonds with a high yield of 4.942%, coming in on the screws vs the when issued, showing a better reception than the April offering which tailed by 1.2bps, but more in line with recent averages due to the six-auction average being a tail of just 0.1bps. The bid-to-cover was also better than the prior and average at 2.68x (prev. 2.46x, avg. 2.59x). The breakdown of demand saw an increase in direct demand to 19.9% from 14.1%, above the six-auction average of 18.1%, although indirect demand fell to 66.7% from 69.0%, below the 67.2%. Although relatively weak indirect demand, the rise in direct demand saw dealers take home 13.4% of the offering - an improvement vs the prior 16.9% and average of 14.8%.

Bills

- US sold USD 78bln 3-month bills at high rate of 4.240%, B/C 2.99x; sold USD 70bln 6-month bills at high rate of 4.155%, B/C 2.73x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: June 0bps (prev. 0bps), July 3bps (prev. 6bps), September 17bps (prev. 21bps), Dec 47bps (prev. 50bps).**
- NY Fed RRP op demand at USD 141bln (prev. 169bln) across 26 counterparties (prev. 27).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 110bln (prev. 114bln).
- SOFR at 4.28% (prev. 4.28%), volumes at USD 2.644tln (prev. 2.663tln).

CRUDE

WTI (N5) SETTLED USD 1.21 LOWER AT 71.77/BBL; BRENT (Q5) SETTLED USD 1.00 LOWER AT 73.23/BBL

The crude complex was lower to end the first trading session of the week, wiping out the initial strength upon the re-opening amid Israel/Iran fighting. WTI and Brent gapped higher at the open and reached peaks of USD 77.49 and 78.32/bbl, respectively, as participants returned from the weekend which Israel and Iran were fighting throughout. There was numerous attacks, from both sides, on multiple buildings and areas, with one of the more pertinent updates being US President Trump vetoing an Israeli plan to kill Iran's supreme leader Khamenei. Nonetheless, benchmarks erased all strength and fell to lows of USD 69.38/bbl and 70.56, respectively, in wake of WSJ source reports that Iran has been urgently signaling that it seeks an end to hostilities and resumption of talks over its nuclear programs, sending messages to Israel and the US via Arab intermediaries. Prior to this, benchmarks had already pared strength and fallen lower on the session due to a number of factors, such as Trump attempting to broker a peace deal, and no material supply implications, thus far at least, following weekend Israeli attacks on Iranian energy infrastructure. As such, and while there is no indication that the fighting between the two nations is going to stop, the next bullish catalysts are potentially any further Israeli strikes on Iranian energy facilities, targeting of Iranian oil export infrastructure, and issues in the Strait of Hormuz, although none seem too likely, for now. For the bearish side, ceasefire talks is the key one to watch.

EQUITIES

CLOSES: SPX +0.95% at 6,034, NDX +1.42% at 21,938, DJI +0.75% at 42,515, RUT +1.15% at 2,125.

SECTORS: Communication Services +1.53%, Technology +1.52%, Consumer Discretionary +1.20%, Financials +1.13%, Materials +0.78%, Industrials +0.71%, Consumer Staples +0.02%, Real Estate -0.02%, Energy -0.29%, Health -0.40%, Utilities -0.50%.

EUROPEAN CLOSES: DAX: +0.75% at 23,692, FTSE 100: +0.28% at 8,875, CAC 40: +0.75% at 7,742, Euro Stoxx 50: +0.97% at 5,342, AEX: +0.25% at 925, IBEX 35: +1.46% at 14,114, FTSE MIB: +1.24% at 39,929, SMI: -0.27% at 12,113, PSI: +0.94% at 7,546.

STOCK SPECIFICS:

- **Meta (META)**: Introduces channel subscriptions, promoted channels and ads in status in the WhatsApp updates tab.
- **Victoria's Secret (VSCO):** Under mounting pressure from activist investor Barington, who plans to push the co. to overhaul its board.
- **Sage Therapeutics (SAGE):** To be acquired by **Supernus (SUPN)** for USD 795mln or USD 12/shr; closed Fri. at 6.70.
- **Sarepta Therapeutics (SRPT):** There was a second patient death after receiving SRPT's gene therapy treatment.
- **US Steel (X):** Nippon Steel won conditional US approval for its USD 14.1bln purchase of the Co.
- **EchoStar (SATS):** Trump urged SATS & FCC chair to cut a deal on spectrum.
- **Johnson Controls International (JCI):** Announced a USD 9bln increase to its share buyback programme
- **Incyte (INCY):** Several positive late-breaking data on Cos. first-in-class mutCALR therapy INCA033989 in essential thrombocythemia
- **Cisco Systems (CSCO):** Upgraded to 'Buy' from 'Hold' at Deutsche Bank. Deutsche see improved visibility towards "durable" mid-single-digit growth in upcoming years, with tailwinds from AI, a Campus portfolio refresh, more favourable near-term competitive dynamics in Networking and improved scale in Security.
- **Roku (ROKU):** Amazon Ads (AMZN) and Roku announced a new integration that gives advertisers access to the largest authenticated CTV footprint in the US exclusively through Amazon DSP.
- **Coty (COTY):** Reportedly looks to be for sale, according to WWD, citing industry sources.

FX

The Dollar was lower to start the week, amid the broad risk-on sentiment despite the escalating Israel/Iran conflict, as some desks point towards hopes of a ceasefire and "peak" geopolitical risk already set in. DXY saw a low of 97.685 against an earlier high of 98.367. Dollar-specific newsflow was fairly sparse on Monday, as geopolitics dominated the tape, although the NY Fed mfg. index fell way short vs the consensus, with the headline pressured by a drop in new orders and shipments. Nonetheless, all attention turns to FOMC, updated SEPs, and Chair Powell's press conference on Wednesday. In the meantime, US Retail Sales will be released on Tuesday.

G10 FX was dominated by global risk sentiment, as opposed to much currency-specific newsflow as Antipodeans outperformed, given the risk-on environment, while havens (CHF, JPY) lagged. **AUD**/USD and **NZD**/USD printed best levels of 0.6551 and 0.6087, respectively, as traders look towards NZ Q1 GDP metrics on Wednesday and Australian labour market data on Thursday. Overnight, NZIER lowered New Zealand's 2025/26 GDP growth forecast to 1.9% from 2.1%, but no reaction was seen in the Kiwi.

As mentioned, **Swissy** and **Yen** underperformed, but the BoJ overnight is the highlight. The central bank is expected to keep rates at 0.50%, according to all 60 economists polled by Reuters, with global trade and geopolitical uncertainty supporting the likelihood of a pause. Participants will be eyeing any clues on tapering plans at the upcoming meeting, given recent source reports. USD/JPY traded between 143.66-144.74 and currently hovers around the top end of the range, while USD/CHF was more contained between 0.8089-8133. Meanwhile, ahead of the SNB on Thursday, a Reuters poll found the SNB are expected to cut by 25bps to 0%, but three out of 30 economists surveyed expect a 50bps rate cut into negative territory.

EUR, **GBP**, and **CAD** all saw similar gains. In terms of central bank speakers, ECB's de Guindos said EUR/USD at 1.15 is no big obstacle as appreciation is not rapid and volatility is not extreme, and that markets understood perfectly well the ECB post-decision message: ECB very close to target. Meanwhile, Handelsblatt reported that EU Commission is prepared to accept a flat-rate US tariff of 10% under clear conditions, but the European Commission later said that reports suggesting the EU accepts a US tariff of 10% are speculative and do not reflect the current state of discussions. EUR/USD saw a peak of 1.1614 against an earlier low of 1.1524.

Out of the **UK**, Reuters sources said Trump is expected to sign a proclamation finalising the US-UK trade deal in the coming days, and it is to cover beef, steel, autos and ethanol. Newsflow from the UK was also relatively light, with markets instead looking towards this week's upcoming risk events. Inflation data for May hits on Wednesday and is expected to show headline Y/Y CPI hold steady at 3.5%, with the services component set to decline to 5.0% from 5.4%. The release is unlikely to have any bearing on the BoE policy announcement the following day, with the MPC widely expected to keep policy steady with dovish dissent from Dhingra and Taylor. Money markets are currently pricing in 3bps of cuts in June and 50bps by year-end. Cable oscillates on either side of 1.36 but currently sits beneath the round level.

EMFX was almost exclusively firmer against the Greenback, with CLP flat, the underperformer. As mentioned above, EMs benefited from the global risk environment, although Chinese retail sales impressed overnight, industrial output did slightly disappoint. Out of LatAm, Brazilian IGP-10 inflation index for June did not decline as much as expected, while economic activity marginally exceeded Wall St. consensus. Lastly, BCB sold USD 500mln in Dollar auctions with repurchase agreement, and sold a total USD 1bln in Dollar auctions with repurchase agreement.