US Market Wrap - 24th June 2025

Iran/Israel ceasefire sparks risk on & energy weakness

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar down
- **REAR VIEW**: Trump announces ceasefire between Israel/Iran, albeit both reportedly broke the ceasefire since, but now holding; Trump says China can now resume oil purchases from Iran, hopes they will buy plenty from US; Reports emerge early US intel suggests strikes on Iran didn't destroy nuclear sites; Powell echoes wait-and-see remarks, but in Q&A leaves July options open; Hammack, Williams, Kashkari, Collins, Barr all join Powell approach, while Bostic still sees one 25bps cut this year, leaving Waller and Bowman as dovish outliers; EU warns a baseline Trump tariff would still spur retaliation; US Consumer Confidence unexpectedly deteriorates; German Ifo increases for sixth consecutive month.
- **COMING UP**: **Data:** Japanese Services PPI, Australian CPI, Spanish GDP Final, US Building Permits. **Events:** BoJ SOO; CNB Policy Announcement; PBoC MLF, NATO Summit, Fed SLR meeting. **Speakers:** BoJ's Tamura; BoE's Lombardelli, Pill, Greene; Fed's Powell, Schmid; US President Trump, Ukrainian President Zelensky. **Supply:** Australia, Japan, Italy, UK, US. Earnings: General Mills, Paychex, Micron, Babcock.

MARKET WRAP

Markets were in risk-on mode following the announced ceasefire from US President Trump between Israel and Iran. Despite reports of both Iran and Israel breaking the agreement and Trump showing discontent, risk-taking remained intact with US major indices up over 1%, and the SPX c. 1% of ATH's. Sectors ex-Energy were in the green with gains led in Financials, Tech, and Communications, while Energy suffered amid a continued slump in crude prices. The downside move in oil stemmed from the aforementioned ceasefire and extended on Trump saying China can now continue to purchase Oil from Iran, and hopes they will purchase plenty from the US. For Treasuries, the attention was on Powell's testimony to the House (to also testify to the Senate on Wednesday), whereby he largely echoed his known language and in a wait and see mode, although he did keep his options open when asked about a July rate cut; a remark which helped T-Notes off session lows. Many other Fed members hit the wires: Hammack, Bostic, Williams, and Barr voiced a similar tone to Powell, Bostic still sees one 25bps cut this year, and Kashkari supports a wait-and-see approach for more clarity on tariffs' impact on inflation. Little move was seen in response to the 2yr note auction, which was decent but with demand having eased from the prior and six-auction average. Given the developments in the Middle East, US data took the back foot, whereby US Consumer Confidence unexpectedly deteriorated, while the Richmond Fed improved, thanks to increases in shipments and new orders. In FX, the buck was weaker due to a lack of haven bid on the Iran/Israel ceasefire, while the CAD underperformed amid said lower oil prices despite reduced bets over a BoC rate cut in July after slightly hotter than expected CPI. Separately, on trade, BBG reports EU warned a baseline tariff would still spur retaliation; little reaction was seen. Note, in recent trade CNN reported early US intel assessment suggests strikes on Iran did not destroy nuclear site, and only set back Iran's programme by months, although the White House acknowledged the existence of the assessment but said they disagreed with it.

US

CHAIR POWELL testified in front of the House on Tuesday. In his text release, he said the Fed is well-positioned for the time being to wait to learn more about the likely course of the economy before adjusting policy, once again reaffirming his wait-and-see position on rate cuts. In the initial text release, Powell made no nod to rate cuts or, more specifically, July, so Bowman and Waller remain the outliers on the dovish side. However, as Powell spoke in the Q&A section to the House, he had a marginally dovish skew at points - when questioned about the possibility of a July cut, he said many paths are possible and could see inflation come in not as strong as expected if that was the case, that would suggest cutting sooner as would a weakening labour market. However, he swiftly offered the other side as he noted that strong inflation or a labour market could see cuts come later. The Chair added that the reason the Fed is not cutting rates is that it forecasts in and out of the Fed look for a meaningful increase in inflation this year. Powell further echoed his known stance of wait and see and as long as the economy is strong and can take a little bit of a pause here. Further still, the Chair repeated that if it turns out inflation pressures are contained, they will get to a place where they cut rates, but they do not need to be in any rush and won't point to a particular month. Powell said rates are modestly, not moderately, restrictive.

BOSTIC (2027 voter) sees economic growth slowing to 1.1% this year, and inflation rising to 2.9%. Bostic said there is no need to cut rates now and still sees a single 25bps reduction late this year, which puts him beneath the median year-end 2025 SEP dot plot for this year (50bps of cuts), and likely means he is one of the two Committee members who pencilled in 25bps of rate cuts this year in the latest Fed SEP's. The Atlanta Fed President added business officials have become less pessimistic, and feel they can manage through tariffs, and price increases are just a matter of time.

HAMMACK (2026 voter) said rate policy could be "on hold for quiet some time" as Fed seeks clarity, does not see any imminent case to cut rates, and the Fed has time to make decision on monetary policy. On the path, Hammack added would rather be slow and right than fast and wrong on monetary policy. Re. tariffs, notes possible tariffs may have a one-time hit on inflation, but that is hard to say right now. On the dot plots, said she is towards the top end of the Fed dot plots. Overall, it shows Bowman and Waller remain the dovish outliers as opposed to a general consensus shift from FOMC members, albeit from the members we have heard from so far post-meeting.

WILLIAMS (2025 voter) said monetary policy is well positioned right now and is modestly restrictive which gives space to examine new data (echoes Powell) Note, Chair Powell in his testimony to the House said, "rates modestly, not moderately, restrictive". The

NY Fed President expects the unemployment rate to climb to around 4.5% by year end - in line with the year-end 2025 Fed median unemployment rate forecast. Williams added US economy is in a good place and the job market is still solid. Expects tariffs will boost inflation to 3% this year and expects inflation to gradually decline to 2% over the next two years. Williams reiterated familiar lines and flagged weak soft data vs. more resilient hard data. Speaking on tariffs, said they may be adding a quarter of a percentage point to inflation right now. On rates, 'eventually' interest rates need to move lower, and the Fed will get data over time to help make the next interest rate decision.

KASHKARI (2026 voter) said the Fed is in wait-and-see mode to get more clarity on tariff effect on inflation and wants to get a better sense of what's really going on before making a policy change. As such, Kashkari joined the chorus of Powell, Collins, Bostic, Barr, and Hammack, as opposed to the dovish outliers of Bowman and Waller. Kashkari added it is possible the Fed could cut rates when inflation is still high if the labour market deteriorates sharply, but do not forecast that situation.

CONSUMER CONFIDENCE: US Consumer Confidence unexpectedly worsened to 93 (exp. 100) from an upwardly revised 98.4. The Present Situation Index fell 6.4 points to 129.1 as more consumers cited business conditions as bad, while the Expectations Index fell 4.6 points to 69.0 with fewer consumers expecting business conditions to improve and more jobs to be available. Chief Economist Guichard at the Conference Board noted tariffs remained on top of consumers' minds and were frequently associated with their negative impacts. There were a few more mentions of easing inflation compared to last month, but " is in line with a cooling in consumers' average 12-month inflation expectations to 6.0% (down from 6.4% in May and 7% in April)". Elsewhere, consumers' views of their family's current financial situation remained solid but deteriorated slightly, while the future component improved to a four-month high. Consumer's perceived likelihood of US recession over the next 12 months rose, remaining at an elevated level.

RICHMOND FED: The Richmond Fed survey showed the composite manufacturing index rising to -7 from -9 in May, albeit remaining in negative territory. Of its three component indices, shipments and new orders rose to -3 (prev. -10) and -12 (prev. -14), respectively, while employment dipped lower to -5 from -2. Local business conditions improved to -20 (prev. -25) but remained firmly below 0, but the index for future expectations worsened to -11 from -6. Looking ahead, the future indices for shipments and new orders improved, while prices paid and received expectations notably dropped. For June though, both metrics [paid & received] jumped to 6.10 (prev. 5.35) and 3.57 (prev. 2.73), respectively.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 6+ TICKS HIGHER AT 111-21

T-Notes bid as Powell keeps July options open. At settlement, 2s -1.4bps at 3.815%, 3s -2.3bps at 3.756%, 5s -2.6bps at 3.859%, 7s -2.7bps at 4.058%, 10s -2.5bps at 4.297%, 20s -2.2bps at 4.839%, 30s -2.4bps at 4.835%.

INFLATION BREAKEVENS: 5yr BEI -2.1bps at 2.304%, 10yr BEI -1.6bps at 2.279%, 30yr BEI -1.2bps at 2.267%.

THE DAY: T-Notes meandered overnight amid the risk-on move across markets in response to Trump's announced ceasefire between Israel and Iran. Pressure became more pronounced as the risk-on tone weighed, leaving yields across curve higher in the European morning. Ahead of his testimony to the House, Fed Chair Powell's text statement signalled that he still views the Fed as well-positioned to learn more about the likely direction of the economy before adjusting policy. The pushback against hopes of a Powell shift into the dove camp of Bowman and Waller left Treasuries little changed before immediately rallying as Powell's testimony got underway despite little commentary at first. Therafter, the upside continued, possibly on Powell responding to the question of a possible July cut with "many paths are possible" as opposed to flat out ruling out a July cut. Throughout his testimony, Powell stuck to a patient approach to easing in the future, citing forecasts in and out of the Fed look for a meaningful increase in inflation this year. He noted if inflation pressures are contained, they will get to a place to cut rates, albeit didn't point to a particular month unlike Bowman (July). The day also saw a ton of other Fed members: Hammack and Williams struck a similar tone to Powell. Into settlement, the entire curve was in the green with the first full 25bps Fed rate cut continuing to be seen by the September meeting. Ahead, very much of the focus will remain on Powell for his testimony on Wednesday in front of the Senate.

SUPPLY:

Notes

- US sold USD 69bln of 2yr notes
- Overall, the 2yr auction was decent, with a strong through of 0.1bps indicating positive demand, but having eased from the prior stop through of the 1bps and six-auction average of a 0.3bps stop-through. B/C was little changed at 2.58x (avg. 2.62x), while breakdown saw direct demand remain at 26.3% near prior levels but remaining above the six-auction average of 17.6%. Indirect demand worsened to 60.5% from 63.3%, remaining below the 71.3% average, leaving dealer demand higher at 13.2%, moderately above the prior and six-auction average.

Bills:

- US sold USD 55bln of 6-wk bills at 4.42%, covered 3.411x.
- US to sell USD 63bln of 17-wk bills on June 25th; to sell USD 50bln of 8-wk bills, USD 60bln of 4-wk bills, and to sell USD 60bln in 77-day CMBs on June 26th; all to settle on July 1st.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 5bps (prev. 6bps), September 25bps (prev. 26bps), Oct 41bps (prev. 40bps), Dec 60bps (prev. 58bps).**
- NY Fed RRP op demand at USD 187bln (prev. 165bln) across 39 counterparties (prev. 34).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 118bln).
- SOFR at 4.29% (prev. 4.29%), volumes at USD 2.740tln (prev. 2.700tln).

CRUDE

WTI (Q5) SETTLED USD 4.14 LOWER AT USD 64.37/BBL; BRENT (Q5) SETTLED USD 4.34 LOWER AT USD 67.14/BBL

The crude complex tumbled again on Tuesday due to the Israel/Iran ceasefire announcement. While WTI and Brent were lower for the duration of the session, benchmarks did pare some gains at various points amid violations reported from either side. Nonetheless, WTI and Brent continued to track lower to hit troughs of USD 64.00/bbl and 66.82, respectively, after Trump intervened to prevent Israel from significantly retaliating against the Iranian violation. Note, the lows seen today were against scarcely believable highs of 78.40 and 81.40 on Monday. While the Middle East updates dominated action in the energy space, as expected, oil did see some pressure in the wake of Trump posting on Truth, “China can now continue to purchase oil from Iran, and hopefully they will be purchasing plenty from the US, also." Ahead, private inventory data is after-hours, whereby current expectations are (bbls): Crude -0.8mln, Distillate +0.4mln, Gasoline +0.4mln.

EQUITIES

CLOSES: SPX +1.11% at 6,092, NDX +1.53% at 22,191, DJI +1.19% at 43,089, RUT +1.34% at 2,161

SECTORS: Energy -1.51%, Consumer Staples -0.03%, Utilities +0.40%, Real Estate +0.41%, Consumer Discretionary +0.71%, Materials +0.75%, Industrials +0.86%, Health +1.19%, Communication Services +1.39%, Financials +1.50%, Technology +1.61%.

EUROPEAN CLOSES: DAX: +1.61 % at 23,644, FTSE 100: +0.01 % at 8,759, CAC 40: +1.04 % at 7,616, Euro Stoxx 50: +1.51 % at 5,301, AEX: +0.85 % at 925, IBEX 35: +1.44 % at 14,039, FTSE MIB: +1.63 % at 39,474, SMI: +1.13 % at 11,989, PSI: +0.57 % at 7,452

STOCK SPECIFICS:

- **KB Home (KBH)** lowered FY housing revenue guidance
- **Novo Nordisk (NVO)** received EU recommendation in peripheral arterial disease, cementing the broad benefits of Semaglutide for people with type 2 diabetes and comorbidities
- UK regulators eye Google **(GOOG).**
- **Uber (UBER)** and Waymo begin driverless ride-hailing service in Atlanta.
- **Electronic Arts (EA)** upgraded at Roth Capital 'Buy' from 'Neutral'.
- **Amazon (AMZN)** to invest USD 54bln in Britain over the next 3 yrs.
- **Starbucks (SBUX)** denied reports it is considering a full sale of its China operations.
- **Phillips 66 (PSX)** CEO said he's focusing on opportunities to enhance margins and increase yields for refining - JPMorgan conference.
- **Ambarella (AMBA)** is reportedly exploring a sale, according to Bloomberg.
- **Cigna (CI)** filed an antitrust lawsuit accusing **Bristol Myers (BMY)** of illegally continuing monopoly on pomalyst multiple myeloma drug, causing purchasers to overpay - court filing.

FX

The Dollar was weaker as the safe-haven allure continued to unwind on Tuesday after US President Trump declared a ceasefire between Israel and Iran; albeit, it did see violations from either side throughout the day, but after a Trump intervention against Israel, it seems to be holding, thus far. Thereafter, a deluge of Fed speak dominated the docket – Chair Powell largely echoed his post-FOMC press conference remarks, and reaffirmed his wait-and-see position on rate cuts. Hammack and Bostic were both hawkish, as the former said the rate could be "on hold for quiet some time", and the latter noted “no need to cut rates now, and still sees a single 25bps reduction late this year.” Kashkari also echoed the known rhetoric, saying the Fed is in wait and see mode. As such, Bowman and Waller remain the outliers on the dovish side, who have both touted a July rate cut.

G10 FX was exclusively firmer, and benefited from the Greenback’s weakness as JPY, CHF saw the strongest gains, while CAD ‘underperformed’ and was likely weighed on by lower oil prices. Elsewhere for the Loonie watchers, Y/Y CPI for May printed in-line at 1.7%, with M/M at 0.6% (exp. 0.5%), which saw markets now assign a 32% chance of a rate cut next month (38% pre-release). USD/CAD topped out at 1.3738 against an earlier low of 1.3679.

EUR/USD traded between 1.1575-1641, although little move was seen after German IFO data, which saw a larger-than-expected increase for the Business climate metric. Attention also surrounded ECB's Villeroy remarks, who noted that the ECB could still proceed with rate cuts despite volatility in oil markets, adding that inflation expectations remained moderate. De Guindos later added that the disinflation process has not been disrupted by recent developments in the energy space. On the trade footing, which has taken the back seat recently, FT reported German Chancellor backs more muscular approach ahead of July talks deadline, and the EU readies retaliatory tariffs to secure better trade deal with Trump. BBG later said the EU warns a baseline Trump tariff would still spur retaliation, and on US imports could include Boeing (BA) aircraft.

CHF and **JPY** outperformed with USD/CHF and USD/JPY reaching levels of 0.8036 and 144.52, respectively, despite a lack of currency-specific newsflow. For the Yen overnight, Finance Minister Kato said he has seen sharp rises in super long JGB yields, and will continue to monitor the JGB market situation and will conduct appropriate debt management.

Cable hit a peak of 1.3648, and currently hovers around 1.3630. BoE Deputy Governor Ramsden remarked that his dovish dissent at the prior meeting was based on the view that there has been a material loosening in the labour market, and he did not see such a vote as being inconsistent with the MPC's "gradual and careful" approach.

EMFX was almost exclusively firmer against the Dollar, aside from the BRL, which weakened. Overnight, BCB announced a spot dollar auction on June 25th and is to offer up to USD 1bln in spot dollar auction; BCB also announced a reverse FX swap auction on June 25 - to offer up to 20k contracts. Nonetheless, most of LatAm benefited in wake of the ceasefire announcement, while on the data footing, Mexican inflation was broadly hotter than expected.