

newsquawk

US Market Wrap - 26th June 2025

Stocks hover around ATHs ahead of PCE

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down.
- **REAR VIEW:** Trump reportedly considers naming early successor to Powell; Mixed US data; Final Q1 GDP revised lower; Jobless claims unexpectedly falls; Adv. goods trade balance deficit widens; Durable Goods soars, but due to strong Boeing month; Pending home sales impress; Deluge of Fed speak but toes Powell's tone of wait-and-see; Relatively soft US 7yr auction; EU reportedly considers lowering tariffs on US imports in a bid to woo Trump.
- **COMING UP:** **Data:** Japanese Tokyo CPI, Retail Sales, Chinese Industrial Profit, French CPI, Spanish HICP, Retail Sales, EZ Business Climate, Italian Industrial Sales, US PCE, UoM Survey Final **Speakers:** Fed's Williams, Hammack; ECB's Cipollone **Supply:** BTP Auction.

MARKET WRAP

Stocks were bid on Thursday to see SPX hover around record highs while NDX pushed above record highs. There were several updates since the prior day's close related to the Fed, US data and trade. Overnight, the WSJ reported that US President Trump may speed up naming a successor to Fed Chair Powell, either this summer, September or October, according to WSJ sources; this could allow the chair-in-waiting to influence investor expectations ahead of the end of Powell's term in May 2026. Meanwhile, several Fed speakers spoke, but no one echoed the dovish line from Waller and Bowman regarding a July rate cut. The data was mixed. Initial Jobless Claims fell back down to 236k, but Continued Claims continued to rise. GDP for Q1 was revised lower, but headline and core PCE were revised up, raising stagflationary fears. Meanwhile, the Advanced Goods trade deficit widened, but primarily due to a drop in exports as opposed to rising imports, like we saw pre-liberation day. The PCE price data and fall in initial claims initially saw T-Notes sold before paring and pushing higher. Durable goods soared, but almost entirely due to a strong month from Boeing. On trade, WSJ sources reported that the EU is mulling lowering tariffs on US imports in a bid to woo US President Trump. EU's von der Leyen received the latest counter-proposal from the Trump administration today, according to Politico, but details were light. Meanwhile, the WH Press Secretary also stated the 9th July deadline for trade deals is "not critical", perhaps suggesting an extension is not out of the question. T-Notes bull flattened on the initial WSJ report overnight regarding Powell's successor, while the Dollar was hit to the strength of peers. Crude prices were choppy but settled green while the Israel-Iran ceasefire continues to hold but Iran has dismissed reports of talks next week with the US. Looking ahead, focus on Friday is largely on the May PCE numbers.

US DATA

GDP: The Final Q1 GDP report saw headline growth revised down to -0.5%, beneath the -0.2% forecast and prior. GDP Sales was also revised down to -3.1% from -2.9%. Meanwhile, the pricing metrics saw PCE revised up to 3.7% from 3.6%, with the core revised up to 3.5%, despite expectations for it to be left unchanged at 3.4%. Consumer spending was revised down to 0.5% from 1.2. Although the revisions may be some cause for concern, particularly around stagflation (slowing growth, rising prices), it is Q1 data and is backward looking while the overall data has been distorted by front-loading of tariffs ahead of April 2nd. This will likely not impact the Fed's decision making process, given it is backward looking and the current focus being on the inflation risks stemming from tariffs. However, the consultancy highlights the details are more troubling, given the downward revision to Final GDP real sales to domestic purchases, the engine of the economy. Oxford Economics also points out the revision to consumer spending was noticeable and led by recreation services and transportation services, which OxEco highlights is sensitive to shocks in consumer sentiment.

JOBLESS CLAIMS: Initial jobless claims (w/e 21st June) fell to 236k from 246k, beneath the expected 245k. Continued claims (w/e 14th June), for the week that typically coincides with the US jobs report, rose to 1.974m (exp. 1.95m, prev. 1.937m) and outside the top end of the forecast range. For the Initial Claims, on an unadjusted basis fell 9,438, while seasonal factors expected a negligible rise of 246 W/W. Minnesota saw the largest decline in claims and tumbled 5,239 W/W, but Oxford Economics highlight that unlike most states, the state provides unemployment benefits to school workers over the summer, therefore the drop was primarily an unwind from those claiming at the end of the school year in the prior few weeks. Headline was influenced by seasonal quirks but still consistent with softening of labour market conditions, particularly on the hiring side of the labour market equation. Oxford Economics notes it slipped in the latest week, but layoff notices suggest it could see a pickup in job losses and initial claims in the weeks ahead.

TRADE: The Advanced Goods Trade Balance for May saw the deficit widen to USD 96.6bn from a deficit of 87bn. Within the report, retail inventories (ex-auto) rose by 0.2%, easing from a 0.3% prior. Wholesale inventories declined by 0.3% vs the prior 0.1% rise. On the rising deficit, it was primarily led by a fall in exports with imports little changed. Exports of goods for May were USD 179.2bn, USD 9.7bn less than April exports. Imports of goods for May were USD 275.8bn, 0.1bn less than April imports. However, Oxford Economics highlights "An outflow of gold is muddying the export figures, as they did with Q1 imports. In April, gold exports increased \$12bn m/m, whereas all other goods exports fell \$6bn. Excluding gold, exports are on track to decline in Q2, offsetting some of the boost to GDP growth from lower imports."

DURABLE GOODS: Durable Goods soared 16.4% in May (exp. 8.5%, prev. -6.6%) and ex-defense jumped 15.5% (prev. -7.7%), but it was almost entirely due to a 334% rise in the volatile aircraft orders components, due to a very strong month for Boeing – Qatar

ordered 200 Boeing aircraft orders. Ex-transport only rose 0.5% (exp. 0.0%, prev. 0.2%), and non-defense cap ex-air lifted 1.7% (exp. 0.1%, prev. -1.4%). Overall, Pantheon Macroeconomics added that most measures of capex intentions remained consistent with outright falls in underlying equipment investment in the near term, despite recovering from their April lows, reflecting the freeze on investment plans from tariff-related uncertainty.

PENDING HOME SALES: Pending Sales rose 1.8% in May (prev. -6.3%), a steeper increase than the 0.1% that was expected. As a result, the index rose to 72.6 from 71.3. All four regions saw M/M gains in transactions, but on a Y/Y basis, the Midwest and South rose, but Northeast and West declined. NAR Chief Economist Yun writes, consistent job gains and rising wages are modestly helping the housing market, with hourly wages increasing faster than home prices. "However, mortgage rate fluctuations are the primary driver of homebuying decisions and impact housing affordability more than wage gains." Oxford Economics sees limited upside for sales in the months ahead, "based on our forecast for mortgage rates to remain elevated and the labour market to weaken".

FED SPEAK

GOOLSBEE (2025 voter) said the jobs market remains steady and around full employment, noting unemployment claims and other indicators support the view of a stable jobs market. He stressed that amid uncertainty, the Fed needs to be sure, particularly given coming deadlines like July 9th on tariffs, but he is optimistic about recent inflation readings. He suggested that if tariffs "stay in their lane", then it is possible there will only be a modest inflation impact. Meanwhile, if inflation stays in the 2% range, and uncertainty is resolved, the Fed is on a path to lowering rates. He also noted how the 3% median estimate of the long-term rate at 3% is reasonable.

BARKIN (2027 voter) said Fed policy is well positioned for where the economy might go, and amid uncertainty, the Fed has time to take in data. The Richmond Fed President noted the Fed will act on policy based on how data comes in, and that the exact timing of a Fed move does not matter that much. On the labour market, noted the job market breakeven is now back to around 80-100k per month, and hiring and firing rates are quite low right now.

DALY (2027 voter) said new data confirms the US labour market is solid and labour market data does not signal weakness, just slowing. On rate adjustments, Daly stated the fall looks promising for a rate cut, could look to begin to adjust rates then, and it has been her view for some time. Recapping, Barkin and Daly remarks toe a very similar line to Chair Powell and the wider majority of Committee members, continuing to leave Waller and Bowman as the dovish outliers, who have been touting a July reduction.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 10+ TICKS HIGHER AT 112-00+

T-Notes bull steepen on reports Trump may pick Powell successor earlier than usual .

THE DAY: T-Notes saw a gradual bid overnight on reports in the WSJ that US President Trump may pick his Powell replacement earlier than expected, which could allow the Chair-in-waiting to influence investor expectations ahead of the end of Powell's term in May 2026. However, some of this upside faded in the European session ahead of the US data. Overall, given the magnitude of the data, it was mixed. Initial Jobless Claims fell back down to 236k but Continued Claims continued to rise. GDP for Q1 was revised lower but headline and core PCE was revised up, raising stagflationary fears. Meanwhile, the Advanced Goods trade deficit widened, but primarily due to a drop in exports as opposed to rising imports like we saw pre-liberation day. The PCE price data and fall in initial claims initially saw T-Notes sold before paring and pushing higher. Durable goods soared, but almost entirely due to a strong month from Boeing. Once Europe had left for the day, T-Notes pushed higher into settlement despite a relatively soft 7yr auction (more below) and continued push back from a majority of Fed officials against a July cut. Meanwhile, WSJ sources reported that the EU is mulling lowering tariffs on US imports in a bid to woo US President Trump, although T-Notes were little phased. The WH Press Secretary also stated the 9th July deadline for trade deals is "not critical", perhaps suggesting an extension is not out of the question. Meanwhile, on Trump's Big Beautiful Bill, it is facing setbacks in the Senate ahead of Trump's July 4th deadline, but the White House remains confident this will be met. Attention on Friday turns to Core PCE.

Notes:

- Overall, a relatively weak 7yr auction. The Treasury sold USD 44bln of 7yr notes, stopping through the when-issued by 0.2bps, not as strong as the prior 2.2bps stop through and six auction average of a 0.9bps stop through. The bid to cover was also weak in comparison to the prior and six auction average. The reason for the soft auction was primarily due to a drop in direct demand, taking just 11.6% of the auction, down from the prior 23.7% and average 21%. Indirect demand did help offset this somewhat, rising to 76.7% from 71.5%, above the 68.8% average, but dealers still took home an above-average 11.6%, above the prior 4.8%.

Bills:

- US sold USD 60bln of 4-wk bills at 4.000%, covered 3.06x; sold USD 50bln of 8-wk bills at 4.390%, covered 3.24x
- US sold USD 60bln of 77-day CMBs at 4.250%, covered 2.46x
- US to sell USD 71bln (prev. 68bln) of 26-week bills and USD 79bln (prev. 76bln) of 13-week bills on June 30th; and USD 50bln (prev. 55bln) of 6-week bills on July 1st; all to settle July 3rd

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: July 5bps (prev. 6bps), September 30bps (prev. 28bps), Oct 46bps (prev. 44bps), Dec 66bps (prev. 63bps).
- NY Fed RRP op demand at USD 253bln (prev. 211bln) across 38 counterparties (prev. 35)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 128bln (prev. 115bln).

- SOFR at 4.36% (prev. 4.30%), volumes at USD 2.77tn (prev. 2.733tn).

CRUDE

WTI (Q5) SETTLED USD 0.32 HIGHER AT 65.24/BBL; BRENT (U5) SETTLED USD 0.05 HIGHER AT 67.73/BBL

The crude complex settled in the green in choppy trade as it was initially bid amid the weaker Dollar as Middle Eastern updates took a back seat. Benchmarks saw strength overnight as they benefited from the initial bout of Buck selling and dovishness in markets, which filtered through into the energy space, amid a WSJ article which said Trump may speed up naming a successor to Fed Chair Powell, either this summer, September or October. However, as the EU session progressed all the gains pared to see WTI and Brent hit lows of USD 64.66/bbl and 66.22, respectively. Thereafter, oil ground higher in the US session, as Dollar weakness ensued, amid a deluge of Fed speak and US data to hit highs of USD 66.42/bbl and 67.77. As mentioned above, Iran/Israel updates were plentiful but there was little new as the ceasefire continues to hold, at least for now. Into settlement, benchmarks pared strength to end the day slightly in the green.

EQUITIES

CLOSES: SPX +0.85% at 6,144, NDX +0.94% at 22,447, DJI +0.94% at 43,387, RUT +1.60% at 2,170

SECTORS: Communication Services +1.73%, Energy +1.52%, Consumer Discretionary +1.21%, Materials +1.12%, Industrials +1.12%, Utilities +0.85%, Financials +0.79%, Technology +0.70%, Health +0.25%, Consumer Staples -0.16%, Real Estate -0.61%.

EUROPEAN CLOSES: DAX: +0.56 % at 23,630, FTSE 100: +0.19 % at 8,736, CAC 40: -0.01 % at 7,557, Euro Stoxx 50: -0.17 % at 5,243, AEX: -0.78 % at 911, IBEX 35: +0.03 % at 13,816, FTSE MIB: +0.08 % at 39,351, SMI: +0.04 % at 11,885.

EARNINGS:

- **Micron (MU)**: EPS and revenue beat with strong next quarter guidance; shares rose as much as 7% pre-market, but gains trimmed post earnings call with investors deeming its outlook insufficient to sustain its '25 rally.
- **Jefferies Financial (JEF)**: Profit fell, as geopolitical & economic uncertainty weighed on IB and capital markets.
- **H.B. Fuller (FUL)**: Profit topped and raised FY outlook
- **MillerKnoll (MLKN)**: Top and bottom line surpassed expectations.
- **McCormick & Company (MKC)**: EPS and operating income beat.
- **Walgreens Boots Alliance (WBA)**: EPS and revenue exceeded Wall St. consensus

STOCK SPECIFICS:

- DoJ is considering shifting its antitrust probe towards **UnitedHealth's (UNH)** PBM operations.
- **Meta Platforms (META)** poaches OpenAI researchers.
- **Tesla (TSLA)** exec and Musk confidant Omead Afshar leaves Co.
- **CoreWeave (CRWV)** reportedly in talks to buy **Core Scientific (CORZ)**, according to WSJ, citing sources.
- **Apple (AAPL)** changes App Store rules in EU to comply with antitrust order.

FX

The Dollar was weaker and Treasuries were firmer on WSJ reports that US President Trump may reportedly speed up naming a successor to Fed Chair Powell, either this summer, September or October. Aside from that, there was a deluge of data and Fed speak, but it didn't move the needle much. Fed speak came via Goolsbee, Barkin, Daly, Barr, and Collins who all largely echoed Chair Powell and the majority of other Committee members we've heard from, highlighting a wait-and-see approach continuing to leave Waller and Bowman as the dovish outliers. Recapping the data, Q1 PCE topped expectations, while GDP fell more than forecasted and outside the bottom end of the forecast range. Initial jobless claims fell to 236k from 246k, against an anticipated unchanged print, but it was largely due to seasonal quirks. Durable goods soared, but almost entirely due to a strong month from Boeing orders. The Adv. goods trade balance showed a greater deficit than the Wall St. consensus for May, primarily led by a fall in exports. Ahead, PCE for May on Friday is the highlight.

G10 FX firmer was across the board and benefited from the broad Dollar weakness. EUR/USD traded between 1.1655-1.1744, and Rabo says while they have brought forward their 1.20 forecast from an 18-month view to 12 months, they do not expect the move to be a straight line, and as such continue to see scope for pullbacks in favour of the USD on a 3-month view. On trade, WSJ sources said the EU reportedly considers lowering tariffs on US imports in a bid to woo Trump, while Politico sources later noted EC President von der Leyen told EU leaders that the EU executive has received the latest counterproposal from the Trump administration today. Out of the UK, BoE Governor Bailey reiterated recent remarks that a gradual and careful approach to further withdrawal of monetary policy restraint remains appropriate, and interest rates remain on a gradual downward path. Cable hit a peak of 1.3770, and many desks flagged 1.3750 as a big zone, and JPM now look towards a series of tops from October '21 at 1.3830/35.

Safe-havens, CHF and JPY, gained as mentioned and profited on US yields falling on Powell's successor to potentially be announced earlier than originally anticipated, possibly triggering a dovish pivot from the Fed. This, coupled with the solid bid tone in CHF, has kept USD/CHF pinned near multi-year lows, despite better selling of the Franc yesterday. JPM notes the reciprocal tariff deadline should start to come into focus over the coming sessions, and reports that the "Swiss expect US tariffs to stay at 10% after July 9th," is an update that should be welcomed by CHF bulls. Overnight, Yen strength was briefly capped on reports that Economy Minister Akazawa said Japan will continue tariff talks with the US ahead of reciprocal tariffs due on July 9th, but cannot accept the 25% auto tariff. USD/CHF and USD/JPY traded between 0.7979-8054 and 143.76-145.26, respectively

Antipodeans benefited from the Dollar weakness and also due to positive commentary out of China overnight, as remarks helped boost base metals. Firstly, the Chinese State Planner said with policy implementation and introduction, "we are confident and capable of minimising the adverse impacts from external shock". Secondly, Premier Li said authorities will take forceful steps to boost consumption. Lastly, Citi raised its China 2025 GDP growth outlook to 5.0% (prev. 4.7%).

EMFX was broadly firmer against the Buck, although the ZAR lagged and saw pressure on reports that South African President Ramaphosa is considering a cabinet reshuffle. However, he later said he is not. Data-wise, SA saw cooler than expected PPI metrics with M/M even unexpectedly declining. Out of LatAm, Brazil Finance Minister Haddad said the Government sees three options to offset Congress' move to overturn IOF tax hike, and they include fresh revenue-increasing measures, extra cuts of BRL 12bln, or taking the matter to the courts. Lastly, Banxico cuts rates by 50bps, as expected, but it was a split decision as Heath voted to leave rates unchanged. The central bank did alter its guidance, as looking ahead, the board will assess further adjustments to the reference rate (prev. it could continue calibrating the monetary policy stance and consider adjusting it in similar magnitudes).

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com