

### Stocks and bonds bid on quarter-end as eyes turn to key US data

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down.
- **REAR VIEW:** Senate moves to open debate on budget bill; US/Canada resume trade talks; EU to accept Trump's universal tariff but is seeking key exemptions; Bessent pushes back against terming out the debt; Woeful Chicago PMI; Bostic still expects one cut in 2025, pencilled in three for 2026; Soft German inflation; ORCL rallies on strong annual cloud revenue forecast from FY28
- **COMING UP:** **Data:** Japanese Tankan Survey, Chinese Caixin PMI, Japanese, EZ, UK, US Manufacturing PMIs, German Unemployment Rate, EZ HICP, US ISM Manufacturing, JOLTS Job Openings **Events:** ECB SCE, Central Banking Forum **Speakers:** ECB's de Guindos, Elderson, Schnabel, Lagarde; Fed's Powell; BoJ's Ueda; BoE's Bailey, BoK's Rhee **Supply:** Japan UK Earnings: Sainsbury, Constellation Brands **Holiday:** Hong Kong, Canada

### MARKET WRAP

US indices ended the month and quarter on the front foot as Apple (+2%) provided tailwinds amid reports that the tech behemoth reportedly weighs powering Siri with Anthropic or OpenAI tech. Nonetheless, the focus on Monday was on events at Capitol Hill with the Senate clearing a key hurdle in Trump's tax bill, with the vote-a-rama process now ongoing before a final version is sent back to the House to approve the bill before then sending it to Trump's desk. In addition, Trump continued to pile on the pressure on "Too Late" Powell, who participates in a conference with BoE's Bailey, ECB's Lagarde, and BoJ's Ueda on Tuesday. The Dollar was lower and sold off through the duration of the US session to the benefit of G10 peers (ex. GBP), while T-Notes bull flattened amid month/quarter-end, soft Chicago PMI and Bessent dialling back expectations he will term out the debt. The crude complex saw slight losses in light newsflow as the Iran/Israel ceasefire continues to hold - Axios reported that Israeli PM Netanyahu will visit the White House next Monday (July 7th) for a meeting with Trump. On the trade footing, with the upcoming Trump-imposed deadline looming, Bloomberg reported that the EU is to accept Trump's universal tariff but seeks key exemptions, while the US and Canada have resumed trade negotiations after Canada dropped its Digital Services Tax on US companies. Meanwhile, US President Trump will send a letter to Japan, as they are not accepting US rice imports as part of a trade agreement.

### US

**BOSTIC (2027 voter)** said this could be a more extended [Hold] period than people think, and in later remarks reaffirmed his view of seeing one rate cut this year, adding he has pencilled in three rate cuts next year. The Atlanta Fed President added that much of the tariff pricing hasn't yet worked itself into the economy, and needs more information to see what is next for Fed policy. Echoing Powell's usual rhetoric, Bostic said the Fed has the luxury of being patient, and the job market is solid.

### FIXED INCOME

**T-Notes bull flatten amid month/quarter-end, soft Chicago PMI and Bessent dialling back expectations he will term out the debt**

**THE DAY:** T-Notes opened trade from the weekend lower with the Senate clearing a key hurdle in Trump's tax bill, with the vote-a-rama process now ongoing before a final version is sent back to the House to approve the bill before then sending it to US President Trump's desk. However, T-Notes had pared gradually overnight before moving to session highs in the European morning, tracking bunds higher after a miss in German retail sales and soft-leaning German state CPI prints, seeing a cooler than expected national print later in the session. T-Notes initially rose to 112-01+ before then falling sub 112-00, but a bid into settlement saw T-notes hit a peak of 112-04. T-Notes started to move higher once Europe left for the day, potentially as a result of some month/quarter-end positioning. Elsewhere in the morning focus was commentary from Treasury Secretary Bessent on terming out the debt, and also a dismal Chicago PMI print. Bessent dialled back expectations that he would term out the debt, a change from his original stance or preferring to issue with longer-term debt rather than short-term. He suggested that with long-term rates this high, it makes no sense to term out the debt, implying he will continue to fund the government with shorter-dated issuance, seeing the curve flatten. Meanwhile, US President Trump continues to call for lower rates, this time aiming his anger towards the whole Fed Board of Governors, rather than just Fed Chair Powell. Elsewhere, on trade, negotiations resumed with Canada after Canada dropped its Digital Services Tax on US companies over the weekend, while Bloomberg reported the EU is to accept Trump's universal tariff but is seeking key exemptions. US President Trump is also going to send Japan a letter after they refused to accept US rice as part of a trade deal.

### SUPPLY

#### Bills

- US to sell USD 50bln (prev. 55bln) of 6-week bills on July 1st; all to settle July 3rd.
- US Treasury sold USD 76bln of 6mth bills at high rate of 4.110%, B/C 2.77x; sold USD 84bln of 3mth bills at high rate of 3.04x

### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: July 5bps (prev. 5bps), September 28bps (prev. 28bps), Oct 46bps (prev. 45bps), Dec 67bps (prev. 65bps).
- NY Fed RRP op demand at USD 461bln (prev. 252bln) across 62 counterparties (prev. 41)
- EFR at 4.33% (prev. 4.33%), volumes at USD 122bln (prev. 124bln).
- SOFR at 4.39% (prev. 4.40%), volumes at USD 2.775tln (prev. 2.802tln).

## CRUDE

**WTI (Q5) SETTLES USD 0.41 LOWER AT 65.11/BBL; BRENT (U5) SETTLES USD 0.06 LOWER AT 66.74/BBL**

The crude complex saw slight losses to start the week in light newsflow. WTI and Brent were rangebound on Monday and traded between USD 64.50-65.82/bbl and 65.92-67.20/bbl, respectively, amid month and quarter end ahead of the holiday-shortened week due to Independence Day in the latter half of the week. As mentioned, headline-driven newsflow was sparse as the Iran/Israel ceasefire continues to hold. On the Middle East, US President Trump posted that he is not offering Iran anything, and is not talking to Iran since destroying their nuclear sites - aside from that, geopolitical updates today have not significantly changed the narrative. Attention largely lies on OPEC+ over the weekend, with sources last week suggesting another 411k BPD output increase is to be expected. In the latest Reuters poll, WTI is seen averaging USD 64.51/bbl in 2025 (prev. USD 63.35/bbl in May) and Brent is expected to avg. USD 67.86/bbl (prev. USD 66.98/bbl in May).

## EQUITIES

- **CLOSES:** SPX +0.52% at 6,205, NDX +0.64% at 22,679, DJI +0.63% at 44,095, RUT +0.12% at 2,175
- **SECTORS:** Technology +0.98%, Financials +0.86%, Real Estate +0.64%, Health +0.63%, Industrials +0.50%, Consumer Staples +0.45%, Utilities +0.39%, Communication Services +0.34%, Materials +0.10%, Energy -0.66%, Consumer Discretionary -0.86%.
- **EUROPEAN CLOSES:** DAX: -0.44 % at 23,928, FTSE 100: -0.43 % at 8,761, CAC 40: -0.33 % at 7,666, Euro Stoxx 50: -0.38 % at 5,305, AEX: -0.75 % at 913, IBEX 35: +0.16 % at 13,991, FTSE MIB: +0.13 % at 39,792, SMI: -0.60 % at 11,906, PSI: -0.89 % at 7,456

### STOCK SPECIFICS:

- **Oracle (ORCL)** expects over USD 30bln in annual revenue from multiple cloud service agreements starting FY28; Upgraded at Stifel 'Buy' from 'Hold'.
- **Banks:** All sailed through the Fed's stress tests.
- **Juniper Networks (JNPR)** and **Hewlett-Packard Enterprise (HPE)** reached a DoJ settlement allowing HPE's USD 14bln acquisition to close, subject to court approval.
- **Palantir (PLTR)** announced a strategic partnership with **Accenture (ACN, +0.25%)** Federal Services.
- **Bloom Energy (BE), First Solar (FSLR), Sunrun (RUN), Plug Power (PLUG)** : Final version of the Big Beautiful Bill passed Senate over the weekend. Reuters highlight that solar names (FSLR, RUN) were supported as the bill preserved tax credits for solar leasing, after a Senate panel earlier in the month proposed phasing out solar and wind tax credits by 2028. **Bloom Energy (BE)** was supported as the proposal reintroduced language qualifying fuel cells for tax credits, while **Plug Power (PLUG)** surged as it extended construction timelines to secure credits. However, other renewables like **NextEra (NEE)** and **Enphase (ENPH)** were hit.
- **Moderna (MRNA)** announced positive results from its Phase 3 study of mRNA-1010.
- **Disney (DIS)** upgraded at Jefferies to 'Buy' from 'Hold'.
- **Apple (AAPL)** reportedly weighs powering Siri with Anthropic or OpenAI tech; Apple hasn't made a final decision, and is still considering its own models. In other news, AAPL must face a US antitrust lawsuit accusing it of monopolising the smartphone market.

## US FX WRAP

The **Dollar Index** started the week on the back foot and gradually sold off through the duration of the US session to reside at lows of 96.85, at the time of writing, which of course comes at month/quarter end. All G10 FX (ex. GBP) profited off the floundering Buck in a day with light headline newsflow, in a holiday-shortened week due to US Independence Day. Out of the US, focus has resided around Washington and the "One Big Beautiful Bill", which is set for a vote this week, as well as any trade updates, and remarks from President Trump. US Treasury Secretary Bessent noted there will be a flurry of trade deals going into the final week of the trade deadline (July 9th) as pressure increases, and countries should be aware they could spring back to April 2nd on tariffs, but he hopes that does not happen. Meanwhile, Trump continued to put the pressure on "Too Late" Powell and once again urged him to cut rates. Chicago PMI was dismal and printed outside the bottom end of the forecast range, while Bostic (2027 voter) is still expecting one cut in 2025, and has pencilled in three rate cuts next year.

As mentioned, **G10 FX (ex. Pound)** saw gains to varying degrees, with Antipodeans the outperformers, while the Pound was flat and hence the underperformer. Out of **Europe**, and ahead of EZ CPI on Tuesday, prelim German CPI for June was cooler than expected, while last Friday saw hotter-than-expected outturns for Spain and France. On the trade footing, Bloomberg reported that the EU is to accept Trump's universal tariff but seeks key exemptions. There were a few ECB speakers, but they added little new. EUR/USD hit a peak of 1.1779, a level not seen since end-2021. USD/CAD traded between 1.3618-99 and came after Trump said on Friday that he terminated discussions on trade with Canada, effective immediately. Over the weekend, Canada rescinded the Digital Services Tax to advance broader trade negotiations with the US, while PM Carney and US President Trump agreed that parties will resume negotiations with a view towards agreeing on a deal by July 21st.

Out of **Japan**, the country's tariff negotiator, Akazawa, said they will continue working with the US to reach a tariff agreement, while defending national interests, and that a continuation of 25% auto tariffs would cause significant damage. As a reminder, US President Trump said that Japanese vehicles should be subject to a 25% auto tariff in the US. Trump also said he will be sending a letter to Japan, as they have refused to accept US rice into their country. USD/JPY traded between 143.79-144.76. Separately, out of Asia, Chinese PMIs were mixed overnight as Mfg. was in line but Non-Mfg. was better than forecasted, which saw the Composite rise to 50.7 from 50.4. Antipodeans were broadly supported by the wider risk tone and also propped up after the PBoC set a firmer CNY reference rate.

**EMFX** was broadly firmer, albeit in light headline newsflow. In Brazil, the country reported a shallower budget deficit than anticipated, while Chilean unemployment was 8.9%, as expected.

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