

newsquawk

US Market Wrap - 2nd July 2025

Stocks bid and bonds hit ahead of NFP

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** US reaches trade deal framework with Vietnam; US to tariff Vietnam 20%, and 40% on any transshipping, while Vietnam has 0% tariff on US; US ADP goes negative; EZ unemployment rate ticks higher; Doubts over the future of UK Chancellor Reeves grow; EIA crude stocks show surprise build; TSLA Q2 deliveries numbers avoid worst case scenario.
- **COMING UP: Desk schedule:** On Thursday 3rd July, The desk will shut at 18:15BST/13:15EDT. The service will resume on Thursday, 3rd July, for the beginning of Asia-Pac coverage at 22:00BST/17:00EDT. **Data:** Australian, Japanese, Caixin, EZ, UK, US PMIs (Final), Swiss CPI, US NFP, International Trade, Jobless Claims, ISM Services, Canadian Trade. **Events:** ECB Minutes, BoE DMP. **Speakers:** BoJ's Takata; Fed's Bostic. **Supply:** Japan, Spain, US Refunding Announcement.

MARKET WRAP

Stocks ultimately closed in the green, but pressure was seen in the European morning to bottom out after the woeful ADP report, which heavily missed expectations. Stocks started to stage a comeback around the opening bell, with upside in Apple (AAPL) supporting following an upgrade, while Tesla (TSLA) delivery numbers were not as bad as feared. Healthcare underperformed following Centene's (CNC, -40.4%) withdrawal of its 2025 guidance due to weaker-than-expected Marketplace growth and higher morbidity; competitors were weighed with UNH -5.7%, ELV -11.5%, MOH -22.0%, and OSCR -18.8%. Meanwhile, the agreement between the US and Vietnam on trade also lifted sentiment. T-notes largely tracked Gilts today, heading lower on the resumption of Gilt trade after the UK government passed an amended welfare bill, which will not save any money over the next four years, vs the initial GBP 5.5bln in the original bill. T-notes spiked higher on the weak ADP report, but the move faded with participants questioning the reliability of ADP data ahead of NFP on Thursday. Further pressure came for Gilts as the future of Chancellor Reeves was questioned, which continued to weigh on T-notes. As a result, GBP was the clear laggard in FX while CAD outperformed on rising oil prices. Oil prices were bid with analysts citing the US-Vietnam trade agreement, and also the Iranian president signing into law the suspension of work with the IAEA. Regarding Trump's One Big Beautiful Bill, the House is currently stuck, with Fox reporting they cannot even get to test the vote on the bill because the pre-test vote is stuck.

US

NFP PREVIEW: Headline NFP is expected to show 110k jobs added in June, down from 139k in May. The unemployment rate is expected to tick up to 4.3% from 4.2%, beneath the 2025 Fed median of 4.5%. Average Earnings are seen rising by +0.3% M/M, easing from the prior 0.4% pace, with the annual rate expected to remain at 3.9% Y/Y. The data will be used to help shape Fed easing expectations, with 66bps of easing priced by the end of the year, markets are fully pricing two 25bps rate cuts, with a 64% probability of a third. The latest Fed 2025 economic projections revealed that the median view continues to see two rate reductions in 2025. Recent Fed commentary has seen both Governors Waller and Bowman suggest a July rate cut may be appropriate if inflation pressures stay contained, but the majority continue to favour a wait-and-see approach. Fed's Bostic suggested that they will not have enough clarity by July to act, while Fed's Barkin has suggested the NFP breakeven for the labour market is between 80-100k. Accordingly, any headline reading below this range would likely bolster the case for rate cuts, but there is still uncertainty ahead with regard to inflation. Chair Powell expects to see meaningful tariff inflation effects in June, July, and August, but if this is not seen, that could lead to reducing rates sooner. Throughout June, other labour market metrics have been weakening; both initial and continuing jobless claims rose relative to the survey week in May, ISM manufacturing employment sub-component fell further into contractionary territory, ADP private employment data for the month was woeful, while the Conference Board reports that consumers' views of the labour market became more pessimistic. However, Challenger's data showed the rate of layoffs eased in June, while the May JOLTS report was strong. JPMorgan has highlighted an improvement in the PMI all-industry employment index, while Homebase data in June was similar to past June months. [To download the full report, please click here.](#)

ADP: ADP national employment for June surprisingly tumbled from May's revised lower 29k to -33k, much beneath the expected 95k. Note, the headline also printed outside the bottom end of the forecast range. The median change in annual pay saw job stayers and job changers tick lower to 4.4% (prev. 4.5%) and 6.8% (prev. 7.0%), respectively. ADP chief economist Richardson said, "Though layoffs continue to be rare, a hesitancy to hire and a reluctance to replace departing workers led to job losses last month. Still, the slowdown in hiring has yet to disrupt pay growth." Note, the data comes ahead of the US jobs report on Thursday, a day earlier due to US Independence Day on Friday, albeit there is limited correlation between the two.

CHALLENGER LAYOFFS: Layoffs in June eased to just 48k from the prior 94k in May, virtually matching the same number of cuts last June. Regarding layoffs, Challenger says, "The bulk of companies cited economic conditions last month. We saw some DOGE activity and have tracked over 2,000 jobs directly attributed to tariffs this year, but for the most part, it was a quiet June".

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 7+ TICKS LOWER AT 111-20

T-notes track Gilts lower ahead of NFP after woeful ADP print. At settlement, 2-year +1.2bps at 3.789%, 3-year +2.1bps at 3.767%, 5-year +3.0bps at 3.870%, 7-year +3.8bps at 4.061%, 10-year +4.2bps at 4.291%, 20-year +4.7bps at 4.828%, 30-year +4.4bps at

4.822%.

INFLATION BREAKEVENS: 1-year BEI +0.9bps at 2.570%, 3-year BEI +2.5bps at 2.435%, 5-year BEI +2.2bps at 2.351%, 10-year BEI +1.9bps at 2.299%, 30-year BEI +1.9bps at 2.280%.

THE DAY: T-notes saw minor selling overnight before downside accelerated in the European morning, primarily a function of the move lower in Gilts after the government passed a watered-down welfare bill, which is not expected to deliver any savings over the next four years, vs GBP 5.5bln saved by 2029 in the original bill. T-notes pushed lower as US players arrived, but a dismal ADP National Employment print from the US saw T-notes briefly spike higher, wiping out the earlier losses. However, with fears around the accuracy of the ADP report, the move swiftly pared and T-notes pushed lower, but once again tracked Gilts lower. Gilts saw another leg lower during trade after UK PM Starmer refused to comment on whether Chancellor Reeves will remain in her job and refused to rule out tax increases. Bloomberg, citing bond traders, said they sold UK Gilts on speculation that Reeves would be replaced as chancellor by Pat McFadden, and one said they were concerned any replacement might loosen the fiscal rules to borrow more. However, UK PM Spox. later clarified that Reeves has the full support of the PM. T-notes held lower into settlement, however, with eyes turning to the US NFP report on Thursday. Full preview available here. On trade, Trump announced a deal has been made with Vietnam, which includes a 20% tariff on imports to the US, while the US will pay no tariffs on exports to Vietnam. It also announced a 40% transshipment tariff to Vietnam, likely to discourage Vietnam from importing from China, and then selling Chinese goods to the US. Trump's One Big Beautiful Bill (OBBB) has been returned to the House, but sticking points remain with the House Freedom Caucus and other conservatives, unveiling major problem points in the bill, including the increased deficit.

SUPPLY

Bills

- US sold USD 65bln of 17-week bills at a high rate of 4.303%, B/C 3.04x.
- US to sell USD 55bln (prev. 60bln) of 4-wk bills, USD 45bln (prev. 50bln) of 8-wk bills and USD 60bln (prev. 60bln) of 77-day CMBs on July 3rd; all to settle July 8th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 6 (prev. 5bps), September 30 (prev. 28bps), Oct 46 (prev. 44bps), Dec 65 (prev. 65bps).**
- NY Fed RRP op demand at USD 237bln (prev. 246bln) across 45 counterparties (prev. 38)
- EFR at 4.33% (prev. 4.33%), volumes at USD 133bln (prev. 79bln).
- SOFR at 4.44% (prev. 4.45%), volumes at USD 2.920tln (prev. 2.946tln).

CRUDE

WTI (Q5) SETTLED HIGHER BY USD 2.00 AT 67.45/BBL; BRENT (U5) SETTLED USD 2.00 HIGHER AT USD 69.11/BBL

The crude complex saw two-way action, but ultimately settled firmly in the green, with analysts citing Iran signing into law the suspension of work with the IAEA, and the US-Vietnam trade agreement. Regarding Iran, Iran Parliament's National Security Commission approved the bill on suspension of the cooperation with the IAEA on the 23rd of June, but it was officially signed into law today by the President. The US has called on Iran to cooperate without further delay. On trade, US President Trump announced a trade deal with Vietnam - Vietnam will pay the US a 20% Tariff on all goods sent into its territory, and a 40% Tariff on any Transshipping, while the US will pay no tariffs. The Iran signing and trade agreement is seemingly what took crude prices to their highs by settlement. However, WTI and Brent tested intra-day lows on the back of the weekly EIA data, whereby crude saw a surprise build, in fitting with the private inventory figures on Tuesday. Gasoline also saw an unexpected build, again repeating yesterday's theme, while distillates drew more than St. consensus. Overall, crude production was more or less unchanged. WTI and Brent saw early lows of USD 65.23/bbl and 66.94/bbl, respectively, against later highs of USD 67.58/bbl and 69.21/bbl.

EQUITIES

CLOSES: SPX +0.47% at 6,227, NDX +0.73% at 22,642, DJI -0.02% at 44,484, RUT +1.31% at 2,226

SECTORS: Energy +1.70%, Materials +1.33%, Technology +1.30%, Consumer Discretionary +0.76%, Real Estate +0.16%, Industrials +0.10%, Communication Services +0.07%, Consumer Staples -0.01%, Financials -0.10%, Utilities -0.87%, Health -0.97%.

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 +0.72% at 5,321, Dax 40 +0.32% at 23,794, FTSE 100 -0.18% at 8,770, CAC 40 +0.99% at 7,738, FTSE MIB +0.53% at 39,771, IBEX 35 +0.33% at 14,037, PSI +0.51% at 7,633, SMI +0.26% at 11,979, AEX +0.15% at 911.

STOCK SPECIFICS:

- **Tesla (TSLA)** Q2 deliveries fell short of Bloomberg expectations, but a lot of Tesla watchers and sell-side forecasts saw Q2 delivery numbers c. 355-360k, so they notably topped those.
- **Centene (CNC)** withdrew 2025 GAAP and adj. EPS outlook, which has weighed on competitors such as UNH, ELV, MOH, HUM, and OSCR.
- **Constellation Brands (STZ)** missed on profit and softer margins due to trade policies; FY adj. EPS guidance topped expectations.
- **Apple (AAPL)** was upgraded at Jefferies to 'Hold' from 'Underperform', citing potential Q3 revenue and EPS growth of ~ 8% & 10%, respectively.
- Thoma Bravo is in talks to acquire **Verint Systems (VRNT)**.

- **Netflix's (NFLX)** 'Squid Game' hit a viewing figure record.
- **BrightView Holdings (BV)** cut FY25 revenue guidance.
- **Microsoft (MSFT)** scales back ambitions for AI chips to overcome delays, The Information reports. The revised roadmap has negative implications for **Marvell (MRVL)**, a specialised chip designer that Microsoft hired to work on some of the chiplets in Braga-R, according to two people with direct knowledge of the matter.
- **Regeneron's (REGN)** Lynsozycic (linvoseltamab-gcpt) receives FDA accelerated approval for treatment of relapsed or refractory multiple myeloma

FX

The Dollar Index was modestly higher, largely helped by strength against GBP due to idiosyncratic risks in the UK. US data involved the labour market, with ADP (June) disappointing on the downside, showing private business loss of 33k workers (exp. +95k, prev. +37k). Dollar downside was seen after the report, trading below pre-ADP levels at pixel time but not without some buying resistance in between. Note, many desks point out the lack of correlation between ADP and NFP (exp. 110k on Thursday), as highlighted by the last time ADP was negative in March 2023, ADP printed -53k but NFP was +85k. Aside from data, the progress of Trump's tax bill has seemingly made little progress thus far on Wednesday, as the countdown continues until July 4th, while Trump announced a trade agreement with Vietnam. The agreement, which appears to be more of a framework, puts US tariffs on Vietnam at 20% and 40% on transshipping, while Vietnam will have 0% tariffs on the US. Following Trump's Vietnam deal announcement, DXY drifted lower for the remainder of the session to ~ 96.8. Fox also reported that an India agreement may be announced tomorrow.

G10 FX price action was mixed, with CAD the clear outperformer against USD amid firmer crude prices, while GBP and SEK lagged. Other constituents had modest moves on the day, with marginal losses the main theme. In Europe, data had little bearing on FX moves, with EUR/USD unreactive to the Unemployment Rate in the eurozone unexpectedly rising to 6.3% from 6.2% (exp. 6.2%). The day saw a few ECB speakers, but little insight was added. EUR/USD now sits a tad below 1.18, while EUR/GBP surged to highs of 0.8670 on account of fiscal uncertainty in the UK.

GBP was the clear underperformer in G10FX following turmoil in the UK political landscape. Turbulence arrived for GBP and Gilts amid PMQs, where the UK PM refused to confirm whether Chancellor Reeves will remain in her job and refused to rule out tax increases. Despite the PM's Secretary saying the Chancellor has the full support of the PM after questions were raised, the move in Gilts and GBP held, with both seeing notable downside amid the increased political uncertainty and growing question of fiscal credibility. Separately, BoE's Taylor said the UK neutral real rate is to be around 0.75-1.0%, putting the nominal rate around 2.75-3.0%. Moreover, Taylor said the deteriorating outlook seen in Q1 suggested five cuts needed in 2025, as opposed to the market implied quarterly pace of four.

PLN: The NBP cut the base rate to 5% from 5.25%, surprising market expectations for rates to remain unchanged. Going into the meeting, NBP's Kochalski had said a 25bps rate cut would be possible at the meeting. Additionally, the central bank reiterated that it may intervene in the FX market and use a data dependency approach. Ahead, NBP believes that in the coming months, CPI will fall below the upper limit of the CPI target range. EUR/PLN rose after the decision due to the dovish surprise.

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