

### Stocks and dollar gain with bonds sold on solid NFP report

- **SNAPSHOT:** Equities up, Treasuries down, Crude down, Dollar up
- **REAR VIEW:** NFP tops expectations, Unemployment Rate unexpectedly falls; ISM Services PMI expands more than expected; Initial claims fall, while Continued claims stay put; US Treasury issues new Iran-related sanctions; US Envoy Witkoff to meet with Iran in Oslo next week; Bessent says tariffs on Vietnam are a flat 20%; China Services PMI falls short.
- **COMING UP: Desk Schedule:** The desk will shut for the week at 18:00BST/13:00EDT for the US market holiday on Friday.  
**Data:** German & French Industrial Orders, EZ, UK Construction PMI, Italian Retail Sales, EZ Producer Prices. **Speakers:** ECB President Lagarde, Elderson; BoE's Taylor.

### MARKET WRAP

US indices and the Dollar saw gains, while Treasuries and gold sold off in the wake of the strong jobs report, which continues to push out the narrative of a need for a Fed rate cut, especially in July. Highlighting this, Refinitiv money market pricing now sees 51bps of cuts by year-end (vs. 66bps pre-data) and a 4% chance of a 25bps cut in July (vs. 25% pre-data). Back to US NFP, the headline printed 147k (prev. 144k), much above St. consensus 110k, the unemployment rate unexpectedly fell to 4.1% from 4.2% (exp. 4.3%), while the wages metrics were cooler than anticipated. Alongside NFP, jobless claims also fell to 233k (exp. 240k, prev. 237k), and also below the bottom end of the forecast range. In later trade, ISM Services for June rose to 50.8 (exp. 50.5, prev. 49.9), and within the breakdown, both the prices paid and employment fell. Sectors are also exclusively in positive territory, aside from Materials, which is flat, with Technology leading the gains. The Dollar is firmer with safe-haven FX (CHF, JPY) the notable laggards, while the Pound is one of the only G10s gaining against the Buck and attempting to recoup some of Wednesday's weakness. Treasuries are weaker with the greatest losses seen in the short end.

### US

**NFP:** In the establishment survey, headline nonfarm payrolls rose by 147k in June, above the 110k consensus and up from a prior, revised 144k. The two-month net revisions were +16k, versus the previous -95k. The print was toward the top end of analyst forecasts, with the most optimistic expecting 160k. The strength of the report was primarily driven by a 73k increase in government employment, led by a 40k gain in state government education — a sharp acceleration from last month's 3.6k increase. Government employment rose 73k M/M, well above May's 7k gain. Private payrolls, by contrast, rose just 74k, down from 137k previously, highlighting how government hiring offset softer private sector gains. In the household survey, the unemployment rate unexpectedly fell to 4.1% from 4.2%, against expectations for a rise to 4.3%. However, a decline in the participation rate may have contributed to the drop. Overall, the labour market remains resilient, adding nearly 150k jobs — in line with the three-month average (150k) and 12-month average (151k), and above the six-month average (130k). The unemployment rate remains well below the Fed's year-end median projection of 4.5%, allowing policymakers to maintain a patient stance. This gives the Fed scope to monitor how trade policies influence inflation in the coming months, despite political pressure to cut rates. Average hourly earnings were cooler than expected at 0.2% M/M and 3.7% Y/Y, but wage growth is not a current focus for the Fed, as the labour market is not seen as a source of inflationary pressure. In response to the report, money markets pared back Fed rate cut pricing, with 52bps of easing now priced in by year-end, down from 66bps pre-data. September pricing now implies 20bps of cuts — roughly an 80% probability of a 25bps move — down from 30bps, which had fully priced a September cut.

**ISM SERVICES:** ISM Services rose back into expansionary territory for June and printed 50.8, above the expected 50.5 and the prior 49.9. Prices paid encouragingly dipped to 67.5 from 68.7, but Employment fell to 47.2 from 50.7. Business activity and new orders jumped to 54.2 (prev. 50.0) and 51.3 (prev. 46.4), respectively. Supplier deliveries slipped but remained above 50, while inventories and imports lifted back into expansionary territory. The backlog of orders fell to 42.4 from 43.4. ISM Chair Miller said, "June's PMI level is a welcome return to expansion, although slow growth and economic uncertainty were frequently referenced by respondents", and as expected "The most common topic among survey panellists continued to be concerned about impacts related to tariffs." Overall, Oxford Economics says "The anecdotes highlight uncertainty remains an issue, which is expected to remain a drag on business investment in equipment and hiring in H2. There were some concerns about the tensions in the Middle East, but that risk has mostly faded."

**US INTERNATIONAL TRADE:** The US International Trade Deficit widened to 71.5bln in May, slightly wider than the expected 71.0bln. Summarising the data, Oxford Economics write "the May trade data revealed a moderate expansion of the trade deficit due to a drop in exports and minimal change in imports. Compared to Q1 levels, imports are down meaningfully, implying a major GDP contribution from trade of more than 3ppts".

### FIXED INCOME

#### T-NOTE FUTURES (U5) SETTLED 13 TICKS LOWER AT 111-07

**T-Notes tumble after hot NFP sees traders unwind rate cut bets.** At settlement, 2-year +9.3bps at 3.882%, 3-year +7.6bps at 3.842%, 5-year +6.4bps at 3.934%, 7-year +5.7bps at 4.119%, 10-year +4.7bps at 4.340%, 20-year +3.3bps at 4.861%, 30-year +3.3bps at 4.856%.

**INFLATION BREAKEVENS:** 1-year BEI +3.2bps at 2.607%, 3-year BEI +3.2bps at 2.468%, 5-year BEI +3.4bps at 2.386%, 10-year BEI +2.5bps at 2.324%, 30-year BEI +1.4bps at 2.290%.

**THE DAY:** T-Notes traded sideways overnight and in the European morning with all eyes on the US NFP report, which saw Treasuries tumble. The US economy added 147k jobs in June, well above the consensus 110k, while unemployment unexpectedly fell to 4.1% from 4.2%, despite expectations for a rise to 4.3%. The report was strong, albeit some caveats are worth bearing in mind. The NFP was buoyed by a surge in Education jobs (40k, prev. 3.6k), while the unemployment rate was accompanied by a downtick in participation. Nonetheless, it was still a strong report overall and shows the labour market is robust - even in the face of Trump's new trade policies. This saw markets unwind Fed rate cut bets, with just 52bps of easing priced by year-end, down from 66bps pre-release while a September rate cut is no longer fully priced. NFP was the highlight of the data, but Initial Claims fell beneath all analyst forecasts, another sign of a robust labour market, while Continued Claims were unchanged at 1.964m, albeit still elevated. The US Trade Deficit of USD 71.5bn was only slightly wider than the consensus 71bn. The ISM Services PMI saw a slight beat at 50.8, up from the prior 49.9 (exp. 50.5). Business Activity and New Orders improved but Employment declined to contractionary territory while Prices Paid only saw a slight drop. Elsewhere, the One Big Beautiful Bill (OBBB) is still yet to be voted on but the vote is expected to start later today and be approved and ready for Trump's signature on Friday.

## SUPPLY

### Notes

- US to sell USD 58bn 3yr notes on July 8th, to settle on July 10th; to sell USD 39bn 10yr notes on July 9th, to settle on July 15th; to sell USD 22bn 30yr notes on July 10th, to settle on July 15th

### Bills

- US sold USD 55bn of 4-wk bills at 4.240%, b/c 3.26x; sold USD 45bn of 8-wk bills at 4.300%, b/c 3.10x; sold USD 60bn 77-day CMBs at high rate 4.285%, b/c 2.90x
- US to sell USD 50bn of 52wk bills (prev. 48bn) and USD 50bn of 6wk bills on July 8th (unch.); to sell USD 73bn of 26wk bills (prev. 71bn) and USD 82bn of 13wk bills (prev. 79bn) on July 7th; all to settle on July 10th

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 1bp (prev. 6bps), September 18bps (prev. 30bps), Oct 34bps (prev. 46bps), Dec 51bps (prev. 65bps).**
- EFFR at 4.33% (prev. 4.33%), volumes at USD 129bn (prev. 133bn).
- SOFR at 4.40% (prev. 4.44%), volumes at USD 2.882tn (prev. 2.920tn).

## CRUDE

**The crude complex was lower on Thursday and hit lows amid reports Iran/US to resume nuclear talks.** Overnight benchmarks pared off highs, before trading sideways in the European morning. The highlight of the day was a stellar US jobs report, which saw broad-based equity and Dollar strength, alongside Treasury weakness, but it failed to alter the dial for the energy space. The big move came as European folks were wrapping up for the day, as Axios sources said, US White House envoy Witkoff is reportedly set to meet with Iran's Foreign Minister Araghchi in Oslo next week to restart nuclear talks. As such, WTI and Brent fell to lows of USD 66.53/bbl and 68.32/bbl, respectively, as US participants await the long weekend due to Independence Day. In the weekly Baker Hughes rig count, brought forward a day on account of the aforementioned holiday, crude -7 at 425, nat gas-1 at 108, leaving the total -8 at 539.

## EQUITIES

**CLOSES:** SPX +0.83% at 6,279, NDX +0.99% at 22,867, DJI +0.77% at 44,829, RUT +1.02% at 2,249

**SECTORS:** Technology +1.29%, Financials +1.08%, Industrials +0.82%, Consumer Discretionary +0.75%, Utilities +0.74%, Communication Services +0.61%, Energy +0.25%, Consumer Staples +0.20%, Real Estate +0.12%, Health +0.11%, Materials unch.

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.48% at 5,344, Dax 40 +0.47% at 23,902, FTSE 100 +0.55% at 8,823, CAC 40 +0.21% at 7,755, FTSE MIB +0.40% at 39,943, IBEX 35 +0.86% at 14,166, PSI +1.60% at 7,755, SMI -0.08% at 11,975, AEX +0.52% at 915.

### STOCK SPECIFICS:

- **Synopsys (SNPS), Cadence Design Systems (CDNS):** US has lifted export licence requirements for chip design software sales to China.
- **Datadog (DDOG):** Will join the SPX, effective BMO on July 9th.
- **Tripadvisor (TRIP):** Starboard Value has acquired over 9% of co. stock, becoming one of its top shareholders.
- **DuPont (DD):** Advent International & Platinum Equity competing to acquire DuPont assets worth USD 2bn.
- **Novartis (NVS):** Phase III GCAPTAIN study of Cosentyx in giant cell arteritis did not meet the primary endpoint.
- **Robinhood (HOOD):** OpenAI disavowed Robinhood's launch of tokenised OpenAI and SpaceX shares in Europe, stating it did not approve any equity transfer or partnership.
- **Alibaba (BABA):** To offer about USD 6.98bn in coupons and vouchers over the next 12 months to boost its delivery and e-commerce services, WSJ reports.
- **FedEx (FDX):** Upgraded at BNP Paribas Exane to 'Outperform' from 'Underperform'.
- **Summit (SMMT)** reportedly in talks for a USD 15bn partnership with **Astra Zeneca (AZN)**, according to Bloomberg

## FX

**The Dollar** strengthened on the June NFP report, after it was revealed the US economy added 147k workers, more than the expected 110k, with the unemployment rate unexpectedly moving lower to 4.1% from 4.2%. Immediate broad-based strength was seen in the dollar against G10FX peers as rate cut bets were trimmed back, albeit the base case of at least 50bps of easing by year-end remains, but the probability of a third rate cut fell from 64% to just 4%.

Dollar strength was more pronounced against **CHF** and **JPY** due to the higher Treasury yield environment, as the rate cut bets were unwound with the curve bear flattening. CAD and GBP eked out gains vs the Dollar due to the improved risk tone in wake of the report. Given the surprise beat in NFP, ISM Services PMI had a more subdued effect on FX moves, but still helped the dollar's bid with the headline expanding further than expected into expansionary territory. Meanwhile, the drop in claims, like NFP, showed a solid labour market, albeit, continued claims remain sticky. DXY now heads into Independence Day around 97.2 with strength against JPY, CHF, EUR, and SEK, more than offsetting weakness versus the CAD and GBP.

**GBP** outperformed amongst major peers as UK PM Starmer again tried to instil confidence in Chancellor Reeves by saying she will remain in the role for years to come and will be Chancellor at the next election. Gilts gapped higher at the open following Starmer's confidence in Reeves', but Gilts and Cable remain below the levels present before the fiscal uncertainty unfolded in PMQs on Wednesday. Currently, Cable trades at ~ 1.3650 while EUR/GBP fell to ~ 0.8610.

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