

Stocks chop as markets digest another set of Trump trade letters

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up
- **REAR VIEW:** Trump believes copper tariff will be 50% & will announce something on pharma 'very soon'; Trump said BRICS is getting a 10% charge pretty soon; US reportedly offers the EU 10% tariff deal with caveats; Trump noted close to trade deal with India; Trump says looking at Russian sanctions; Lutnick expects another 15-20 trade letters to go out over the next 2 days; Japan tariff negotiator held phone calls with Bessent and Lutnick; Average US 3yr note auction; US Treasury increases T-bill issuance; RBA unexpectedly holds rates; HSBC downgraded BAC, JPM, GS.
- **COMING UP: Data:** Chinese CPI/PPI. **Events:** BoE FSR, RBNZ Policy Announcement, FOMC Minutes. **Speakers:** RBA's Hauser, Hunter, BoE Governor Bailey, ECB's Lane, Nagel & de Guindos. **Supply:** Australia, UK, Germany & US.

MARKET WRAP

US indices saw slight losses on Tuesday amid a lack of tier 1 US data or Fed speak, as Trump's tariff updates dominated the slate - after sending out 14 trade letters on Monday, today he noted the tariffs will start to be paid on August 1st, there is no change to this date, and no extension will be granted, and also he is probably two days off from sending EU a letter. However, as Trump spoke in the Cabinet meeting, he believed the copper tariff would be 50%, which saw copper prices rise in excess of 10% to a record high. The Dollar eked out slight gains, while the AUD was the distinct G10 outperformer after the unexpected RBA hold last night, with wide expectations for a 25bps cut. JPY was the laggard, and sensitivity continues to reside over the Yen given the new tariff rates, and also the Japan upper house elections on July 20th. BRL, CNH, and ZAR saw weakness after Trump said anyone in BRICS is getting a 10% charge. T-Notes were sold as the focus lies on supply this week, as well as ongoing trade updates, while there was little move on the average US 3yr auction. WTI and Brent saw slight gains and extended on Monday's strength ahead of private inventory data after-hours. Gold was softer throughout the day, and largely led by the broadly constructive risk tone, echoing pressure seen in other traditional havens (i.e. fixed and JPY), as opposed to anything yellow-metal specific. Sectors were mixed - energy sat atop of the breakdown, while Consumer Staples, Utilities, and Financials led the losses, with the latter weighed on by weakness seen in GS, JPM, and BAC after all three were downgraded at HSBC on stretched valuations. Over the next two days, the focus will be trade with US Commerce Secretary Lutnick expecting another 15-20 trade letters to go out in that time, with Trump having EU offers on his desk, and is deciding on the next course of action.

US

NY FED SCE: The NY Fed Survey of Consumer Expectations showed mixed inflation expectations. The one-year ahead forecast eased to 3.0% from 3.2% in May, while the 3- and 5-yr were unchanged at 3.0% and 2.6%, respectively. Expectations for prices of rent, gas, medical care, and college accelerated in June, with the median year-ahead commodity price change expectations increasing by 1.5% to 4.2%, while medical care rose by 1.9% to 9.3%, its highest level since June 2023. Median home price rise expectations were unchanged at 3.0%. Concerning the labour market, the median one-year ahead earnings growth expectations fell by 0.2% to 2.5% in June, keeping below its 12-month trailing average of 2.8%. Albeit, June labour market expectations improved due to the mean unemployment expectations decreasing by 1.1% to 39.7% with the mean perceived probability of losing one's job in the next 12 months falling by 0.8% to 14.0%, its lowest level since December 2024. Separately, households were more optimistic on personal finance and credit access; The median expected growth in household income increased by 0.2% to 2.9% in June, and perceptions of credit access compared to a year ago showed a smaller share of households reporting it is harder to get credit.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 4+ TICKS LOWER AT 110-25

T-Notes sold as focus lies on supply this week, as well as ongoing trade updates. At settlement, 2-year +0.4bps at 3.907%, 3-year +1.0bps at 3.873%, 5-year +1.9bps at 3.985%, 7-year +2.1bps at 4.185%, 10-year +2.0bps at 4.415%, 20-year +1.4bps at 4.944%, 30-year +1.4bps at 4.944%.

INFLATION BREAKEVENS: 1-year BEI +5.6bps at 2.787%, 3-year BEI -0.2bps at 2.518%, 5-year BEI -0.7bps at 2.417%, 10-year BEI +0.2bps at 2.350%, 30-year BEI +0.1bps at 2.310%.

THE DAY: T-Notes were lower, with similar losses seen across the curve. Downside occurred overnight after a surprise hawkish RBA hold, who were expected to cut rates, weighing on global fixed income. Meanwhile, there was likely some Dealer concession ahead of the 3-, 10- and 30 yr supply this week (more below on the 3yr note auction). Focus also remains on Trade updates, Trump has posted several letters to nations explaining their tariffs from August 1st, although today Trump exclaimed that there is no change to this data and that no extension will be granted. The data highlight on Tuesday was the NY Fed Survey of Consumer Inflation Expectations, which saw the 3- and 5-year inflation expectations stable at 3.0% and 2.6%, respectively, while the 1yr ahead inflation expectations eased to 3.0% from 3.2%. Meanwhile, consumer expectations on the labour market also improved in July. Attention remains on supply and trade this week, but the FOMC Minutes will be released on Wednesday. [Newsquawk Preview available here.](#)

SUPPLY

Notes

- US sold USD 58bln of 3yr notes at a high yield of 3.891%. The 3yr auction was average, shown by the 0.4bps tail, a touch below the six-auction average tail of 0.5bps, but the same as the prior auction. The B/C was little changed at 2.51x (prev. 2.52x), keeping below its average of 2.61x, while dealers take up rose to 16.5% from 15.2% (avg. 15.1%), a consequence of a drop in indirect demand to 54.1% from 66.8% (avg. 66.5%). The resultant left direct taking 29.4%, up from the prior 18% (avg. 18.2%).
- US to sell USD 39bln 10yr notes on July 9th, to settle on July 15th; to sell USD 22bln 30yr notes on July 10th, to settle on July 15th.

Bills

- US Treasury says it is to increase T-bill issuance, specifically initial increase in 4-,6-, and 8-wk bills; does not expect to issue CMBs to rebuild cash balance. US treasury to increase cash balance with debt ceiling increase, to reach USD 500bln by end of July.
- US sold USD 53bln of 1-yr bills at a high rate of 3.925%, B/C 3.23x; sold USD 53bln of 6-week bills at a high rate of 4.265%, B/C 3.27x
- US Treasury to sell USD 65bln of 17wk bills on July 9th, USD 70bln of 8wk bills (prev. 45bln) and USD 80bln of 4wk bills (prev. 55bln) on July 10th; all to settle July 15th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 1bp (prev. 1bp), September 17bps (prev. 17bps), Oct 32bps (prev. 32bps), Dec 49bps (prev. 50bps).**
- NY Fed RRP Op demand at USD 219bln (prev. 218bln) across 37 counterparties (prev. 37).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 118bln (prev. 129bln) on July 7th.
- SOFR at 4.33% (prev. 4.35%), volumes at USD 2.814tln (prev. 2.846tln) on July 7th.

CRUDE

WTI (Q5) SETTLED USD 0.40 HIGHER AT 68.33/BBL; BRENT (U5) SETTLED USD 0.57 HIGHER AT 70.15/BBL

The crude complex extended on Monday's gains despite weakness overnight. WTI and Brent fell to lows of USD 67.33/bbl and 69.03/bbl as energy newsflow took the backseat amid the focus on US trade letters that were sent to its trading partners. Geopolitical updates added pressure on the complex, with modest downside following reports that ceasefire talks with Gaza had resumed in Doha. Keeping on geopolitics, reports out of Israel and remarks from US envoy Witkoff suggest a ceasefire agreement could be made by the end of the week. US President Trump is to meet with Israeli PM Netanyahu on Tuesday evening, where Gaza will be discussed. Furthermore, Trump expressed unhappiness with Russian President Putin, and said he's looking at Russian sanctions. WTI and Brent picked up once US players arrived, with the rally holding to lunchtime before trimming. WTI and Brent peaked at USD 68.91/bbl and USD 70.68/bbl, respectively. The EIA STEO had little sway over oil prices, where the outlook for WTI and Brent in 2025 saw prices raised but lowered for 2026. The world oil demand outlook for 2025 and '26 was left unchanged at 103.5mln BPD and 104.6mln BPD, respectively; while the world oil production outlook for 2025 and '26 was raised to 104.6mln BPD (prev. 104.4mln) and 105.7mln BPD (prev. 105.1mln BPD), respectively. At HSBC, they note a large surplus after summer raises downside risks to its USD 65/bbl Brent forecast from Q4 2025, and it now assumes another 550k BPD hike for September. Attention turns to private inventory figures after-hours, whereby current expectations are (bbls): Crude -2.1mln, Distillate -0.3mln, Gasoline -1.5mln.

EQUITIES

CLOSES: SPX -0.07% at 6,226, NDX +0.07% at 22,702, DJI -0.37% at 44,241, RUT +0.66% at 2,229

SECTORS: Consumer Staples -1.09%, Utilities -1.07%, Financials -0.90%, Consumer Discretionary -0.64%, Communication Services -0.53%, Real Estate -0.15%, Industrials +0.01%, Technology +0.39%, Health +0.43%, Materials +0.53%, Energy +2.72%

EUROPEAN CLOSES: Euro Stoxx 50 +0.69% at 5,378, Dax 40 +0.50% at 24,193, FTSE 100 +0.56% at 8,856, CAC 40 +0.56% at 7,767, FTSE MIB +0.67% at 40,183, IBEX 35 -0.11% at 14,059, PSI +0.01% at 7,733, SMI +0.09% at 11,964, AEX +0.30% at 917.

STOCK SPECIFICS:

- **Samsung Electronics** announced weak prelim Q2 numbers; operating profit fell 56% due to AI chip inventory write downs linked to US export curbs to China
- **Exxon Mobil (XOM)** expects Q2 earnings to be negatively impacted by USD 0.8-1.2bln from lower liquids prices and USD 0.3-0.7bln from lower gas prices vs Q1.
- **Apple's (AAPL)** top AI models executive, Ruoming Pang, is leaving for Meta Platforms (META).
- **Amazon (AMZN)** extended Prime Day to a four-day event starting Tuesday, rebranding it as "Prime Week"
- **Bank of America (BAC), JPMorgan (JPM), and Goldman Sachs (GS)** all downgraded at HSBC. US President Trump signed an Executive Order on Monday to eliminate subsidies for unreliable "green" energy sources like wind and solar in furtherance of the OBBB. Of note for **Sunrun (RUN), First Solar (FSLR), and Enphase Energy (ENPH).**
- **CoreWeave (CRWV)** downgraded at Stifel and Mizuho.
- **Amazon (AMZN)** Prime Day spending is reportedly down 14% in early hours vs 2024 levels.

- US President Trump criticises the EU for suing **Apple (AAPL)** and **Google (GOOGL)**.
- **Intel (INTC)** cut more than 500 jobs in Oregon as part of layoff plan, according to Bloomberg

FX

The Dollar saw slight gains on Tuesday with mixed performance against G10 FX peers, as safe-haven Yen lagged, while the Aussie was the clear outperformer and buoyed by the RBA (more below). Back to the Greenback, there was no Fed speak or tier 1 data, but in the latest NY SCE, 1yr inflation expectations ticked lower to 3.0% (prev. 3.2% in May), while the 3yr and 5yr were unchanged at 3% and 2.6%, respectively. Trade dominated the slate in a thin calendar after Trump posted the 14 letters he sent to countries on Monday, regarding the new tariff rates. Today, the President noted that the August 1st deadline is firm but open to other ideas. Trump spoke at his Cabinet meeting and believes the copper tariff will be 50%, which left copper prices soaring higher to be up c. 10.50% at the time of writing. Meanwhile, Commerce Secretary Lutnick expects another 15-20 trade letters to go out over the next 2 days. DXY traded between 97.176-97.837, as participants await FOMC Minutes on Wednesday.

AUD was the clear G10 gainer with AUD/USD hitting a peak of 0.6557 after the RBA unexpectedly left rates unchanged at 3.85%, in a 6-3 vote split, with wide expectations for a 25bps cut. The RBA statement unveiled the board continues to judge that the risks to inflation has become more balanced and it could wait a little for more information to confirm inflation remains on track to reach 2.5% on a sustainable basis. In the press conference, RBA Governor Bullock emphasised that she remains confident they are on a path to ease further. NZD also profited off the Aussie strength, but not to the same degree, as NZD/USD traded between 0.5980-6034, ahead of the RBNZ overnight, whereby expectations are for the Bank to stand pat on rates after delivering a 6th consecutive cut at the last meeting and signalling a pause.

CHF and **EUR** both saw gains to differing degrees vs. the Greenback, with focus for the single-currency on trade updates. Last night, Politico reported that the US offers the EU a 10% tariff deal with caveats, although negotiations are still fluid, with any trade agreement subject to final approval by Trump. In later trade, and as Trump spoke at the Cabinet meeting, he said the EU has been speaking to the US, the EU is treating the US very nicely, and is probably two days off from sending the EU a letter.

CAD and **GBP** were flat in light currency-specific newsflow, while **JPY** was the G10 laggard. Sentiment surrounding Japan remains suppressed by the Trump administration imposing a 25% tariff on all Japanese products sent to the US. Trump also threatened that he would retaliate against any counteraction taken by the Japanese government. Japanese officials remain defiant ahead of the July 20th upper house elections, with PM Ishiba noting that he will keep defending what needs to be defended. USD/JPY saw a high of 146.97 against an earlier low of 145.84. **Gold** was softer throughout the day, and largely led by the broadly constructive risk tone, echoing pressure seen in other traditional havens (i.e. fixed and JPY), as opposed to anything yellow-metal specific.

Scandis saw strength. NOK outperformed the SEK, and in terms of newsflow, there was a big upside inflation surprise on Monday in Sweden, which has killed expectations for another rate cut from the Riksbank as soon as next month. MUFG notes Riksbank will now have to wait for confirmation as to whether the pick-up will prove temporary before considering cutting rates again to support the weak economic recovery in Sweden. MUFG adds that the hawkish repricing of Riksbank expectations has helped to prevent EUR/SEK from breaking above resistance from the 200-day moving average at just above the 11.20 level.

EMFX was broadly firmer, although BRL, CNH, and ZAR saw weakness as Trump spoke in the Cabinet meeting; he noted BRICS getting a 10% charge pretty soon, and anyone in BRICS is getting a 10% charge, and BRICS was set up to hurt the US.

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