

# newsquawk

## US Market Wrap - 10th July 2025

### Markets chop amid mixed Fed speak and falling initial claims data

- **SNAPSHOT:** Equities mixed, Treasuries flatten, Crude down, Dollar up
- **REAR VIEW:** Trump announces 50% tariff on Brazil; Dovish Daly & Waller, Hawkish Musalem; Ferrero to acquire KLG; Strong DAL earnings & restores FY outlook; OPEC+ discussing pausing output hike from Oct.; Initial jobless claims unexpectedly fall; Average US 30yr bond auction; NVIDIA's CEO to meet with Trump.
- **COMING UP:** Data: German WPI, UK GDP Estimate, Canadian Jobs **Events:** IEA OMR, Fitch on Germany, DBRS on Sweden  
**Speakers:** ECB's Panetta, Cipollone

### MARKET WRAP

Stocks were predominantly firmer on Thursday, with Russell outperforming while the Nasdaq lagged with pressure in heavy-cap stocks weighing - ex. TSLA. Sectors were predominantly in the green with Consumer Discretionary leading the gains, but Communication and Tech lagged. Meanwhile, the Equal Weighted S&P rose 61bps. T-Notes saw two-way price action in response to falling claims data and dovish Fed speak. The Fed speak saw Waller reiterate arguments on why a July cut could be appropriate, but added he sees the neutral rate 1.5% lower than where rates currently stand. Musalem took a different view, however, noting he is not seeing a tremendous amount of restrictiveness from policy. Fed's Daly said it is time to think about adjusting the interest rate, and sees two cuts as a likely outcome for the Fed, but is thinking about rate cuts during the fall. In FX, Antipodeans outperformed, buoyed by risk sentiment and also amid speculation of a high-level meeting next week in China to revive the Chinese property sector. Meanwhile, CHF and EUR lagged. In commodities, WTI and Brent were sold with a focus on the macro landscape with tariffs the focus despite hitting earlier peaks on a Bloomberg OPEC+ report that the cartel is discussing pausing the output hike from October. There is little of note on Friday aside from the Federal Budget data, but in Canada, focus will be on the Canadian jobs report, with UK players eyeing UK GDP and manufacturing/industrial output data.

### US

**JOBLESS CLAIMS:** Initial jobless claims (w/e 5th July) unexpectedly fell to 227k (exp. 235k) from the downwardly revised 232k. The 4-week average is now 235.5k from 241.25k. The seasonal factors expected an increase of 14,845, +6.4% W/W. Continued claims (w/e 28th June) rose to 1.65m, a lesser jump than expected (exp. 1.974m), albeit the prior was revised down to 1.955m (prev. 1.964m). Oxford Economics notes federal employees' claims remain low, but that will likely change soon, given the Supreme Court ruling earlier in the week, where the Trump admin may proceed with federal layoffs despite ongoing legal challenges. On continued claims, the firm said the rise was led by a jump in claims in New Jersey, where layoffs of school workers seemed to be a factor. Oxford Economics state the temporary layoffs due to auto plant shutdowns "will likely push up continued claims in the next couple of weeks".

**WALLER (Voter):** Fed Governor Waller echoed his arguments that the Fed can look through one-time tariff price increases, but added that he sees the neutral rate 1.5 pts below the current rate, but admitted he is a minority on this view. He also spoke on the balance sheet, said the Fed has some ways to go in shrinking the size of its holdings, suggesting a balance sheet level of USD 5.8tn might be the right level to aim for, vs. the current USD 6.7tn. He added USD 2.7tn in reserves might be the right level to aim for vs. the current USD 3.3tn. He also said the Fed should consider shifting holdings more towards Treasury bills over time, adding a shift towards greater bill holdings is likely down the road.

**MUSALEM (2025 voter)** said the economy is in a good place, labour market is at/near full employment, and there is some upside risk to inflation. Further on inflation, added some positive trends recently, and the outlook is for it to increase ahead, due to tariffs. The St. Louis Fed President said it is too soon to tell if tariffs will have a one-off or a more persistent inflation impact, and it could be late this year or early next year for the impact of tariffs to be entirely felt, but so far, the impact is mild. Speaking on the labour market, noted that there are reasons to be mindful of downside risks, including a drop in hours worked and compensation. Musalem concluded that not seeing a tremendous amount of restrictiveness from policy.

**DALY (2027 voter)** leant dovish, as she noted it is time to think about adjusting the interest rate, and sees two cuts as a likely outcome for the Fed, a view which puts her on the median Fed 2025 dot plot. The San Fran President added there's a large amount of uncertainty around policy outlook, and is thinking about rate cuts during the fall. To cut rates, though, Daly added they need a continuation of current data trends. Daly noted economic fundamentals support a move toward lower rates at some point, and monetary policy is still restrictive.

### FIXED INCOME

#### T-NOTE FUTURES (U5) SETTLE 1+ TICK LOWER AT 111-07

**T-Notes saw two-way price action after falling jobless claims and dovish Fed speak from Waller and Daly** . At settlement, 2-year +0.6bps at 3.868%, 3-year +0.7bps at 3.833%, 5-year +0.9bps at 3.929%, 7-year +0.7bps at 4.120%, 10-year +0.2bps at 4.344%, 20-year -1.6bps at 4.857%, 30-year -1.5bps at 4.860%.

**INFLATION BREAKEVENS:** 1-year BEI -2.6bps at 2.721%, 3-year BEI +1.6bps at 2.511%, 5-year BEI +0.8bps at 2.408%, 10-year BEI +0.4bps at 2.338%, 30-year BEI +0.1bps at 2.295%.

**THE DAY:** After the short covering on Wednesday, T-Note pressure resumed on Thursday with Trump continuing to announce more tariffs, namely a 50% copper tariff. The risk tone was encouraging, albeit downside in some of the mega-cap tech stocks limited the gains, with Nasdaq underperforming; however, the equal-weighted S&P rose by 61bps. The US data highlight was the weekly jobless claims figures, which saw initial claims fall to 227k from 232k, beneath the 235k forecast, while continued claims rose slightly to 1.965mln, but beneath the 1.974mln forecast. Claims have been rising in recent weeks, but have since reversed lower and continue to indicate little sign of stress in the US labour market. Fed speak saw Musalem highlight that the economy is in a good place, adding he is not seeing a tremendous amount of restrictiveness from policy, perhaps indicating he is one of the several who sees the current Fed funds rate not far from neutral. Governor Waller spoke on the balance sheet, noting the Fed has likely some ways to go in shrinking the size of its balance sheet, noting USD 5.8tln might be the right level to aim for vs the current USD 6.7tln. He also added that the Fed should consider shifting holdings more toward Treasury bills over time. During the Q&A, Waller reiterated his case for a potential rate cut in July, calling rates "pretty restrictive" and that he believes neutral is 1.5ppt lower than current levels, albeit admitting he is in the minority on the FOMC regarding this view. Fed's Daly was dovish, noting she thinks it is time to think about adjusting rates, and revealed she is in line with the median on the Fed 2025 dot plot and sees two cuts appropriate this year, but to cut rates, a continuation of current data trends will be needed. On supply, the 30-year bond auction was average, matching the theme in the 3- and 10-year supply of a rise in direct demand but a drop in indirect demand. T-Notes fell from overnight highs of 111-13+ to hit a low of 111-00+, before paring into settlement with the curve flattening on the session.

## SUPPLY

### Notes

**30YR:** Another average auction this week, with a slightly softer than average stop through but nothing too damning, while all three auctions this week saw an increase in direct demand but indirect declined vs the prior month. The US Treasury sold USD 22bln of 30-year bonds at a high yield of 4.889%, stopping through the when issued by 0.1bps. The 0.1bps tail was not as strong as the prior 1.5bps stop through, and also softer than the six-auction average stop through of 0.3bps. The bid-to-cover was also softer than the prior and average. The breakdown saw a slight improvement in direct demand to 27.4%, above the 23.4% prior and 23.1% average. However, indirect demand fell to just 59.78% from 65.2% in June, below the 63% average. This left dealers with 12.82% of the auction, up from the prior 11.4% and below the 13.9% average.

### Bills

- US Treasury to sell USD 82bln of 13-week bills and USD 73bln of 26-week bills on July 14th; to sell USD 70bln (prev. 50bln) of 6-week bills on July 15th; all to settle July 17th
- US sold USD 80bln of 4-wk bills at a high rate of 4.235%, B/C 3.08x; sold USD 70bln of 8-wk bills at a high rate of 4.275%, B/C 2.86x

### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: July 2bps (prev. 1bp), September 18bps (prev. 19bps), Oct 34bps (prev. 34bps), Dec 52bps (prev. 52bps).
- NY Fed RRP Op demand at USD 183bln (prev. 227bln) across counterparties 36 (prev. 37)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 117bln) on July 9th.
- SOFR at 4.32% (prev. 4.34%), volumes at USD 2.752tln (prev. 2.765tln) on July 9th.

## CRUDE

**WTI (Q5) SETTLES USD 1.81 LOWER AT 66.57/BBL; BRENT (U5) SETTLES USD 1.55 LOWER AT 68.64/BBL**

The crude complex saw losses on Thursday and sold off throughout the US session to settle at lows. Through the European morning, benchmarks were pressured, largely a function of broader macro themes, as opposed to anything headline specific, with the themes at play being ongoing trade angst, some constructive geopolitics, after President Trump said there is a chance this week or next of a Gaza ceasefire. Thereafter, WTI and Brent saw two-way action on OPEC+ source reports, with WTI and Brent initially rising to daily highs of USD 68.65/bbl and 70.48/bbl, respectively, before reversing lower. The BBG sources said that OPEC+ is discussing pausing the output hike from October. Elsewhere, crude-specific newsflow was light as Trump tariff updates continued to dominate the slate ahead of Baker Hughes on Friday, tier 1 US data next week (CPI, PPI, retail sales), and the start of earnings season.

## EQUITIES

- **CLOSES:** SPX +0.27% at 6,280, NDX -0.16% at 22,829, DJI +0.43% at 44,651, RUT +0.48% at 2,263.
- **SECTORS:** Consumer Discretionary +0.98%, Energy +0.79%, Utilities +0.78%, Financials +0.64%, Health +0.63%, Industrials +0.52%, Real Estate +0.48%, Materials +0.46%, Consumer Staples +0.12%, Technology -0.12%, Communication Services -0.48%
- **EUROPEAN CLOSES:** Euro Stoxx 50 -0.09% at 5,441, Dax 40 -0.31% at 24,473, FTSE 100 +1.23% at 8,976, CAC 40 +0.30% at 7,902, FTSE MIB -0.72% at 40,528, IBEX 35 -0.79% at 14,142, PSI -0.56% at 7,748, SMI +0.98% at 12,125, AEX +0.93% at 927.

### STOCK SPECIFICS:

- **TSMC (TSM)** Q2 revenue likely to be above expected, according to Reuters calculations.

- **Mobileye (MBLY)** priced a 50mln share spot secondary at USD 16.50/shr; Closed Wed. at USD 17.32
- **Tesla (TSLA)** plans to expand its robotaxi service to the San Francisco Bay Area within two months. It also reached out to Arizona regarding certification for operating driverless taxis.
- Ferrero confirms it is to acquire **WK Kellogg (KLG)** for USD 23/shr or USD 3.1bln; expects Q2 net sales of USD 610-615mln (exp. 651.6mln).
- Trump confirmed a 50% tariff on US copper imports, effective August 1st. Of note for copper names **BHP, FCX, RIO, SCCO**
- **Delta Air Lines (DAL)** EPS and revenue beat; restored FY guidance and lifts quarterly dividend 25%
- **Conagra Brands (CAG)** EPS and revenue missed; Light FY profit view
- **AMD (AMD)** upgraded at HSBC to 'Buy' from 'Hold' with a USD 200 PT.
- **McDonald's (MCD)** upgraded at Goldman Sachs to 'Buy' from 'Neutral'.
- **Nvidia (NVDA)** CEO Huang reportedly to meet with US President Trump on Thursday ahead of Huang's trip to China, via Bloomberg.
- **Nike (NKE)** to replace Converse CEO Aaron Cain, according to Bloomberg.
- **Apple (AAPL)** plans a new MacBook Pro, iPhone 17E and iPads by early 2026, via Bloomberg.
- **Flutter Entertainment (FLUT LN)** is reportedly in advanced talks to buy a further 5% stake in FanDuel from **Boyd Gaming (BYD)** in a deal expected to be worth close to USD 2bln, according to Sky's Kleinman; agreement could be announced this week.
- **Intel (INTC)** sale of Mobileye (MBLY) shares is reportedly to conclude well oversubscribed, via Bloomberg.

## US FX WRAP

**The Dollar** saw gains on Thursday, with mixed performance seen across major peers. Trump tariff updates dominated the slate, again, as he confirmed the 50% copper tariff and Brazil rate amid a lack of tier 1 US data. Fed speak came in the form of Musalem (2025 voter), Waller (voter), and Daly (2027 voter). Waller reiterated his case for why a July rate cut could happen, and that it would not be political – the known dove said the Fed can lower rates because the short-term rate is still "pretty restrictive." Musalem, meanwhile, said he is not seeing a tremendous amount of restrictiveness from policy and Daly said she sees rate cuts in the fall. On the data footing, initial jobless claims fell to 227k from 232k, beneath the expected 235k, while Continued Claims rose to 1.965mln (prev. 1.955mln, exp. 1.974mln), albeit little market reaction was seen. The calendar for Friday is quiet, but next week highlights include CPI, PPI, retail sales, and the beginning of US earnings season. DXY traded between 97.271-925.

**Antipodeans** were the only G10 gainers, and also the notable outperformers, as AUD/USD and NZD/USD hit highs of 0.6588 and 0.6032, respectively. The Aussie continues to gain post-RBA and was also bolstered by ongoing strength in iron and copper prices, with support emanating from speculation that a high-level meeting will be held next week to help revive the Chinese property sector.

**CAD, JPY, and GBP** were all varying sides of the unchanged mark against the Greenback amid little currency-specific newsflow. Overnight, there was no move to Japanese PPI or remarks from various BoJ branch managers. USD/CAD traded between a narrow 1.3664-3708 ahead of Canadian jobs on Friday. Cable topped out at 1.3619 against an earlier low of 1.3534, as participants await UK GDP, Industrial and Manufacturing Output, and trade data tomorrow amid a lack of any other scheduled risk event.

**EUR and CHF** underperformed, albeit on a lack of headline-driven newsflow, although commentary on Thursday included European Commission President von der Leyen saying they are working non-stop to find a US agreement, and to keep tariffs as low as possible.

**EMFX** was mixed. BRL pared some of its notable losses on Wednesday after US President Trump announced a 50% tariff on Brazil and as well as a Section 301 investigation of Brazil. Nonetheless, the BRL saw strength as CNN Brazil reported that former Brazilian President Bolsonaro may reportedly request that Trump cancel Brazil tariffs. Note, Trump has been pretty critical of the country, the treatment of Bolsonaro, and Brazil's attacks on free elections and fundamental free speech rights of Americans. On the data footing, Brazilian inflation for June was slightly hotter than expected for both M/M and Y/Y, while South African manufacturing production Y/Y surprisingly rose.

**CNH** was more or less flat, but did see a bout of pressure in the EZ morning amid news that Vietnam is said to be preparing new rules and penalties to crack down on trade fraud and illegal transshipments, focusing inspections on Chinese products, which face high tariffs in the US. Elsewhere, BBG noted a gauge of Chinese property shares posted the largest gain in nine months amid speculation that a high-level meeting will be held next week to help revive the property sector.

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