

Stocks bid and bonds meander as focus turns to CPI

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar up
- **REAR VIEW:** Trump threatens 30% tariffs on EU and Mexico; Mexico's says it's done its part against fentanyl, the US must do its part; Indian team reportedly already in US to negotiate first phase of trade deal, Local Press suggests tariff deal is being finalised; Trump threatens Russia with 100% tariffs if no Russia-Ukraine deal is made within 50 days; Trump announces Ukraine military package via NATO, including defence and attack components; Fed's Hammack says rates pretty close to neutral, doesn't see imminent need to cut rates; ECB sources note any ECB rate cut discussion remains pushed back to September despite Trump's latest tariff threat; Iran says Tehran will respond to the return of UN sanctions; META CEO says to invest hundreds of billions of dollars into compute to build superintelligence.
- **COMING UP: Data:** Chinese GDP, Retail Sales & Industrial Output, EZ Industrial Production, German ZEW, US & Canadian CPI. **Events:** OPEC MOMR, Bundesbank Monthly Report. **Speakers:** Fed's Bowman, Barr, Barkin, Collins, BoE's Bailey & UK Chancellor Reeves. **Supply:** Japan, Germany. **Earnings:** JPMorgan, Blackrock, Wells Fargo, Citi; Ericsson, Aker BP.
- **WEEK AHEAD:** Highlights include US CPI and Retail Sales, UK CPI and Jobs report, China trade and GDP, Aussie Jobs, and CPI from Canada and Japan. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Reviewing RBA, RBNZ, BoK and FOMC Minutes. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Big bank earnings get underway, highlights include JPM, GS, MS, WFC, TSM, and ASML. [Click here for the full report.](#)

MARKET WRAP

Stocks closed with slight gains on Monday, with the upside seen predominantly in the US session, paring weakness overnight in response to Trump's 30% tariff letter to the EU and Mexico. Sectors were mixed, with Communication and Financial stocks outperforming, while Energy and Materials lagged. Energy's underperformance tracked the move lower in crude prices after US President Trump announced a 100% tariff on Russia, and secondary sanctions on nations that buy Russian oil if a peace deal is not agreed to within 50 days. The 50-day period will allow time for negotiations and also denies any imminent action from the US against Russia, which is what sent crude prices lower. Also, Trump announced a military package for Ukraine via NATO after talks with Russia reached a standstill. The package marks a shift in the US's military shipments to Ukraine, with weapons involved, including both attack and defence systems. T-notes ultimately settled flat in quiet trade with all eyes turning to the June CPI report on Tuesday, which will show whether or not Trump's tariffs are having an impact on inflation. Fed speak after the data from Bowman, Barr, Barkin and Collins will also be eyed, particularly Bowman, to see if she continues to suggest a July rate cut is a possibility after the data. Fed speak today saw Hammack echo her hawkish tone, stating she does not see a need for near-term rate cuts and that she sees rates currently not far from neutral. In FX, the USD outperformed while Antipodes and Pound lagged, with Antipodes lightly weighed on by the lower-than-expected import data from China trade data, which saw a surge in exports led by the resumption of rare earths.

FED

HAMMACK (2026 voter): The Cleveland Fed President sees an economy that is really healthy, and when quizzed about a July rate cut, said she goes into every Fed meeting with an open mind. However, she acknowledged the Fed is hitting its goal on the employment side, but they are not there yet on inflation, and it is important to stay restrictive on monetary policy. She also noted they are pretty close to neutral, and she does not see an imminent need to cut rates. However, if the Fed sees the economy weaken, of course, the Fed will respond.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 1+ TICK HIGHER AT 110-24+

T-notes meander ahead of CPI. At settlement, 2-year -1.6bps at 3.898%, 3-year -1.4bps at 3.871%, 5-year -0.9bps at 3.983%, 7-year -0.4bps at 4.189%, 10-year +0.4bps at 4.427%, 20-year +1.5bps at 4.968%, 30-year +1.5bps at 4.972%.

INFLATION BREAKEVENS: 1-year BEI +2.4bps at 2.766%, 3-year BEI +2.1bps at 2.582%, 5-year BEI +0.8bps at 2.469%, 10-year BEI +0.8bps at 2.388%, 30-year BEI +0.7bps at 2.329%.

THE DAY: T-notes were sideways in range-bound trade on Monday with the focus largely on Trump's 30% tariff announcement on the EU and Mexico over the weekend. There is also a lot of attention on the June CPI report out on Tuesday, which may have led traders to sit on the sidelines today, given market sensitivity to the release. The Fed, meanwhile, is primarily focusing on the inflation side of the mandate over its employment side. Several fed speakers recently acknowledged they are on track with employment goals. One of which was Fed's Hammack today, stating the Fed is hitting its goals on the employment side, but they are not there yet on inflation. She also said she does not see an imminent need to cut rates and believes that the Fed is pretty close to the neutral rate. Elsewhere, for the ECB, Reuters reported that the latest Trump tariff letter means the ECB will discuss a more negative scenario next week than previously thought. However, the ECB is still seen as holding rates at the July 24th meeting as

policymakers are reluctant to act on a threat alone. The report also highlighted that any ECB rate cut discussion remains pushed back to September.

SUPPLY

Bills

- US sold USD 76bln 6mth bills at a high rate of 4.125%, B/C 3.10x; sold USD 85bln 3mth bills at a high rate of 4.245%, B/C 3.10x
- US Treasury to sell USD 70bln (prev. 50bln) of 6-week bills on July 15th; all to settle July 17th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 2bps (prev. 2bps), September 17bps (prev. 18bps), Oct 32bps (prev. 32bps), Dec 50bps (prev. 50bps).**
- NY Fed RRP Op demand at USD 218bln (prev. 182bln) across 45 counterparties (prev. 37)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 103bln (prev. 106bln) on July 11th.
- SOFR at 4.31% (prev. 4.31%), volumes at USD 2.754tln (prev. 2.735tln) on July 11th.

CRUDE

WTI (Q5) SETTLED USD 1.47 LOWER AT USD 66.98/BBL; BRENT (U5) SETTLED USD 1.15 LOWER AT USD 69.21/BBL

The crude complex was lower after Trump gave Russia 50 days to agree to a peace deal with Ukraine, or face tariffs. Beforehand, WTI and Brent saw gains in the European morning and hit initial intra-day highs after the Iranian Foreign Ministry spokesperson said Tehran will respond to the return of UN sanctions, and that no date or location has been agreed for US/Iran nuclear talks. Benchmarks continue to extend higher thereafter at hit peaks of USD 69.65/bbl and 71.53/bbl. However, the energy space sold off thereafter and as US players entered for the week, with the initial leg lower seeing no particular headline driver. The downside accelerated as US President Trump spoke on Russia, saying he is very unhappy with Russia and that he will put 100% tariffs on them if there is no peace deal with Ukraine within 50 days. He also announced that nations that buy Russian oil will face secondary sanctions. WTI and Brent saw notable downside and slid to fresh session lows and continued to settle at troughs in response to the announcement, likely as the fifty-day deadline gives time for negotiations, despite expectations for more immediate action on Russia, which drove the upside on Friday.

EQUITIES

CLOSES: SPX +0.14% at 6,269, NDX +0.33% at 22,856, DJI +0.20% at 44,460, RUT +0.67% at 2,250

SECTORS: Energy -1.20%, Materials -0.44%, Technology -0.25%, Health -0.10%, Consumer Staples +0.13%, Utilities +0.35%, Consumer Discretionary +0.37%, Industrials +0.54%, Financials +0.67%, Real Estate +0.67%, Communication Services +0.73%

EUROPEAN CLOSES: Euro Stoxx 50 -0.25% at 5,370, Dax 40 -0.37% at 24,166, FTSE 100 +0.64% at 8,998, CAC 40 -0.27% at 7,808, FTSE MIB +0.27% at 40,186, IBEX 35 +0.23% at 14,041, PSI -0.25% at 7,708, SMI -0.15% at 11,919, AEX -0.11% at 921

STOCK SPECIFICS:

- **Meta Platforms (META)** hired two more OpenAI researchers.
- **Alphabet's (GOOGL)** Google will pay ~USD 2.4bln to license AI coding startup Windsurf's tech; will hire its CEO and some staff.
- **Tesla (TSLA)** CEO Musk said Tesla will hold a shareholder vote on whether to invest in his AI Co. xAI.
- **Kraft Heinz (KHC)** plans to spin off a large part of its grocery business, including many Kraft products, into a new entity potentially valued at USD 20bln.
- **General Motors (GM)** is pausing production at its Silao plant in Mexico for several weeks.
- **BASF (BASFY)** cut 2025 EBITDA outlook citing weaker global growth and reduced chemical demand due to US tariffs.
- **Brenntag (BNTGY)** lowered 2025 EBITA outlook and missed on Q2 prelim EBITDA.
- **Kenvue (KVUE)** announced CEO transition & actions to unlock shareholder value as it reviews strategic alternatives.
- **CrowdStrike (CRWD)** downgraded to 'Equal Weight' from 'Overweight' at Morgan Stanley.
- **Best Buy (BBY)** downgraded at Piper Sandler 'Neutral' from 'Overweight'.
- **Meta's (META)** CEO Zuckerberg says co. is going to invest hundreds of billions of dollars into compute to build superintelligence; has the capital from their business to do the investment. Also building Hyperion, which will be able to scale up to 5GW over several years; Building several multi-GW clusters, calling the first one Prometheus and it's coming online in 2026.
- Bytedance reportedly developing mixed reality goggles in a challenge to **Meta (META)**, according to The Information.
- **Lucid (LCID)** CEO warns of price hikes even for US-made cars, via Bloomberg.

FX

The Dollar kicked off the week on a strong foot, trading higher against major peers following US President Trump's 30% tariff threats on the EU and Mexico over the weekend. Trade and geopolitics were the topics of the day. Trade updates concerned the EU and Mexican responses to said tariff announcements, with the former keeping things at bay, not imposing countermeasures until the US tariffs take effect on August 1st, with talks to continue in the meantime. Meanwhile, Mexican President Sheinbaum said it had done its part in the fight against fentanyl, but the US had to do its part, and on security issues, an agreement has been finalised. For

geopolitics, Trump's pressure and frustration on Russia's President Putin ramped up, with Trump announcing a 100% tariff on Russia if no peace deal with Ukraine is reached within 50 days. The 50-day delay allows time for negotiations, and it is not as extreme as the more immediate response the market was expecting on Friday, prompting oil prices to sell off as the worst-case scenario was avoided. Elsewhere, Fed's Hammack (2026 voter) reiterated no imminent need to cut rates and argued rates are pretty close to neutral, albeit, bear in mind she has previously said she's towards the top end of the Fed dot plot and usually leans hawkish. Ahead, dollar moves are likely to return to a rate differential story on Tuesday, given the release of US CPI, where core M/M expectations are for 0.3%.

G10X was entirely in the red in the fallout of Trump's latest tariff threats on two of its biggest trading partners, the EU and Mexico. Outside of trade, the G10 calendar was light, but central bank sources via Reuters were seen. At the ECB, any rate cut discussion remains pushed back to September, regardless of Trump's latest tariff threat. The central bank is to discuss a more negative scenario at next week's meeting than previously thought in June. Meanwhile, the BoJ is reportedly likely to increase its inflation forecast for FY25 but maintain consumer inflation forecasts for 2026 and 2027. Now, EUR/USD has retreated to around its 21 DMA (1.1663), while USD/JPY jumped ~ to 147.70.

Ahead of Canadian CPI on Tuesday, the **CAD** relatively outperformed with modest losses despite the bearish crude sentiment in the background. Separately, Gold chopped and meandered, heading into the US cash close lower by ~ USD 5/oz, as participants remain optimistic on the trade situation despite Trump's tariff delay resulting in another month of uncertainty.

EM: China's Yuan strengthened on Monday, buoyed by a firmer PBoC midpoint and stronger-than-expected import data. Exports in China rose 5.8% (exp. 5.0%), helped by a 32% M/M jump in rare-earth exports, signalling an easing in trade restrictions between the US and China. China's imports rose 1.1% (exp. 1.3%), rebounding less than expected from the May 3.4% decline. Weakness was seen in the INR, hitting its lowest level in more than two weeks, weighed by corporate dollar demand and equity-related outflow, Reuters reported, citing traders.

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