US Market Wrap - 15th July 2025

Bonds hit and Dollar bid as CPI report shows tariff impact

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude down, Dollar down.
- **REAR VIEW**: Mixed CPI report, but internals show tariff impact; NVDA and AMD to resume key chip sales to China; Trump announces deal with Indonesia; Decent bank profits, but JPM NII disappoints as does BLK revenue & long-term inflows; China GDP and Industrial Output beats, Retail Sales miss; OPEC maintains 2025 and 2026 global oil demand forecasts.
- **COMING UP**: **Data**: UK CPI, US PPI, Industrial Production & Capacity Utilization **Speakers**: Fed's Barkin, Barr, Cook, Hammack, Logan, Kugler & Williams **Supply**: Germany **Earnings**: J&J, PNC, BAC, Goldman Sachs, Morgan Stanley; ASML, Sandvik

MARKET WRAP

The focus of the day was largely on the June CPI report, which was mixed on the headline and core prints, initially sparking a dovish reaction. However, once the internals of the report were digested, like the 0.7% rise in core goods, it showed the start of the pricing impact from tariffs. Stocks and T-Notes reversed from the post-data highs to see US equity indices close mixed, with clear underperformance in the Russell (-1.9%) while Chip names kept the Nasdaq buoyed after Nvidia (NVDA) and AMD (AMD) secured export licenses to sell China the H20 and MI308 chips, respectively. Fed speak saw Bowman and Barr avoid remarks on policy, but Barkin warned more price pressures are coming from tariffs and Collins said the core goods inflation is showing some signs of tariff impact, and said it is time for the Fed to be "actively patient" with monetary policy. On trade, the US and Indonesia signed a trade agreement, where Indonesia will pay the US 19% on goods sold while the US will pay 0%. On earnings, big banks largely finished the session lower despite profit beats, although some NII and expense metrics disappointed. BLK, WFC & JPM closed red, while BK and MS finished green. Attention on Wednesday remains on earnings but also the PPI report to gauge how it impacts forecasts for US Core PCE. Oil and Gold were hit on the Dollar strength with upside in yields weighing on the Yen.

US

CPI: The June CPI report had something for everyone. On the headline level, CPI rose 0.3% M/M, in line with expectations, but up from the prior month's 0.1%. This took the Y/Y rate to 2.7%, above the 2.6% consensus and up from 2.4% previously. Core measures were softer, with core CPI rising 0.2% M/M, matching forecasts but still accelerating from May's 0.1%. On a Y/Y basis, core CPI came in at 2.9%, slightly above the 2.8% prior but below the 3.0% consensus. The BLS attributed June's all-items monthly increase primarily to a 0.2% rise in shelter. Regarding core data, the BLS noted that "Indexes that increased over the month include household furnishings and operations, medical care, recreation, apparel, and personal care. The indexes for used cars and trucks, new vehicles, and airline fares were among the major indexes that decreased in June." The 0.7% increase in Core Goods CPI marked the fastest monthly rise in nearly two years, indicating the early impact of tariffs. Economists at Pantheon Macroeconomics called the report a "knock-out punch" to tariff inflation deniers and estimated that Core PCE—the Fed's preferred inflation gauge—rose 0.35%, though this remains subject to revision following Wednesday's PPI report. Looking ahead, concerns remain that price pressures could intensify in the coming months, potentially due to inventory stockpiling ahead of tariff implementation. Fed Chair Powell previously suggested that tariff-related price impacts could begin to appear in the August data, due September 11th—just ahead of the September 17th FOMC. This supports the Fed's current wait-and-see stance, which allows more data to come in before the next decision. While both Waller and Bowman have indicated that a July rate cut could be appropriate, they remain in the minority on the FOMC. Chair Powell has reiterated the Fed's willingness to act more swiftly if needed, but with a resilient labour market and strong economy, there appears to be no urgency for now—despite mounting political pressure to lower rates. One important caveat is the lingering uncertainty around the full impact of tariffs, especially given Trump's latest threat to impose new tariffs if no deal is reached by August 1st. This further clouds the outlook, and Fed's Goolsbee has warned that the latest threat could delay any potential rate cuts even further.

COLLINS (voter): Boston Fed Collins said a solid economy gives the Fed time to decide its next interest rate move, noting it is challenging to set monetary policy right now amid uncertainty. Collins stated it's time for the Fed to be 'actively patient' with monetary policy, warning tariffs are to boost inflation over H2 2025, with core inflation around 3% by year's end. She said that tariffs will slow hiring but 'not necessarily by a large amount', noting strong business and household balance sheets may blunt the pain of tariffs. Good profit margins may also limit tariff pass-through. Collins warned tariffs will weigh for a time on what is now a strong economy, but the economy is currently in a 'good place' overall. She added that the core goods inflation is showing some signs of the tariff impact.

US BANK EARNINGS ANALYSIS: US earnings season began on Tuesday morning, with numbers from the likes of Blackrock (BLK), BNY Mellon (BK), JPMorgan (JPM), Wells Fargo (WFC) and Citi (C). BLK were been very choppy post-earnings, but ultimately weighed on by a revenue miss and long-term inflows significantly underwhelming, despite AUM hitting a record high. BK are supported by EPS, revenue, and NII all beating. Akin to BLK, JPM were choppy and are now lower as NII was light, and sees adj. expenses rising Y/Y. Note, EPS, rev. beat with a strong breakdown and impressive FY25 NII outlook. WFC was hit by NII and trimming guidance. C impressed with EPS, revenue, and solid NII. On profit, the start of earnings season has seen banking names largely beating expectations, with bottom line beats strong across the board with BLK, BK, JPM, WFC, and C all topping, although financial behemoth JPM saw their profit fall Y/Y as the prior-year saw accounting gain skews. Re revenue, it was more mixed with BLK missing, although C, BK, JPM, and WFC did all surpass Wall St. expectations. Continue to highlight the mixed picture across the big banks, BK beat on NII and rose 17% (exp. 11.8%), while JPM and WFC fell short on NII. C beat on the number, and sees FY25 NII ex-markets +4%. Ahead, JPM sees FY25 NII at around 95.5bln (exp. 94.57bln, prev. 94.5bln), while WFC sees FY25 NII roughly in line with 2024. On the expenses footing, JPM sees FY25 adj. expenses ~USD 4bln higher Y/Y, meanwhile WFC see FY non-interest expense at USD 54.2bln, a slight rise Y/Y. Citi affirmed FY expenses, to be marginally down Y/Y. On the potential issue of credit quality, the earnings have quelled some of those fears with JPM and WFC both printing loan loss provisions someway beneath expectations. C's total allowance for credit losses rose to 23.7bln, vs. 21.8bln Y/Y Looking ahead, PNC, BAC, GS, and MS report metrics on Wednesday.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 15+ TICKS LOWERT AT 110-09

T-Notes hit as CPI report shows impact of tariff inflation. At settlement, 2-year +5.6bps at 3.955%, 3-year +6.0bps at 3.931%, 5-year +6.5bps at 4.048%, 7-year +6.7bps at 4.256%, 10-year +6.0bps at 4.487%, 20-year +4.9bps at 5.020%, 30-year +4.3bps at 5.016%.

INFLATION BREAKEVENS: 1-year BEI +0.8bps at 2.768%, 3-year BEI +1.6bps at 2.603%, 5-year BEI +2.2bps at 2.497%, 10-year BEI +1.3bps at 2.403%, 30-year BEI +0.9bps at 2.341%.

THE DAY: T-Notes meandered overnight as attention turned to the US CPI report. The initial reaction was a dovish one, with T-Notes rising to highs of 110-30 with the core CPI measures printing softer than expected. However, once the report was digested, it was clear that the CPI numbers are starting to show the impact of Trump's tariff policies. The pace of price increases rose M/M while the core goods print rose by 0.7%, almost the fastest in two years. Meanwhile, economists who track the CPI data started forecasting their Core PCE prints for June, both Pantheon Macroeconomics and Morgan Stanley see it at 0.35% vs the prior 0.2%. There are also fears inflation will continue to accelerate in the months ahead and as tariffs filter their way through the economy and firms work through their pre-tariff inventory. Meanwhile, the impacts so far (ex-China) are on the 10% baseline tariff, with tariff rates set to rise further from August 1st, but if deals are made, it is likely the tariffs will be below the rates seen in Trump's letters. This throws another spanner in the works for the Fed, who may be dealing with rising inflation into the September meeting, with only one month of August inflation data to incorporate the August 1st tariff rates, which may take several months to filter through the economy as was seen with the April 1st tariffs. Money markets price in just 14bps of easing for September, which implies a 56% probability of a rate cut, while the first rate cut is not fully priced until October. It is currently a c. 75% probability for two rate cuts will be seen this year. Attention turns to the PPI report on Wednesday to further shape PCE expectations. There were a few scheduled Fed speakers on Tuesday, but neither Bowman or Barr spoke on policy, while Barkin warned that more price pressures are coming from tariffs, and Collins said the solid economy gives Fed time to decide its next interest rate move, and it is time for Fed to be 'actively patient' with monetary policy.

SUPPLY

Bills

- US sold USD 70bln of 6-wk bills at 4.260%, covered 2.92x
- US to sell USD 90bln (prev. 80bln) of 4-week bills and USD 80bln (prev. 70bln) of 8-week bills on July 17th, to sell USD 65bln (unch.) of 17-week bills on July 16th; all to settle July 22

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: July 1bps (prev. 2bps), September 14bps (prev. 17bps), Oct 27bps (prev. 32bps), Dec 44bps (prev. 50bps).
- NY Fed RRP Op demand at USD 198bln (prev. 218bln) across 36 counterparties (prev. 45)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 104bln (prev. 103bln) on July 14th.
- SOFR at 4.33% (prev. 4.31%), volumes at USD 2.759tln (prev. 2.754tln) on July 14th.

CRUDE

WTI (Q5) SETTLES USD 0.46 LOWER AT 66.52/BBL; BRENT (U5) SETTLES USD 0.50 LOWER AT 68.71/BBL

The crude complex was choppy on Tuesday, but ultimately settled with mild losses . Overall, energy specific newsflow focused on geopolitics but focus centred around a US CPI report which had something for everyone, big bank earnings, and positive US chip news. WTI and Brent saw modest upside in the European morning after FT sources reported that Trump asked Ukrainian President Zelensky if Ukraine could hit Moscow in the scenario that the US provided long-range weapons, and Zelensky reportedly replied, "Absolutely. We can if you give us the weapons." However, the White House later said the FT article about a call between Trump and Zelensky misinterpreted Trump, and the POTUS was "merely asking" a question. Elsewhere, energy newsflow was light as WTI and Brent chopped between USD 66.22-67.13/bbl and 68.60-69.41/bbl, respectively, ahead of private inventory data after hours, whereby current expectations are (bbls): Crude -0.6mln, Distillate +0.2mln, Gasoline -1mln. For the record, and although garnered little market reaction, OPEC MOMR saw 2025 and 2026 global oil demand forecasts maintained, with 2025 supply forecast held at 0.8mln BPD.

EQUITIES

CLOSES: SPX -0.41% at 6,243, NDX +0.13% at 22,885, DJI -0.98% at 44,023, RUT -1.92% at 2,206.

SECTORS: Technology +1.27%, Materials -2.11%, Health -1.88%, Financials -1.65%, Energy -1.35%, Real Estate -1.30%, Consumer Discretionary -1.09%, Utilities -0.92%, Consumer Staples -0.83%, Industrials -0.76%, Communication Services -0.62%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.28% at 5,356, Dax 40 -0.32% at 24,084, FTSE 100 -0.66% at 8,938, CAC 40 -0.54% at

7,766, FTSE MIB -0.66% at 39,921, IBEX 35 -1.15% at 13,875, PSI +0.00% at 7,707, SMI -0.50% at 11,881, AEX +0.30% at 923.

STOCK SPECIFICS:

- **NVIDIA (NVDA)** will resume H20 GPU sales to China after applying for US licences, with deliveries expected soon.
- **AMD (AMD)** to resume MI308 chip shipments to China once the license clears.
- **Oracle (ORCL)** to invest USD 3bln in Europe.
- **The Trade Desk (TTD)** will join the S&P 500, effective July 18th.
- **CoreWeave (CRWV)** USD 9bln acquisition of **Core Scientific (CORZ)** has unsettled holders of Core Scientific's convertible bonds
- **Tesla's (TSLA)** top North American sales executive Troy Scott leaves amid sales slump, WSJ reports.
- DoJ ends Polymarket probe in win for crypto betting under Trump, according to Bloomberg. Of note for **DraftKings (DKNG)** and **Penn Entertainment (PENN)**.
- **Embraer (ERJ)** CEO says 50% US tariff would generate additional cost of around USD 9mln per jet and could cause order cancellations and deferred deliveries. So far, no order cancellations, but the impact on revenues could be similar to the COVID crisis.
- **Blackstone (BX)** to invest over USD 25bln in Pennsylvania's digital and energy infrastructure, plus catalyse an additional USD 60bln investment. Forms JV with PPL (PPL) for gas power facilities.

EARNINGS:

- **JPMorgan (JPM):** Top and bottom line beat with strong revenue breakdown; Expenses seen rising Y/Y.
- **Wells Fargo (WFC):** NII light
- **Blackrock (BLK):** Revenue missed and long-term net inflows fell ~10%
- **Citi (C):** EPS, revenue, and NII beat; FY25 revenue outlook beat.
- **Bank of New York Mellon (BK):** EPS, revenue and NII topped.
- Newsquawk Analysis on bank earnings available here.

US FX WRAP

The Dollar was firmer on Tuesday, and rallied throughout the US session to see the Dollar Index to hit a high of 98.699. The highlight was the US CPI which had something in it for everyone, but tariff impacts began to show. On the headline level, M/M rose 0.3%, in line with expectations, but up from the prior month's 0.1%, which took the Y/Y to 2.7% (exp. 2.6%, prev. 2.4%). Core measures were softer, rising 0.2% M/M, matching forecasts but still accelerating from May's 0.1%. On a Y/Y basis, Core rose 2.9% (prev. 2.8%, exp. 3.0%). In wake of the metrics, Fed pricing saw a hawkish move and no longer fully prices in two rate cuts in 2025. Meanwhile, US earnings season began with the likes of JPM, WFC, and BLK all reporting ahead of GS, and MS on Wednesday. A deluge of Fed speak was scheduled, but only Collins and Barkin spoke on monpol. Collins said the solid economy gives the Fed time to decide its next interest rate move, and it is challenging to set monetary policy right now amid uncertainty.

G10 FX was lower across the board, albeit to varying degrees, as the CAD saw the least losses as an in line Canadian CPI failed to move the needle for the Loonie. Highlighting the relative non-event, BoC money market pricing was little moved with 14bps of easing priced in by year-end. Yen was the laggard and weighed on by the rise in US Treasury yields, as well as potential caution heading into the Japanese Upper House election on July 20th. Elsewhere, PM Ishiba and Japan Trade Chief Akazawa are to meet with US Treasury Secretary Bessent during his trip to Japan, via Yomiuri, and the meeting is being considered for July 18th in Tokyo. USD/JPY hit a peak of 149.01, against earlier lows of 147.56.

Antipodeans, EUR, CHF, and GBP all saw similar losses amid the Dollar strength although the single-currency Euro did have some headlines to contend with. Amid the uncertainty in France, PM Bayrou said the 2026 budget effort will be worth nearly EUR 44bln (exp. around 40bln), while on the data footing German ZEW data showed a better-than-expected improvement for the expectations and current conditions components but failed to have any sway on the EUR. EUR/USD traded between 1.1594-1.1692.

Cable saw a peak of 1.3467 against an earlier low of 1.3379, as participants' focus turns to Mansion House text releases from BoE Governor Bailey and Chancellor Reeves due at 21:00BST today. Of potentially greater importance is this week's data releases. Wednesday sees UK CPI metrics with headline Y/Y CPI expected to rise to 3.5% from 3.4% and services remain at an elevated rate of 4.6%. On the following day, UK labour market data will be scoured for further evidence of a loosening in the UK jobs market with particular focus on any upward revision to the prior HMRC payrolls change metric, which showed the largest decline since May 2020.

EMFX was largely weaker vs the rising greenback, although CLP and BRL saw strength. Out of China, mixed tier-1 data releases were seen in which GDP figures for Q2 and Industrial Production in June topped forecasts, but Retail Sales and Fixed Assets Investments disappointed, while House Prices were varied and continued to contract.