

# newsquawk

## US Market Wrap - 17th July 2025

### Stocks gain and bonds flatten amid positive US data

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up
- **REAR VIEW:** Retail Sales top expectations, albeit not as strong in real terms; Initial Claims unexpectedly fall; US export prices above exp. while import prices came in below; Philly Fed tops expectations; Atlanta Fed GDPnow (Q2) revised lower; Fed's Williams sees the need for more data before deciding next move; Kugler backs a steady policy rate for "some time"; Daly says neutral rate is at least 3%; Poor UK and Australian jobs reports; Taouki oil field attacked in Kurdistan; US to impose 93.5% tariff on battery material from China; TSM earnings impress, ELV disappoints.
- **COMING UP: Data:** Japanese CPI, German Producer Prices, US Building Permits/Housing Starts, UoM prelim, Atlanta Fed GDPNow. **Events:** G20 Finance Ministers Meeting. **Speakers:** ECB's Nagel, German Finance Minister Kilngbeil. **Earnings:** 3M, American Express, Charles Schwab, Atlas Copco, Hexpol, Boliden, Skanska, Telia, Danske Bank.

### MARKET WRAP

Indices saw broad-based gains on Thursday amid a hatful of US data (retail sales, jobless claims, import/export prices, Philly Fed), numerous earnings, and a slew of Fed speak which broadly echoed the known Fed theme. US data was broadly strong - Retail Sales (Jun) printed way above expectations, as did control, although analysts highlight the strength was not as strong in real terms. The Philly Fed (Jul) headline rose above the top end of the forecast range, while initial jobless claims unexpectedly fell to 221k (exp. 235k, prev. 228k). Export prices rose 0.5% (exp. 0.0%, prev. -0.6%) and import prices only lifted 0.1% (exp. 0.3%), with the prior month revised notably lower to -0.4% from 0.0%. In wake of the data, the latest Atlanta Fed GDPNow Model for Q2 was revised lower to 2.4% from 2.6%. On the Fed footing, Williams, Kugler, and Daly all spoke since Wednesday's close, with the former noting the current state of interest rate policy allows the Fed time to analyse data, and the latter said two rate cuts seem 'reasonable' this year. Attention turns to Waller overnight. Sectors are almost exclusively in the green, with only Health in the red, weighed by disappointing Elevance Health (-13.5%) earnings. Technology, Financials, and Industrials sit atop the pile. The Dollar was firmer to the detriment of all G10 FX, with the Aussie lagging in wake of a weak jobs report overnight. The crude complex gained and was supported by further drone strikes on Iraqi oil fields, and rallied into settlement to settle at highs amid the broader risk on trade. T-Notes flatten in unwind of Trump vs. Powell trade with attention on US data, while spot gold saw marginal losses but resides off session troughs. As mentioned, Waller overnight is the focus ahead of the Fed blackout at the end of Friday, as well as earnings from MMM, AXP, SCHW, and also preliminary UoM for July.

### US

**RETAIL SALES:** Overall, the US Retail Sales report was strong vs. expectations, but less impressive when compared to real terms. The headline rose by 0.6%, well above the 0.1% consensus but more aligned with BofA's forecast of 0.7%, who run a great track record when forecasting retail sales. Ex-autos sales rose by 0.5%, topping the 0.3% forecast, while the retail control jumped 0.5%, also above the 0.3% forecast, albeit this was somewhat offset by a revision lower to the prior to 0.2% from 0.4%. Looking into the report, the June report gains were solid across the majority of businesses, with a 1.8% rise in miscellaneous store retailers, a 1.2% acceleration in motor vehicle and parts dealers, with building materials and clothing both rising by 0.9%. Furniture and electronic store sales both declined by 0.1%, while gasoline station sales were flat M/M. Regarding the control measure, which excludes receipts from auto dealers, building-materials retailers, gas stations, office supply stores, mobile homes and tobacco stores, it bodes well for the consumer spending report of Q2 GDP, as it is a more precise method of gauging consumer spending as it is more filtered. However, given that retail sales are measured in nominal dollar terms, it can be largely influenced by inflation. Pantheon Macroeconomics highlights that sales growth is less impressive in real terms, and the consumer slowdown is still in train.

**IMPORT/EXPORT PRICES:** US Import prices rose by just 0.1% in June, beneath the 0.3% forecast but up from the prior revised -0.4%. The higher prices for nonfuel imports more than offset lower prices for fuel imports in June. Fuel prices fell 0.7% in June, with lower prices for natural gas more than offsetting higher prices for petroleum. Imports ex-fuel rose 0.1%, as higher prices for nonfuel industrial supplies and materials and consumer goods more than offset lower prices for foods, feeds, and beverages and automotive vehicles. Foods, feeds and beverages fell 0.8%, while nonfuel industrial supplies rose 0.7%. Oxford Economics highlights that the low import prices show that foreign exporters to the US are eating up the tariff cost, offsetting some of the impact of tariffs for now in the US. Nonetheless, OxEco highlights that "Even with foreign producers taking some of the initial burden of tariffs, US consumers are still facing higher prices". Within the BLS report, it highlights that import prices from China and Japan both rose 0.5% and 0.6% from the EU, but Canada and Mexico declined by 0.1%. Elsewhere, export prices rose by 0.5%, above the 0.0% forecast and vs the prior upwardly revised -0.6%. Higher prices for both nonagricultural and agricultural exports drove the June increase. Export prices to China fell 2.5%, the largest decline since December 2022, while prices of exports to Japan rose 1.0%. Canada export prices rose 2.4%, the largest since March 2022, and the EU export prices rose 0.4%, with Mexico export prices rising 0.1%.

**JOBLESS CLAIMS:** Initial jobless claims (w/e 12th July) unexpectedly fell to 221k from 228k, with expectations for a rise to 235k, which meant the 4wk average dipped to 229.5k from 235.75k. Note, seasonal factors had expected an increase of 28,261 W/W. Looking at the breakdown, New York (9,071), Nevada (4,274), and Texas (3,011) had the most claims, while Michigan (-4,902), New Jersey (-3,347), and Tennessee (-2,609) fell the greatest. On the headline, ING notes the improvement may be tied to the timing and scale of auto retooling shutdowns, which can prompt volatility over summer months, given the cooling in hiring surveys and warning

of rising lay-offs in manufacturing. As such, ING thinks the risk is that it moves higher once again over late summer. Continuing claims (w/e 5th July) marginally rose to 1.956m (exp. 1.965m, prev. 1.954m), with ING adding that the upward trend reinforces concerns about the cooling labour market and the challenges of finding new work if you lose your current job.

**PHILADELPHIA FED:** The Philly Fed Manufacturing survey surged in July (survey responses collected between July 7 and 14th) to 15.9 from -4.0, the first positive reading after three negative readings and its highest reading since February. New Orders and Shipments also returned to positive territory and recorded the highest reading since February. The Employment component rose 20 points to 10.3 and "mostly recovered its decline from last month". On prices, prices paid rose to 58.8 from 41.4, largely undoing their fall in June. Prices received rose 5 points to 34.8. Regarding the outlook, firms continue to expect increases in wages, and future indicators remain positive. Future index of general activity rose 3 points to 21.5, new orders rose 8 points to 30, and future shipments fell 4 points to 23.6. Increases in employment are expected over the next six months, but it fell five points to 20.1.

**NAHB:** NAHB housing market index marginally lifted to 33 in July from 32.0 in June, which was in line with Wall St. consensus. Current sales conditions rose one point to 36, sales expectations in the next six months lifted to 43 (prev. 40), and traffic of prospective buyers fell to 20 from 19. The latest HMI survey revealed that 38% of builders reported cutting prices in July (vs. 37% in June, 34% in May, and 29% April), the highest percentage since NAHB began tracking this figure on a monthly basis in 2022. In addition, the average price reduction was 5% in July, the same as it has been every month since last November, and the use of sales incentives was 62% in July, unchanged M/M.

## FED

**WILLIAMS** (Vice Chair): The NY Fed President still maintains the view that more data is needed before deciding the next policy move, and refrained from commenting on the US President's attacks on the Fed. On inflation, Williams said it has moderated unevenly, in part due to housing-related factors, while there has been good news on service sector inflation. He noted that he's not surprised tariff impacts have been modest so far and the impacts will increase over time, boosting inflation by one percentage point in the rest of 2025 into 2026. Overall inflation is likely at 2.5% in June, core at 2.75%, with inflation standing at between 3-3.5% this year, easing to 2.5% in 2026, and 2% in 2027. On the economy, said it's in a good place, the labour market is solid, job growth and labour supply are slowing. "Current policy is likely to reduce inflation and moderately weaken the labour market", with the economy to grow around 1% this year and unemployment to rise to 4.5% by year-end (in fitting with June SEP median).

**DALY** (2027 voter) spoke extensively, and she noted rates have been restrictive for a significant number of years, and June's CPI showed some of the effect of tariffs, and they might have a more muted impact from tariffs than they thought. On rates, the San Fran President said they do not want to lower rates pre-emptively, and two rate cuts this year is a 'reasonable' outlook. When asked about the possibility of a July rate cut, she said that's the wrong question, and the question is the direction of travel, which is that rates will be cut consistent with falling inflation. Further on the time frame, Daly suggested that whether a rate cut happens in July or September is not the most relevant. Ahead, Daly said, rates will eventually settle 3% or higher, and that's higher than the neutral rate pre-pandemic, and she has pencilled in 3% [as the neutral rate] in her head, and it is either 3% or north of three, but she has to have an open mind. On the data footing, she continued to reiterate the Fed's preference that PCE is the most reliable indicator of inflation looking ahead.

**KUGLER** (voter): Repeated the known Fed rhetoric that it is appropriate to keep policy steady "for some time," given low unemployment and increasing pressure from tariffs. Kugler added that a restrictive stance is important currently to keep inflation expectations anchored, and that her June PCE estimate is 2.5% vs a target of 2% and core at 2.8%. On inflation, noted CPI shows inflation broadening across core goods, and there are many reasons to believe that the larger impact of tariffs on inflation is yet to come.

## FIXED INCOME

### T-NOTE FUTURES (U5) SETTLED 3+ TICKS LOWER AT 110-16+

**T-Notes flatten in unwind of Trump v Powell trade with attention on US data.** At settlement, 2-year +3.4bps at 3.919%, 3-year +3.2bps at 3.892%, 5-year +2.1bps at 4.006%, 7-year +1.6bps at 4.225%, 10-year +1.0bps at 4.465%, 20-year +0.4bps at 5.016%, 30-year +0.1bps at 5.016%.

**INFLATION BREAKEVENS:** 1-year BEI +4.8bps at 2.828%, 3-year BEI +3.7bps at 2.657%, 5-year BEI +4.4bps at 2.548%, 10-year BEI +2.2bps at 2.433%, 30-year BEI +2.1bps at 2.368%.

**THE DAY:** The Treasury curve flattened on Thursday, unwinding the Wednesday steepening in the Trump v Powell fiasco. The 2s30s curve is back to 108bps, just a touch steeper than where it opened on Wednesday. The fate of the Fed Chair and Powell's successor remains in focus, but the highlight on Thursday was the US data. On the face of it, all the data was strong, but some of the internals paint a different picture. Initial Jobless Claims fell back to 221k from 228k, beneath the 235k forecast. Continued claims were little changed, but beneath forecasts. Meanwhile, the Philly Fed surged; however, Retail Sales were strong across the board on the headlines, but when adjusted for inflation, the data was not as strong. Import Prices came in beneath expectations, boding well for PCE. Oxford Economics also highlights that the soft import prices show foreign exporters to the US are eating up the tariff cost. T-Notes hit low on the data before swiftly paring to fresh session highs of 110-25, perhaps as the Retail Sales, when adjusted for inflation, was not as promising as the headline suggested. Softer import prices would have also been supportive of the move. In wake of the Retail Sales and Import/Export price data, the Atlanta Fed GDPNow saw growth being tracked at 2.4%, down from the 2.6% previously on 9th July.

## SUPPLY

### Bills

- US sold USD 90bn of 4wk bills at a high rate of 4.230%, B/C 2.91x; sold USD 80bn of 8-week bills at a high rate of 4.270%, B/C 2.60x

- US to sell USD 80bln 6wk bills (prev. 70bln) on July 22nd; to sell USD 82bln 13wk bills and USD 73bln 26wk bills on July 21st.

#### Notes/Bonds

- US to sell USD 13bln 20yr bonds on July 23rd, to settle on July 31st.
- US to sell USD 21bln 10yr TIPS on July 24th; to settle on July 31st

#### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 1bps (prev. 1bps), September 14bps (prev. 16bps), Oct 26bps (prev. 29bps), Dec 42bps (prev. 46bps).**
- NY Fed RRP op demand at USD 193bln (prev. 197bln) across 35 counterparties (prev. 35).
- EFRR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 101bln) on July 16th.
- SOFR at 4.34% (prev. 4.37%), volumes at USD 2.771tn (prev. 2.784tn) on July 16th.

## CRUDE

**WTI (U5) SETTLED USD 1.04 HIGHER AT 66.23/BBL; BRENT (Q5) SETTLED USD 1.00 HIGHER AT 69.52/BBL**

The crude complex was firmer and largely supported by further drone strikes on Iraqi oil fields, and rallied into settlement to settle at highs. Benchmarks edged higher through the European morning and saw a further bout of strength amid Al Arabiya reports of drone attacks targeting the Taouki oil field in the Kurdistan Region of Iraq. In wake of the modest upside seen, the energy space was choppy and resumed to the downside. The downside was further exacerbated to almost test intra-day lows on reports that the Iraqi Government has decided that Iraq's Kurdistan to immediately deliver 230k BPD of oil to SOMO. However, as European players started leaving for the day, WTI and Brent ground higher for the rest of the session to hit highs of USD 66.29/bbl and 69.42/bbl, respectively. Note, there was a deluge of US data (retail sales, jobless claims, Philly Fed, import/export prices), Fed speak (Kugler, Daly), and plenty of earnings, but they did little to move the energy space.

## EQUITIES

**CLOSES:** SPX +0.54% at 6,297, NDX +0.74% at 23,078, DJI +0.52% at 44,484, RUT +1.20% at 2,254

**SECTORS:** Health -1.18%, Real Estate -0.16%, Consumer Discretionary +0.31%, Communication Services +0.36%, Utilities +0.37%, Energy +0.42%, Materials +0.60%, Consumer Staples +0.87%, Industrials +0.87%, Technology +0.89%, Financials +0.92%

**EUROPEAN CLOSES:** Euro Stoxx 50 +1.46% at 5,376, Dax 40 +1.49% at 24,367, FTSE 100 +0.52% at 8,973, CAC 40 +1.29% at 7,822, FTSE MIB +0.92% at 40,129, IBEX 35 +0.84% at 14,003, PSI +0.02% at 7,696, SMI +0.34% at 11,952, AEX +1.37% at 914.

#### EARNINGS:

- **TMSC (TSM):** Net profit beat and rose to a record high, driven by strong demand for AI chips; Strong next quarter revenue outlook.
- **Elevance Health (ELV):** Profit missed, weak FY outlook and warned on costs.
- **GE Aerospace (GE):** Top and bottom line beat alongside raising FY outlook.
- **PepsiCo (PEP):** EPS and revenue topped.
- **United Airlines (UAL):** Revenue missed with next quarter profit midpoint guide light.
- **US Bancorp (USB):** EPS and revenue fell short with slightly disappointing next quarter NII view.
- **Marsh & McLennan (MMC):** Major metrics surpassed Wall St. expectations.

#### STOCK SPECIFICS:

- **Sarepta Therapeutics (SRPT)** announced job cuts and restructuring plans.
- **Union Pacific (UNP)** explores potential rival bid; CEO has expressed interest in a transcontinental railroad, implying possible interest in **CSX (CSX)** or **Norfolk Southern (NSC)**.
- China's Zangge Mining halted lithium prod. at a unit in Qinghai province on orders from local officials. Of note for **Albemarle (ALB)** and **SQM (SQM)**.
- Major US corn syrup makers pressured after Trump said he has been speaking to **Coca-Cola (KO)** about using real cane sugar in Coke in the US, and they agreed. Of note for **Archer-Daniels-Midland (ADM)** and **Ingredion (INGR)**.
- **MP Materials (MP)** announced a USD 500mln underwritten public offering of common stock with shares priced between USD 54.50-56.00.
- **Uber (UBER)** to invest USD 300mln in **Lucid Group (LCID)** as part of robotaxi partnership.
- **Amazon's (AMZN)** AWS cloud computing unit cuts jobs, according to Reuters, citing a co. spokesperson, noting several groups were impacted.
- **Meta (META)** names Connor Hayes head of Threads, according to Axios.
- **Pepsi (PEP)** CEO says co. will have to pass on some tariff costs to consumers, via CNBC.
- **Rivian (RIVN)** restarting work on its Georgia factory, according to TechCrunch.
- **Wells Fargo (WFC)** suspended all travel to China after the exit ban, according to WSJ.
- Bahrain's Gulf Air signs deal for 18 **Boeing (BA)** 787 aircraft, BNA reports.

## FX

**The Dollar** regained the weakness seen on Wednesday in response to reports of a possible Trump firing of Fed Chair Powell. Aside from Trump's rebuttal of the reports, the intraday strength was likely helped by the growing view of the infeasibility of such a move, given that the Chair's term ends in eight months, and a termination would likely take months in courts to come to life, rendering little return for the US President. Latest US data brought DXY to fresh session highs of 98.951, albeit the level was short-lived. Retail Sales and the control gauge topped expectations, while initial claims unexpectedly fell, signalling no imminent deterioration in the labour market. Import prices were cooler than expected in June, while export prices were hotter than expected despite export prices to China falling 2.5%, its largest decline since December 2022. The day saw multiple Fed speakers, highlights include Daly seeing the neutral rate of at least 3% and Williams/Kugler advocating for rates to remain steady. Separately, the BoE has reportedly asked some lenders to test for resilience to USD shocks, a similar move to the ECB, testing scenarios such as the USD swap market drying up.

**G10 FX** was entirely in the red, mainly influenced by the USD comeback from Wednesday rather than region-specific updates. Nonetheless, job reports in the UK and Australia were in focus. Both reports disappointed on job growth and saw unexpected upticks in the unemployment rates. Sterling, however, saw relative outperformance; likely as a whole, the report is unlikely to alter the BoE's policy path (exp. 50bps easing by year end), particularly with the -109k HMRC payroll reading in May being revised up to -25k. Wage metrics surprised on the upside. Cable trades at ~ 1.3410 while AUD/USD hit lows of 0.6455 before bouncing back to its 50 DMA (0.6490).

**Haven FX** was entirely in the red, with the CHF's underperformance vs the JPY continuing while Gold pared some of the haven bid it saw thanks to concerns over Fed independence. USD/JPY jumped back to 148.70, USD/CHF rose to 0.8050, and Gold fell to 3,340/oz.

**EMFX:** In Brazil, the IGP-10 Inflation Index posted a bigger deflationary print than expected; meanwhile, President Lula said they are going to regulate and tax US companies. Concerning TRY, the latest CRBT Reuters poll revealed expectations are for rates to be cut by 250bps to 43.5% next week. Amid the USD strength in Asia, INR hit a three-week low, but dollar sales from exporters and foreign banks, likely on behalf of custodial clients, helped limit INR's losses, traders said, according to Reuters.

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