

newsquawk

US Market Wrap - 23rd July 2025

Risk assets bid and havens hit on US/Japan deal and touted EU deal

- **SNAPSHOT:** Equities up, Treasuries down, Crude flat, Dollar down
- **REAR VIEW:** US & Japan reach trade deal, US tariff on Japan lowered to 15% from 25%; US & EU reportedly closing in on 15% tariff deal; EU member states to vote counter tariffs on US goods on Thursday; Japanese PM Ishiba rejects reports that he is to resign; Strong US 20yr bond auction; EIA crude stocks show bigger-than-expected draw; Iran says it intercepted a US destroyer in the Gulf of Oman; Bessent says in no rush for Fed Chair; Weak 40yr JGB auction; Soft TXN outlook.
- **COMING UP:** **Data:** Global PMIs, German GfK Consumer Sentiment, US Jobless Claims, Canadian Retail Sales. **Events:** ECB & CBRT Policy Announcement. **Speakers:** RBNZ's Conway; RBA's Bullock; ECB President Lagarde. **Supply:** Australia, Italy, US. **Earnings:** LVMH, BNP Paribas, TotalEnergies, STMicroelectronics, Nestle, Deutsche Bank, Intel, American Airlines, Blackstone, Dow Chemical, Nasdaq, Honeywell, Keurig Dr Pepper.

MARKET WRAP

Stocks were bid and bonds were hit on Wednesday, with focus on trade updates. The US announced a trade deal with Japan where Japan will pay a 15% tariff on imports to the US, down from the previous 25%, while focus has also been on a touted EU deal, which also suggests a 15% tariff rate, albeit this is yet to be officially confirmed. The EU reports sent European equity futures soaring while EZ debt saw chunky selling. The Euro was bid vs the softer dollar, albeit the cyclical currencies outperformed on the risk environment, while havens underperformed, aside from the Yen, given the trade deal announcement. Gold prices were sold amid haven outflows amid reduced trade uncertainty, while the higher US yields also hit the precious metal. Crude prices settled flat with downside in the morning, largely pared by settlement, while the DoE data saw a larger crude stock draw than expected, with distillates posting a surprise build with gasoline seeing a larger draw than forecast. In Fixed, the US 20yr bond auction was strong relative to recent auctions, sparking short-lived upside as attention shifted back to trade. Focus remains on confirmation of the EU tariff rate, but also on US/China talks next week. On earnings, healthcare names (ISRG, BSX, TMO) performed well, but tech names (TXN, SAP) disappointed.

US

EXISTING HOME SALES: Existing home sales fell 2.7% in June to 3.93mln from 4.04mln, and beneath the expected 4.0mln. Inventory of homes for sale was 1.53mln units or 4.7 months' worth (prev. 1.54mln units, 4.6months' worth), with the national median home price rising to a record high USD 435,300, +2% Y/Y. Within the report, NAR Chief Economist Yun said, "Multiple years of undersupply are driving the record high home price, and home construction continues to lag population growth." As such, Yun adds this is holding back first-time home buyers from entering the market, and more supply is required to raise the share of first-time homebuyers in the coming years even though some markets appear to have a temporary oversupply at the moment.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLE 12+ TICKS LOWER AT 111-00+

T-notes sold in response to Japan trade deal and touted EU deal. At settlement, 2-year +5.1bps at 3.882%, 3-year +5.4bps at 3.831%, 5-year +5.8bps at 3.934%, 7-year +5.6bps at 4.146%, 10-year +5.2bps at 4.388%, 20-year +4.5bps at 4.937%, 30-year +4.6bps at 4.949%.

INFLATION BREAKEVENS: 1-year BEI -7.4bps at 2.763%, 3-year BEI -3.0bps at 2.576%, 5-year BEI -2.5bps at 2.472%, 10-year BEI -0.8bps at 2.372%, 30-year BEI -0.2bps at 2.312%.

THE DAY: T-notes sold off overnight on the announcement of a Japanese trade deal with the US. T-notes had pared in the US morning, but better selling resumed ahead of the 20yr bond auction, exacerbated by reports that the US and EU are set to sign a 15% tariff deal. This saw T-notes head into the 20yr bond auction at lows, which was ultimately very strong. There was only minor strength in T-note futures in the wake of the auction, but this reaction was swift, with a primary focus on the trade updates. The FT reported the two nations are heading for a 15% tariff deal, adding that the deal could include exemptions on some products, including aircraft, spirits and medical devices. The report heavily hit European debt, with Bund futures tumbling to session lows, weighing on T-notes. Elsewhere, US existing home sales were softer than expected but had little impact on price action.

SUPPLY

Bills

- US sold USD 65bln of 17wk bills at a high rate of 4.225%, B/C 3.55x

Notes/Bonds

- US sold USD 13bln of 20yr bonds at a high yield of 4.935%, stopping through the When Issued by 1.6bps, an improvement when compared to the prior auction yield being on the screws, and six-auction average of a 0.1bps stop through. The bid-to-

cover was also strong at 2.79x, up from the prior 2.68x and average of 2.62x. Both indirect and direct demand saw a slight improvement. Direct demand rose to 21.86% from 19.9%, above the 18% average, while Indirect demand rose to 67.43% from 66.7%, just below the average 68.0%. This left dealers with a below-average 10.72%, down from the prior 13.4%.

- US to sell USD 21bln of 10yr TIPS on July 24th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 1bps (prev. 1bps), September 16bps (prev. 16bps), Oct 28bps (prev. 29bps), Dec 45bps (prev. 47bps).**
- NY Fed RRP op demand at USD 190bln (prev. 196bln) across 30 counterparties (prev. 34)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 107bln (prev. 108bln) on July 22nd
- SOFR at 4.28% (prev. 4.28%), volumes at USD 2.692tln (prev. 2.688tln) on July 22nd

CRUDE

WTI (U5) SETTLED USD 0.06 LOWER AT USD 65.25/BBL; BRENT SETTLED USD 0.08 LOWER AT USD 68.51/BBL

The crude complex was choppy, but ultimately lower, as energy-specific newsflow was light with wider focus on US trade deals, as tariff woes continue to remain ahead of the August 1st deadline. Overnight, US President Trump announced a Japanese trade deal, who will pay a reciprocal tariff of 15%. In the US session, Trump warned that he will only lower tariffs if a country agrees to open its market, "if not, much higher tariffs!", while there was focus on EU/US trade negotiations. US Treasury Secretary Bessent said today that talks with Brussels are better than they had been. Meanwhile, the FT and Reuters reported that the two sides are nearing a deal which will see the EU pay a 15% tariff, although WH Trade Advisor Navarro said to take these reports with a "grain of salt". Lastly, on the trade footing, the Chinese Commerce Ministry confirmed that Chinese Vice Premier is to hold talks with the US next week. In the weekly EIA data, crude saw a greater draw than expected, in contrast to the private metrics last night seeing a shallower draw than forecasted. Distillates had a surprise build and Gasoline saw a greater-than-expected draw, both in fitting with API figures. Overall, crude production was down 102k bbl W/W. For the record, WTI and Brent traded between USD 64.71-65.78/bbl and 68.00-69.10/bbl, respectively.

EQUITIES

CLOSES: SPX +0.78% at 6,359, NDX +0.43% at 23,162, DJI +1.14% at 45,010, RUT +1.53% at 2,283

SECTORS: Health +2.00%, Industrials +1.73%, Energy +1.53%, Technology +0.71%, Financials +0.68%, Consumer Discretionary +0.38%, Communication Services +0.28%, Real Estate +0.16%, Materials +0.10%, Consumer Staples -0.07%, Utilities -0.82%

EUROPEAN CLOSES: Euro Stoxx 50 +1.00% at 5,343, Dax 40 +0.73% at 24,217, FTSE 100 +0.42% at 9,061, CAC 40 +1.37% at 7,850, FTSE MIB +1.33% at 40,697, IBEX 35 +0.11% at 14,057, PSI -0.37% at 7,718, SMI +1.51% at 12,074, AEX +0.77% at 908

STOCKS SPECIFICS

- **Texas Instruments (TXN):** Soft outlook, fuelling concerns that recent tariff-driven demand may not last; investor sentiment worsened during earnings call as management adopted a more negative tone.
- **Intuitive Surgical (ISRG):** EPS, revenue & net income topped expectations.
- **SAP (SAP):** Cloud revenue missed.
- **Thermo Fisher Scientific (TMO):** Top & bottom lines surpassed expectations.
- **TE Connectivity (TEL):** EPS & revenue topped with strong next quarter profit view.
- **Hilton Worldwide Holdings (HLT):** Profit view disappointed.
- **Otis Worldwide (OTIS):** Revenue light & FY guidance underwhelmed.
- **GE Vernova (GEV):** Major metrics surpassed expected & lifted FY view.
- **AT&T (T):** EPS & revenue see marginal beats; reiterated outlook.
- **General Dynamics (GD):** EPS & revenue beat with upbeat comms.
- **Amphenol (APH):** EPS, rev., and Q3 guidance beat.
- **NextEra Energy (NEE):** EPS beat; rev. and guidance missed.
- **Toyota Motor (TM) / Honda Motor (HMC):** Surging following US/Japan trade deal where tariffs on Japanese cars will be lowered to 15% from 25%.
- **Tesla (TSLA)** and Nevada officials reportedly in early talks on robotaxi service, according to Bloomberg.
- Puerto Rico ends talks with **New Fortress (NFE)** on USD 20bln LNG deal, according to Bloomberg.

FX

The Dollar saw mixed movement on Thursday, weakening against higher-beta FX as risk appetite increased in response to the announced US-Japan trade deal. While the deal still sees Japan pay 15% tariffs on US and the 50% tariff on steel and aluminium reportedly remains, the decrease from the prior 25% on all imports is welcome news, with uncertainty over global trade reducing ahead of August 1st. That said, conflicting positions were voiced on the US-EU trade talks, where an FT report suggests the US and EU are closing in on a 15% tariff deal, including some exemptions. However, in the event of no deal the EU bloc is said to prepare and vote on a possible EUR 93bln package of countermeasures on Thursday. That said, White House Trade Advisor Navarro, on the FT report, said he would take it with a grain of salt. The FT report sparked immediate downside in DXY, which held into APAC trade. Elsewhere, Existing Home Sales fell 2.7%, a bigger decline than expected, weighed by declines in the Northeast.

EUR/USD strengthened on the possibility of US-EU trade talks resulting in a 15% tariff deal, hitting highs of 1.1774. Despite Navarro's

attempt to downplay the report, EUR/USD continued to march higher thereafter, but Sterling outperformed on its cyclical nature, seeing EURGBP fall to ~ 0.8670. As mentioned, the EU are discussing countermeasures in the event no deal is reached with the US, while Germany's Chancellor Merz noted he is hearing there may be a decision on trade with the US, although, provided no further details. Ahead of the ECB's policy announcement on Thursday, markets are widely expecting rates to stay put, with money markets pricing in a 94% chance of no change. [Click here for the Newsquawk ECB Preview.](#)

Activity currencies generally outperformed amid the upbeat mood regarding global trade. Meanwhile, haven FX was more mixed, CHF underperformed with modest losses, while JPY saw marginal strength. Within the US-Japan trade deal, Japan's Finance Minister Kato said an FX agreement was not included. JPY weakness was seen in the wake of reports that PM Ishiba is to resign by the end of August; however, it swiftly pared after Ishiba rejected the claims. Now, USD/JPY trades at 146.40 against earlier session highs of 147.21, while USD/CHF sits at ~0.7920.

EMFX: Strength was broadly seen in the space due to the reduced trade uncertainty from further trade deals being announced by the US, with LatAm FX outperforming while the TRY lagged. For the Yuan, Reuters reported, citing economist Juergen Matthes, that the yuan-euro exchange rate has remained stable in recent years despite significant shifts in cost relations between Europe and China, suggesting likely currency manipulation by the PBoC. "The artificially low costs in China, driven by yuan undervaluation, are simply too attractive".

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