newsquawk

US Market Wrap - 24th July 2025

Strong GOOG earnings help boost Tech while dollar gains on rise in US yields

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude up, Dollar up.
- **REAR VIEW**: GOOGL earnings beat & raise Capex guidance; TSLA's Musk warns of a few 'rough' quarters; Initial jobless claims unexpectedly fall; US S&P Global PMI mixed, Mfg. misses, Svs. beats, meaning Comp. rises; US New Home Sales rise less than expected; ECB holds rates as expected, Lagarde says policy in a good place; ECB sources set high bar for a Sept rate cut; UK flash PMIs underwhelm, EZ beats, while Germany & France see mixed outcomes; Trump admin reportedly greenlights CVX resumption of pumping oil in Venezuela; Strong US 10yr TIPS auction; CBRT cuts repo rate more than expected; Canadian retail sales decline as expected.
- **COMING UP**: **Data:** Japanese Tokyo CPI, Services PPI, UK Retail Sales, German Ifo, US Durable Goods, Atlanta Fed GDPNow. **Event:** ECB Survey of Professional Forecasters. **Earnings:** SGS, Rightmove, NatWest, Volkswagen, Eni, Centene, AutoNation, Aon.

MARKET WRAP

US indices ended the day mixed as the tech-heavy Nasdaq 100 (+0.3%) outperformed, buoyed by Alphabet and broad-based G7 strength (ex. TSLA), while the small-cap Russell 2000 (-1.4%) lagged and pared some of its weekly gains. Two tech-behemoths in Alphabet (GOOGL) (+1.0%) and Tesla (TSLA) (-8.2%) saw contrasting fortunes, and as such, Communications and Consumer Discretionary reside as the respective out/underperforming sectors. Overall, sectors saw a downside bias with Materials the next laggard and hit by Dow's (DOW) (-17.5%) dismal report. Earnings have been plentiful since the close last night (highlights below in Stocks Specifics). Fed speak has of course been non-existent due to blackout ahead of the confab next week, but US data continued to print a solid US labour market. Initial jobless claims continued to improve with the latest seeing an unexpected decline, while continuing claims (which coincides with payroll survey week) rose, but shy of the forecasted. S&P Global flash PMI metrics for July were very mixed – Manufacturing surprisingly fell into contractionary territory, while Services rose above the top end of the forecast range, leaving the Composite at 54.6 from 52.9. New home sales lifted, albeit not as much as expected. The Dollar was firmer largely thanks to a rise in US yields, while the Pound lagged in the wake of disappointing flash Services PMI. EUR ended the day ultimately flat after the ECB and Lagarde press conference, where, in short, she noted the central bank heads into the summer break "well-positioned". Oil firmed, although it did see weakness on WSJ sources that Chevron is resuming oil pumping in Venezuela. The Treasury curve flattened after the aforementioned fall in jobless claims and jump in US S&P Global Composite PMI, while spot gold saw slight weakness but is way off session extremes, at the time of writing. Ahead, US President Trump heads to the Fed to inspect the construction project, where Fed Chair Powell will be present.

US

FLASH PMIs: The S&P Global Flash PMI report for July saw the overall composite rise to 54.6 from 52.9, showing the economy expanding at a faster pace than in June. However, the upside was primarily led by services, while manufacturing disappointed. The Services PMI rose to 55.2 from 52.9, above the 52.7 forecast, and even above the most optimistic expectation of 54.0. Manufacturing, however, fell into contractionary territory to 48.5 from 52.9, beneath the consensus 52.7 and below the most pessimistic forecast of 52.0. S&P Global Chief Business Economist Chris Williamson said that the data indicates the economy grew at a 2.3% annualised rate at the start of Q3, up from the 1.3% rate signalled by the survey in Q2. Regarding prices, inflation pressures intensified, and companies attributed higher costs and selling prices to tariffs, adding increased labour costs are also prevalent, partly due to labour shortages. Williamson highlights that "The rise in selling prices for goods and services in July, which was one of the largest seen over the past three years, suggests that consumer price inflation will rise further above the Federal Reserve's 2% target in the coming months as these price hikes feed through to households." Looking ahead, the report notes that Companies' expectations about output in the year ahead fell for a second successive month in July, dropping further below the survey's long-run average amid declines in both manufacturing and service sector confidence. However, optimists continued to outnumber pessimists. Regarding the downbeat outlook, "it primarily reflected broad-based concerns over tariffs and cuts to state funding following recent federal government policy changes. Even in manufacturing, any protectionist benefits of import tariffs were often outweighed by concerns over higher prices and rising costs."

INITIAL JOBLESS CLAIMS: Initial jobless claims (w/e 19th July) continued to highlight the solid labour market in the US, as the headline saw an unexpected decline to 217k (exp. 226k, prev. 221k), which left the 4wk average sliding lower to 224.5k from 229.5k. Continuing claims (w/e 12th July & coincides with usual payroll survey week) rose to 1.955mln from 1.951mln, but shy of the forecasted 1.96mln. For initial claims, they fell the most in New York (-12,303), California (-4,234), and Michigan (-4,055), but rose the greatest in Kentucky (4,902). On the headline, Oxford Economics notes it has been noisy over the last few weeks due to the end of the school year and auto plant shutdowns. Sorting through the noise, OxEco notes initial claims are still consistent with a low pace of layoffs.

NEW HOME SALES: New Home Sales rose in June to 627k, short of the expected 650k, after the 623k seen in May. Concerning inventory, the SA-adjusted estimate of new homes for sale at the end of June was 511k, representing 9.8 months at the current sales rate (prev. 9.7 months). The median sales price of new homes was USD 401,800, -4.9% M/M (prev. 422,700). Oxford Economics writes, "The buildup of completed new-home inventory will limit the upside for single-family housing starts in the near-term, and the fourth consecutive decline in single-family building permits in June confirms that new home construction is likely to slow in the months ahead".

ECB

As expected, the ECB stood pat on rates, keeping the deposit rate at 2%. The accompanying policy statement carried little of interest, noting that incoming information is broadly in line with the Governing Council's previous assessment of the inflation outlook. Additionally, the statement repeated the Bank's meeting-by-meeting and data-dependent approach. At the follow-up press conference, when questioned about the recent EUR appreciation and VP de Guindos' recent remark about the complications that EUR/USD breaching 1.20 would bring, President Lagarde stated that the ECB does not target FX levels but is monitoring the situation. Thereafter, Bunds were sent lower after Lagarde stated that the ECB's baseline scenario from June still holds despite US President Trump since threatening the EU with a 30% tariff rate. This statement, allied with Lagarde reiterating that policy remains in a good place, is suggestive that policymakers are not in a rush to adjust policy. This point was also underscored by the President emphasising that the ECB will not be swayed by a temporary undershoot in inflation (current 2026 forecast sees inflation at 1.6%), adding that inflation is still expected to stabilise at target over the medium term. Note, today's decision was unanimous. Overall, the main message from today was that the ECB sees itself as well-positioned to deal with short-term turbulence from the trade war and geopolitics. That being said, markets continue to price around 17bps of loosening seen by year-end (vs. 21bps pre-announcement). Following the conclusion of the rate decision and the press conference, Bloomberg and Reuters sources hit the wires, but were largely in fitting with one another. BBG noted ECB official's baseline for September is another hold in rates, and those seeking another rate cut will face a battle. Similarly, Reuters noted ECB policymakers set a high bar for a September rate cut, and such a move would require a deterioration in data and lower projections.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 6 TICKS LOWER AT 110-26+

T-Notes flatten after another drop in jobless claims and jump in US S&P Global Composite PMI. At settlement, 2-year +4.5bps at 3.929%, 3-year +4.5bps at 3.878%, 5-year +3.9bps at 3.975%, 7-year +3.4bps at 4.180%, 10-year +2.6bps at 4.414%, 20-year +1.0bps at 4.947%, 30-year +0.7bps at 4.956%.

INFLATION BREAKEVENS: 1-year BEI -3.9bps at 2.719%, 3-year BEI +2.0bps at 2.591%, 5-year BEI +3.7bps at 2.505%, 10-year BEI +3.6bps at 2.404%, 30-year BEI +2.5bps at 2.333%.

THE DAY: T-Notes traded sideways overnight but sold off as US players entered the market, with T-Notes hitting lows in the wake of the drop in US jobless claims. The Initial Claims data fell to 217k from 221k, despite expectations for a rise to 226k. Continued Claims for the week that coincides with the NFP survey window rose, but not as much as forecast, so the claims data continues to signal a robust labour market, which saw the curve flatten as data supports a patient approach from the Fed. On the data, analysts at Oxford Economics warn that the data is noisy due to the end of the school year and auto plant shutdowns, but still highlight that initial claims are consistent with a low pace of layoffs. T-Note futures hit lows of 110-19+ around the time of the US equity open, before paring the jobless claims move seemingly as 10yr yields failed to convincingly break 4.44% to the upside. Elsewhere on data, the flash US S&P Global PMIs were mixed, where a slump in manufacturing was more than offset by a surge in the services sector, seeing the composite rise further, which was a positive signal for the start of Q3 growth, further helping the curve flatten further. However, the outlook was quite pessimistic. Meanwhile, New Home Sales fell slightly short of expectations but rose marginally from the prior. The 10yr TIPS auction was well received thanks to an uptake in direct demand.

SUPPLY

Bills

- US to sell USD 73bln of 26-week bills and USD 82bln of 13-week bills on July 28th.US to sell USD 80bln of 6-week bills on July 29th.US sold USD 95bln of 4-wk bills at 4.245%, covered 2.69x;
- US sold USD 85bln of 8-wk bills at 4.265%, covered 2.63x

Notes/Bonds

- US Treasury sold USD 21bln in 10yr TIPS at a high yield of 1.985%, stopping through the when issued by 0.5bps, a solid offering when compared to the prior on the screws and six auction average of a 1.0bps tail. The bid-to-cover of 2.41x was stronger than the prior 2.36x and average of 2.39x. The strong auction was supported by a surge in direct demand, which took 31.95% of the auction (vs the prior 16.7% and average 20.8%), perhaps indicating domestic buyers are looking to protect against inflation. Indirect demand, however, fell to 62.7% from 71.4%, below the 69.2% average, but the strong direct demand left dealers with just 5.4% of the auction, below the 11.9% prior and 10.0% average.
- US to sell USD 69bln of 2yr notes on July 28th, USD 70bln of 5yr notes on July 28th and USD 44bln of 7yr notes on July 29th; all to settle July 31st (as expected).
- US to sell USD 30bln of 2yr FRN on July 29th; to settle July 31st.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 1bps (prev. 1bps), September 17bps (prev. 16bps), Oct 27bps (prev. 28bps), Dec 43bps (prev. 45bps).**
- NY Fed RRP op demand at USD 132bln (prev. 190bln) across 28 counterparties (prev. 30)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 107bln) on July 23rd
- SOFR at 4.28% (prev. 4.28%), volumes at USD 2.659tln (prev. 2.692tln) on July 23rd

CRUDE

WTI (U5) SETTLED USD 0.78 HIGHER AT 66.03/BBL; BRENT (U5) SETTLED USD 0.67 HIGHER AT 69.18/BBL

The crude complex saw gains and strengthened into the close, despite WSJ sources noting that Chevron is resuming oil pumping in Venezuela, threatening to pare all initial upside. Prior to this, WTI and Brent saw gains through the duration of the EU day and the start of the US session - it all began with European players reacting to the trade optimism felt across markets on Wednesday following the US-Japan deals alongside unofficial reports of an EU-US deal, although US officials suggested taking these reports with a pinch of salt. Coinciding with the upside at the EU open, US Envoy Barrack stated Lebanon's failure to disarm Hezbollah means that the Israeli raids will continue; "There is no open deadline for disarming Hezbollah and the one who decides the duration of this period is Israel, not the US". Israel/Hamas rhetoric continued on a downbeat tone, as Sky News Arabia, citing Israel's Hayom, said the IDF is preparing to expand its operations in Gaza due to Hamas' "problematic" response. Nonetheless, WTI and Brent hit highs of USD 66.39/bbl and 69.54/bbl, respectively, but swiftly pared a large chunk of the gains, and to hit lows of USD 65.33/bbl and 69.54, after WSJ sources reported that the Trump admin greenlights Chevron (CVX) to resume pumping oil in Venezuela. However, into settlement of the energy space saw strength to settle notably in the green.

EQUITIES

CLOSES: SPX +0.07% at 6,363, NDX +0.25% at 23,220, DJI -0.70% at 44,694, RUT -1.36% at 2,252.

SECTORS: Consumer Discretionary -1.23%, Materials -0.75%, Health -0.42%, Consumer Staples -0.32%, Industrials -0.16%, Utilities -0.14%, Real Estate -0.11%, Financials -0.04%, Communication Services +0.51%, Technology +0.67%, Energy +0.71%

EUROPEAN CLOSES: Euro Stoxx 50 +0.13% at 5,351, Dax 40 +0.27% at 24,307, FTSE 100 +0.85% at 9,138, CAC 40 -0.41% at 7,818, FTSE MIB -0.24% at 40,600, IBEX 35 +1.42% at 14,268, PSI +0.25% at 7,737, SMI -0.24% at 12,048, AEX +0.57% at 913

STOCK SPECIFICS:

- **Alphabet (GOOGL):** EPS, revenue & cloud rev. beat; FY capex guidance way above exp. & prev.
- **Tesla (TSLA):** Musk warned of a 'few rough quarters' amid a cut in Government support for EV makers
- **IBM (IBM):** Software revenue light
- **American Airlines (AAL):** Disappointing FY profit guidance & at lower end sees a loss
- **Mobileye Global (MBLY):** Major metrics beat
- **T-Mobile (TMUS):** EPS & revenue beat withFY postpaid net adds. guidance impressing
- **Las Vegas Sands (LVS):** Top & bottom line beat
- **Chipotle (CMG):** Revenue missed, SSS fell 4% & lowered annual sales growth target.
- **ServiceNow (NOW):** Major metrics topped with strong next quarter & FY rev. outlook
- **Bank of America (BAC):** Authorised a USD 40bln share buyback programme.
- **Dow (DOW):** Deeper loss per shr. than exp. & rev. light.
- **UnitedHealth (UNH):** Has begun complying with formal criminal and civil requests from the DoJ; said Special Master finds no wrongdoing in Medicare Advantage business, according to a SEC filing. UNH says CMS audits confirm UnitedHealth Group's practices are accurate.
- **Union Pacific (UNP)** and **Norfolk Southern (NSC)** advance talks on merger.
- **LVMH (LVMUY)** Q2 2025 (EUR): Revenue 19.50bln, -4% Y/Y (exp. -3% Y/Y). **Q2:** Fashion & leather organic sales -9% (exp. -7.82%), Wines & spirits organic sales -4% (exp. -6.94%). **H1:** Profit from recurring ops. 9.01bln, Net profit 5.70bln (exp. 5.67bln).

FX

The Dollar saw broad-based strength, marking the first gain in DXY in the week thus far. The DXY is still set to finish in the red for the week, a week which has reduced global trade uncertainty, offering high-beta FX room to run. Thursday saw a pause in momentum from recently announced trade deals, with the outcome of US-EU talks remaining unclear as talks continue ahead of the August 1st deadline. EU diplomats said that members have supported potential tariffs on EUR 93bln of US goods, albeit the extent of states supporting the move was not provided. US data had little sway on USD movement, with movement largely tracking price action in US yields, where the short end was sold. Data included a mixed S&P Global Flash PMI report for July, where mfg fell short while svs beat, and new home sales rose less than anticipated. With Fed blackout ahead of the FOMC July meeting next Wednesday, focus is to stick on US-EU trade talk progress and Durable Goods (Fri).

In Europe, the calendar was filled with Flash PMI gauges, with Sterling the G10 laggard after a services miss, where concerns from those surveyed are on the sustained impact of the budget measures on employment and higher staffing costs. Meanwhile, EZ beat on mfg and svs, Germany & France beat on svs but fell short on mfg. Cable now trades at ~1.3510, with the latest Reuters poll on the BoE, unveiled expectations remain for the BoE to cut rates by 25bps each quarter to 3.75% by year-end.

EUR trimmed European morning weakness following ECB's President Lagarde pushing back on calls for a near-term cut, saying policy is in a good place, with projections pointing to inflation stabilising at target in the medium-term. The remark was made in the press conference after the ECB held rates as expected in a unanimous decision, noting the environment remains uncertain, advocating for a meeting-by-meeting approach. The case to push back on a near-term cut was reinforced by ECB sources via Bloomberg and Reuters, where the theme voiced was the baseline for the September meeting is for another hold. At the time of writing, ECB pricing has moved hawkish since the ECB policy announcement, now seeing a 64% chance of a rate cut by year-end (prev. 88%). EUR/USD traded between 1.1731-88. Click here for the Newsquawk ECB review.

CAD underperformed major peers with no clear driver behind the move. Retail Sales declined 1.1% as expected, while ex-autos slightly beat, -0.2% (exp. -0.3%). Scotiabank writes, USD/CAD's rebound from the upper 1.35 zone yesterday may mark the low point for funds in the short run. Short-term price signals are USD-bullish after an outside range higher was formed yesterday morning. "Broader trend dynamics remain USD-bearish though, so it may be a case of USDCAD pushing higher briefly before the downtrend resumes".

TRY: CBRT surprised markets, with a 300bps rate cut (exp. 250bps), bringing the Weekly Repo Rate to 43% (exp. 43.50%). Going forward, the statement notes that the step size will be reviewed on a meeting-by-meeting basis, with the focus on the inflation outlook. "Tight monetary stance will be maintained until price stability achieved". The initial reaction saw USD/TRY fall before swiftly paring.

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