

## Dollar bid while EUR sinks as trade deal benefits the Buck

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** EU/US reach a trade deal; US/China talks to continue on Tuesday; Trump cuts Putin's 50 day deadline for Ukraine peace; OPEC+ JMMC made no policy recommendations; Solid 2yr US auction; Poor 5yr US auction; US Treasury announced much higher borrowing estimates for the July-September quarter than previously touted; JPM upgrades NKE.
- **COMING UP: Data:** Spanish GDP Estimate, US Advance Goods Trade Balance, Wholesale Inventories Advance, Consumer Confidence, Dallas Fed Services Revenues, Atlanta Fed GDPNow **Events:** ECB SCE **Supply:** Australia, Japan, UK, Germany, **US Earnings:** AstraZeneca, Barclays, L'Oreal, Kering, Visa, Starbucks, Booking, UnitedHealth, Paypal, UPS, Spotify, Merck, Nucor, Procter & Gamble.
- **WEEK AHEAD:** Highlights include Trade talks and deadlines, Fed, BoJ, BoC, US NFP, Mfg PMI, PCE, QRA, EZ CPI & GDP and Aussie CPI. [To download the report, please click here](#)
- **CENTRAL BANK WEEKLY:** Previewing Fed, BoC, BoJ, SARB; Reviewing ECB, PBoC LPR, RBA Minutes, CBRT. [To download the report, please click here](#).
- **WEEKLY US EARNINGS ESTIMATES:** Earnings aplenty with highlights including UNH, PG, V, QCOM, MSFT, META, MA, AMZN, AAPL, XOM. [To download the report, please click here](#).

## MARKET WRAP

Stocks closed mixed on Monday with markets chopping to the US/EU trade announcement. The news of the deal, which includes a 15% tariff, was initially hailed by markets as a step in the right direction, but sentiment on the deal swiftly turned. European officials do not seem pleased with the deal, with German Chancellor Merz warning of the significant impact it will have on the German economy, while The NY Post reported that Macron was still displeased with the deal and has been calling for the implementation of the Anti-Coercion Instrument, even after the deal was agreed. Overall, the deal is being framed as a win for the US but a loss for the EU, keeping tensions high despite the deal. Elsewhere on trade, the third round of US/China talks resumed today and are set to continue tomorrow, but negotiators made no remarks to the press in the wake of the meeting. In the US, sectors were mixed with Energy, Consumer Discretionary and Tech leading gains, helping keep the Nasdaq buoyed ahead of key tech earnings this week from AAPL, META, MSFT and AMZN. All other sectors were red, with notable weakness in Real Estate, Materials and Utilities. The energy upside was buoyed by firmer crude prices after Trump announced he is going to reduce Russia's 50-day deadline for peace with Ukraine to 10 or 12 days from today. Meanwhile, the OPEC+ JMMC made no policy recommendation at today's meeting. T-Notes saw two-way trade with upside in the morning faded ahead of supply with the 2yr auction strong but 5yr soft, while the Treasury announced much higher borrowing estimates for the July-September quarter than previously touted. In FX, the Dollar outperformed while the Euro lagged in wake of the trade deal. There are still plenty of key risk events this week, including the aforementioned earnings, but also US/China talks on Tuesday, US GDP and Fed on Wednesday, PCE on Thursday, NFP on Friday, as well as the August 1st trade deadline (Fri).

## FIXED INCOME

### T-NOTE FUTURES (U5) SETTLED 7 TICKS LOWER AT 110-24+

**T-Notes chop to US/EU trade deal ahead of key risk week**. At settlement, 2-year +1.5bps at 3.932%, 3-year +1.4bps at 3.877%, 5-year +1.9bps at 3.971%, 7-year +2.8bps at 4.181%, 10-year +2.8bps at 4.414%, 20-year +3.4bps at 4.956%, 30-year +3.0bps at 4.960%.

**INFLATION BREAKEVENS:** 1-year BEI +6.6bps at 2.689%, 3-year BEI +1.1bps at 2.583%, 5-year BEI +1.2bps at 2.498%, 10-year BEI +1.0bps at 2.401%, 30-year BEI +1.3bps at 2.327%.

**THE DAY:** T-Notes saw two-way trade on Monday, with the curve ultimately bear steepening. Upside was seen in the European morning to see the 10yr T-note futures peak at 111-03, while the 2s30s spread hit 99bps as participants digested the US/EU trade deal. Initially, bonds were sold and equities were bid on the deal, but the deal was ultimately seen as a blow to the EU and a win to the US. This saw the overnight weakness in bonds pare while equities were sold. However, in the US after T-notes hit peaks and spreads were at their flattest, a reversal was seen, which saw T-Notes hit lows of 110-24+ while the 2s30s spread rose back to 103bps. Focus on Monday lay on the front-loaded supply, which saw a well-received 2yr and poorly received 5yr, while the quarterly financing estimates for July-September were lifted to USD 1.007tn from the 554bln expected in the prior quarter, primarily due to the lower beginning-of-quarter cash balance and projected lower net cash flows. Attention turns to the 7yr supply on Tuesday, ahead of Quarterly Refunding, GDP and FOMC on Wednesday, PCE on Thursday and NFP on Friday.

## SUPPLY

### Bills

- US sold USD 77bln of 6-month bills at a high rate of 4.120%, B/C 3.36x
- US sold USD 87bln of 3-month bills at a high rate of 4.235%, B/C 3.21x

- US to sell USD 80bln of 6-week bills on July 29th.

## Notes/Bonds

- The US Treasury sold USD 70bln of 5yr notes, albeit the reception was not as strong as the earlier 2yr auction. The high yield of 3.983% was above the prior 3.879%, but below the six auction average of 4.083%. The high yield tailed the When Issued by 0.8bps, a greater tail than the prior 0.5bps and vs the six auction average of a stop through of 0.3bps, a weak sign of demand. The bid-to-cover was also soft at 2.31x, beneath the prior and six-auction average. Similar to the 2yr, the direct demand rose while indirect demand fell. Direct demand rose to 29.5% from 24.4%, above the 18.9% average. Indirect demand fell to 58.28% from 64.7%, well below the 70.1% average. This left dealers with an above-average 12.23%, rising from 10.9%.
- The US Treasury sold USD 69bln of 2yr notes at a high yield of 3.920%, a higher yield than the prior offering 3.786%, but beneath the last six auction average of 3.983%. This stopped through the When Issued by 0.5bps, a better sign of demand when compared to the prior stop through of 0.1bps and average stop through of 0.3bps. The Bid-to-Cover was also above the prior and average. The breakdown of demand was mixed, with direct demand rising to 34.4% from 26.3%, well-above the 20.8% average, but indirect demand fell to 55.3% from 60.5%, well-below the 67.5% six auction average. This left dealers with just 10.3% of the auction, an improvement from June's 2yr offering, and slightly better than the six auction average of 11.4%.
- US to sell USD 44bln of 7yr notes on July 29th; to settle July 31st
- 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 18bps (prev. 18bps), Oct 28bps (prev. 29bps), Dec 44bps (prev. 45bps).
- NY Fed RRP op demand at USD 170bln (prev. 151bln) across 42 counterparties (prev. 24)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 109bln) on July 25th
- SOFR at 4.36% (prev. 4.30%), volumes at USD 2.766tln (prev. 2.725tln) on July 25th

## CRUDE

**WTI (U5) SETTLED USD 1.55 HIGHER AT 66.71/BBL; BRENT (U5) SETTLED USD 1.60 HIGHER AT 70.04/BBL**

The crude complex started the week on the front foot and was supported by Trump's warning to Russia and EU/US trade deal . Through the EZ, morning benchmarks were already grinding higher off APAC lows, as upside was facilitated by the EU-US trade deal, which negates an escalating trade war between the two economies. However, the move accelerated with WTI and Brent hitting highs of USD 67.06/bbl and 70.35, respectively, as Trump said he is "very disappointed" in Russian President Putin, and he is reducing the 50 day deadline he gave Putin for peace with Ukraine. As a reminder, in July, Trump set a deadline of 50 days, ending on September 2nd, for the fighting in Ukraine to stop. Elsewhere, the US President on Russia, said he's going to make the new deadline for about 10-12 days from today as he has not seen any progress made. Following this, Russia's Medvedev said Trump is playing a game of ultimatums with Russia, and this is a "step towards war".

Out of the Middle East, Iran International, citing a senior Tehran official, reported that Iran could reconsider its nuclear weapons stance if future threats demand it, but Trump once again pushed back on this and said if Iran starts nuclear again, "we'll wipe it out fast", and "Iran has been sending out nasty signals". Iranian foreign minister later added that "if aggression is repeated, we will not hesitate to react in a more decisive manner and in a way that will be IMPOSSIBLE to cover up." Ahead, there is a slew of risk events littered through the week with highlights including Fed, NFP, PCE, August 1st trade deadline, and US mega-cap earnings.

## EQUITIES

**CLOSES:** SPX 0.00% at 6,389, NDX +0.36% at 23,356, DJI -0.14% at 44,838, RUT -0.07% at 2,259.

**SECTORS:** Consumer Discretionary +0.69%, Technology +0.77%, Energy +1.16%, Health -0.83%, Financials -0.67%, Industrials -0.29%, Communication Services -0.18%, Consumer Staples -0.89%, Utilities -1.05%, Materials -1.44%, Real Estate -1.75%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.28% at 5,337, Dax 40 -1.13% at 23,945, FTSE 100 -0.43% at 9,081, CAC 40 -0.43% at 7,801, FTSE MIB +0.01% at 40,732, IBEX 35 -0.12% at 14,220, PSI -0.44% at 7,673, SMI -0.22% at 11,930, AEX +0.29% at 908.

## STOCK SPECIFICS:

- **Samsung Electronics (SSNLF)** signs USD 16bln chip deal with **Tesla (TSLA)**.
- **Union Pacific (UNP)** is close to acquiring **Norfolk Southern (NSC)** with a deal expected this week, according to Bloomberg.
- **Revvity (RVTY)** lowered the high end of FY guide.
- **Nike (NKE)** upgraded at JPM.
- EU committed to big purchases of American energy products as part of the trade agreement that President Trump and EC President von der Leyen announced over this weekend. Of note for **Cheniere Energy (LNG)**, **EQT (EQT)**, and **Venture Global (VG)**.
- US Defence Dept. is testing AI to gain leverage over providers like **Palantir (PLTR)**, according to The Information.

## FX

**The Dollar** saw notable strength to start the week, with DXY hitting a high of 98.682 and seeing gains in excess of a percent, at the time of writing. Over the weekend EU/US reached a trade agreement (more details below), while US-China talks in Stockholm concluded for the day, but will resume tomorrow. The docket on Monday was fairly quiet, but that comes ahead of a blockbuster week with a deluge of risk events, including, but not limited to, FOMC, NFP, PCE, GDP, US mega-cap earnings, and the August 1st trade deadline.

**G10 FX** was lower across the board, with the EUR the laggard and weighed on post-trade deal; the deal will see EU goods subject to a 15% tariff (incl. autos, semiconductors, pharma), 0% tariff on aircraft parts, make USD 750bln in energy purchases from the US and USD 600bln in US investments. The deal is broadly as expected following reporting last week and is not "as bad as feared" given the 30% tariff rate, which was looming over negotiations. However, EUR was unable to capitalise on the removal of uncertainty, with weakness seen as it is still a sub-optimal trade arrangement for the EU. It is also worth noting that at this stage, it is just an agreement and still subject to formal ratification by both sides. From a policy perspective, the deal will remove some uncertainty for the ECB, and downside growth risks have dampened, although official commentary in the EU about the trade deal is still rather pessimistic. On data, this week's docket includes flash GDP data for Q2 and HICP metrics for July. EUR/USD fell as low as 1.1586 from an earlier high of 1.1772. In other news, the German Government's 2026 draft budget includes a record investment of EUR 126.7bln, according to Reuters sources; and the German economy should noticeably improve this year compared with government forecasts of stagnation.

**USD/JPY** hit a peak of 148.57, while **Cable** tested 1.3350 to the downside. For the Yen, Kyodo reported overnight that many called for Japanese PM Ishiba's resignation at the LDP meeting. Note, Ishiba over the weekend reiterated his intention to remain Japan PM. All attention resides on the BoJ meeting on Thursday, whereby the central bank is expected to maintain its short-term interest rate at 0.50%, with focus on the accompanying commentary. Back to the Pound, UK PM Starmer met Trump, but Starmer said little new as Sterling fell victim to the broader Buck bid.

**EMFX** was weaker across the board on the aforementioned themes, as opposed to anything too currency-specific, aside from the Yuan amid US/China trade talks. In addition, FT reported that Trump is said to freeze export controls in order to secure a trade deal with China, while Beijing reportedly considered the 20% fentanyl tariffs "unfair", but might still accept a 10% baseline tariff on all imports if the additional duties were lifted, according to SCMP sources. Elsewhere, Mexican jobless rate unexpectedly remained at 2.7%, with the St. expecting a tick higher to 2.8%.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com