

newsquawk

US Market Wrap - 30th July 2025

Dollar and yields gain amid GDP beat and hawkish Powell

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar down
- **REAR VIEW:** Fed holds rates as expected, Bowman and Waller vote for a 25bps rate cut; Powell sounds hawkish, pushing back on calls for Sept cut, and sounding tough on fight against upside inflation risks; US GDP Q2 Adv & GDP Sales top expectations, but without import decline, headline was more modest; US ADP tops expectations; Trump says India to pay 25% tariff, plus a penalty from August 1st; Trump imposes scaled-back copper tariff, seeing prices plummet; Trump to suspend de minimis exemption for commercial shipments globally; BoC holds rates as expected; Germany's Q2 GDP declines as expected while EZ impresses; Polish PM sees a chance that Ukraine-Russia conflict could be paused in near term; EIA crude stocks show surprise build; Treasury maintains auction sizes and guidance but adjusts buyback operations.
- **COMING UP: Data:** Chinese NBS PMI, Australian Import/Export prices, Retail Sales, Japanese Consumer Confidence, French CPI, PPI, German Unemployment Rate, CPI, EZ Unemployment Rate, Italian CPI, US Challenger Layoffs, PCE (Jun), Jobless Claims, Employment Wages, Chicago PMI, Atlanta Fed GDPNow, Canadian GDP. **Events:** SARB Policy Announcement. **Speakers:** RBA's Hauser, BoJ Governor Ueda. **Earnings:** Shell, BMW, Apple, Amazon, Strategy, Coinbase, Reddit, CVS, Roblox, AbbVie, Aerospace, Mastercard, PG&E.

MARKET WRAP

NOTE: Equity futures after-hours, particularly tech/AI-related names, rallied after Microsoft (MSFT) and Meta (META) smashed Q2 earnings expectations.

US indices and Treasuries were sold on Wednesday, while the Dollar saw a notable bid in the wake of a hawkish Fed Chair Powell. In the FOMC rate decision, the central bank held rates at 4.25-4.50%, as expected, with Governors Waller and Bowman dissenting in favour of a 25bps cut, although little move was seen. In Powell's presser, he said no decision has been made about the September meeting, and they will not let tariffs become inflationary, because they will make sure it does not become serious by deploying their tools. In the wake of these comments, particularly the latter, US indices and T-Notes sold off to session lows, while the Dollar rose to peaks, and Fed money market pricing became more hawkish, with only 38bps of cuts seen by year-end now vs 46bps post Fed statement. As a result, all FX G10 peers saw weakness with Antipodeans and EUR lagging, as the latter continues to see a fallout from the US/EU trade deal. On trade, Trump said India will be paying a tariff of 25%, plus a penalty from August 1st, and Trump signed an EO implementing an additional 40% tariff on Brazil, bringing the total tariff amount to 50%, which hit the INR and BRL, respectively. Copper plunged 20% after Trump's proclamation imposed a 50% tariff on imports of semi-finished copper products, whereby participants were not expecting such exemptions. Sectors were predominantly lower, with Materials and Real Estate the laggards, while Utilities, Tech, and Communications were the only sectors in the green amid a deluge of earnings, which continues after-hours with the likes of MSFT and META. Elsewhere, there were plenty of other risk events on Wednesday - BoC was largely a non-event and held rates as expected, while in the QRA, the US Treasury maintained auction sizes and guidance but adjusted its buyback programme. Regarding US data, ADP rose much more than expected ahead of payrolls on Friday, albeit it does not have the closest relationship, while GDP (Q2) topped expectations. Lastly, the crude complex was firmer on Wednesday, and gained throughout the US session and saw a boost on Trump trade headlines while US/Russia tensions continue to boil.

US

FED: The Fed left rates on hold at 4.25-4.50% as was widely expected, although both Governors Waller and Bowman voted to cut rates by 25bps, albeit not too surprising given both had alluded to such a move in the run-up to the blackout period. Note, Kugler did not vote at the meeting. Within the statement, it maintained that uncertainty about the economic outlook remains elevated, but removed the description seen in June that it "has diminished". When describing the economy, the Fed said recent indicators suggest growth of economic activity moderated in H1, whereas in June, it had said that it continued to expand at a solid pace. Elsewhere, all language was maintained, noting that the unemployment rate remains low, labour market conditions remain solid, and inflation remains somewhat elevated. There was no explicit signal or hints at upcoming rate cuts either, showing the Fed is still sticking with its wait-and-see, data-dependent approach. It maintained its view that "in considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks."

POWELL: Overall, Fed Chair Powell leaned hawkish and pushed back on calls for a September rate cut, noting there is a lot of data due before the meeting, which is why the Fed have not yet made its decision. He was also quizzed about the impact of the economy on tariffs, particularly on prices. He exclaimed that it is a reasonable base case to assume that tariffs will result in a one-time price increase, but he suggested that this is because the Fed will not allow for "serious inflation" as it would combat rising inflation by deploying its tools. Powell echoed several times that he views policy as modestly restrictive, and when quizzed about what data is needed to lower the FFR, he said that there are risks on both sides of the mandate, but if risks were fully in balance, it implies you would move to a more neutral stance. On the Fed's mandate, Powell said that inflation is still above target while the labour market is at or near maximum employment. He said that the price stability mandate faces upside risks, while the labour market faces downside risks. However, inflation is further from their target than employment. Ahead of PCE, he sees the June headline at 2.5%, with core at 2.7%. Meanwhile, ahead of NFP on Friday, Powell said that when looking at the labour market, the unemployment rate is

the main figure to watch. On the consumer, he said spending has been very, very strong for the last few years, and now maybe it has finally slowed down, but it is at a healthy level. When quizzed about the dissents from Waller and Bowman, he said it is not surprising that there are differences, and he would call this meeting one of the better meetings.

US Q2 GDP (ADV): The Advanced US GDP print for Q2 saw growth of 3.0%, well above the 2.4% forecast and bouncing back from the -0.5% in Q1. This is more aligned with the Atlanta Fed estimate of 2.9%, which was lifted after the prior day's trade data. The narrowing deficit driven by a fall in imports boosted the headline, and the RSM US LLP Principal & Chief Economist Brusuelas highlighted that "once one excludes trade and inventory data, growth advanced at a much softer pace of 1.1% implied by final sales to private domestic purchasers". While the headline beat is welcomed, the 30.3% decline in imports (prev. +37.9%) primarily reflects the increase in GDP growth, distorting the headline data. Real final sales to private domestic purchases rose 1.2% (prev. 1.9%), the weakest reading since the end of 2022. Consumer spending accelerated in Q2, rising 1.4% (prev. 1.5%), driven by 2.2% growth in goods (prev. 0.1%), although, was the slowest growth in consecutive quarters since the COVID pandemic. Slightly offsetting the rise in the headline was a decline in investments, weighed by contractions in investment for structures and residential investment, with equipment and fixed investment experiencing slowdowns. Meanwhile, PCE Prices eased notably to 2.1% (exp. 2.9%, prev. 3.7%), GDP Sales rebounded sharply to 6.3% (exp. 2.5%, prev. -3.1%), and the GDP Deflator eased to 2.0% (exp. 2.1%, prev. 3.8%). The Q2 adv report highlights the significant impact Trump's trade policies are having on import-related US data, with ongoing trade frictions between India, Brazil, and China suggesting the theme of uncertainty and volatile moves in net exports may linger in the near term. Pantheon Macroeconomics writes, stripping out goods consumption and equipment investment—affected heavily by the timing of pre-tariff purchases—would put underlying growth in Q2 at just 0.5%. "We think a GDP print close to that pace is likely in Q3, given the mounting headwinds for the economy, and we see growth remaining weak in Q4 too".

ADP: ADP national employment added 104k jobs in July, against the expected rise of 75k, and June's print of -23k, revised from the initial -33k. Median change in annual pay saw job-stayers unchanged at 4.4%, although job-changers lifted to 7.0% from 6.8%. Nela Richardson, ADP Chief Economist, said, "Our hiring and pay data are broadly indicative of a healthy economy. Employers have grown more optimistic that consumers, the backbone of the economy, will remain resilient." Of course, this comes ahead of the US jobs report on Friday, whereby current expectations are for 110k additions, albeit the correlation between the two is not the strongest. Pantheon Macroeconomics notes that the job availability balance of the Conference Board's consumer confidence survey and the employment indices of the regional Fed services surveys are far superior indicators of payrolls, and based on them, Pantheon think payrolls rose by about 75k in July, bolstering the case for the Fed to ease policy in September.

PENDING HOME SALES: Pending home sales for June unexpectedly fell 0.8% (exp. +0.3%, prev. +1.8%), dipping M/M and Y/Y in the Midwest, South, and West. In the Northeast, pending sales rose M/M but remained flat Y/Y. NAR Chief Economist Lawrence Yun said, "The data shows a continuation of small declines in contract signings despite inventory in the market increasing." Oxford Economics says the trend in the headline, which leads existing home sales by a month or two, points to a flattish reading for existing home sales in July. As such, it is consistent with OxEco's forecast for sales to move sideways in H2 '25 against a backdrop of sticky mortgage rates and a slowing economy as the impact of tariffs fully kicks in.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 11+ TICKS LOWER AT 111-00

T-notes sold on the hot GDP report, but a hawkish Powell sees T-notes settle at lows. At settlement, 2-year +6.2bps at 3.937%, 3-year +5.9bps at 3.883%, 5-year +5.4bps at 3.960%, 7-year +4.5bps at 4.147%, 10-year +4.2bps at 4.370%, 20-year +3.3bps at 4.896%, 30-year +3.2bps at 4.900%.

INFLATION BREAKEVENS: 1-year BEI +1.9bps at 2.802%, 3-year BEI +0.7bps at 2.609%, 5-year BEI +0.2bps at 2.504%, 10-year BEI -0.1bps at 2.385%, 30-year BEI -0.5bps at 2.297%.

THE DAY: T-notes traded sideways overnight before peaking in the early US morning at 111-14+ and then paring with a hotter than expected ADP print taking T-notes off highs ahead of the US data and QRA. The data saw GDP print hotter than expected, which weighed on T-notes, seeing T-notes fall across the curve with the 10yr futures testing 111-00 to the downside. The reaction was primarily a function of the GDP, which saw the Q2 advance print rise 3.0%, above the 2.4% forecast and marginally above the Atlanta Fed Nowcast of 2.9%. The Core PCE was also hotter than expected at 2.5% (exp. 2.3%) but down from the prior 3.5%, while headline PCE was softer than expected at 2.1% (exp. 2.9%, prev. 3.7%). T-notes meandered ahead of the FOMC, which ultimately saw little reaction to the unchanged rate with two dovish dissenters (Waller and Bowman), but sold off as Fed Chair Powell stressed the FOMC has not made up its mind about September yet, stressing there is a lot of data between now and then. He also argued that the Fed will not allow for serious inflation from tariffs as they will prevent it from rising by deploying its tools, sparking a hawkish market reaction and sending T-notes to lows.

QRA: US Treasury is offering USD 125bln of Treasury securities to refund approximately USD 89.8bln of privately-held Treasury notes maturing, will raise new cash of c. USD 35.2bln. The US Treasury maintained its auction sizes for the quarter as expected, while it also maintained guidance as expected that it "anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters." Note, many desks do not expect changes to this until at least 2027 based on recent commentary from Treasury Secretary Bessent, who said the current yield environment does not support terming out the debt. For TIPS, the Treasury continues to increase auction sizes, maintaining the 30yr TIPS reopening at USD 8bln, increasing the September 10yr TIPS reopening to USD 19bln, and increasing the October 5yr TIPS new issue auction size to USD 26bln. For Bills, Treasury expects marginal increases in short-dated Treasury bill auction sizes in the coming days, and then maintaining sizes at or near those levels through the end of September. It expects additional increases in October. The major updates to the QRA came from the buyback operations. The Treasury believes it is appropriate to: (1) double the frequency of long-end nominal coupon liquidity support buybacks, (2) make a technical adjustment to the TIPS buyback buckets, (3) increase the size of cash management buybacks, and (4) allow a limited number of additional counterparties to directly access buyback operations. For the liquidity support operations, it will increase the frequency of buybacks in the 10-20 year and 20-30 year buckets to four times per quarter (previously two times). It will maintain the current USD 2bln max purchase in both buckets. Other liquidity support operations will be maintained at one operation per quarter for up to USD 4bln in each bucket. This increases overall liquidity support buybacks to USD 38bln per quarter (prev. 30bln). It is also adjusting the TIPS buyback buckets. The Treasury is introducing the 1-1-0 year and 10-30year TIPS buyback

buckets that replace the existing 1-7.5 year and 7.5-30 year buckets. For cash management, it is increasing the aggregate size of cash management buckets from USD 120bln per year to USD 150bln per year. It does not expect to conduct cash management buybacks around the September tax date, adding that they are expected to resume in December.

SUPPLY

Notes/Bonds

- US to sell USD 58bln of 3-year notes on August 5th
- US to sell USD 42bln of 10yr notes on August 6th
- US to sell USD 25bln of 30yr bonds on August 7th

Bills

- US sold USD 65bln of 17wk bills at high rate of 4.21%, B/C 3.45x
- US to sell USD 95bln of 4-week bills and USD 85bln of 8-week bills on July 31st

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: September 12bps (prev. 17bps), Oct 21bps (prev. 29bps), Dec 36bps (prev. 46bps).**
- NY Fed RRP op demand at USD 155bln (prev. 171bln) across 27 counterparties (prev. 33)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 112bln) on July 29th
- SOFR at 4.36% (prev. 4.36%), volumes at USD 2.754tln (prev. 2.783tln) on July 29th

CRUDE

WTI (U5) SETTLED USD 0.79 HIGHER AT USD 70.00/BBL; BRENT (V5) SETTLED USD 1.01 HIGHER AT USD 73.24/BBL

The crude complex was firmer on Wednesday, and ground higher through the duration of the US session and saw a boost on Trump trade headlines. In the European morning, WTI and Brent were choppy but ultimately saw initial weakness to hit troughs of USD 68.45/bbl and 70.92, respectively, as the space gave back some of its extensive Tuesday's gains, but also after Polish PM Tusk sees a chance that the Russia-Ukraine conflict could be paused in the near future. However, once the lows were hit as US players entered for the day, it was one-way traffic to settle at highs and saw a fillip along the way as US President Trump stated India will be paying a tariff of 25%, plus a penalty from August 1st. In the weekly EIA data, crude saw a chunky surprise build, larger than the private inventory unexpected build, while Distillates build more than forecasted, and gasoline drew more than St. estimates, which was all in fitting with last night's metrics. Overall, crude production rose 41k and there was little movement in oil prices. For the record, in the wake of the FOMC and the White House announcing that Trump's proclamation imposes universal 50% tariffs on imports of semi-finished copper products and copper-intensive derivative products effective August 1st, oil retreated from highs.

EQUITIES

CLOSES: SPX -0.12% at 6,363, NDX +0.16% at 23,345, DJI -0.38% at 44,461, RUT -0.47% at 2,232

SECTORS: Materials -1.99%, Real Estate -1.43%, Energy -1.35%, Consumer Staples -0.94%, Consumer Discretionary -0.57%, Industrials -0.49%, Financials -0.19%, Health -0.17%, Communication Services +0.14%, Technology +0.43%, Utilities +0.69%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.29% at 5,393, Dax 40 +0.23% at 24,273, FTSE 100 +0.01% at 9,137, CAC 40 +0.06% at 7,862, FTSE MIB +0.98% at 41,638, IBEX 35 +0.22% at 14,380, PSI -0.34% at 7,662, SMI -0.23% at 11,922, AEX -0.06% at 909

STOCK SPECIFICS

- **Starbucks (SBUX):** Revenue beat due to China strength & as it progresses with its turnaround strategy.
- **Visa (V):** Q3 results beat estimates but kept FY earnings outlook unchanged.
- **Bookings Holdings (BKNG):** Q2 topped expectations, but shares slipped with traders citing a tepid outlook.
- **Bunge (BG):** EPS & revenue topped; reiterated FY outlook
- **Humana (HUM):** Profit & revenue beat
- **VF Corp (VFC):** Shallower loss per. shr. than expected & revenue topped
- **Hershey (HSY):** Top & bottom lines surpassed expectations.
- **Garmin (GRMN):** Strong earnings & FY outlook.
- **Mondelez (MDLZ):** Management said unease around the economy drove a bigger-than-expected. decline in NA sales in the quarter.
- **Etsy (ETSY):** Earnings impress.
- **Palo Alto Networks (PANW):** Confirmed it has agreed to acquire CyberArk (CYBR); deal valued at USD 25bln.](http://)

FX

The Dollar's recent broad-based strength extended after Q2 Advance US GDP topped expectations, rising 3.0% (exp. 2.4%). While stocks and bonds came under pressure from Fed Chair Powell's remarks after the Fed held the FFR as expected, the buck remained strong, helped by markets accepting that Chair Powell is in no rush to ease in September, maintaining a data-dependent approach. The decision wasn't unanimous, with Governor Waller and the Vice Chair of Supervision, Bowman, dissenting for a 25bps rate cut, albeit the two members were known to be out of the MPC consensus heading into the meeting. Moreover, Powell sounded determined on the fight against inflationary upside risks stemming from tariffs, saying in the end, "this will not turn out to be inflation, because we will make sure it is not by deploying our tools". On the labour market, Powell sees downside risk, but does not

expect a weakening, with the ADP July report highlighting this, rising 104k (exp. 75k) ahead of NFP on Friday (exp. 110k). Concerning trade, Trump announced a 25% tariff on India (prev. 26%), citing "far too high" tariffs and Russian military & energy purchases. DXY now sits at session highs of 99.906 from earlier lows of 98.702.

G10 FX was entirely in the red, weighed by better-than-expected US growth prospects and the rise in US yields, leaving USD more attractive on a rate-differential basis. Amongst the biggest losers was the AUD, weighed additionally by Q2 CPI being slightly cooler than expected; AUD/USD fell to lows of 0.6427 from earlier highs of 0.6528. In Europe, EZ Q2 GDP topped expectations, rising 1.4% Y/Y (exp 1.2%), while Germany's GDP declined 0.1% on a quarterly basis (exp. -0.1%). EUR was muted towards said data, falling to ~ 1.1420 from the 1.1755 seen at the start of the week.

CAD saw a muted reaction towards the BoC decision to hold rates as expected. BoC noted that while some elements of US trade policy have started to become more concrete in recent weeks, trade negotiations are fluid, threats of new sectoral tariffs continue, and US trade actions remain unpredictable. Direction of USD/CAD was influenced by Powell going against those looking for a dovish tilt, putting USD/CAD up to ~1.3830, with the outcome of US-Canada trade talks now being awaited. Elsewhere, JPY also saw losses, but to a lesser extent than higher-beta peers, with USD/JPY now trading around 149.40. Attention overnight looms on the BoJ's rate decision, where expectations are for rates to be kept at 0.5%. [Click here for the full BoJ Newsquawk Preview.](#)

CLP: In the metals space, prices were weighed by a plunge in copper prices after the White House issued more details on the 50% copper tariffs. Trump's proclamation sees universal 50% tariffs on imports of semi-finished copper products and copper-intensive derivative products, effective August 1st. The announcement alleviates fears over a blanket tariff on copper products; USD/CLP was firmer on account of USD strength. Meanwhile, the Chilean Central bank held rates at 4.75% as expected in a unanimous decision

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