US Market Wrap - 31st July 2025

Stocks fade tech earnings upside ahead of trade deadline

- **SNAPSHOT**: Equities down, Treasuries flat/up, Crude down, Dollar up
- **REAR VIEW**: MSFT & META top earnings expectations; PCE hotter than expected Y/Y; Continued and initial claims fall; Employment costs above expectations; Chicago PMI beats; US announces trade deal with Korea, extends current deal with Mexico for 90 days; Trump sends letter to pharma co.'s; BoJ holds rates as expected, Ueda leans dovish; India reportedly mulls options to appease Trump after "shock" 25% tariff; Hotter-than-expected nationwide Germany CPI; BCB holds rates; SARB cuts.
- **COMING UP**: **Data:** Japanese jobs, Chinese Caixin Manufacturing PMI Final, Global Manufacturing PMI (Finals), Italian Retail Sales, EZ HICP, US NFP, ISM Manufacturing, UoM Sentiment Final, Atlanta Fed GDPNow. **Events:** August 1st Tariff Negotiation deadline. **Speakers:** Fed's Bowman & Waller (Unconfirmed). **Supply:** Australia. **Earnings:** Axa, Engie, Daimler Truck, Exxon, Chevron, Regeneron, Colgate.

MARKET WRAP

Stocks had started the session in the green thanks to the stellar Microsoft (MSFT) and Meta (META) earnings after-hours on Wednesday; however, as trade progressed and uncertainties on trade mounted ahead of Trump's trade deadline, equities pared the initial strength and closed in the red. The upside in the morning was met with weak breadth, as the equal-weight S&P and the majority of sectors were red, with the heavyweight stocks doing a lot of the heavy lifting. On trade, the deals the US has made with trading partners will be implemented tonight, with tariffs set to start from 00:01 EST. Trump agreed with Mexico to extend the current tariff rates by 90 days, but overnight, he said that Canada's backing of the statehood of Palestine makes it hard for the US to make a trade deal with them. Those without a deal will face the tariffs Trump threatened in his letters, while those without a deal or letter will face the April 2nd tariff rate. Elsewhere, Trump also took action towards the US pharmaceutical sector, sending a letter to 17 pharmaceutical companies, instructing them to extend most favoured nation pricing to Medicaid, aiming to lower drug prices for US citizens. On data, PCE was in line M/M for both the headline and core prints, but both Y/Y metrics were hotter than forecasted, and also above Fed Chair Powell's estimates. Initial and continued jobless claims were below forecasts, while employment costs were above forecasts. Attention turns to NFP on Friday to help shape Fed rate cut expectations for September. T-notes were choppy with the curve seeing a flatter bias while in FX the Swissy and Euro outperformed, with Dollar posting marginal gains, but the Yen was the clear laggard after the BoJ, which held rates as expected but Ueda leaned dovish. Crude prices gave up some of their recent gains amid trade uncertainties, while gold prices pared some of the post-Fed losses as it benefited from lower UST yields (long-end) and haven demand ahead of the trade deadlines. Attention turns to AAPL and AMZN earnings after-hours, ahead of the trade deadline tonight, and NFP on Friday.

US

PCE: Core PCE rose 2.8% Y/Y in June, higher than analysts and Fed Chair Powell's expectations for it to remain at 2.7%, albeit the prior was revised up to 2.8%. Headline PCE Y/Y too came in hot, rising 2.6% (exp. 2.5%, prev. 2.3%, rev. 2.4%) above the 2.5% anticipated by Powell. On a monthly basis, core and headline PCE rose 0.3% when rounded, in line with market expectations, with the prior headline M/M revised up to 0.2% from 0.1%. To 3dp, Core M/M was 0.256% (prev. 0.179%), headline M/M was 0.280% (prev. 0.136%). The Core Y/Y reading, which the Fed closely tracks, highlights the 2% inflation target challenge that the Fed faces, with the lowest reading in the last year at 2.6% in April. WSJ's Nick Timiraros highlights this, noting Core PCE was 2.6% on a 3-month annualised rate in June (prev. 2.3% a year ago), 3.2% on a 6-month annualised rate (prev. 3.3%), and 2.8% over 12 months (prev. 2.6%). Elsewhere, Personal Income rebounded by 0.3% above the expected 0.2% (prev. -0.4%), while adj. consumption rose 0.3% (exp. 0.4%, prev -0.1%) and real personal consumption rose 0.1% M/M (prev. -0.2%). On spending, Pantheon Macroeconomics writes, A 2% rebound in spending on gasoline after a slump in May explains nearly all of the 0.1% increase in spending on goods in June while spending on services was very weak, rising by just 0.1% for the third straight month; "Discretionary spending on services looks especially subdued, with spending on airfares down a further 1.1%, the fifth decline in the past six months". Ahead, Pantheon expects the core PCE deflator will increase by around 0.4% in July, with further increases then pushing up core PCE inflation to nearly 3.5% by the end of the year.

JOBLESS CLAIMS: Initial Jobless Claims, for the week ending 26th July, rose by 1k to 218k, beneath the 224k forecast, showing a still solid labour market. Continued claims were unchanged at 1.946mln in the week ending 19th July, following a revision lower from 1.955mln, despite expectations for a 1.955mln print. Both initial and continued claims have been trending lower in recent weeks, with Initial Jobless Claims down from the 250k peak in June, while continued claims are down from the 1.96mln peak in June. Oxford Economics warn that the data has been noisy due to seasonal factors, but initial claims are still consistent with a low pace of layoffs. Regarding continuing claims, the consultancy notes that unemployed workers are still finding it difficult to find new jobs, but it is showing signs of levelling off. Note, the unadjusted data saw claims -23k at 193k, while seasonal factors expected a 24k decrease. Continued claims totalled 2.016mln, +9k from the prior week, while seasonal factors expected a 10k increase.

NFP PREVIEW: The US economy is expected to add 110k nonfarm payrolls in July, cooling from the prior 147k print, but above the 80-100k breakeven estimated by Fed's Barkin. The Unemployment Rate is seen at 4.2%, up from 4.1% previously, but still below the Fed year-end median projection of 4.5%. At his post-meeting press conference, Fed Chair Powell said that the unemployment rate is the figure to watch when looking at the labour market. Powell also noted that most Fed officials believe that the labour market is at or near maximum employment, but downside risks remain; however, he did appear more focused on the inflation side of the mandate. In the month, labour market proxies saw Jobless Claims ease from the prior reference period, while the S&P Global Employment report noted employment rose for a fifth straight month. ADP and June JOLTS were soft, while layoffs rose. The Fed's Beige Book saw employment increase very slightly overall, hiring remained cautious, but layoffs were limited, although more prevalent in manufacturing. Fed Chair Powell was quizzed about a possible rate cut at the September 18th FOMC confab, and he said the Fed has not made its decision yet, noting that there is a lot of data due before the meeting, with two more labour market reports (and one more PCE, two more CPI reports), this is one piece of the puzzle that will help shape expectations on a Fed rate cut in September. Click here for the full Newsquawk NFP Preview.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLE 2 TICKS HIGHER AT 111-02

T-notes pare some of the post-Powell downside on month-end ahead of NFP and Trump's tariff deadline . At settlement, 2-year +1.2bps at 3.949%, 3-year +0.4bps at 3.891%, 5-year -0.5bps at 3.960%, 7-year -1.2bps at 4.144%, 10-year -1.6bps at 4.362%, 20-year -2.1bps at 4.887%, 30-year -2.1bps at 4.892%.

INFLATION BREAKEVENS: 1-year BEI -7.7bps at 2.737%, 3-year BEI +12.0bps at 2.728%, 5-year BEI -2.5bps at 2.479%, 10-year BEI -0.3bps at 2.382%, 30-year BEI -3.1bps at 2.266%.

THE DAY: T-notes had started to pare the post-Powell downside overnight before chopping ahead of US data, ultimately settling in the green on month-end. On which, the Challenger Layoffs accelerated in July from June, but the focus quickly turned to PCE, Jobless Claims and ECI. Overall, the data was hot with the M/M CPI prints in line with expectations, but the Y/Y prints rose above the consensus. Initial and Continued Jobless Claims came in below expectations, consistent with the Fed's description of a "solid" labour market. Employment Costs rose 0.9%, matching the prior pace but above the 0.8% forecast, with wages accelerating to 1.0% from 0.8%, with benefits easing to 0.7% from 1.2%. In response, T-notes saw two-way action but ultimately continued to ascend higher into the European close, perhaps on month-end flows, before paring off peaks before settlement. A lot of the focus turns to the NFP report on Friday, albeit trade also remains in the limelight. The US and Mexico came to an agreement to extend current tariff rates by 90 days, allowing more time for negotiations, albeit we are still in the dark on whether or not Canada will get a deal before the deadline. From tonight (00:01 EST), nations that came to a deal with the US on trade will see those tariff rates implemented, while those who did not come to a deal will face the tariff rates Trump threatened in his individual letters. Those without a letter or deal will face April 2nd tariffs. The White House said those without a deal will be receiving letters or an executive order from the US tonight about their tariff rates. Aside from NFP and trade, Friday will also likely see text releases from Fed's Waller and Bowman explaining their dissent at the July FOMC, as is usual practice for dissenters.

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 95bln 4wk bills at a high rate of 4.29%, B/C 2.63x
- US sold USD 85bln 6wk bills at high rate of 4.29%, B/C 2.52x
- US to sell USD 73bln in 26-week bills and USD 82bln of 13-week bills on August 5th
- US to sell USD 85bln (prev. 80bln of 6-week bills) and USD 50bln of 52-week bills on August 5th.

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: September 11bps (prev. 12bps), Oct 19bps (prev. 21bps), Dec 33bps (prev. 36bps).
- NY Fed RRP op demand at USD 214bln (prev. 155bln) across 52 counterparties (prev. 27)
- Treasury Buyback: Receives USD 19.677bln of offers for buyback targeting 2036-2045 coupons, accepts USD 2bln (max USD 2bln). Accepted 2 issues, out of 29 eligible issues.
- EFFR at 4.33% (prev. 4.33%), volumes at USD 105bln (prev. 112bln) on July 30th
- SOFR at 4.32% (prev. 4.36%), volumes at USD 2.727tln (prev. 2.754tln) on July 30th

CRUDE

WTI (U5) SETTLES USD 0.74 LOWER AT USD 69.26/BBL; BRENT (V5) SETTLES USD 0.77 LOWER AT 71.70/BBL

Crude prices trimmed recent gains driven by Trump's tariff threat on India over purchases of Russian crude, as escalatory updates on the matter take a breather. It was reported that India is mulling options to appease Trump after his tariff threat, considering lifting US natgas purchases, among other things. Meanwhile, Reuters reported that Indian state refiners paused Russian oil purchases in the past week amid narrowing discounts and tariff threats from the US. The day saw many updates, including an extension to the current trade deal between US and Mexico (25% fentanyl tariff, 25% tariff on cars, 50% tariff on steel, aluminium and copper); Reuters reported that Asia is expected to increase imports of WTI in Q4 after Middle East prices increased; Trump speaking negatively of Russia's Medvedev. Ultimately, crude was unreactive to said updates, with the focus in the near term on Trump's next course of action on trade with China and Canada. Broad-based USD strength weighed on prices in the background. Crude prices drifted lower throughout the day, with WTI and Brent finishing a touch above lows of USD 68.58/bbl and USD 71.00/bbl from the open of USD 70.30/bbl, and USD 72.78/bbl, respectively. At Goldman Sachs, the desk assumes OPEC+ will keep its production quota unchanged after September. "If China crude stock builds 0.5mln BPD faster than their 0.2mln BPD assumption through 2026; Brent would average USD 61/bbl next year, or USD 5/bbl higher than GS' baseline".

EQUITIES

CLOSES: SPX -0.37% at 6,340, NDX -0.55% at 23,218, DJI -0.74% at 44,131, RUT -0.93% at 2,212.

SECTORS: Communication Services +2.11%, Utilities +0.61%, Industrials +0.02%, Technology -0.22%, Consumer Discretionary -0.34%, Energy -0.51%, Financials -0.6%, Consumer Staples -0.61%, Materials -0.98%, Real Estate -1.73%, Health -2.79%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.30% at 5,323, Dax 40 -0.73% at 24,084, FTSE 100 -0.05% at 9,133, CAC 40 -1.14% at 7,772, FTSE MIB -1.56% at 40,988, IBEX 35 +0.16% at 14,403, PSI +0.65% at 7,712, SMI -0.86% at 11,828, AEX -0.81% at 902

STOCK SPECIFICS

- **Meta (META):** Beat on quarterly metrics and guided above expectations for Q3, lifted bottom end of CapEx guidance.
- **Microsoft (MSFT):** Beat on quarterly numbers and raised FY CapEx guidance with revenue guidance also strong.
- **NVIDIA (NVDA):** The Cyberspace Administration of China has raised concerns over the potential security risks in Nvidia's H20 AI chip, concerned by a US proposal for advanced ships sold abroad that would include tracking and positioning functions, Reuters reports. It said it had summoned Nvidia to a meeting on Thursday to explain whether its H20 AI chip had any backdoor security risks. NVIDIA later said it does not have "backdoors" in its chips, which would give remote access or control.
- **Qualcomm (QCOM):** Beat on EPS and revenue, but reliance on high-end smartphone chips and losing the AAPL modem business overshadowed.
- **eBay (EBAY):** Posted quarterly beats with strong guidance.
- **Comcast (CMCSA):** Beat on EPS and revenue.
- **Bristol Myers (BMY):** Saw strong beats and guidance above forecasts.
- **Arm Holdings (ARM):** Gave weak guidance.
- **Ford (F):** Sees FY net tariff-related headwind of USD 3B gross adverse adj op Inc hit, partially offset by USD 1bln recovery actions.
- **Lam Research (LRCX):** Despite topping earnings and guidance expectations, shares fall with traders citing already priced-in high expectations.
- **Carvana (CVNA):** EPS & revenue beat.
- **Mastercard (MA):** EPS & revenue beat.
- **AbbVie (ABBV):** Adj. EPS & revenue beat, with FY adj. EPS outlook raised.
- **Align Technology (ALGN):** Reported a profit miss, and warned on Q3.

FX WRAP

The Dollar Index was modestly firmer on Thursday, with JPY weakness supporting the move higher. The latest set of US data largely pointed towards a hotter economy than anticipated, with headline & core PCE Y/Y (Jun), employment costs (Q2), and Chicago PMI topping expectations. Friday will see the return shift back to the labour market, where NFP expectations are for 110k jobs to be added to the US economy (prev. 147k, ADP prev. 104k). In the interim, trade will take the centre stage, where eyes are on the fate of China and Canada with regard to whether they'll face a tariff level, achieve a trade framework, or a truce/extension with the US. So far, prospects for a deal with Canada seem unlikely given Trump's recent commentary on Canada: "Canada has just announced that it is backing statehood for Palestine. That will make it very hard for us to make a Trade Deal with them". Meanwhile, Mexico reached an agreement with the US to extend the current deal for 90 days (25% fentanyl tariff, 25% tariff on cars, 50% tariff on steel, aluminium and copper) ahead of the August 1st deadline; USD/MXN ended the day marginally lower.

G10 FX was mixed against the buck, with CHF and EUR outperforming. EUR's rebound perhaps came amid the fallout from the EU-US trade deal and yesterday's FOMC policy announcement. For the Eurozone, regional CPI metrics have continued to drip feed into the market ahead of the bloc-wide release tomorrow. Metrics from France printed 10bps firmer-than-expected Y/Y on a headline basis but weaker for the normalised print while German inflation held steady at 2% Y/Y. EUR/USD trades ~ 1.1430 with the 100 DMA (1.1357) approaching towards the downside.

JPY was hit by dovish remarks from BoJ Governor Ueda after the BoJ held rates at 0.5% as expected. USD/JPY was choppy at first following the rate decision, initially leaving the Yen firmer, with the BoJ noting that underlying inflation is likely to stall due to slowing growth but gradually accelerate thereafter. The central bank reiterated high uncertainty over trade policy and that it will continue to raise the policy rate if the economy and prices move in line with the forecasts. That said, Yen's earlier upside reversed following Ueda's press conference, noting no large change to the central outlook that the growth pace will slow down and underlying inflation stalls. This presents a pushback to bets over a rate hike from the BoJ in the near term, with 24bps of tightening seen by year-end; USD/JPY broke above its 200 DMA (149.59) and "Liberation Day" peak, now trading ~ 150.80.

EMFX: The Colombian central bank held interest rates at 9.25% for the third consecutive meeting, a decision backed by a majority of seven board members despite market expectations for a 25bps cut. Meanwhile, the SARB cut its repo rate by 25bps, as expected in a unanimous decision. The central bank believes South Africa's underlying growth trend remains low due to supply-side problems. "We expect modestly higher growth in the coming years". The SARB governor said they have decided to aim for the bottom of its 3-6% inflation target range, expanding the policy pace and framework to be more robust to shocks. As it stands, USD/ZAR has rallied notably ahead of the August 1st deadline while COP was marginally weaker.