

Stocks and yields tumble on woeful NFP report

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar down
- **REAR VIEW:** Trump announces tariffs on countries ranging from 10-41%, Canada & Switzerland sit at top end; NFP falls short of expectations alongside sharp downward revisions, Fed's Hammack calls report "disappointing"; Waller and Bowman explain dissent; ISM Mfg. PMI falls short of expectations while UoM sentiment is revised unexpectedly lower; OPEC+ expected to approve another oil output hike, however, could be lower than anticipated; Trump sends out two nuclear submarines after "provocative" Russian statement from former President; Mixed European PMIs; EZ HCIP comes in hot; AMZN light next quarter operating income guide; Fed Governor Kugler resigns, effective immediately.
- **COMING UP: Holiday:** Canadian Civic Holiday. **Data:** Swiss CPI (Jul), EZ Sentix Index Aug), US Employment Trends (Jun), Durable Goods R (Jun), Factory Orders. **Earnings:** Palantir, Hims & Hers, Wayfair, BioNTech, Tyson Foods.
- **WEEK AHEAD:** Highlights include US ISM Services PMI, BoE, BoJ SOO, Canada & NZ Jobs, China Trade and OPEC+. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing BoE, RBI, Banxico; Reviewing FOMC, BoJ, BoC, SARB. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings aplenty with highlights including PLTR, CAT, PFE, AMGN, AMD, DIS, UBER, MCD, LLY [Click here for the full report.](#)

MARKET WRAP

It was a risk off session on Friday in response to the woeful US jobs report but also as Trump implemented sweeping tariffs, whereby the overall tariffs raises the average US tariff rate to 15.2% from 13.3%, but up from 2.3% before Trump took office. [click here for more on trade.](#) The NFP report came in beneath expectations but the highlight was the two month net revisions of -258k, bringing the 3 month average to just 35k from the prior 150k, seeing traders boost Fed rate cut bets - September now priced at 90% vs sub-50% pre-data. Stocks were hit while bonds and gold were bid. Equities were also facing pressure from the downside in Amazon (AMZN) after earnings too. Crude prices settled lower despite reports OPEC will consider another 528k BPD output hike, or lower, and also despite Trump putting nuclear submarines in the "appropriate regions" in response to aggressive commentary from Russia's Medvedev. In FX, the Yen outperformed while the Dollar heavily lagged to the benefit of G10 peers. We also saw several Fed speakers with both Waller and Bowman explaining their dissent (both referencing the labour market) while Bostic and Hammack still believe the Fed is further away on their inflation goals than employment. Elsewhere, the ISM Manufacturing PMI disappointed, and it was met with a move lower in the employment and prices paid components. Meanwhile, UoM was little changed but inflation expectations saw the 1yr tick up and 5yr ease. Meanwhile, Amazon (AMZN) and Apple (AAPL) were hit post-earnings.

US DATA

NFP: The July non-farm payrolls report came in well below expectations, with the economy adding just 73k jobs versus a consensus forecast of 110k. While technically within the forecast range (0k to 176k), it was skewed toward the lower end of expectations, painting a bleaker picture of the labour market compared to recent reports - especially when viewed alongside the major downward revisions to prior months. June payrolls were revised down to 14k from 147k, and May saw a revision lower to 19k (from 144k). Together, these revisions totaled -258k, marking the largest two-month net downward revisions in this cycle. This now puts the 3mth average at just 35k (prev. 150k), well beneath the 80-100k labour market breakeven print that Fed's Barkin alluded to in late June. The cumulative effect leaves a notably weaker labour market than initially thought. The unemployment rate rose to 4.2% from 4.1%, in line with expectations, but still below the 4.5% median Fed projection for 2025. This was accompanied by a downward tick in the participation rate to 62.2% from 62.3%. Meanwhile, while average hourly earnings rose 0.3% m/m, in line with expectations and 3.9% y/y, above the 3.8% forecast, while hours worked rose to 34.3 from 34.2. Overall, this report may mark a turning point. After a series of months where strong payroll prints kept the Fed in wait-and-see mode, this outcome may see the conversation shift more clearly toward easing ahead. Market pricing reflected this immediately, with September rate cut odds jumping above 90% post-release, and 59bps of easing now priced by year-end. However, the Fed will likely continue to stress that it is just one data point albeit, with the revisions one could argue it is now three data points. Nonetheless, another jobs report and two more CPI (plus one more PCE) reports will be seen before the September FOMC, giving the Fed plenty of time to communicate their thoughts before the next meeting. Fed Chair Powell on Wednesday stressed that the labour market is at, or near full employment, while inflation remains further away from its target. We will be looking to see if this report has changed his mind and whether the weakness in the labour market starts to take a higher priority at the Fed. A slowing labour market and rising inflation puts the Fed in a tricky spot. It usually has suggested that if there was an unexpected deterioration in the labour market, it would lower rates. Another thing to bear in mind is that Powell stressed the unemployment rate is the main figure to watch when looking at the labour market. The 4.2% unemployment rate is not as scary as the latest NFP numbers.

ISM MFG PMI: ISM Manufacturing PMI fell to 48.0 from 49.0, shy of the expected 49.5 and outside the bottom end of the forecast range. Employment fell to 43.4 from 45.0, new orders edged higher to 47.1 (prev. 46.4), while the inflationary gauge of prices paid tumbled to 64.8 (exp. 70.0, prev. 69.7), well beneath the bottom end of the forecast range. Supplier deliveries, inventories, customers' inventories all fell, while backlog of orders rose to 46.8 from 44.3. Backlog of rose, while new export orders and imports marginally lower and higher, respectively. As has been the case for some time, tariffs was the key area of discussion for survey respondents and recapping some of them: 1) "These tariff wars are beginning to wear us out. It's been very difficult to

forecast what we will pay in duties and calculate any cost savings we've had this year" 2) "Tariffs are causing complete uncertainty around sourcing strategies." 3) "Tariff concerns seem to be growing as the year progresses." 4) "Tariff policies are uncertain", and names numerous things it slows down. Overall, Pantheon Macroeconomics notes that a further climb in goods inflation is still in the pipeline, and they estimate that only about a fifth of the uplift to goods prices due to the tariffs had been fed through by June; expects the bulk of the hit to arrive over the next few months.

FED

Waller (voter) explained his dissent from the FOMC on Wednesday, whereby he voted for a 25bps reduction, instead of leaving rates unchanged. The Governor said his views have not changed since his July 17th speech, where he laid out the case for cutting the policy rate. Waller noted tariffs are a one-off increase in the price level, do not cause inflation beyond a temporary increase, and standard central banking practice is to "look through" such price-level effects as long as inflation expectations are anchored, which they are. Adds a "host" of data argues that monetary policy should now be close to neutral, not restrictive. Data implies the policy rate should be around neutral, which the median FOMC participant estimates is 3%, and not the 1.25 to 1.50% above 3% where rates are now. Waller also stated that while the labour market looks fine on the surface, once they account for expected data revisions, private-sector payroll growth is near stall speed, and other data suggest that the downside risks to the labour market have increased. With underlying inflation near target and the upside risks to inflation limited, we should not wait until the labour market deteriorates before we cut the policy rate. Waller further added the Fed can cut now and see how the data evolves, and he sees no reason that we should hold the policy rate at its current level and risk a sudden decline in the labour market.

Bowman (voter) explained her dovish dissent at this week's FOMC meeting, arguing she saw it as appropriate to begin gradually moving the moderately restrictive policy stance toward a neutral setting, given growth is slowing alongside a less dynamic labour market. Bowman believes a cut on Wednesday would have proactively hedged against a further weakening in the economy and the risk of damage to the labour market. Additionally, the Governor thinks they should start putting more weight on risks to our employment mandate - this runs contrary to Fed Chair Powell's press conference on Wednesday, where he said inflation is further from their goal than employment. Bowman stated that if demand conditions do not improve, firms may have little option other than to begin to lay off workers, recognising that it may not be as difficult to rehire given the shift in labour market conditions. Cornering inflation, Bowman sees that upside risks to price stability have diminished as she gains even greater confidence that tariffs will not present a persistent shock to inflation, expecting them to likely have a one-time effect.

Hammack (2026 voter), speaking after the NFP data, described the jobs report as disappointing, though maintained that the labor market remains healthy and broadly in balance. She also emphasized confidence in the FOMC's most recent decision to hold rate. On inflation, she spoke of ongoing pressure on the inflation side of the mandate, stating that the "pain of inflation is biting" and continues to influence economic decisions. Hammack expects inflation to tick higher and anticipates tariff passthrough to prices. She echoed Powell that the Fed is "missing much more on the inflation side" relative to its jobs mandate but she does see a weakening labor market into year-end. On rates, she suggested the neutral rate isn't far from current policy levels but refused to reveal where her dot plot sits. She described this as a tricky time for setting monetary policy and stated she is going into the next meeting with an open mind. She reiterated that data will guide policy decisions and voiced respect for Chair Powell amid recent political criticism.

Bostic (2027 voter) said the risks to inflation are much greater than the risks to employment, and he does not think jobs data would have changed this week's FOMC decision. He still expects one cut this year, but notes it is a very difficult environment right now. The Atlanta Fed President added the jobs market is slowing from strong levels, and risk on the jobs front may be coming into better balance with inflation risks. He said the issue appears to be a slowing jobs market, but it's unclear how much more weakness is ahead. He is open to changing his view if data supports it, and there is an active debate on how restrictive Fed policy is right now.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 1 POINT 4+ TICKS HIGHER AT 112-06+

T-Notes bull steepen as weak NFP and woeful revisions shifts rate outlook. Soft ISM Mfg. PMI takes T-Notes to highs. At settlement, 2-year -24.7bps at 3.704%, 3-year -22.0bps at 3.674%, 5-year -18.9bps at 3.771%, 7-year -17.0bps at 3.973%, 10-year -14.0bps at 4.220%, 20-year -9.6bps at 4.784%, 30-year -7.7bps at 4.808%.

INFLATION BREAKEVENS: 1-year BEI +42.9bps at 3.183%, 3-year BEI -8.7bps at 2.644%, 5-year BEI -8.4bps at 2.401%, 10-year BEI -6.8bps at 2.325%, 30-year BEI -4.9bps at 2.230%.

THE DAY: T-Notes rallied across the curve on Friday, primarily led by the dismal NFP report. The headline came in below expectations at 73k, beneath the 110k forecast, while the unemployment rate ticked up to 4.2%, in line with expectations. Looking past the headlines, the revisions were what took the focus. The prior saw a hefty revision lower to just 14k from 147k, while two-month net revisions totalled -258k, seeing the May report revised to 19k from 144k. These figures completely change the view of the labour market with prints from May (19k), June (14k) and July (73k), all are below the 80-100k breakeven estimate provided by Fed's Barkin in late June. The weak report saw money markets start to price in a September rate cut with much more certainty (over 90%), vs. below 50% beforehand. Elsewhere, the ISM Manufacturing PMI disappointed, accompanied with a move lower in the employment and Prices Paid indices. The Final UoM saw revisions lower to the 5yr inflation expectations while headline sentiment was little changed, and the 1yr was revised marginally higher to 4.5% from 4.4%. On Fed speak, Bowman and Waller explained their dissent, Bowman said she thinks the Fed should start putting more weight on risks to their employment mandate, while Waller said price effects from tariffs have been small so far, but it is possible the labour market falters before clarity on pricing is obtained. He also noted that once they account for expected data revisions, private sector payroll growth is near stall speed, adding other data suggest downside risks to the labour market have increased. Fed's Hammack, however, still believes the Fed is further away on inflation goals than on employment. Bostic also echoed this sentiment. US President Trump reiterated criticisms of Fed Chair Powell. T-Notes settled around highs with 10yr futures reclaiming 112-00, pushing to highs after ISM Manufacturing PMI data, following its post-NFP rally.

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 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)
- US to sell USD 50bln of 52-week bills on August 5th

STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: September 23bps (prev. 11bps), Oct 39bps (prev. 19bps), Dec 59bps (prev. 33bps).
- NY Fed RRP op demand at USD 97bln (prev. 214bln) across 21 counterparties (prev. 52)
- EFRF at 4.33% (prev. 4.33%), volumes at USD 92bln (prev. 105bln) on July 31st
- SOFR at 4.39% (prev. 4.32%), volumes at USD 2.933tln (prev. 2.727tln) on July 31st

CRUDE

WTI (U5) SETTLED USD 1.93 LOWER AT 67.33/BBL; BRENT (V5) SETTLED USD 2.83 LOWER AT 69.67/BBL

The crude complex was lower on Friday and weighed on by bearish global risk sentiment, after Trump's tariffs and a dismal US jobs report. Overnight and through the European morning benchmarks were choppy in wake of Trump's revised tariff announcements, before sentiment was further soured after a woeful US jobs report. As such, WTI and Brent were weighed on and grinded lower for the duration of the US session. Despite the weakness seen, benchmarks saw upside prior to the jobs report as Reuters source reports noted OPEC+ is expected to approve another oil production hike on Sunday, and final size may be 548k BPD **or lower**, with the "or lower" being the new addition. Furthermore, the crude complex saw fleeting upticks in the US afternoon after President Trump ordered two nuclear submarines to be positioned in the "appropriate regions", just in case "these foolish and inflammatory statements from Russia's Medvedev are more than just that". For the record, in the latest weekly Baker Hughes rig count, oil fell 5 to 410, natgas rose 2 to 124, leaving the total down 2 at 540. Overall, WTI and Brent traded between USD 67.05-69.58/bbl and USD 69.40-69.73/bbl, respectively, and currently sit towards the bottom end of the ranges.

EQUITIES

CLOSES: SPX -1.65% at 6,235, NDX -1.96% at 22,763, DJI -1.24% at 43,586, RUT -2.08% at 2,166.

SECTORS: Consumer Discretionary -3.56%, Technology -2.07%, Energy -1.84%, Financials -1.76%, Communication Services -1.65%, Industrials -1.46%, Materials -0.75%, Real Estate -0.25%, Utilities +0.12%, Consumer Staples +0.53%, Health +0.58%.

EUROPEAN CLOSES: Euro Stoxx 50 -2.75% at 5,174, Dax 40 -2.47% at 23,471, FTSE 100 -0.70% at 9,069, CAC 40 -2.91% at 7,546, FTSE MIB -2.55% at 39,943, IBEX 35 -1.75% at 14,146, PSI -1.10% at 7,627, SMI -0.91% at 11,823, AEX -1.91% at 885.

STOCK SPECIFICS

- **Apple (AAPL):** Revenue beat driven by strong iPhone 16 demand & rebound in China.
- **Amazon (AMZN):** Light next quarter operating income guide; slower AWS growth & lack of visible returns from AI investment weighed on sentiment.
- **First Solar (FSLR):** EPS & revenue topped; Raised FY top line guidance
- **Paramount (PARA):** Revenue light.
- **Coinbase (COIN):** Top line light & transaction revenue, -39% Q/Q
- **Reddit (RDDT):** Top & bottom line surpassed expectations.
- **Starbucks (SBUX):** Has shortlisted about a dozen firms to advance in its China business investment process.
- **Alphabet (GOOGL):** Loses Epic Games appeal.

FX

The Dollar ended the week on the back foot, and was hit on a dismal US jobs report. Recapping, the headline NFP tumbled to 73k from the initially reported 147k, albeit this saw a huge revision lower to just 14k. The May report also saw a big revision lower, leaving the net two-month revisions at -258k against the prior +16k. The unemployment rate rose to 4.2%, as expected. Elsewhere in US data, ISM Mfg. PMI disappointed and printed outside the bottom end of the forecast range. On trade, Trump announced updated tariffs, ranging from 10-41%, where countries who have a surplus with the US will pay a 10% tariff. However, those without a deal are set to face the higher tariff rates from seven days from today. Some of the highlights include the 39% tariff on Switzerland, while Canada will be increased to 35%, but goods transhipped to evade the 35% tariff on Canada will face a 40% transhipment tariff. The overall tariffs raises the average US tariff rate to 15.2% from 13.3%, but up from 2.3% before Trump took office. Meanwhile, Fed speak saw Waller and Bowman explain their dissent, both referencing the labour market, but Bostic and Hammack still state the Fed is further away on its inflation goals than employment goals.

G10 FX was bid across the board and benefitted from the Dollar weakness, as opposed to anything currency-specific. Highlighting the extent of the moves, USD/JPY hit a peak of 150.91, but reversed to lows of 147.54 in the wake of the US jobs report. The Yen

had suffered heavy losses this week amid a couple of factors (tariffs, BoJ, political uncertainty), but the Yen managed to claw back a decent chunk to end the week and resided as the clear G10 outperformer thanks to the NFP revisions.

EUR/USD hit a peak of 1.1588 against an earlier trough of 1.1392, and despite the aforementioned US jobs report, there was also plenty of data out of Europe. EZ inflation had a firmer-than-expected outturn, but failed to garner much reaction. HICP Y/Y for July remained at the 2% target (exp. 1.9%), whilst both core metrics came in above consensus, and services declined to 3.1% from 3.3%. As has been repeated numerous times, the ECB is very much of the view that policy is well-positioned to deal with the current uncertainties in the economy.

Antipodeans and the **Pound** saw slight strength, and likely continue make the most of the Dollar weakness amid the broad-based risk-off sentiment as seen by the downside in US indices. On the tariff footing, New Zealand saw its rate increase to 15% from 10%, while Australia's was held steady at 10%. New Zealand jobs, inflation forecasts, and BoE next week are the highlights; analysts are virtually unanimous in expecting the BoE to lower the Base Rate by 25bps to 4.0% with markets assigning an 83% probability of such an outcome. The move would follow the MPC's preference for cutting at a quarterly pace and alongside MPR meetings.

EMFX was firmer across the board, aside from the MXN, which is likely weighed on by tariff headwinds. Ahead of Banxico next week, the latest Reuters poll saw 27 out of 28 economists expecting the bank to cut rates by 25bps to 7.75%, while one sees rates unchanged at 8.00%. Overnight, Chinese Caixin Manufacturing PMI Final (Jul) disappointed as it fell beneath 50 to 49.5 from 50.4, with expectations for the print to remain at 50.4. Brazilian industrial output underwhelmed, with Y/Y declining more than expected.

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