

Stocks mixed with dollar sold after Trump appoints CEA Chair Miran to the Fed board

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude down, Dollar down
- **REAR VIEW:** Trump appoints CEA Chair Miran to Fed board as temporary Kugler replacement; Trump says he will most likely be going to China in not too distant future; Fed's Waller emerges as favourite for Fed Chair among Trump team; White House said Putin must meet Zelensky before a Trump-Putin meeting; Weak US 30yr note auction; Fed's Bostic stills sees 1 rate cut this year; US Initial and Continued Claims rise above expectations; US Wholesale Sales rise more than expected; NY Fed SCE sees 1- & 5yr-ahead inflation expectations move higher, 3yr stays put; BoE cut rates as expected, but dissents lean more hawkish than anticipated; Trump says INTC CEO should resign immediately; LLY weight loss drug trial disappoints
- **COMING UP: Data:** Canadian Jobs Report (Jul). **Events:** BoJ SOO, Japanese LDP Joint Plenary Meeting. **Speakers:** BoE's Pill, Fed's Musalem. **Supply:** Australia, Japan. **Earnings:** fuboTV, Tempus AI, Wendy's, AMC Networks, Munich Re, Bechtle.

MARKET WRAP

US indices had a downward bias on Thursday, with sectors posting mixed performance. Defensive names generally outperformed with Utilities and Staples leading gains, albeit healthcare lagged amid Eli Lilly's (LLY, -14.1%) oral GLP-1 Orforglipron Phase 3 trial disappointing expectations, despite later topping expectations on its Q2 report. Major updates for the day came via the White House, where US President Trump announced CEA Chair Miran as the temporary replacement to fill Kugler's seat on the Fed's board of governors, which becomes available on Friday through 31st January 2026. The announcement sparked upside in equities, gold, and T-notes, while the dollar was sold as dovish bets on the Fed increased as Trump's push for lower rates moves into the next stage. Additionally, Bloomberg reported that Fed Governor Waller is the favourite for the Fed Chair role, albeit a muted reaction was seen across markets. Ultimately, Treasuries are sold modestly across the curve, mostly weighed by a weak US 30yr auction, before bouncing off lows on said Trump-Miran announcement. As mentioned, USD was sold on the Miran pick, reversing earlier strength, with existing Sterling outperformance extending; GBP rallied on a hawkish BoE vote split to cut by 25bps, as 4 voted to hold (exp. 2). US data saw initial and continued claims rise above expectations, while the NY Fed SCE saw the 1- and 5yr ahead inflation expectations move higher, while the 3yr was flat; data had little sway over markets. For crude, prices settled lower, weighed by geopolitical developments. Kremlin Aide Ushakov stated that an agreement has been reached to hold a meeting with US President Trump and Russian President Putin in the next few days. That said, later reports from the US press noted the White House has pushed back on the Kremlin's claims, saying that Putin must meet with Ukrainian President Zelensky for it to occur. Back at the White House, Trump, as expected, signed an EO easing the path for private assets in 401k(s)

US

UNIT LABOUR COSTS: Unit labour costs prelim for Q2 printed 1.6% (exp. 1.5%), but fell somewhat from the prior, revised higher, 6.9%. Productivity rose to 2.4% from -1.8%, above the expected 2.0%, with Pantheon Macroeconomics noting the figure was flattered by the tariff-related distortions that artificially boosted both GDP and the 3.7% jump in nonfarm business output used to calculate productivity. Despite saying that, Pantheon notes the underlying trend still looks reasonably strong. PM adds that while the trend probably will slow slightly over the next few quarters, they remain upbeat about the medium-term outlook for productivity. On unit labour costs, PM highlight they are prone to big revisions, but the bottom line is that modest growth in unit labour costs underlines that the Fed has nothing to fear right now from inflationary pressures in the labour market.

NY FED SCE: Median inflation expectations in July increased on a 1- and 5yr outlook, to 3.1% (prev. 3.0%) and 2.9% (prev. 2.6%), respectively. 3yr ahead inflation expectations remained at 3%; uncertainty over said expectations declined on the 1- and 3yr horizons while the 5yr was flat. Meanwhile, median home price growth expectations stayed at 3.0%, staying put within the 3.0-3.3% range since August 2023. Median year-ahead price changes expectations for commodities, cost of medical care, cost of college, and rent all declined, while expectations for change in food prices were unchanged. On the labour market, median one-year ahead earnings growth expectations increased to 2.6% (prev. 2.5%, 12-month avg. 2.8%) while the mean probability that the US employment rate will be higher one year from now dropped to 37.4% (prev. 39.7%), its lowest reading since January 2025. The mean perceived probability of losing one's job in the next 12 months rose to 14.4% (prev. 14.0%, 12-month avg. 13.9%), while in the case of finding a job in the next three months, if one's job was lost increased to 50.7% (prev. 49.6%). The mean perceived probability that U.S. stock prices will be higher 12 months from now increased by 2.3% to 38.3%.

INITIAL JOBLESS CLAIMS: Weekly Initial Claims picked up W/W, rising to 226k from 219k, above the 221k forecast and towards the highest forecast of 227k. However, the four-week average fell to 220.75k from 221.25k. The unadjusted data totalled 195k, rising 1.2k W/W, while seasonal factors expected a 5k decrease W/W. Continued claims, for the preceding week, surged to 1.974mln from 1.936mln, above the 1.95mln consensus and above the top end expectations of 1.956mln. The unadjusted data totalled 2mln, little changed from the prior week, while seasonal factors expected a 38.7k decrease W/W. The non-adjusted claims saw the greatest increase in Massachusetts (1.1k), while the largest drop was in New York, -904. On the data, Oxford Economics writes that the data remains at levels that are consistent with a low pace of layoffs.

FED

MIRAN: US President Trump announced CEA Chair Miran as a temporary replacement to fill Fed Kugler's seat until January 31st,

2026, and in the meantime, Trump said he will continue to search for a permanent replacement. Note, Trump has said in the past couple of days that he was going to appoint a temporary successor [for Kugler] until January to give him time to search for a permanent replacement, and that it would likely be someone in the government to enable a swifter process, as they have already been vetted.

BOSTIC (2027 voter) spoke heavily, and he reiterated his view of one cut being appropriate for this year, but added that there is a lot of data before the September meeting. On the economy, Bostic noted the key question for the Fed is whether tariffs will lead to one-off price shifts or more persistent inflation effects. Speaking on the labour market, Bostic said firms remain cautious, adopting a wait-and-see approach on hiring, and the July jobs data shifted views on progress towards the employment mandate. Speaking on the Fed itself, the Atlanta Fed President said people always complain about the Fed, that is part of the job, and would not be surprised to see dissents continuing at FOMC meetings. Bostic said it is harder now to make policy decisions than it was a year ago; notes risks to both sides of the Fed's mandate.

DALY (2027 voter): Said there is cautiousness, which is tempering growth but not stalling out, and they will likely need to adjust policy in the coming months. As a reminder, on Monday, the San Fran Fed President said two rate cuts this year still seem to be an appropriate amount of recalibration. Daly added can't wait for perfect clarity to act, and tariffs are unlikely to boost inflation persistently in a way that monetary policy would need to offset. On jobs, said the labour market has softened, and additional slowing would be unwelcome. Daly concluded that they need to recalibrate monetary policy to match risks to the Fed's goals.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 4+ TICKS LOWER AT 112-03

T-Notes flatten on reports that Waller is Trump's-team favourite for Fed Chair. At settlement, 2-year +3.1bps at 3.732%, 3-year +3.1bps at 3.687%, 5-year +2.8bps at 3.790%, 7-year +2.0bps at 3.988%, 10-year +1.4bps at 4.246%, 20-year +0.7bps at 4.797%, 30-year +0.9bps at 4.820%.

INFLATION BREAKEVENS: 1-year BEI +3.9bps at 3.235%, 3-year BEI +1.5bps at 2.692%, 5-year BEI +0.8bps at 2.429%, 10-year BEI +0.3bps at 2.349%, 30-year BEI +0.5bps at 2.250%.

THE DAY: T-Notes saw rangebound trade throughout the session, with T-Note futures trading between 112-01 and 112-09+. On data, Jobless Claims rose above expectations, albeit still at a pace consistent with a low pace of layoffs, while Unit Labour Costs rose by 1.6%, above the 1.5% forecast, but productivity was also above forecasts at 2.4% (exp. 2.0%). The data sparked little reaction. The curve did flatten on the day, however, with flattening supported by reports that current Fed Governor Waller has emerged as the Fed Chair favourite among the Trump team. Noting they support him for his calls for rate cuts based on forecasting and his deep knowledge of the Fed system. However, Waller is still yet to meet with Trump, and it is worth noting, the Fed Chair appointment likely won't be made until closer to year-end or after, with Chair Powell's term set to expire in 2026. Although Waller is a dove on the Fed, he is likely not going to be as dovish as former Fed Governor Warsh, or NEC Director Hassett - the other two front-runners for the Fed top job. This saw front-end yields rise, while long-end yields fell with the long-end of the curve being influenced by an unwind of term premium as Waller, as Chair, is more supportive of Fed independence than the Kevins, particularly when compared to Hassett. We are still awaiting Trump's announcement on the Kugler replacement, but Trump did state the candidates have been narrowed to three from four, and he confirmed that the governor role will be temporary, seeing out the position until January when the term expires. This is when Trump will replace Kugler's successor with a permanent governor, and potentially another appointment if Powell decides to step down from the board completely when his term as Chair is up. Elsewhere, in the UK the BoE cut rates by 25bps as expected, albeit in a very close call with 5 voting to cut and four voting to hold, albeit the MPC had to conduct a second round of votes as Taylor voted for a 50bps cut at first, seeing the split at 4-4-1; Taylor then joined the 25bps camp in the second vote to break the tie. Attention was also on the 30yr bond auction after the long-bond fat finger on Wednesday, which was weak and sent T-Notes to session lows, albeit still within a very contained daily range.

SUPPLY

Notes/Bonds

30-YR:

- Overall, it was a weak 30yr auction, highlighted by the 2.1bps tail, vs. the prior 0.1bps stop-through and six-auction average 0.2bps stop-through. Bid-to-cover was 2.27x, beneath the prior, and the six-auction average, 2.38x. Dealers took 17.5% of the auction (prev. 12.8%, avg. 13.9%), while Directs had 23.0% (prev. 27.4%, avg. 24.2%). Rounding off the auction, Indirects took 59.5%, more-or-less in line with the previous uptake of 59.8%, but shy of the six auction average of 61.9%.

Bills

- US sold USD 100bln of 4-week bills at a high rate of 4.300%, B/C 2.82x;
- US sold USD 85bln 8-week bills at a high rate of 4.235%, B/C 3.16x
- US to sell USD 82bln of 13-wk bills and USD 73bln of 26-wk bills on August 11th
- US to sell USD 85bln of 6-wk bills on August 12th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 23bps (prev. 24bps), Oct 39bps (prev. 41bps), Dec 59bps (prev. 62bps).**
- NY Fed RRP op demand at USD 78bln (prev. 92bln) across 26 counterparties (prev. 22).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 115bln) on August 5th.
- SOFR at 4.34% (prev. 4.34%), volumes at USD 2.866tln (prev. 2.863tln) on August 5th.

CRUDE

WTI (U5) SETTLED USD 0.47 LOWER AT USD 63.88/BBL; BRENT (V5) SETTLED USD 0.46 LOWER AT USD 66.43/BBL

The crude complex was choppy on Thursday, but ultimately lower as geopolitical updates have largely pressured the space.

Benchmarks saw weakness in the European morning as Kremlin Aide Ushakov stated an agreement has been reached to hold a meeting with US President Trump and Russian President Putin in the next few days. On that, Interfax and Ria said a meeting is likely to take place next week, but later reports from the US press noted the White House has pushed back on Kremlin claims Trump and Putin agreed to a meeting, and that Putin must meet with Ukrainian President Zelensky for it to occur. Elsewhere, energy-specific newsflow was light, although Israeli PM Netanyahu in a Fox News interview said Israel intends to take control of all of Gaza, and wants to hand it over to Arab forces that will govern Gaza properly; Gaza should be governed by a civilian authority that is not Israel. WTI and Brent traded between USD 63.78-65.11/bbl and 66.40-67.68/bbl, respectively, ahead of the weekly Baker Hughes rig count on Friday, with participants continuing to await Trump's replacement announcement for Kugler, albeit a temporary one.

US EARNINGS: Occidental Petroleum (OXY) topped on EPS and revenue; FY25 oil and gas Permian production seen at 768-784 MBOED; and sees Q3 oil & gas Permian production between 1.415-1.455k MBOED. Lowered cost guidance by ~USD 150mln (100mln Permian CapEx, 50mln international operating costs), and volume guidance was unchanged, given lower GOA production and the OxyChem outlook was lowered. ConocoPhillips's (COP) Q2 earnings fell, hurt by lower prices that were slightly offset by higher production.

EQUITIES

CLOSES: SPX -0.08% at 6,340, NDX +0.32% at 23,390, DJI -0.51% at 43,969, RUT -0.30% at 2,215

SECTORS: Health -1.15%, Financials -1.13%, Energy -0.39%, Communication Services -0.34%, Industrials -0.13%, Consumer Discretionary +0.11%, Materials +0.39%, Real Estate +0.41%, Technology +0.41%, Consumer Staples +0.73%, Utilities +1.05%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.38% at 5,336, Dax 40 +1.11% at 24,191, FTSE 100 -0.69% at 9,101, CAC 40 +0.97% at 7,709, FTSE MIB +0.93% at 41,393, IBEX 35 +0.97% at 14,678, PSI +0.27% at 7,762, SMI +0.86% at 11,856, AEX +0.97% at 893

STOCK SPECIFICS:

- **Apple (AAPL):** Pledged another USD 100bln investment in the US.
- **Sony (SONY):** Raised earnings outlook.
- **Eli Lilly (LLY):** Disappointing results from oral GLP-1 Orforglipron weight loss trial; in earnings, EPS, revenue beat and lifted FY view; Bank of America said drop in Eli Lilly's share price is "way overdone"
- **Fortinet (FTNT):** Said it was 40-50% of the way through its 2026 renewal cohort has shaken investor confidence.
- **Airbnb (ABNB):** Strong Q2 numbers, but warned overall growth may slow later in '25 due to tough comps.
- **DoorDash (DASH):** EPS and revenue topped with strong next quarter guidance.
- **Occidental Petroleum (OXY):** Top and bottom line beat.
- **CF Industries (CF):** Profit light.
- **Duolingo (DUOL):** Revenue beat with strong guidance.
- **Becton, Dickinson and Company (BDX):** Top and bottom line beat; raised guidance.
- **General Motors (GM)** plans to import batteries from China's CATL despite tariffs to power its second-generation Chevrolet Bolt EV.
- **Cheniere (LNG)** returns to building big LNG plants using ConocoPhillips (COP) technology.

FX

The **Dollar Index** was modestly firmer as strength against EUR, CHF, CAD, and JPY offset GBP outperformance following the BoE rate cut (more below). The day's main takeaway was Bloomberg reports that Fed Governor Waller has emerged as the frontrunner in Trump's team as the next Fed Chair. While reactions across markets were fairly muted, the appointment of Waller would likely be an easier task than Kevin Hassett, given that Waller already has the Senate approval for being on the Fed's Board of Governors. In the US evening on Wednesday, Trump said replacements for the Fed Chair were probably down to three, reiterating that the two Kevins are very good. As such, the candidates have seemingly been reduced to Kevin Warsh, Kevin Hassett, and Waller. Separately, US data signalled modest deterioration in the jobs market, with initial and continued claims rising above expectations, albeit the initial claims 4-week average remained around 221k. DXY moved up to 98.471 from earlier lows of 97.942.

GBP and **NZD** led strength in the G10 space, with Antipodeans supported by Chinese trade data overnight, positively surprising on growth in imports and exports. For the Pound, markets were surprised by the BoE vote split to arrive at the 25bps rate cut that was widely expected. 5/9 voted in favour of a 25bps cut, the remaining 4 voted for a hold - BoE's Taylor initially voted for a 50bps before switching to 25bps as an initial 4-4 vote split was reached, so Taylor switched to a 25bps to ensure a cut. Within the statement, the central bank reiterated "careful" and "gradual" language surrounding monetary policy, but omitted language that "monetary policy needs to remain restrictive". As it stands, money markets price ~19bps of further easing by year-end (prev. ~24bps before BoE cut). For November, Oxford Economics expects a 25bps cut, anticipating inflation coming in broadly in line with the MPC's forecast and believing that growth will stall. Cable now sits around its 21 DMA (1.3401), with the 50 DMA (1.3502) approaching on the upside.

EUR and **CHF** were the G10 laggards with little newsflow on trade or data to support the intraday moves. The Swiss Government gave a press conference following the failure to reach a trade agreement with the US. Ultimately, the government isn't considering countermeasures against the US and will continue negotiations in the meantime. EUR/USD sits at ~1.1620 from earlier highs of 1.1698 while EUR/CHF ticked marginally down to ~0.9390.

EMFX: At the CNB, the Repo Rate was held at 3.50% as expected in a unanimous decision. The board noted that a new staff forecast implies a near-term modest decline in short-term market rates, followed by a slight increase in 2026. ING remains bullish given the CNB hawkish story, which is unique within the CEE region but also globally. "If the central bank meets our hawkish expectations, we could probably test the 24.500 EUR/CZK levels". Elsewhere, Banxico cut rates by 25bps as expected, but with Heath dissenting for a hold; USD/MXN was unfazed.

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