US Market Wrap - 12th August 2025

Stocks bid and Dollar hit as CPI keeps September rate cut on the table

- **SNAPSHOT**: Equities up, Treasuries steepen, Crude down, Dollar down
- **REAR VIEW**: M/M CPI in line, Y/Y prints see soft headline but hot core; Trump considers suing Fed Chair Powell; Schmid still favours wait-and-see approach; Miran says inflation is behaving; Bank of America Consumer Checkpoint data accelerates in July; Russia makes fresh offensive operations ahead of talks; RBA cuts as expected; UK jobs market slowdown eases; China demands companies to halt NVDA chip orders over security concerns.
- **COMING UP**: **Data**: German Final CPI (Jul), Spanish Final CPI (Jul) **Events**: IEA OMR, BoC Minutes, US President Trump to meet with E3 and Ukraine **Speakers**: Treasury Secretary Bessent, Fed's Barkin, Goolsbee, Bostic **Supply**: Australia, Japan, Germany **Earnings**: Cisco

MARKET WRAP

Stocks were bid on Tuesday while the Dollar was sold and T-Notes steepened in response to a "not as bad as feared" CPI in the face of Trump's tariffs, keeping a September rate cut on the table following the weak July jobs report - for more on CPI, please see analysis below. Outperformance was led by the Russell, which rose almost 3% while the other three indices saw gains of c. 1%. The majority of sectors were green, with notable outperformance in Communication and tech stocks, while Real Estate, Consumer Staples and Health Care lagged. T-Notes steepened, with the front-end bid while the long-end was sold after CPI, with T-Notes hitting lows after Trump announced he is considering suing Fed Chair Powell over the Fed renovations, raising more concerns over Fed independence and boosting term premium. The CPI and post from Trump hit the buck, seeing the Dollar and CAD underperform in the FX space while CHF prospered, paring some of the recent weakness in the fallout of the US/Switzerland trade war. GBP also performed well after the latest jobs data showed an easing in the pace of the labour market slowdown. Crude prices settled red with attention still on the Trump/Putin meeting on Friday, although Ukraine announced that Russia has made more advances today and that Ukraine is not willing to pull out of Donbas. Elsewhere, the OPEC MOMR saw world oil demand unchanged, but the EIA boosted their forecasts for 2025 and 2026. Meanwhile, Fed Speak saw Schmid maintain a hawkish tone - stating that the Fed are close to neutral and he still favours a wait-and-see approach.

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JULY CPI: Headline CPI rose 0.197%, in line with the 0.2% forecast and cooling from the prior 0.287%, Y/Y rose by 2.7%, below the 2.8% forecast and matching the prior pace. The Core CPI rose by 0.322%, accelerating from the prior 0.228% but in line with the 0.3% forecast, while Y/Y was hotter than expected at 3.1% (exp. 3.0%, prev. 2.9%). Regarding the Fed, the inflation levels are manageable and would likely endorse a September rate cut given the slowdown in the labour market. Pantheon Macroeconomics notes that core goods prices, ex-autos, rose 0.2%, less than the 0.5% increase in June, but still outpacing the 2024 trend, when prices were flat. The desk notes that it remains the case that prices have risen the most since January for goods that are primarily imported. Pantheon also highlights that Core Services prices rose by 0.4%, but Pantheon says it is no cause for alarm as a 4.0% rebound in airline fares contributed 0.05pp to changes in overall prices. Nonetheless, a move higher in services prices alongside rising goods prices, disputes the theory that the fall in services prices will be offset by the rising goods prices - this will be something to watch in the months ahead. Reminder, this is July data, and the latest tariff rates did not kick in until August. We will be looking at the August metrics and data ahead to see the implications of the latest tariff rates. Despite keeping the door open for a September rate cut, in the wake of the data, Fed's Schmid (hawk) spoke, noting that retaining a modestly restrictive policy stance is appropriate, adding that inflation is too high. However, Barkin noted that they may see pressure on inflation and unemployment, noting the balance between the two is unclear. Meanwhile, in regard to PCE implications, Pantheon suggests the CPI data is consistent with a 0.23% increase in Core PCE.

FED'S SCHMID (2025 Voter) struck a hawkish tone and said retaining a modestly restrictive policy stance is appropriate for the time being, and he supports the patient approach on rates. The Kansas City Fed President said there is a limited effect from tariffs on inflation and is a reason to keep policy on hold, not an opportunity to lower rates, given policy is not far from neutral, and inflation is too high. Schmid continued to strike this hawkish rhetoric and noted that the muted effect on inflation from tariffs is likely a sign that policy is appropriately calibrated. He did note he will adjust views accordingly if there are signs of significant weakening in demand growth.

FED'S BARKIN (2027 voter) said may well see pressure on inflation and unemployment, and the balance between the two is unclear. Barkin said the Fed policy is well-positioned to adjust as visibility about the economy improves. The Richmond Fed President said for the economy to falter, consumer spending would have to pull back more significantly, and though spending has softened, a serious pullback is hard to envision given low unemployment and ongoing wage gains. On the labour market, said employment could take a hit if consumers pull back, but large layoffs may be avoided, and any increase in the unemployment rate may be less than expected due to decreased immigration and lower labour supply growth.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLE 2+ TICKS LOWER AT 111-26

Treasury curve steepens after CPI keeps September rate cut on the table . At settlement, 2-year -2.1bps at 3.733%, 3-year -1.2bps at 3.707%, 5-year +0.2bps at 3.824%, 7-year +1.1bps at 4.032%, 10-year +2.0bps at 4.293%, 20-year +3.7bps at 4.857%, 30-year +4.1bps at 4.882%.

INFLATION BREAKEVENS: 1-year BEI -4.4bps at 3.223%, 3-year BEI -3.7bps at 2.699%, 5-year BEI -2.6bps at 2.454%, 10-year BEI -1.3bps at 2.372%, 30-year BEI -0.3bps at 2.272%.

THE DAY: T-Notes steepened in response to the US inflation report. To recap, headline CPI was in line with expectations M/M, and Y/Y softer than forecast. The core prints were inline M/M but hotter than forecast at 3.1% Y/Y. The data saw an initial rally across the curve to see T-Notes peak at 112-06. The move was short-lived, however, with the long-end quickly selling off thereafter, albeit the front-end futures remained bid as the net neutral inflation data bolstered bids for a September rate cut, with a 25bps cut now priced with a 98% probability, according to LSEG data. Nonetheless, the long end of the curve had largely pared the upside, with T-Notes falling to lows of 111-19+. The downside ensued quickly after the data, but selling pressure was exacerbated after Trump announced he is considering suing "too late Powell" for the Fed renovations, raising concerns around Fed independence and seeing participants price in more term premium. It is also worth noting that within the inflation report, although not too concerning on the headlines, core goods and services picked up. This may worry those who were hoping for the downward trend in service prices to offset the expected move higher in goods prices as a result of tariffs. T-Notes then meandered into settlement, but Fed speak saw 2025 voter Schmid (Hawk) reiterate his hawkish language, advocating for the Fed to maintain a wait-and-see approach. Focus remains on data between now and the September meeting to fully shape expectations for the meeting.

SUPPLY

Bills

- US sold USD 85bln of 6-week bills at a high rate of 4.265%, B/C 2.74x
- US to sell USD 100bln of 4-week bills and USD 85bln of 8-week bills on August 14th
- US to sell USD 65bln of 17-week bills on August 13th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: September 24.5bps (prev. 22bps), Oct 40bps (prev. 38bps), Dec 60bps (prev. 58bps).
- NY Fed RRP op demand at USD (prev. 82bln) across 22 counterparties (prev. 26).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 115bln) on August 11th.
- SOFR at 4.34% (prev. 4.35%), volumes at USD 2.796tln (prev. 2.817tln) on August 11th.

CRUDE

WTI (U5) SETTLES USD 0.79 LOWER AT 63.17/BBL; BRENT (V5) SETTLES USD 0.51 LOWER AT 66.12/BBL

The crude complex was lower on Tuesday as participants await the upcoming Trump/Putin meeting in Alaska on Friday . Heading into the meeting, Trump and the White House are seemingly attempting to temper expectations, highlighted by the White House today noting it is a “listening exercise for Trump”. Ahead of the confab, Russia have seemingly made some advancements in the war with Ukraine, with NY Post saying Moscow troops made one of their most dramatic advancements of the year when they pushed deeper into the Donetsk region of Ukraine. Meanwhile, Zelensky said the current Russian push in eastern Ukraine was timed to coincide with Trump-Putin talks. Some strength was seen in the crude complex after the Ukrainian President said Ukraine will not pull out of Donbas, as such a move would open the way for Russia to attack Dnipropetrovsk, Zaporizhzhia, and Kharkiv. Pushing back somewhat on The Telegraph report Monday that Ukraine could agree to stop fighting and cede territory already held by Russia as part of a European-backed plan for peace. Elsewhere, no move was seen on the MOMR, which maintained 2025 demand growth forecasts and nudged up 2026 metrics. The EIA STEO marginally raised its 2025 and 2026 world oil demand forecasts. Ahead, private inventory metrics are due after-hours, whereby current expectations are (bbls): Crude -0.3mln, Distillates +0.7mln, Gasoline -0.7mln.

EQUITIES

- **CLOSES**: SPX +1.13% at 6,446, NDX +1.33% at 23,839, DJI +1.10% at 4,4459, RUT +2.99% at 2,283.
- **SECTORS**: Communication Services +1.79% Technology +1.41% Financials +1.23% Materials +1.14% Industrials +1.09% Consumer Discretionary +0.87% Health +0.74% Energy +0.49% Utilities +0.44% Real Estate +0.22% Consumer Staples +0.17%.
- **EUROPEAN CLOSES**: Euro Stoxx 50 +0.09% at 5,337, Dax 40 -0.13% at 24,050, FTSE 100 +0.20% at 9,148, CAC 40 +0.71% at 7,753, FTSE MIB +0.85% at 41,935, IBEX 35 +0.02% at 14,859, PSI +0.13% at 7,755, SMI +0.12% at 11,884, AEX +0.11% at 895.

STOCK SPECIFICS:

- US President Trump met with **Intel (INTC)** CEO Tan, along with US Commerce Secretary Lutnick and US Treasury Secretary Bessent; Trump said the meeting was very interesting
- China urged firms not to use **NVIDIA (NVDA)** H20 chips in new guidance; note, China has issued similar commentary previously. In later trade, The Information reported that China demands Cos. to halt NVDA chip orders over security concerns.
- **Gildan Activewear (GIL)** close to a deal to acquire Hanesbrands (HBI), potentially valuing it at ~USD 5bln, including debt.
- **Sinclair (SBGI)** started a strategic review of its business that could result in a merger or spinoff of its Ventures division.
- **Chipotle Mexican Grill (CMG)** upgraded to 'Overweight' from 'Neutral' at Piper Sandler; cited an improved risk/reward for the

upgrade as it now sees over 20% in a "base case" that assumes Chipotle posting comp growth of 3% over the next two years.
- US President Trump posts "Trillions of Dollars are being taken in on Tariffs", says **Goldman Sachs (GS**) CEO "refuse to give credit where credit is due", and he makes negative comments on GS CEO and analysts.
- **Boeing (BA)** Numbers (July): Delivered 48 jets, Booked 31 Gross orders; Deliveries fall 20% from June.
- Perplexity is making a formal offer to Google **(GOOGL)** to buy Chrome for USD 34.5bln; to extend the offer to a substantial portion of designated key personnel of Chrome.
- **Biogen (BIIB)** sees potential in Alzheimer's and obesity drug combo, according to Bloomberg.

EARNINGS:

- **On Holding (ONON)**: Revenue beat and raised FY25 guidance
- **Cardinal Health (CAH)**: Revenue and adj. EBIT missed.
- **BigBear.ai Holdings (BBAI)**: Steeper loss than expected, with revenue and 2025 revenue guidance disappointing.
- **Venture Global (VG)**: Revenue beat.

US FX WRAP

The Dollar Index was lower on Tuesday and was weighed on by a US inflation report and Trump saying he is considering a lawsuit against Fed Chair Powell. The first to hit was the US CPI, which was largely deemed as "not hot enough" to prevent a September rate cut by the Fed. Recapping, M/M figures were in line, while Core Y/Y was slightly hotter than expected, but headline was marginally cooler than forecasted. Digging beyond the headline figures, it is worth noting that core goods inflation rose 1.2% Y/Y - its highest level since June 2023. Post-CPI, Trump posted on Truth that he is "considering allowing a major lawsuit against [Fed Chair] Powell" due to the construction of the Fed Buildings, which saw the Greenback take another leg lower. Elsewhere, Fed's Barkin and Schmid spoke, with the latter being distinctly hawkish and noting they are close to neutral and that he still prefers a wait-and-see approach after the recent data.

G10 FX saw gains against the board, and once again was largely at the whim of the Dollar, as opposed to anything headline related. However, GBP was boosted in the UK morning in the wake of the latest jobs report, which failed to show a marked deterioration in the labour market that some had been positioned for. Overall, the takeaway is that the UK labour market is softening, but the rate of slowing appears to be slowing. As such, given last week's BoE rate decision, which placed greater emphasis on the lack of progress in returning inflation to target, upcoming CPI data will likely carry greater sway for the UK rates space.

Out of **Europe**, albeit little move was seen in the single-currency, German ZEW data disappointed on both current conditions and economic sentiment. EUR/USD traded between 1.1599-1697 ahead of German and Spanish CPI on Wednesday, with price action dominated by the Dollar weakness.

AUD was the G10 laggard for much of the session in the wake of the RBA overnight, but caught up to peers on the aforementioned Dollar weakness. The RBA provided no surprises and delivered a unanimously expected 25bps rate cut to lower the Cash Rate to 3.60%, while it reiterated its language that inflation has continued to moderate and the outlook remains uncertain. On its Quarterly Statement on Monetary Policy, it showed a downgrade to the estimate of Australia's long-run productivity growth to 0.7% from 1.0% and with trend GDP growth now seen around 2.0%, down from 2.25%.

EMFX was almost exclusively firmer across the board against the Dollar. Brazilian IPCA Inflation data was cooler than expected on both M/M and Y/Y metrics, while the South African u/e rate rose slightly more than anticipated. Once again, newsflow was sparse for EMs and seemed to be trading off broader macro impulses for the time being.