

## Stocks and bonds bid as markets fully price 25bps cut in September

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** Trump reportedly told EU leaders and Zelensky that conceding territory will be necessary for a peace deal with Ukraine/Russia; Bessent says will meet again with Chinese officials in the next two/three months; Interview list for new Fed chair totals eleven, but Trump later said its down to three or four; China announces two stimulative targeted loan subsidy programmes; Russia to spread out oil cuts to compensate OPEC+ through to 2025; Bessent says there is a very good chance of a 50bps rate cut at Fed September meeting; EIA crude stocks show a surprise build; Fed's Goolsbee says tariffs are a stagflationary shock.
- **COMING UP: Data:** Australian Jobs Report (Jul), UK GDP (Jun/Q2), EZ Flash GDP (Q2) and Employment (Q2), US PPI (Jul), Jobless Claims. **Events:** Norges Bank Policy Announcement. **Speakers:** Norges Bank Bache; Fed's Barkin. **Supply:** US. **Earnings:** Applied Materials, JD.Com, RWE, Antofagasta.

## MARKET WRAP

Stocks were higher on Wednesday, but small caps continued to surge while the Nasdaq closed marginally higher. The outperformance in the Russell was led by more dovish rate cut bets, which were bolstered by Treasury Secretary Bessent advocating for a 50bps move in September. Moneymarkets now fully price in a 25bp rate cut in September. Meanwhile, the Treasury Secretary also announced that there are 11 candidates for Fed Chair, all of whom have now been named, but some suggest that they are interviewing a wide range of candidates is a tactic to put pressure on the Fed. Note, a lot of the candidates who have been interviewed are calling for lower rates and/or are critical of the Fed. T-notes rallied throughout the session but pared ahead of settlement, almost completely paring the post-CPI downside in the long-end. In FX, the Dollar was weighed by lower yields while G10 FX performed well, particularly GBP and NZD. Crude prices settled red but well off the earlier lows. Weakness was seen in the wake of the inventory data, but pared into settlement with eyes on the Trump/Putin meeting. The White House has been tempering expectations ahead of the meeting, but Trump suggested there will be a second, more important meeting if the first goes well. Gold prices benefited from the weaker dollar and lower yields on prospects of a more dovish Fed.

## FED

**BOSTIC (2027 voter):** Still sees one rate cut in 2025 as appropriate, but it is predicated on the labour market staying solid. Bostic feels like they have the luxury today to wait to make a policy adjustment because the labour market remains strong. On consumers, he said low-to-moderate income consumers are still facing some stress, which is starting to move up the income scale, but upper-income consumers are still ok. The Atlanta Fed President added that they know a lot more people are using credit cards to buy things that they weren't before, which signals something about where the consumer is.

**GOOLSBEE (2025 Voter):** The Chicago Fed President said that Fed meetings coming up are live. He noted that tariffs are a stagflationary shock, and he is uneasy about the view of tariffs as a one-time shock that creates only transitory inflation. He added there would be more of a concern if they started getting more reports like the latest CPI report, where components not tied to tariffs are rising. He stressed he does not like pre-committing on rates, and the Fed will still get inflation readings before the next meeting. On the labour market, he said, sharply lower job gains may reflect the transition period on immigration and may just be a sign of a drop in population growth. He described the labour market as pretty solid. He also noted that if inflation goes the wrong way, the Fed will have to act, but at the same time, there are some warning signs in the labour market, and they will need to keep an eye on that as well.

## FIXED INCOME

### T-NOTE FUTURES (U5) SETTLED 11+ TICKS HIGHER AT 112-05+

**T-notes catch bid after Bessent calls for 50bps Fed rate cut, while money markets now fully price a 25bps rate cut in September.** At settlement, 2-year -4.2bps at 3.689%, 3-year -4.8bps at 3.657%, 5-year -4.8bps at 3.774%, 7-year -5.3bps at 3.979%, 10-year -5.3bps at 4.240%, 20-year -5.7bps at 4.802%, 30-year -5.6bps at 4.829%.

**INFLATION BREAKEVENS:** 1-year BEI -0.1bps at 3.215%, 3-year BEI +0.4bps at 2.697%, 5-year BEI -0.9bps at 2.447%, 10-year BEI -0.9bps at 2.363%, 30-year BEI -0.9bps at 2.263%.

**THE DAY:** T-notes were bid throughout the Asia and European sessions, peaking at 112-09 around the end of the European session before selling off slightly into settlement. The upside was a reversal of the move yesterday, while money markets continued to price more easing in from the Fed after the inflation report on Tuesday. Money markets are now fully assigning a 25bps rate cut in September, with 64bps priced by year-end. There was no data to digest, but Treasury Secretary Bessent was calling for a 50bps rate cut from the Fed while the 11 candidates for Fed Chair have been named. The wide list of candidates is seen by some as a way to put pressure on the Fed. Those who have been interviewed have been highly critical of the Fed, or they have been calling for rate cuts at the September FOMC. Meanwhile, US President Trump said rates should be three to four percentage points lower than where they currently are. On Fed speak, Goolsbee said upcoming meetings are live, but he is uneasy about the view of tariffs as a

one-time shock that creates only transitory inflation. He added that if inflation goes the wrong way, the Fed will have to act. He noted there are some warning signs in the labour market, and the Fed will need to keep an eye on that as well. Bostic still sees one rate cut this year, but it is predicated on the labour market staying solid, adding they have the luxury today to wait to make policy adjustment because the labour market remains strong. Attention on Thursday turns to the US PPI and weekly jobless claims data. Next week's TIPS and 20-year bond auction sizes will also be announced.

## SUPPLY

### Bills

- US sold USD 65bln of 17-week bills at a high rate of 4.05%, B/C 3.50x
- US to sell USD 100bln of 4-week bills and USD 85bln of 8-week bills on August 14th

### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 25.7bps (prev. 24.5bps), Oct 43bps (prev. 40bps), Dec 63bps (prev. 60bps).**
- NY Fed RRP op demand at USD 57bln (prev. 57bln) across 21 counterparties (prev. 22)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 115bln) on August 12th.
- SOFR at 4.36% (prev. 4.34%), volumes at USD 2.804tln (prev. 2.796tln) on August 12th.

## CRUDE

**WTI (U5) SETTLED 0.52 LOWER AT 62.65/BBL; BRENT (V5) SETTLED USD 0.49 LOWER AT USD 65.63/BBL**

**Crude hit lows on inventory data while eyes remain on the Trump/Putin meeting. Benchmarks hit troughs in the wake of the weekly EIA energy metrics.** Crude posted a surprise build, in fitting with the private figures overnight, while crude production rose 43k bbls W/W. Gasoline saw a marginally larger than anticipated draw, while Distillates built less than forecast. WTI started to reverse once Europe left for the day, settling well off the lows. Participants are awaiting the Trump/Putin meeting on Friday, but it is seemingly less and less likely that a breakthrough will be found. Axios reported that Trump told European leaders and Zelensky that conceding territory will be necessary (something Ukraine does not want to do). Separately, Axios, citing an official, said "Trump is still not happy with Putin, and if he [Trump] had to choose a side, he would start to bring down the Russian economy. He's really had enough." Regarding the call with EU Leaders, Trump and Zelensky today, Trump said that it went well. For the record, WTI and Brent traded between USD 63.38-61.94/bbl and 65.01-66.33/bbl, respectively.

**IEA OMR:** Lowered 2025 and 2026 demand growth forecasts, and also trimmed 2025 and 2026 oil demand growth forecasts to 680k BPD (prev. 700k BPD) and 700k BPD (prev. 720k BPD), respectively. IEA says oil market to face a record supply glut next year. As a reminder, EIA STEO sees world oil demand for 2025 at 103.7mIn BPD (prev. 103.5mIn BPD) and 2026 world oil demand at 104.9mIn BPD (prev. 104.6mIn BPD). OPEC MOMR: 2025 global oil demand forecasts maintained, 2026 forecast revised up by 0.1mIn BPD

## EQUITIES

**CLOSES:** SPX +0.32% at 6,467, NDX +0.04% at 23,849, DJI +1.04% at 44,922, RUT +1.98% at 2,328

**SECTORS:** Communication Services -0.48%, Consumer Staples -0.44%, Technology -0.19%, Utilities +0.17%, Industrials +0.39%, Financials +0.56%, Real Estate +0.63%, Energy +1.20%, Consumer Discretionary +1.29%, Health +1.58%, Materials +1.69%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +1.01% at 5,390, Dax 40 +0.69% at 24,190, FTSE 100 +0.19% at 9,165, CAC 40 +0.66% at 7,805, FTSE MIB +0.60% at 42,186, IBEX 35 +1.09% at 15,022, PSI +0.06% at 7,760, SMI +0.76% at 11,974, AEX +0.56% at 900

### STOCK SPECIFICS:

- **CoreWeave (CRWV):** Q2 net loss widened over 20-fold to USD 130.8mIn on margin pressures; raised next Q guidance disappointed lofty expectations
- **Lumentum Holdings (LITE):** EPS and revenue beat alongside a strong next quarter outlook
- **Eli Lilly (LLY):** Insider buying from CEO and CSO.
- **NVIDIA (NVDA):** WSJ writes "the Trump admin relaxed controls on the H2O chip in July, major Chinese tech Cos. have ordered at least 700k of the chips"
- **Gildan Activewear (GIL)** confirmed it is to acquire Hanesbrands (HBI) for an implied USD 6/shr in cash & stock
- **UnitedHealth (UNH):** Authorised a quarterly dividend of USD 2.21/shr (prev. 2.10)
- **Circle (CRCL):** Announced a 10mIn Class A share offering.
- **CAVA (CAVA):** Revenue missed and cut its same-restaurant sales growth guidance.
- **Venture Global (VG):** Won an arbitration case against Shell (SHEL).
- **Corteva (CTVA):** Upgraded at Barclays to 'Overweight' from 'Equal Weight'.
- **Hillenbrand (HI)** reportedly eyeing potential sale, according to Bloomberg.
- **Oracle (ORCL)** cuts jobs in cloud infrastructure unit amid AI spending, according to Bloomberg.
- **Walmart (WMT)** is to extend its 10% employee discount to nearly all of its groceries, via WSJ.
- Citron Research is short **Palantir (PLTR)**, via Fox Business; said Palantir is beyond overvalued.
- **Apple (AAPL)** readies robots, lifelike Siri and security tech in an AI push, according to Bloomberg.

## FX

**The Dollar broadly weakened against peers, weighed by lower US yields as markets now fully price a 25bps rate cut at the**

September Fed meeting. The US calendar was void of tier 1 release, with the three main topics throughout the day, including the candidates for the new Fed chair, Trump's meeting with European leaders/Ukrainian President Zelensky ahead of the meeting with Putin on Friday, and commentary surrounding the economy/monetary policy from Fed's Goolsbee and US Treasury Secretary Bessent. Bessent in the US morning said the interview list for a new Fed Chair was 11, with Trump later saying it its down to three or four names. On geopolitics, differences between the US and EU on reaching a ceasefire deal between Ukraine/Russia deal with Russia remain, with Axios reporting that Trump told European leaders and Ukrainian President Zelensky that conceding territory will be necessary, a prospect many EU leaders and Zelensky have rejected. At the Fed, Goolsbee (2025 voter) sounded in no rush to return to easing, approaching the view that tariffs cause transitory inflation with caution. Meanwhile, Bessent sees a very good chance of a 50bps rate cut at the Fed meeting in September. DXY ended the session at ~97.81 from earlier highs of 98.13, pressured by GBP, JPY, and EUR strength.

Strength was largely seen in the G10 space against the USD, with CAD and SEK lagging with unchanged performances. Across the space, newsflow was largely light, with CPI Final in Germany and Spain largely unrevised for July. At Rabobank, they see a risk that the USD could still benefit from further bouts of short-covering on a 1 to 3 month view, "given fears that stronger US price pressures could emerge and potentially on concerns about the high level of US stock valuations". Currently, EUR/USD trades ~ 1.1700, while EUR/GBP moved lower to ~ 0.8620 with the 50 DMA (0.8605) approaching as GBP strength prevailed.

**CAD** was little changed against the buck, leaving USD/CAD at ~ 1.3790. BoC Minutes provided little new, but did unveil some members ahead of the July meeting felt the bank may already have provided enough support to the economy, but others felt more may be needed in the future, although the decision at the July meeting to hold rates at 2.75% was unanimous. Separately, the Norges Bank is widely expected to keep rates steady at 4.25% on Thursday after a surprise 25bps cut in the previous meeting due to a somewhat faster decline than expected in core inflation. [Click here for the Newsquawk Norges Bank preview.](#)

**EMFX:** In China, the government unveiled two targeted loan subsidy programmes to stimulate domestic consumption and upgrade service industries, where residents can receive up to CNY 3,000 in interest subsidies on qualified personal consumption loans and service-sector firms can access subsidised loans up to CNY 1mln with a 1ppt interest rebate. Following the US-China trade truce 90-day extension, a MUFG analyst says, "Against this backdrop, and with the extension of the tariff truce, Asian FX is likely to remain broadly supported". Elsewhere, retail sales in Brazil disappointed in June while the government announced a detailed package for helping companies through US tariffs, providing credit via export guarantee funds, amongst other actions; USD/BRL finished flat.

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