

## Stocks and Bonds rally as Powell gives nod to September rate cut

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down.
- **REAR VIEW:** Powell turns dovish as he puts Sept. rate cut on the table; Oil deliveries to Hungary via Druzhba pipeline halted due to attacks; Hammack toes her hawkish tune; Collins in wait and see mode ahead of Sept. FOMC; Canada to remove counter tariffs on all US goods covered by USMCA trade deal; US considering 10% INTC stake; Fitch affirms US at 'AA+'
- **COMING UP: Holiday:** UK Summer Bank Holiday **Data:** German Ifo (Aug), US National Activity (Jul) **Events:** PBoC MLF **Speakers:** Fed's Logan **Supply:** EU.
- **WEEK AHEAD:** Highlights include US PCE, PBoC MLF, Minutes from ECB & RBA, Australian CPI, Japan Tokyo CPI, Canada GDP and NVDA earnings. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing PBoC MLF, Minutes from ECB, RBA and Riksbank; Reviewing Fed Chair Powell Jackson Hole Speech and RBNZ. [To download the report, please click here.](#)

## MARKET WRAP

Fed Chair Powell set the tone of trade for Friday after he alluded to a September rate cut (more below), despite many expecting the Fed Chair to signal a wait-and-see approach given data is due between now and September - he also echoed some of the arguments for cutting rates mentioned by dovish Dissenters Waller and Bowman. This saw equities rally across the board, with the Russell 2k clearly outperforming. Sectors were almost all green, with outperformance in Consumer Discretionary, Energy and Communication Services, while Consumer Staples was the only sector in the red, while Utilities and Health care lagged peers on their defensive nature. T-Notes bull steepened on the dovish Fed Chair with front-end yields tumbling while the Dollar plummeted, supporting G10 currencies. AUD outperformed on the risk environment, while JPY also rallied on US/Japan yield differentials. Oil prices settled only marginally higher with little reaction to Powell despite the dollar weakness, but gains were seen in the morning after the Hungarian Foreign Minister said oil deliveries to Hungary via the Druzhba pipeline have been halted due to attacks near the Russia-Belarus border. Gold prices rallied on the weaker dollar and lower-yield environment post-Powell. Attention next week turns to US PCE.

## FED

**CHAIR POWELL JACKSON HOLE REVIEW:** Overall, Powell was very dovish at Jackson Hole. He has implied the shifting balance of risks may warrant adjusting the policy stance - a hat tip towards a September rate cut, even with more economic data due before the next meeting. Powell warned that both goals are in tension with the downside risks to the labour market rising. He also suggested that effects on consumer prices are now clearly visible and expects the effects will accumulate in the coming months. He added that it is a reasonable base case that the inflation effect of tariffs will be short-lived, something the dovish dissenters argued in July. He also noted that it is possible tariff-driven upward pressure could spur a lasting inflation dynamic, but believes this is unlikely due to downside risks in the labour market. He also stated that as labour supply has softened in line with demand, the breakeven job growth rate is down sharply and the labour market is in a "curious" kind of balance. However, he did acknowledge that stability in the unemployment rate allows the Fed to proceed carefully as it considers changes to the policy stance, but pre-emptive action likely would be warranted should a tight labour market pose a risk to price stability. In the wake of the speech, a clear dovish reaction was observed, with markets now pricing in 55bps of easing by year-end, vs 48bps prior to the speech. A September cut is still not fully priced, but the probability has risen to 84% from 72%.

**COLLINS (2025 voter):** Did not commit to a September decision, given data is still due between now and then. She appeared slightly more focused on inflation goals due to conversations among the Boston Fed district, but she is still focused on the labour side of the mandate. She suggested risks are roughly in balance, and stressed it is about balancing those risks.

**HAMMACK (2026 voter):** Echoed her hawkish comments from the day prior, despite the dovish speech earlier from Fed Chair Powell. She is clearly more concerned about missing inflation goals than labour market goals, noting she tries not to take too much from one report when asked about the July report and revisions. When asked if she would like to see rate cuts later in the year, she said she would like to see inflation coming back to target, reiterated that rates are only a small distance away from the neutral rate, and the Fed needs to be cautious about any move to cut rates.

## FIXED INCOME

### T-NOTE FUTURES (U5) SETTLED 19 TICKS HIGHER AT 112-04+

**T-Notes bull steepen as Powell gives nod to September rate cut.** At settlement, 2-year -10.2bps at 3.690%, 3-year -10.4bps at 3.640%, 5-year -10.2bps at 3.757%, 7-year -9.0bps at 3.979%, 10-year -7.4bps at 4.258%, 20-year -5.4bps at 4.851%, 30-year -3.9bps at 4.885%.

**INFLATION BREAKEVENS:** 1-year BEI +4.1bps at 3.293%, 3-year BEI +3.5bps at 2.777%, 5-year BEI +3.8bps at 2.513%, 10-year BEI +2.6bps at 2.403%, 30-year BEI +0.9bps at 2.289%.

**THE DAY:** T-Notes edged higher ahead of the speech from Fed Chair Powell at Jackson Hole, before rallying thereafter as Powell gave a nod to a September rate cut. The Fed Chair was dovish, and more so than what participants were expecting, as he alluded to a September rate cut, even with data due between now and the meeting. He also echoed arguments of the dovish dissenters in that tariff inflation is likely to be a one-time impact, while also suggesting a permanent increase to prices is unlikely due to downside risks in the labour market. This saw T-Notes rally across the curve, particularly the short-end, on the prospects of more dovish policy. However, Powell did still suggest some sense of caution, as the stability of the unemployment rate allows the Fed to proceed carefully - potentially indicating one cut in September before reassessing. There was no US data today, with all eyes on Jackson Hole, which also saw Fed's Hammack and Collins speak - Hammack echoed her hawkish tone and did not share Powell's enthusiasm for rate cuts, while Collins is waiting to see the data before committing. Money markets are pricing in a 25bps rate cut for September with an 80% probability at the time of writing, up from the 72% pre-Powell, while markets are back to fully pricing in two 25bps rate cuts this year.

## SUPPLY

### T-Notes/Bonds

- US to sell USD 69bln of 2-yr notes on August 26th, USD 28bln of 2-yr FRN and USD 70bln of 5-year notes on August 27th, and USD 44bln 7-yr notes on August 28th; all to settle on Sept 2

### Bills:

- US to sell USD 85bln of 26-wk bills and USD 82bln 13-wk bills on August 25th
- US to sell USD 73bln of 26-wk bills on August 25th

### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 20bps (prev. 19bps), Oct 34bps (prev. 30bps), Dec 54bps (prev. 48bps).**
- NY Fed RRP op demand at USD 36bln (prev. 25bln) across 16 counterparties (prev. 17).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 117bln (prev. 115bln) on August 21st.
- SOFR at 4.32% (prev. 4.31%), volumes at USD 2.702tln (prev. 2.704tln) on August 21st.

## CRUDE

**WTI (V5) SETTLED USD 0.14 HIGHER AT 63.66/BBL; BRENT (V5) SETTLED USD 0.06 HIGHER AT 67.73/BBL**

The crude complex was marginally firmer on Friday as a dovish Powell appearance at Jackson Hole took the headlines, albeit saw little sway on oil prices despite the heavy Dollar selling. Nonetheless, in the European morning, some upticks were in benchmarks after the Hungarian Foreign Minister said oil deliveries to Hungary via the Druzhba pipeline have been halted due to attacks near the Russia-Belarus border. Note, the Druzhba pipeline currently has a capacity of 1.2 to 1.4mln barrels per day. Later in the session, Hungary said Druzhba pipeline deliveries are halted for at least five days, although Germany reported there is no supply impact. On the damaged pipeline, Politico reported that Trump got "very angry". There was little update on the Russia/Ukraine front, as optimism continues to fade on a possible deal, and Trump said he will see if Putin and Zelensky will work together, and he will see if he needs to be there, but "would rather not". In the weekly Baker Hughes Rig Count, oil fell 1 to 411, Natgas was unchanged at 122, leaving the total down 1 at 538.

## EQUITIES

**CLOSES:** SPX +1.52% at 6,467, NDX +1.54% at 23,498, DJI +1.89% at 45,632, RUT +3.86% at 2,362.

**SECTORS:** Consumer Discretionary +3.18%, Energy +1.99%, Communication Services +1.87%, Materials +1.70%, Financials +1.65%, Real Estate +1.62%, Industrials +1.62%, Technology +1.32%, Health +0.82%, Utilities +0.53%, Consumer Staples -0.35%

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.39% at 5,483, Dax 40 +0.32% at 24,371, FTSE 100 +0.13% at 9,321, CAC 40 +0.40% at 7,970, FTSE MIB +0.69% at 43,310, IBEX 35 +0.61% at 15,397, PSI -0.50% at 7,980, SMI +0.25% at 12,272, AEX +0.59% at 913.

### STOCK SPECIFICS:

- **Nvidia (NVDA):** Reportedly pausing H2O production after China cracks down on purchases.
- **Intuit (INTU):** Forecasts slower near-term growth; note, EPS & rev. beat expectations.
- **Meta (META):** Hired AAPL AI exec Frank Chu to its team.
- **Google (GOOGL):** META agreed to a deal worth at least USD 10bln to use Google Cloud.
- **Zoom Communications (ZM):** EPS & rev. topped forecasts, alongside raising the FY outlook.
- **Tesla (TSLA):** Raised some Cybertruck prices.
- **Ross Stores (ROST):** EPS surpassed exp. & reinstated annual guidance
- **Roblox (RBLX):** Upgraded at Wolfe.
- **Apple (AAPL):** Reportedly explores using Google (GOOGL) Gemini AI to power revamped Siri, according to Bloomberg.
- **Intel (INTC):** US President Trump said the US is considering an Intel deal for 10% equity stake; Intel says yes to a 10% stake, thinks it is a great deal. Note, INTC CEO Lip-Bu Tan is to meet at the White House today for "ongoing discussions", via CNBC, citing a WH official.

## FX

The Dollar was heavily sold on Friday after a surprisingly dovish appearance from Fed Chair Powell at Jackson Hole, where he

opened the door to a September rate cut, without complete commitment, as he said the shifting balance of risks may warrant adjusting policy. The Chair added that policy adjustment may be warranted, with rates still restrictive, and that the situation suggests downside risks to employment rising, whereby previously he has hinted that the inflation side of the mandate is more at risk. Continuing to highlight his dovish shift, Powell added it is a reasonable base case that the inflation effect of tariffs will be short-lived, something the dovish dissenters argued in July. As such, an immediate dovish reaction was seen (Dollar downside, Stocks & Bonds upside) with money markets now fully pricing in two 25bps cuts this year. Elsewhere from the Fed at Jackson Hole, Hammack (2026 voter) stuck to her usual hawkish tone, while Collins (2025 voter) did not commit to a September decision, given that data is still due between now and then. DXY saw a low of 97.553 against an earlier high of 98.835

**G10 FX** was firmer across the board and profited off of the floundering Buck on the aforementioned Powell remarks, as opposed to much too currency-specific newsflow. Despite saying this, the **Loonie** saw strength after Bloomberg reports that Canada is to remove retaliatory tariffs on "many" US products, and to apply tariff exemption on many US goods under USMCA. PM Carney later confirmed this and said it will take effect from September 1st. On data, Canadian retail sales headline was in line, but ex-autos was much better than expected. USD/CAD traded between 1.3815-3924.

The **Yen** gained from the tumbling US yields, which saw USD/JPY hit a low of 146.59 vs. an earlier high of 148.77. Overnight, Japanese core CPI was hotter than anticipated, but JPY saw little move. **Antipodeans** were buoyed by the risk sentiment, with AUD/USD and NZD/USD hitting peaks of 0.6501 and 0.5876, respectively.

For the single-currency **EUR**, which was buoyed by the aforementioned theme, saw BBG sources in the EZ morning note that ECB officials are reportedly sticking with the steady-rates plan following the trade deal with the US, with officials increasingly convinced they can keep rates unchanged in September. On the data front, German GDP for Q2 was revised lower across the board, albeit this had little sway on the Euro. Note, ECB President Lagarde will partake in a panel discussion with BoE Governor Bailey and BoJ Governor Ueda on Saturday at Jackson Hole.

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