

# newsquawk

## US Market Wrap - 25th August 2025

### Markets pare some of the dovish Powell move with eyes on data

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up.
- **REAR VIEW:** New home sales tops expectations; Mixed German Ifo; US President Trump announced a "major tariff investigation on furniture coming into the US; USGS reportedly proposes potash and copper among critical mineral; US weighs visa sanctions for EU officials over Digital Services Act; Much firmer-than-expected CNY reference rate setting
- **COMING UP: Data:** US Durable Goods (Jul), Consumer Confidence (Aug), Atlanta Fed GDP **Events:** RBA Minutes, Riksbank Minutes, NBH Announcement, E3/Iran Nuclear talks, Fed Discount Rate Minutes **Speakers:** Fed's Williams, Barkin; BoE's Mann **Supply:** Italy, US.
- **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

The moves on Monday were largely an unwind of the post-dovish Powell moves on Friday. Stocks and bonds were sold with the dollar bid. Stocks were lower with all indices in the red, while small caps took the largest hit after rallying on Friday. Sectors were predominantly lower, particularly defensives, Consumer Staples, Health Care and Utilities, while Communication, Tech and Energy outperformed. T-Notes had sold off across the curve led by the front-end, reversing some of the bull steepening on Friday. The Dollar also recouped a lot of lost ground throughout the US session, with DXY heading into APAC trade at 98.50 from a low of 97.50. There was little fresh fundamental news for the driver, but it is worth noting that even after Powell's dovish speech at Jackson Hole, money markets are still not fully pricing in a 25bps cut in September, currently implying a c. 80% probability of such a move. There is still key data to digest between now and September, particularly the US NFP report on September 5th (next week). There will also be the July PCE on the 29th August, ahead of the August CPI on September 11th. The data ahead is largely the next market focus in terms of shaping Fed expectations - official commentary will be eyed between now and the blackout period, starting 6th September. Treasury traders are also eyeing 2s, 5s and 7yr supply this week, which may have helped with some of the bear flattening today. Crude prices were bid throughout the session with upside driven by geopolitical risk premium after Ukraine struck Russia's Ust-Luga terminal even as Trump pushes the two sides to talks. The US President reiterated today that there could be consequences if they do not meet, suggesting he will "step in" if no progress is made within two weeks. On trade, Trump met with South Korean President Lee today, and Trump suggested before the meeting he is open to renegotiating the deal. Bloomberg also reported that Canada officials are to meet with US Commerce Secretary Lutnick this week, after Canada dropped some retaliatory tariffs on the US. Reuters sources also reported that the US is considering visa sanctions for the EU and EU member state officials over the bloc's Digital Services Act.

### US

**NEW HOME SALES:** New Home Sales fell 0.6% in July to 652k from an upwardly revised 656k, albeit remaining above the 630k consensus. The seasonally-adjusted estimate of new houses for sale at the end of July was 499k, -0.6% M/M, representing a supply of 9.2 months worth at the current sales rate, unchanged from the prior month. The median sales price of houses was -0.8% M/M and -5.9% Y/Y to USD 403.8k. Summarising the data, Oxford Economics write that price cuts and other building incentives are keeping a floor under new home sales. It adds that the buildup of supply (inventory at the highest level in 16 years), will keep a lid on single-family housing starts in the months ahead.

**Fed's Musalem (2025 voter)** said it is reasonable to expect the tariff inflation effect to fade, while he said more data is needed and he will be revising the rate path view all the way up to the September meeting. Musalem said Fed policy is modestly restrictive and the policy rate may warrant adjustment if risks to the job market intensify. Furthermore, he said inflation is above target with risk of persistence and the rate path could include a pause, as well as noted that the next jobs report may or may not be enough to justify a rate cut, depending on what it shows, and he is looking at the whole rate path, not just the rate decision at one meeting.

### FIXED INCOME

#### T-NOTE FUTURES (U5) SETTLED 5+ TICKS LOWER AT 111-31

**T-Notes bear flatten, paring some of the dovish Powell reaction ahead of auctions** . At settlement, 2-year +4.8bps at 3.736%, 3-year +4.1bps at 3.681%, 5-year +3.3bps at 3.790%, 7-year +3.0bps at 4.009%, 10-year +2.3bps at 4.281%, 20-year +1.3bps at 4.865%, 30-year +1.2bps at 4.895%.

**INFLATION BREAKEVENS:** 1-year BEI -0.3bps at 3.291%, 3-year BEI +0.8bps at 2.796%, 5-year BEI -0.3bps at 2.511%, 10-year BEI -1.1bps at 2.403%, 30-year BEI +0.2bps at 2.289%.

**THE DAY:** T-Notes bear flattened on Monday in what was quiet trade with the move purely a slight unwind since the dovish Powell commentary on Friday. There was no tier 1 data to digest, but the US national activity index in July fell further into contractionary

territory, while the Dallas Fed Manufacturing Business Index for August slipped into the contraction zone. On housing, New Home Sales beat expectations with Building Permits revised up. Fed speak saw Musalem over the weekend, he said it is reasonable to expect the tariff inflation effect to fade, but he wants to see more data, noting inflation is above target the next jobs report may or may not be enough to justify a rate cut. Logan, meanwhile, spoke on reserves and the balance sheet, reiterating that the Fed balance sheet should hold primarily treasuries in the long run. She was also encouraged to see use of the standing repo facility at the June quarter-end, and she expects similar use in September if needed. Attention this week turns to US PCE on Friday, the 2nd estimate of GDP on Thursday, with 2, 5 and 7yr supply also in focus. Note, LSEG highlighted that larger volume on Monday is deceiving and largely dominated by the rollover into December contracts, becoming front-month on Friday.

## 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 6-wk bills on August 26th.

### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 20bps (prev. 20bps), Oct 33bps (prev. 34bps), Dec 53bps (prev. 54bps).**
- NY Fed RRP op demand at USD 48bln (prev. 36bln) across 23 counterparties (prev. 16).
- EFFF at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 117bln) on August 22nd
- SOFR at 4.36% (prev. 4.32%), volumes at USD 2.738tln (prev. 2.702tln) on August 22nd.

## CRUDE

**WTI (V5) SETTLED USD 1.14 HIGHER AT 64.80/BBL; BRENT (V5) SETTLED USD 1.07 HIGHER AT 68.80/BBL**

The crude complex was firmer to start the week, and ground higher through the US session seemingly a function of geopolitical risk premium. Over the weekend, it was reported there was an Ukrainian drone strike on Russia's Ust-Luga terminal, although Kazakhstan's energy ministry said the nation's oil exports have not been interrupted following that strike. Elsewhere on the supply footing, Russian oil supplies to Slovakia via Druzhba pipeline may resume as early as today under best-case scenario - as a reminder last week, Hungarian Foreign Minister said oil deliveries to Hungary via the Druzhba pipeline have been halted due to attacks near the Russia-Belarus border. In addition, BP (BP/ LN) Whiting, Indiana refinery (440k BPD) is expected to be fully operational in the next 24-48 hours. Regarding Ukraine/Russia, Trump said little new but on air support and war in Ukraine, said they have not discussed specific security guarantees. For the record, WTI and Brent hit lows of USD 63.53/bbl and 67.57/bbl, respectively, against highs of USD 65.20/bbl and 69.07/bbl.

## EQUITIES

**CLOSES:** SPX -0.42% at 6,439, NDX -0.31% at 23,426, DJI -0.77% at 45,283, RUT -1.05% at 2,337.

**SECTORS:** Energy +0.26%, Communication Services +0.44%, Technology -0.09%, Consumer Discretionary -0.13%, Materials -0.62%, Financials -0.58%, Real Estate -0.53%, Industrials -1.02%, Utilities -1.16%, Health -1.44%, Consumer Staples -1.62%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.93% at 5,437, Dax 40 -0.42% at 24,262, CAC 40 -1.59% at 7,843, FTSE MIB -0.19% at 43,228, IBEX 35 -0.85% at 15,266, PSI -0.79% at 7,917, SMI -0.51% at 12,202, AEX -0.20% at 911.

### STOCK SPECIFICS:

- **Furniture stocks (RH, WSM, W):** US President Trump announced a "major tariff investigation on furniture coming into the US."
- **Intel (INTC):** US government confirmed it will take a 10% stake in the Co.
- **Verint Systems (VRNT):** Confirms it is to be acquired by Thoma Bravo in a USD 2bln deal
- **PDD (PDD):** Profit beat, but revenue missed. Does not believe current-quarter profit levels are sustainable and expects profitability fluctuations to persist in upcoming quarters.
- **Keurig Dr Pepper (KDP):** Nearing a USD 18bln deal to acquire JDE Peet's for EUR 31.85/shr; closed Fri. at 26.54.
- **Spirit Aviation Holdings (FLYY):** Exploring options after its recent restructuring failed to secure long-term stability
- **BeOne Medicines (ONC):** Entered into an agreement to sell its royalty rights on the worldwide sales, ex. China, of AMGN's IMDELLTRA for up to USD 950mln to **Royalty Pharma (RPRX)**.
- **AbbVie (ABBV)** to acquire Gilgamesh Pharmaceuticals' Bretisilocin for USD 1.2bln, a novel, investigational therapy for major depressive disorder, expanding its psychiatry pipeline.
- **American Eagle Outfitters (AEO):** Downgraded at Bank of America.
- **CSX Corp (CSX)** remains open to acquisition talks, according to CNBC; CSX and Burlington Northern have held no talks about a deal. **Berkshire Hathaway (BRK.B)** reportedly not in the market to buy a train company, via CNBC.

## FX

The Dollar Index saw gains on Monday, and attempted to retrace some of the losses seen on Friday in wake of a dovish Powell. Newsflow to start the week was light ahead of the risk events later in the week, such as Nvidia earnings, PCE, and GDP. The only bit of data out of the US was new home sales, which was better than anticipated, while there was little to no Fed speak. Despite saying,

Musalem (2025 voter) spoke over the weekend and said it is reasonable to expect the tariff inflation effect to fade, but he wants to see more data, noting inflation is above target, the next jobs report may or may not be enough to justify a rate cut. DXY saw a high of 98.55 against a low of 97.75.

**G10 FX** was lower against the Buck, largely due to the aforementioned Buck strength as opposed to much currency-specific newsflow. Trade was particularly quiet out of the UK amid the bank holiday, while out of Europe the German Ifo was mixed - Expectations and Business Climate topped, while Current conditions missed.

**Antipodeans** were the relative G10 outperformers, with the Aussie initially supported by a much firmer-than-expected CNY reference rate setting. Aside from that newsflow was light, with RBA minutes tomorrow and CPI on Wednesday the highlights. On which, markets will focus on whether July CPI confirms suspected upside pressures or signals a contained rebound. A stronger-than-expected print could push back RBA easing expectations, with electricity costs remaining the key swing factor. AUD/USD hit a peak of 0.6504, with NZD/USD topping out at 0.5880.

**EMFX** was largely weaker against the Buck, although the Yuan was the clear outlier and saw gains amid the previously mentioned firmer-than-expected CNY reference rate setting. Elsewhere, BBG reported that Turkish officials are planning to let a short-selling ban that's been in place since March expire at the end of the month in an effort to boost the stock market's appeal to foreign investors.

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