

Tech outperforms despite NVDA falling after earnings; USD sold ahead of PCE

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar down
- **REAR VIEW:** US GDP (Q2) revised higher, Core PCE Prices Prelim slightly cooler-than-expected in Q2, initial and continued claims print beneath expectations; Mixed NVDA earnings, data centre rev. and rev. guidance underwhelms; Fed's Cook sues Trump, asks US judges to issue temp order declaring Trump's effort unlawful; Trump unhappy about overnight strikes in Ukraine, to make a statement later; E3 triggers snapback process on Iran, but with a 30-day grace period; EU says mission HQ in Kyiv was hit by a Russian attack; Weak US 7yr note auction; Japanese trade negotiator drops US visit this week; UK PM Starmer plans cabinet reshuffle; EZ Sentiment fall short of expectations.
- **COMING UP: Data:** Japanese Tokyo CPI (Aug), Activity Data (Jul), German Retail Sales (Jul), Import/Export prices (Jul), French Prelim CPI (Aug), Spanish Flash CPI, (Aug), German Unemployment (Aug), CPI (Aug), US PCE (Jul), University of Michigan Final (Aug), Atlanta Fed GDP, Canadian GDP (Q2). **Events:** ECB SCE. **Speakers:** ECB's de Guindos. **Supply:** Australia. **Earnings:** Alibaba.

MARKET WRAP

US indices closed higher on Thursday, supported by tech/comms outperformance after NVIDIA's Q2 report. Despite NVDA shares trading lower due to investors feeling underwhelmed by the data centre rev figure, EBIT and revenue guidance, VanEck's Semiconductor ETF, SMH, rose 0.4%, despite NVDA's 22% weighting, as semiconductors took the overall report as a positive. CEO Huang confirmed reports that they're having talks with the White House on Blackwell chip sales to China, but they "will take a while". Meanwhile, defensive stocks (utilities, staples, healthcare) underperformed in the red. US data had little sway over moves in the Buck and Treasuries. GDP growth for Q2 was revised higher, as was GDP sales, while Core PCE Prices Prelim was slightly cooler than expected; initial and jobless claims both fell more than expected. Ahead of the July PCE on Friday and Fed Cook's hearing on her lawsuit vs Trump, the dollar has seen broad-based weakness into month-end, while T-notes flattened. Some desks cited profit selling and month-end repositioning behind the underperformance on the 2yr. The US sold USD 44bln of 7yr notes in what was a weak auction, led by a notable drop in direct demand, offsetting an increase in indirect demand. For crude, prices rebounded out of the red, settling ~ USD 0.50/bbl higher after the White House announced Trump isn't happy about the overnight strikes in Ukraine and is to make a statement on Russia/Ukraine later. The E3 initiated the snapback mechanism process on Iran as expected, giving a 30-day window to find a resolution before implementation.

US

GDP: The second estimate of Q2 GDP was revised up to 3.3% from 3.0% (exp. 3.1%); corporate profits were revised up to 2.0% from -3.3%; consumer spending was revised up to 1.6% from 1.4%. In the price components, the GDP deflator was unrevised at 2.0%; PCE prices were revised down to 2.0% from 2.1%, while core PCE prices were unrevised at 2.5%. Oxford Economics noted that investment related to AI is helping mask some of the weakness elsewhere in the economy, "but the good news is that there is little sign that this support will fade anytime soon." It also says that real final sales to domestic purchasers are being revised higher, though it is unlikely to alter the Fed's assessment of the economy's health, with its attention on downside risks to the labour market.

INITIAL JOBLESS CLAIMS: Initial Jobless Claims (for the August 23rd week) fell to 229.0k (exp. 230.0k, prev. 234k), while continuing claims (for the week of August 16th, coinciding with BLS survey window for the August jobs data) fell to 1.954mln (exp. 1.97mln, prev. 1.961mln). Pantheon Macroeconomics notes the initial claims as steady, and broadly consistent with seasonal norms, though leading indicators suggest a modest rise ahead. The consultancy sees labour market slack building gradually, with continuing claims providing a more accurate signal of rising unemployment than survey data. They expect August's jobless rate to edge up to 4.3% from 4.2%.

PENDING HOME SALES: Pending home sales declined by -0.4% M/M in July (exp. -0.1%, prev. -0.8%). Oxford Economics said that the decline signals a small fall in existing home sales in August, though it expects sales to remain broadly sideways through 2025, with limited support from moderating prices and lower mortgage rates, before recovering in 2026 as Fed cuts and fiscal stimulus take effect.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 4 TICKS HIGHER AT 112-17

T-notes bull flatten ahead of PCE. At settlement, 2-year +1.4bps at 3.637%, 3-year +0.6bps at 3.597%, 5-year -0.7bps at 3.699%, 7-year -1.9bps at 3.919%, 10-year -2.7bps at 4.211%, 20-year -3.7bps at 4.833%, 30-year -3.6bps at 4.877%.

INFLATION BREAKEVENS: 1-year BEI -3.3bps at 3.329%, 3-year BEI -1.4bps at 2.833%, 5-year BEI -1.6bps at 2.533%, 10-year BEI -2.0bps at 2.402%, 30-year BEI -1.6bps at 2.283%.

THE DAY: T- Notes had an upward bias throughout overnight trade before paring and selling amid the European morning. Underperformance was present in the short end, with some desks citing profit taking after a strong rally and some month-end

repositioning. Similar to USD, Treasuries had a fairly muted reaction towards the latest set of US data, in which GDP growth estimates for Q2 were revised higher alongside GDP sales, while initial and continued claims fell by greater margins than expected, indicative of no immediate meltdown in the US labour market. On Friday, two key events will be watched: 1) The PCE report, 2) Fed Governor Cook's hearing, where a decision may be made as to whether she can work at the Fed until the investigation yields findings. In the meantime, Fed Governor Waller will speak on the economy after hours on Thursday; Waller, a dovish dissenter, is likely to sound cautious on the labour market, particularly as he was wary of data revisions prior to the July NFP report (saw two-month net revisions of -258k). Concerning supply, the US sold USD 44bln of 7yr notes (was weak), but similar to the 5yr earlier in the week, a muted reaction was witnessed. From the European lows of 112-09, T-Notes have rallied as high as 112-18+ before sideways trade into settlement.

SUPPLY

T-Notes/Bonds

7yr: The 7yr auction was largely on the weak side, highlighted by the tail of 0.3bps, a clear signal of weaker demand from the prior stop through of 2.6bps and the six-auction average stop-through of 0.9bps. The B/C too signalled weaker demand, falling to 2.49x from 2.79x, moving below the 2.62x average. While the jump in indirect demand to 77.5% from 62.3% is welcome, the slump in direct demand to 12.8% from 33.7% more than offset the indirect increase, leaving dealers with an increased take of 9.8% from 4.1%.

Bills:

- US sold USD 100bln 4-week bills at a high rate of 4.245%, B/C 2.68x; sold USD 85bln 8-week bills at high rate of 4.145%, B/C 2.92x
- US to sell USD 85bln 6-week bills, USD 73bln 26-week bills, USD 82bln 13-week bills, and USD 50bln 52-week bills on September 2nd; all to settle on September 4th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 21bps (prev. 21bps), Oct 35bps (prev. 35bps), Dec 55bps (prev. 55bps).**
- NY Fed RRP op demand at USD 32bln (prev. 35bln) across 20 counterparties (prev. 21)
- EFRR at 4.33% (prev. 4.33%), volumes at USD 114bln (prev. 113bln) on August 27th
- SOFR at 4.36% (prev. 4.38%), volumes at USD 2.889tln (prev. 2.820tln) on August 27th

CRUDE

WTI (V5) SETTLED USD 0.45 HIGHER AT USD 64.60/BBL; BRENT (V5) SETTLED USD 0.57 HIGHER AT USD 68.62/BBL

Crude prices edged higher amid a softer dollar and a Russia-Ukraine geopolitics. Geopolitical developments were largely as expected, whereby the E3 started the snapback mechanism process on Iran, but with a 30-day grace period to find a resolution. Meanwhile, the Russian-Ukrainian conflict continues to have a bearing on energy facilities, with Russia's Ust-Luga port now operating at around half of its capacity in September (currently running at 350k bpd) due to pipeline damage from a Ukrainian drone attack, Reuters reported. Additionally, a fire broke out at a unit of Afipski oil refinery in Russia's Krasnodar region as a result of a Ukrainian drone attack, according to local authorities. Separately, the doubling of US tariffs on most of India's imports isn't appearing to have the desired effect thus far; Reuters reports that Russian oil exports to India are to rise in September by 150-300k bpd despite the US wanting India to sever oil ties with Russia. Possibly weighing on prices at first was traders welcoming the restart of the Druzhba pipeline, with some also citing the end of the summer driving season this weekend ahead of US Labor Day. Thereafter, the White House seemingly fuelled the rebound in the crude complex after noting Trump was not happy about the overnight strikes in Ukraine and would make an additional statement on Russia and Ukraine later.

EQUITIES

CLOSES: SPX +0.32% at 6,502, NDX +0.58% at 23,703, DJI +0.16% at 45,637, RUT +0.19% at 2,378

SECTORS: Utilities -0.87%, Consumer Staples -0.46%, Health -0.42%, Real Estate -0.26%, Materials +0.01%, Industrials +0.17%, Financials +0.18%, Consumer Discretionary +0.28%, Technology +0.66%, Energy +0.68%, Communication Services +0.94%.

EUROPEAN CLOSES: EUROPEAN CLOSES: Euro Stoxx 50 +0.11% at 5,399, Dax 40 -0.01% at 24,044, FTSE 100 -0.44% at 9,215, CAC 40 +0.24% at 7,763, FTSE MIB +0.22% at 42,443, IBEX 35 +0.38% at 15,078, PSI -0.17% at 7,803, SMI -0.03% at 12,212, AEX -0.47% at 903

STOCK SPECIFICS

- **NVIDIA (NVDA):** Data centre revenue EBIT & Q3 outlook underwhelm investors. CEO on Blackwell chips to China, said starting to have conversations with Trump admin; talks with the White House "will take a while".
- **CrowdStrike (CRWD):** Revenue guidance for next quarter and FY disappointed.
- **Snowflake (SNOW):** Adj. EPS, revenue & FY guidance topped expectations.
- **NetApp (NTAP):** Q1 metrics were in line, but product gross margin and FY revenue outlook missed
- **Dollar General (DG):** Profit, sales, & SSS beat with profit guidance strong.
- **Victoria's Secret (VSCO):** Adj. EPS & revenue beat; raised FY revenue outlook.
- **Hormel Foods (HRL):** Profit and next quarter guidance missed.
- **Cooper Companies (COO):** Next quarter revenue and FY revenue outlooks were short of expectations; downgraded at Citi.
- **Pure Storage (PSTG):** Strong Q2 report with revenue guidance above forecasts.

- **International Paper (IP):** Upgraded to 'Buy' from 'Neutral' at BofA.
- **Venture Global (VG):** Upgraded to 'Buy' from 'Hold' at Deutsche Bank.
- **Meta (META):** CEO Zuckerberg met with President Trump last week, and lobbied regarding the EU's Digital Service Tax. Meanwhile, Meta is racing to ship its next-generation Llama AI model by the end of the year.
- **Nike (NKE):** To layoff around 1% of its corporate staff in its latest efforts to refocus the business.
- FDA to recommend additional, earlier MRI monitoring for patients with alzheimer's disease taking **Leqembi (BIB)**.
- **Applied Materials (AMAT):** Executive said second-tier foundry developments "not much of a factor" for leading-edge logic outlook.
- FTC chair warns **Google (GOOGL)** not to discriminate against GOP email.

FX

The Dollar was broadly sold amid a softer US yield environment in the belly and the long-end. The latest round of US data showcased an upward revision to US GDP (Q2) growth, 3.3% (exp. 3.1%, prev. 3.0%), and GDP Sales, 6.8% (prev. 6.3%). Core PCE Prices were revised down, while continued and initial jobless claims both fell. The Dollar, however, didn't see much of a move on the said data, perhaps amid tentativeness ahead of Fed Governor Cook's hearing on Friday; Cook has asked a US judge to issue a temporary order declaring US President Trump's efforts to fire her unlawful and bar the Fed from taking steps to oust her. The outcome of the hearing will provide markets with certainty surrounding whether Cook will be voting or not in the September/future meetings until the investigation is closed. Friday brings a likely catalyst for the buck, where Core PCE is seen rising 0.3% M/M (prev. 0.3%) and headline PCE is seen rising 0.2% (prev. 0.3%). Remarks from Fed Governor Waller tonight after hours will be watched, where he's likely to reiterate his dovish views.

G10FX was broadly in the green, with strength led by the SEK, Antipodes, EUR and JPY. It was hard to find a single headline driving the moves. Concerning the Euro, EZ Sentiment printed below forecasts, while the ECB Minutes were a non-event. Members at the meeting, which resulted in unchanged rates, argued that interest rates were already significantly supportive of loan demand and past interest rate cuts had yet to have their full impact, with some transmission remaining in the pipeline. Moving on to trade, the EU proposed tariff reductions to implement the EU-US deal. EUR/USD reached highs of 1.1697 before trimming gains to ~ 1.1690. [Click here for the ECB Minutes Newsquawk Review.](#)

USD/JPY was little bothered by overnight comments from BoJ's Nakagawa. The BoJ member said policy decisions will be based on hard data, including the Takan survey, while risks of being behind the curve are not high. Meanwhile, Japan's trade negotiator Akawzawa dropped his plans for a US visit this week; USD/JPY now trades at 146.90 from earlier highs of 147.49. Separately, Sterling relatively underperformed G10 peers with modest gains following a couple of key events. The UK PM is planning a cabinet reshuffle, FT reports, a move that includes a new economic adviser ahead of the Autumn budget. Moreover, the UK Treasury is said to be considering a tax hike on landlords by imposing national insurance on rental income ahead of Chancellor Reeves' Autumn Budget, The Times reported.

EMFX: The BoK held the Base Rate at 2.50%, as expected; the Central Bank raised its 2025 & 2026 headline forecasts to 2.0% (prev. 1.9%) and 1.9% (prev. 1.8%), respectively. They also boosted its 2025 GDP forecast to 0.9% (prev. 0.8%), somewhat supported by the planned US tariff cut on South Korean goods; USD/KRW traded lower at 1,384 from earlier highs of 1,394. In China, the PBoC fixed the USD/CNY midpoint at 7.1063 (exp. 7.1479, prev. 7.1108). ING writes that the PBOC's fixing is markedly lower despite the model-based estimates not moving much, an increasing sign that Chinese authorities want a stronger CNY. "A stronger CNY will help preserve the purchasing power of households at a time when boosting consumption looks to be an important medium-term goal."

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