US Market Wrap - 2nd September 2025

Global risk-off sees stocks and bonds weighed while Dollar gains ahead of JOLTS

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up
- **REAR VIEW**: ISM Mfg PMI underwhelms; US Construction Spending declines as expected; Trump will appeal tariff ruling; US pulls TSMC's waiver for China shipments of China supplies; AtlantaFed GDPnow (Q3) revised down; Trump admin prepares new measures against Brazil; Top officials of the Japanese ruling LDP are reportedly to resign; BoJ's Himino backs raising rates but acknowledges global uncertainty; Elliott takes stake in PEP; AAPL loses lead AI robotic researcher to META; STZ cuts guidance.
- **COMING UP**: **Data:** Australia Real GDP (Q2), Chinese Caixin Services PMI (Final), EU Producer Prices, EZ, UK, US Services PMI (Final), US Durable Goods R (Jul), JOLTS Job Openings (Jul). **Events:** NBP Announcement; Fed Beige Book, BoE Treasury Select Committee Hearing. **Speakers:** BoE's Mann, Breeden, Bailey, Lombardelli, Greene, Taylor; ECB's Lagarde; RBA Governor Bullock; Fed's Musalem, Kashkari. **Supply:** Australia, Germany.
- **WEEK AHEAD:** Highlights include US NFP, ISM PMIs, EZ Flash CPI, UK Retail Sales, and Canada Jobs. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES:** AVGO the highlight on Thursday AMC. Click here for the full report.

MARKET WRAP

US indices were in the red on Tuesday, as participants returned from the long Labor Day weekend, but were hit by the broader risk aversion amid numerous factors. In particular, but not limited to, the US appeals court ruling on Trump tariffs as illegal, geopolitical uncertainty, and the US Commerce Department revoking waivers for Intel/Samsung/SK Hynix/TSMC. Meanwhile, Treasuries saw broad-based selling alongside global fixed income as the US curve bear steepened on trade rulings, global fiscal/political woes, and supply. The Dollar saw strength amid the aforementioned risk-off, while the EUR, JPY, and GBP lagged. The latter was hit as focus resides on the UK's fiscal outlook, which saw the UK 30yr yield hit a 27-year high, while the Yen was hit on yield differentials. Gold hit an all-time high. In the energy space, benchmarks were choppy but ultimately gained due to the wider geopolitical footing and the US imposing sanctions targeting Iranian oil, as opposed to the firmer Dollar and risk-off sentiment. There were no Fed speakers, while ISM Manufacturing largely supported the notion of rate cuts, but did little to move the dial amid the previously mentioned themes. Recapping the data, the headline and employment rose, but by less than expected, while prices paid unexpectedly declined. Construction spending declined 0.1%, as expected.

US

ISM MFG: ISM Manufacturing PMI for August rose to 48.7 from 48.0, but shy of the expected 49.0, and the same was seen with the Employment index as it printed 43.8, against the expected 44.5 and prior 43.4. Prices paid fell to 63.7 from 64.8, and below the bottom end of the forecast range. New orders lifted back into expansionary territory at 51.4 from 47.1. Within the release, it notes that the past relationship between the Manufacturing PMI and the overall economy indicates that the August reading corresponds to a change of plus 1.8% in real GDP on an annualised basis. Within the survey respondents, one noted that "tariffs continue to wreak havoc on planning/scheduling activities... due to unexpected tariff announcements (such as 50% duties on imports from India), materials/supplies are now rising in price... Plans to bring production back into the US are impacted by higher material costs, making it more difficult to justify the return." Oxford Economics write that tariffs are still putting upward pressure on input costs, and will likely intensify over the next couple of months. Therefore, OxEco say it won't be surprising if the dip in prices paid is temporary, and it won't have any bearing on whether or not the Fed opts to cut interest rates in September – that burden falls on the August employment and consumer price reports, Oxford adds.

CONSTRUCTION SPENDING: US Construction spending fell 0.1% as expected in July, modestly extending the 0.4% decline seen in June. The July reading brings the YTD value to 1.232tln, +2.2% Y/Y. Private construction spending fell 0.2%, private residential construction rose 0.1%, with the private non-residential component 0.5% lower M/M. Concerning public construction spending, that was 0.3% higher M/M, with educational construction and highway construction both down 0.1% M/M. The data has led Oxford Economics to downwardly revise its near-term forecast for business investment in structures lower. "Fiscal policy won't provide meaningful relief to this GDP component until next year".

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 11+ TICKS LOWER AT 112-04+

T-Notes bear steepen on trade rulings, global fiscal/political woes and supply. At settlement, 2-year +3.7bps at 3.660%, 3-year +4.5bps at 3.629%, 5-year +4.7bps at 3.746%, 7-year +5.3bps at 3.982%, 10-year +5.7bps at 4.283%, 20-year +6.0bps at 4.927%, 30-year +5.9bps at 4.977%.

INFLATION BREAKEVENS: 1-year BEI +1.3bps at 3.316%, 3-year BEI +0.0bps at 2.818%, 5-year BEI -0.4bps at 2.519%, 10-year BEI +0.5bps at 2.399%, 30-year BEI +1.5bps at 2.298%.

THE DAY: T-Notes bear steepened tracking global fixed income moves with UK yields rallying on ongoing debt concerns, and French yields rising on political instability. Also driving the global move was a plethora of supply. Bloomberg reported that Bond sales in Europe hit a record EUR 49.6bln (USD 57.7bln) in a single day, thanks to issuance from the UK and Italy, in what it described as kickstarting a September rush for funding after a summer lull. Elsewhere, in the US, Merck and Cigna were in the market with corporate issuance, with Merck noting some of the proceeds may be used in relation to the Verona Pharma acquisition in July, worth USD 10bln. Even before the supply, Treasuries were weighed on amid the return of players from the Labor Day holiday in response to the US Appeals court deeming that US President Trump's tariffs are illegal, albeit Trump is appealing the ruling to the US Supreme Court, and the tariffs will remain in place for now. Raymond James, in a note, suggested that if this ruling is upheld, refunds of existing tariffs are on the table, which could cause a surge in Treasury issuance and yields due to the loss of revenue. Meanwhile, the US ISM Manufacturing PMI report remained in contractionary territory and slightly missed expectations, while prices paid fell beneath all analyst forecasts, and employment saw little change but still missed forecasts. Construction spending declined 0.1%, in line with forecasts. In wake of the data, the Atlanta Fed Q3 25 GDPNow estimate was lowered to 3.0% from 3.5%. Attention now turns to the August NFP report on Friday to further shape Fed rate cut expectations, where a hot report might derail some September rate cut bets, but another slowdown would likely see markets fully cement a 25bps cut. Fed speak will also be key given Friday is the last day before the FOMC blackout period, so any commentary from officials post-NFP will be closely watched, albeit no speeches are scheduled yet. There is also the ongoing Trump v Fed dispute, with an update still awaited on Fed Governor Cook's future. Note, the US Senate will hold a hearing on September 4th (Thursday) to consider CEA Chair Miran for the Fed Board of Governors, replacing Governor Kugler as Trump looks to kit out the Fed with dovish Republicans.

SUPPLY

Bills:

- US sold USD 82bln of 3-month bills at a high rate of 4.045%, B/C 2.96x
- US sold USD 73bln of 6-month bills at a high rate of 3.880%, B/C 2.70x
- US sold USD 85bln of 6-wk bills at a high rate of 4.190%, B/C 2.64x
- US sold USD 50bln of 52-wk bills at a high rate of 3.660%, B/C 3.82x
- US to sell USD 65bln in 17-week bills on September 3rd
- US to sell USD 85bln of 8-week bills and USD 100bln of 4-week bills on September 4th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 23bps (prev. 22bps), Oct 36bps (prev. 35bps), Dec 55bps (prev. 55bps).**
- NY Fed RRP op demand at USD 21bln (prev. 78bln) across 17 counterparties (prev. 26).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 115bln) on August 29th
- SOFR at 4.34% (prev. 4.36%), volumes at USD 2.870tln (prev. 2.889tln) on August 29th

CRUDE

WTI (V5) SETTLED USD 1.58 HIGHER AT 65.59/BBL; BRENT (X5) SETTLED USD 0.99 HIGHER AT USD 69.14/BBL

The crude complex was choppy, but saw gains amid the wider geopolitical footing and US imposing sanctions targeting Iranian oil, as opposed to the firmer Dollar and broader risk-off sentiment. Regarding price action on Tuesday, WTI and Brent hit peaks of USD 66.03/bbl and 69.53 in the European morning, likely on the wider geopolitical picture. On that, concerns about supply disruptions rose amid an escalation of the conflict between Russia/Ukraine, whereby Reuters reported Ukraine's attacks force Russia to shut 17% of oil-processing capacity. On top of this, there is speculation that OPEC+ will not raise output at a meeting on Sunday. After hitting the peaks, benchmarks sold off and trimmed a large chunk of the gains and eventually succumbed to the wider risk sentiment, as opposed to something headline-driven. However, and highlighting the two-way day in the energy space, WTI and Brent rose back higher to ~USD 0.50/bbl off the earlier peaks with many citing the US Treasury issuing new Iran-related sanctions; US imposed sanctions on an Iraqi tycoon accused of helping Iran evade restrictions on its oil exports, the latest in a series of moves targeting Tehran’s energy trade. Note, private inventory data is delayed a day due to Labor Day on Monday, and there is a disparity between WTI and Brent settlement due to no WTI settlement on Monday due to the aforementioned US holiday.

EQUITIES

CLOSES: SPX -0.69% at 6,416, NDX -0.79% at 23,231, DJI -0.55%, RUT -0.60%.

SECTORS: Real Estate -1.74%, Industrials -1.06%, Technology -0.97%, Consumer Discretionary -0.95%, Financials -0.71%, Materials -0.59%, Communication Services -0.42%, Utilities -0.37%, Consumer Staples +0.07%, Health +0.07%, Energy +0.24%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.41% at 5,291, Dax 40 -2.21% at 23,505, FTSE 100 -0.87% at 9,117, CAC 40 -0.70% at 7,654, FTSE MIB -1.61% at 41,728, IBEX 35 -1.49% at 14,717, PSI -1.71% at 7,678, SMI -0.64% at 12,099, AEX -1.38% at 884

STOCK SPECIFICS:

- **PepsiCo (PEP):** Activist Investor Elliott Management TOOK a USD 4bln stake in the Co.
- **Constellation Brands (STZ):** Cut FY profit guidance.
- **TSMC (TSM):** Plans to raise foundry prices; the US has reportedly pulled TSMC's waiver for China shipments of chip supplies.
- **Tesla (TSLA):** Cut price of its Model 3 long-range RWD in China by 3.7%.
- **Apple (AAPL):** Accelerating automation across its manufacturing supply chain.
- **Meta (META):** Exploring partnerships with Google (GOOG) & OpenAI to enhance AI features in its apps.
- **Amazon (AMZN):** US prime signups fall short of last year's total & target.
- **Lyft (LYFT):** Announced A private offering of USD 450mln of convertible senior notes.

- **Zscaler (ZS):** Upgraded at MS to 'Overweight' from 'Equal Weight'.
- **Fortinet (FTNT):** Downgraded to 'Underweight' from 'Equal Weight' at Morgan Stanley.
- US revokes Samsung's & SK Hynix's long-standing waivers to use American equipment in their Chinese chip plants.
- **Merck (MRK):** Filed for a five-part note offering and one-part FRN offering, size not disclosed. Note, Merck announced in July it is to acquire UK-based Verona Pharma in a USD 10bln deal.
- **Philip Morris International (PM):** Announced FY adj. EPS guidance of USD 7.24-7.37 (exp. 7.53).
- **Google's (GOOGL)** adtech fine has been delayed as the EU remains anxious over potential US President Trump backlash.
- Warren Buffett says he is "disappointed" with the **Kraft Heinz (KHC)** split, via CNBC.
- **NVIDIA (NVDA)** said they've seen erroneous chatter claiming that NVDA is supply-constrained and "sold out" of H100/H200; as they said at earnings, cloud partners can rent every H100/H200 they have online, but it doesn't mean they're unable to fulfil new orders. "We have more than enough H100/H200 to satisfy every order without delay. The rumour that H20 reduced our supply of either H100/H200 or Blackwell is also categorically false — selling H20 has no impact on our ability to supply other NVIDIA products".
- **Amazon (AMZN)** cracks down on Prime free shipping sharing, according to CNBC.
- **General Motors (GM)** EV sales in August jump to a monthly record of more than 21k, combined from Chevrolet, Cadillac, and GMC.
- **Apple (AAPL)** loses lead AI robotics researcher to **Meta (META)** in latest exit, Bloomberg reports; Apple is now discussing internally whether to rely more on outside technology, rather than just homegrown models.

FX

The Dollar began September with broad-based strength against peers, amid a risk-off tone fuelled by a global rise in bond yields due to concerns over increased debt issuance. Said factors were more than enough to outweigh the ISM Manufacturing PMI survey, which indicated smaller-than-expected jumps in the headline and employment gauges, while prices paid unexpectedly declined. Meanwhile, construction spending fell as expected, resulting in the latest Atlanta Fed GDPnow (Q3) being revised down to 3.0% (prev. 3.5%). DXY gains were helped by notable weakness in EUR, and particularly the GBP and JPY (more details below), rising to highs of 98.597 before retreating to ~98.35. Aside from the concerns in the Treasury space, which led yields higher, and also tracked UK and French yields higher, drivers for FX moves were on the light side. However, that is likely to end on Wednesday, which will see JOLTS kick off the job data due this week in the US. Expectations are for job openings to fall to 7.378mln in July from 7.437mln.

EUR, JPY, and **GBP** were the worst performers in the G10 space, while CAD saw relative outperformance. At the ECB, many members hit the wires. Schnabel does not see a reason for a further rate cut, adding that global rate hikes may come earlier than people think. Meanwhile, Kocher advocates for caution ahead of the next rate decision, while Muller believes it makes sense to keep rates on hold for a while and watch the economy. Latest EU data concerned EZ HICP metrics, which were generally hotter-than-expected in August. After having a muted reaction to the EZ data, EUR/USD trades lower at ~1.1640 from earlier highs of 1.1718.

JPY was pressured by higher US yields, geopolitical concerns arising from China's President Xi hosting Russia's President Putin and the North Korean Supreme Leader Kim Jong Un. There were a couple of domestic developments also at play. Concerning politics, uncertainty has increased after four officials in the LDP ruling party are reported to resign, which would be seen as the LDP taking responsibility for its historic July upper house election defeat. Meanwhile, the BoJ Deputy Governor advocated for a lower level of BoJ JGB buying to restore sound functioning in the JGB market. Himino's baseline scenario is for Japan's corporate profits to come under pressure from the global slowdown and the impact of trade policy. USD/JPY now trades at ~148.40 from earlier lows of 147.06.

GBP was hit by growing concerns over a weak UK fiscal position amid rising borrowing costs, with FX options highlighting bearish sentiment through dealers reporting elevated premiums for GBP puts over calls. The gilt market was also pressured, resulting in new decade highs in the 30-year yield. Uncertainty in UK assets is likely to remain for some time, with Chancellor Reeves reportedly pencilling in a budget announcement date for November 26th. GBP/USD trades at ~1.3380 from earlier highs of 1.3549 and earlier lows of 1.3341.

EMFX: In China, the PBoC returned to a bias for a stronger CNY, setting the USD/CNY midpoint at 7.1089, lower than the expected 7.1325 (prev. 7.1072). Elsewhere, Turkish assets were pressured by political developments, whereby the Turkish Court removed the main opposition CHP's Istanbul Chief, diminishing the chances of a threat towards Erdogan's Presidency. Later, the CHP Leader announced they had removed the VP from the party. USD/TRY was modestly higher.

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