US Market Wrap - 3rd September 2025

Stocks mixed and bonds bid amid dovish data and Fed speak

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar down
- **REAR VIEW**: US JOLTS fall more than expected; US Factory orders decline less than expected; Trump suggests 2nd & 3rd phases of Russian oil sanctions; Fed's Waller reiterates call for Sept cut, though cuts beyond require data dependent approach; OPEC+ reportedly mulling another oil production hike at upcoming meeting; Australian GDP tops expectations in Q2; India's GST approves changes in consumption tax rate; US judge rules positive for GOOGL, no breakup needed; China announces anti-dumping duties on optical fibre from US.
- **COMING UP**: **Data:** Swedish CPIF (Aug), Swiss CPI (Aug), EZ Retail Sales, US ISM Services PMI (Aug), ADP National Employment (Aug), Challenger Layoffs (Aug), Jobless Claims, Atlanta Fed GDP, Canadian Trade Balance (Jul). **Events:** BoE DMP; Senate Banking Committee to hold hearing for US President Trump's Fed nominee Stephen Miran. **Speakers:** ECB's Cipollone; Fed's Williams; RBA's Hauser. **Supply:** Spain, France, UK, US.

MARKET WRAP

Stocks closed mixed, while T-notes were bid and the Dollar sold. The mixed equity performance saw the Nasdaq and S&P outperform, largely a function of upside in Google and Apple, leading to the Communication and tech sectors outperforming. The upside was due to a US court ruling that Google can keep its Chrome browser, seen as a major win for both Apple and Google (more below). Meanwhile, breadth was soft with the majority of sectors down, with decliners outpacing advancers (275 stocks fell, 225 gained), with small caps and equal-weight S&P underperforming. The upside in T-notes and downside in Dollar largely stemmed from dovish data and Fed Speak. The JOLTS report missed analyst expectations, adding to the recent concerns about the state of the US labour market, with attention turning to NFP on Friday, after the ADP report on Thursday. Governor Waller reiterated his case for rate cuts, expecting rate cuts to take place over the next three to six months, but the pace of cuts will be data-driven. Musalem, meanwhile, who is usually a hawk, reiterated that the current stance of restrictive policy is appropriate, but noted he has marked up labour market risks and marked down inflation risks. The dovish development and following moves in yields and the Dollar supported gold prices to fresh highs of USD 3,563/oz. Crude prices slumped on Reuters reports that OPEC are considering another output hike at the weekend, despite expectations earlier that they were to leave production levels unchanged.

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JOLTS: Headline JOLTS fell to 7.181mln from 7.357mln (revised down from 7.437mln), below the 7.378mln consensus. This saw the vacancy rate slip to 4.3% from 4.4%, while the quits rate was unchanged at 2.0%. The drop in JOLTS only added to labour market concerns ahead of the August NFP report on Friday (albeit this is for July). Many have been attributing the drop in the July jobs report (and two-month revisions) to Trump's immigration policies, with estimates of the breakeven rate being revised much lower (Fed's Musalem suggested as low as 30k). This is largely a labour supply factor, but the JOLTS data highlights the accompanying drop in demand too. Before the data, Fed Governor Waller had suggested that the drop in labour supply is masking the drop in labour demand, and that is not a good situation for the Fed to be in. However, OxEco highlights that the drop is not as worrisome thanks to the drop in labour supply. But it does suggest that "the labour market is more vulnerable to a more severe weakening if layoffs start to increase, leading to a negative cycle of reduced spending, further job losses and a more significant rise in the unemployment rate."

FED'S WALLER (voter): Fed Governor Waller largely reiterated recent dovish arguments, but looking ahead, he added the Fed could see multiple cuts in the next 3-6 months, while market pricing for Fed rate cuts over the next few months is reasonable. He repeated that the Fed should cut at the next meeting, but it does not need to go in a lock-step sequence of cuts. Whether it is every meeting or every other meeting will depend on the data. He also said the Fed could adjust the rate cut pace, depending on how data comes in. He reiterated that the tariff impact on inflation is not permanent, and that he wants to get to a more neutral stance; it would take 150bps of rate cuts to get to neutral. Waller also warned that the fall in labour supply is masking the fall in labour demand.

FED'S MUSALEM (2025 voter): The 2025 Voter reiterated that the current restrictive monetary policy stance is appropriate, given the data. He noted the Fed needs to balance inflation and job goals going forward, warning that there is a risk that tariffs could cause a persistent rise in inflation, but he does expect it to ebb back to 2% by H2 26, noting that below-trend growth and stable expectations should temper inflation. Musalem has marked up labour market risks and marked down inflation risks. He said tariffs will work through the economy over two to three quarters, but expects the tariff impact to fade eventually. He noted policy uncertainty that has held back business and household spending continues to lift, and he also expects some stimulus to growth from fiscal policy. He sees modest GDP growth this year before returning to the trend in 2026. Ahead of NFP on Friday, Musalem said that the job market break-even level is between 30-80k jobs per month.

FED'S BOSTIC (2027 voter): The Atlanta Fed President reiterated his view of one 25bps rate cut likely being appropriate this year. He said that price stability remains his primary concern, but the risks to inflation and the job market are closer to balance, albeit inflation remains above target. Concerning the September meeting, Bostic is not ruling out a cut, depending on the coming jobs report and other data. The 2027 voter said that it's not obvious the labour market is materially weakening, and with hiring and labour supply both slowing, the US remains nearly fully employed. Bostic cites businesses that do not expect a big shift in the labour market, but adds that firms cannot afford higher tariffs much longer. Bostic still thinks the effects of tariffs on consumer prices will not fade fast and may take months to materialise.

FED'S KASHKARI (2026 voter): The Fed Minneapolis President called inflation too high, noting the Fed's job on inflation is not done, and goods inflation is rising because of tariffs. On the labour market, it's showing signs of cooling, and the breakeven rate might now be 75k jobs per month. Kashkari said that the data suggests the economy is slowing and moving toward a soft landing, with interest rates having some room to come down gently. The 2026 voter does not anticipate a recession.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 15 TICKS HIGHER AT 112-19+

T-notes catch bid on dovish data and Fed speak. At settlement, 2-year -4.3bps at 3.615%, 3-year -4.2bps at 3.584%, 5-year -5.1bps at 3.692%, 7-year -5.8bps at 3.920%, 10-year -5.8bps at 4.219%, 20-year -7.3bps at 4.849%, 30-year -7.2bps at 4.899%.

INFLATION BREAKEVENS: 1-year BEI -3.1bps at 3.277%, 3-year BEI -1.7bps at 2.790%, 5-year BEI -1.7bps at 2.500%, 10-year BEI -1.0bps at 2.389%, 30-year BEI -1.3bps at 2.287%.

THE DAY: T-notes bull flattened on Wednesday, reversing some of the recent steepening. T-notes meandered overnight and in the European morning before accelerating once the US day began, with a leg higher seen after the latest JOLTS data. The data saw a drop below the consensus, with the prior also revised down, adding to concerns in the labour market following the July NFP report. The data took T-notes to highs while money market pricing for Fed rate cut bets added c. 2bps of easing, with participants looking to the August NFP report on Friday to help cement rate cut expectations. Meanwhile, Governor Waller spoke to CNBC, and he warned that the drop in labour supply is masking the drop in labour demand, and Waller reiterated his case for rate cuts. Musalem spoke too, noting how he has marked down inflation risks and marked up labour market risks. The Beige Book saw districts report little to no change in economic activity or overall employment levels. Most reported moderate or modest price growth, although some reported passing through their entire cost increases to customers from tariffs; some firms in nearly all districts described at least some hesitation in raising prices. Ahead of NFP on Friday, ADP, Jobless Claims, and ISM Services PMI will be key.

SUPPLY

Bills:

- US sold USD 65bln of 17-week bills at a high rate of 3.965%, B/C 3.34x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 24bps (prev. 23bps), Oct 37bps (prev. 36bps), Dec 58bps (prev. 55bps).**
- NY Fed RRP op demand at USD 18bln (prev. 21bln) across 17 counterparties (prev. 17)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 115bln (prev. 115bln) on September 2nd
- SOFR at 4.39% (prev. 4.34%), volumes at USD 2.947tln (prev. 2.880tln) on September 2nd
- Treasury Buyback (Liquidity support, 10-20yr, max. purchase amount USD 2bln): Buys USD 2bln of USD 23bln offered; accepts 2 issues of 31 eligible. Offer to cover: 11.5x

CRUDE

WTI (V5) SETTLED USD 1.62 LOWER AT 63.97/BBL; BRENT (X5) SETTLED USD 1.54 LOWER AT USD 67.60/BBL

The crude complex was lower and driven by OPEC+ headlines, but did pare some of the moves seen on Trump threatening Russia sanctions. In the European morning, benchmarks saw weakness after Reuters source reports noted that OPEC+ is mulling another oil production hike at the Sunday meeting, albeit a final decision is yet to be made. Note, expectations were for OPEC-8 to hold production at the Sunday meeting. In wake of these reports, Kpler's Bakr said there have been no talks among delegations on policy concerning the upcoming OPEC-8 meeting, albeit little reaction was seen. Later in the session, WTI and Brent pared around half the losses seen as US President Trump touted 2nd and 3rd phases of Russian oil sanctions. Elsewhere, Russian President Putin spoke heavily, and he said no date has been set or preparations made for Trump's visit to Russia, and if common sense prevails, an acceptable way to end the Ukraine conflict can be found, there is light at the end of the tunnel. Otherwise, it will have to be solved militarily. He also touted a meeting with Zelensky in Moscow, which Ukraine dismissed. Trump also reiterated familiar remarks, that will find out over the next week or so how good the relationship with Russia is. After-hours participants will be awaiting the weekly private inventory data, which has been delayed a day on account of the US Labor Day holiday: Current expectations are (bbls): Crude -2mln, Distillates -0.6mln, Gasoline -1.1mln.

EQUITIES

CLOSES: SPX +0.51% at 6,448, NDX +0.79% at 23,415, DJI -0.05% at 45,271, RUT -0.10% at 2,350

SECTORS: Energy -2.30%, Materials -0.53%, Industrials -0.48%, Health -0.41%, Real Estate -0.20%, Utilities -0.20%, Financials -0.16%, Consumer Staples +0.02%, Consumer Discretionary +0.43%, Technology +0.82%, Communication Services +3.76%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.60% at 5,323, Dax 40 +0.48% at 23,601, FTSE 100 +0.67% at 9,178, CAC 40 +0.86% at 7,720, FTSE MIB +0.14% at 41,785, IBEX 35 +0.56% at 14,787, PSI -0.38% at 7,648, SMI +0.90% at 12,197, AEX +0.50% at 888

STOCK SPECIFICS:

- **Alphabet (GOOG)** does not have to sell Chrome/Android in a big boost for big tech; Apple (AAPL) is gaining in sympathy after

Google also not required to cease payments to AAPL and others for preloading Google products. [Full Newsquawk analysis piece available here.]

- **Apple (AAPL)** lead AI researcher for robotics, Jian Zhang, has left to join Meta (META). Meanwhile, Apple plans AI-powered web search tool for Siri to rival OpenAI; plans to roll out AI search feature in Siri next year; Apple and **Google (GOOGL)** reached a deal to evaluate Gemini model for new Siri.
- **HealthEquity (HQY):** EPS & revenue topped expectations; raised guidance.
- **Smithfield Foods (SFD):** Launched a secondary offering of 16mln shares of common stock.
- **Phillips 66 (PSX):** Downgraded to 'Neutral' from 'Buy' at BofA.
- **Spending:** US holiday spending set for steepest drop since pandemic, -5% Y/Y, PwC survey showed.
- **ConocoPhillips (COP)** to reduce headcount by 20-25% by the end of 2026; most of these reductions will be complete by the end of this year.
- **AMD (AMD)** exec said the co. has more than 40 active engagements with different nations for sovereign AI; There are still multiple bottlenecks, very tight capacity on advanced-node wafers and High Bandwidth.
- **Cognizant (CTSH)** - Said over the last few quarters, have been winning four to six large deals each quarter, via Citi Global TMT Conference; healthcare continues to be a little cautious.
- **Amazon (AMZN)** paused delivery fleet deployments after outcry over repair costs.

EARNINGS:

- **Zscaler (ZS):** EPS & revenue beat with guidance above expected.
- **Dollar Tree (DLTR):** Strong results, but next quarter EPS guide missed & expect results to be impacted by near-term challenges.
- **Campbell's (CPB):** Adj. EPS beat.
- **Macy's (M):** EPS & revenue topped, while SSS surprisingly rose; Lifted FY outlook.

FX

The Dollar was softer on Wednesday after US job openings posted a bigger decline than expected in July. Accompanying the drop, there was a slight decline in the vacancy rate, while the number of unemployed workers exceeded available jobs for the first time since 2021. Fixation on the labour market is to continue, with rate cut bets on the Fed marginally ticking higher over the day ahead of ADP and NFP later this week. Aside from JOLTS, the main headlines came via the Fed. Governor Waller reiterated his call for a September rate cut, but advocated for a data-dependent approach surrounding cuts beyond the next meeting. Musalem, a 2025 voter, expects tariffs to work through the economy over two to three quarters, before fading eventually, leaving inflation ebbing back to 2% by H2'26. He also said he has marked up labour market risks and marked down inflation risks. 2027 voter, Bostic, still sees one rate cut this year as appropriate, and didn't rule out a September cut given the upcoming jobs report and other data (CPI & PPI). Meanwhile, the Fed's Beige Book uncovered that most of the 12 Fed districts saw little to no change in economic activity, with contacts repeatedly citing economic uncertainty and tariffs as negative factors. Ahead of the APAC trade, DXY sits towards the bottom end of its 98.016-98.637 range.

G10FX was generally in the green, helped by the dimming view on the US labour market ahead of further US job data in the week. GBP and AUD led the strength, the latter supported by a stronger-than-expected Real GDP reading in Q2, 1.8% Y/Y (exp. 1.6%). Rises were seen in household consumption from higher spending on discretionary and essential goods during the holidays in Q2, while government spending jumped on higher social benefits and national defence outlays. For the Pound, relief was present despite little news to support the move. Following the global selloff in longer-dated bonds on Tuesday, ING takes a more conservative view, not expecting the pound to fall much further on gilt moves along, attributing much of the increase in back-end yields to higher inflation and BoE rate expectations rather than fiscal worries. Like the Fed, multiple BoE speakers were present; Governor Bailey is more concerned about downside job risks than those who last voted to hold, Greene is not convinced that UK rates are meaningfully restive, while Taylor, who initially voted for a 50bps cut, before having to switch to 25bps to rid the committee of deadlock, wants to see 4-5 rate cuts a year, calling the neutral rate quite low. Cable now trades at ~1.3440 from earlier lows of 1.3334, while AUD/USD now trades at ~0.6540 from an earlier trough of 0.6503.

EMFX: In China, the RatingDog Services PMI rose above the expected 52.4 in August to 53.0 (prev. 52.6). It was the sharpest expansion in the services sector since May 2024, driven by strong growth in ned orders and backlogs of work. Elsewhere, traders highlighted that roughly USD 4-5bln of CBRT reserves have been sold in the last two days, according to Reuters. Meanwhile, the NBP cut the Base Rate by 25bps as expected to 4.75%. The central banks reiterated that they may intervene in the FX market, and later decisions could depend on data.

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