US Market Wrap - 4th September 2025

Stocks and bonds bid into NFP

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar up.
- **REAR VIEW**: Fed's Williams leans dovish; Initial jobless claims rise above forecast; ADP misses; Challenger Layoffs accelerate; Trade deficit widens; ISM Services PMI beats; Labour costs revised down, productivity up; Miran focuses on Fed independence; DoJ opens criminal investigation into Fed's Cook; US lowers Japan auto tariffs; Mexico mulls tariffs on China; Soft Swiss CPI; Russia says OPEC have not spoken about production hike; China firms still keen on NVDA chips.
- **COMING UP**: **Data**: German Industrial Orders (Jul), French Trade Balance, EZ Employment (Final), GDP Revised (Q2), UK Retail Sales (Aug), EZ GDP Revised (Q2), US Jobs Report (Aug), Canadian Jobs Report (Aug) **Speakers**: Fed's Goolsbee **Supply**: Japan, Australia

MARKET WRAP

Stocks closed green on Thursday with outperformance in the Russell while T-Notes firmed across the curve with the Dollar posting marginal gains. The focus on Thursday was largely on data and Fed speak ahead of NFP on Friday. On data, Challenger Layoffs accelerated while the ADP National Employment print fell below analyst expectations. Initial Jobless Claims also continued to rise above analyst forecasts, although Continued Claims declined to 1.94mln, beneath forecasts. Unit Labour Cost revisions for Q2 were revised down, below forecasts, while productivity was revised up, above the consensus. Trade data saw a widening deficit, while the ISM Services PMI report beat forecasts, with prices paid and employment little changed, but business activity and new orders accelerated. Fed speak saw Williams lean dovish, noting he sees reduced upside risk to inflation from tariffs, and that balancing has moved a bit more towards the Fed's job mandate. However, he declined to comment when asked if market pricing for the September meeting is correct. T-Notes were bid throughout the session following the miss in ADP, and rising jobless claims added to labour market concerns. The Dollar outperformed while antipodes lagged as all eyes turn to NFP, ahead of CPI, PPI and the BLS Benchmark revisions next week. Crude prices were hit with pressure seen ahead of the OPEC-8 meeting this weekend, with expectations for them now to implement another production hike, although Russia Deputy PM Novak suggested they have not spoken about this yet. On trade, Japan and the US are in the final stage of talks to implement lower tariffs on Japanese auto imports, while Mexican President Sheinbaum said Mexico is mulling tariffs on imports from other countries, including China. Miran's board hearing largely focused on Fed independence, while WSJ reported that the DoJ has opened a criminal investigation into Fed Governor Cook.

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FED'S WILLIAMS: The NY Fed President largely reiterated recent remarks, noting he expects gradual rate cuts over time if the economy meets his forecasts. He said the Fed must balance its inflation and job market risks right now, noting monetary policy is modestly restrictive and appropriate for the current economy. On the economy, Williams said trade and immigration factors are slowing activity, noting GDP will grow 1.25-1.50% this year (vs Fed median projection of 1.4%). He also sees the jobless rate reaching 4.5% next year (in line with the Fed's median view for 2025 and 2026). He expects PCE between 3.00-3.25% this year (vs Fed median of 3.00%), and 2.5% in 2026 (vs Fed median of 2.4%). He does expect inflation back at target in 2027. On tariffs, Williams said tariffs are likely to add 1.00-1.50% to inflation this year, but fortunately, he is not seeing signs of amplification or second-round effects from tariffs on broader inflation trends. On the labour market, he said it is cooling to pre-pandemic levels, but it is currently in balance. He also noted that balancing has moved a bit more towards the Fed's job mandate. On the bond market, he said it is relatively calm; he does not see abnormal moves. On prices, he noted the overall trend in services inflation has been favourable, while core goods inflation has shifted higher on tariffs. However, he sees reduced upside risk to inflation from tariffs, and it is good to see tariffs are not driving persistent inflation so far. However, it may take longer to gauge the full impact of tariffs on inflation data.

ISM SERVICES PMI: ISM Services PMI rose to 52.0 from 50.1, and above the expected 51.0. Within the release, Business Activity and New Orders encouragingly rose to 55.0 (exp. 53.0, prev. 52.6) and 56.0 (prev. 50.3), respectively. Employment was little changed at 46.5 from 46.4, but still firmly remained in contractionary territory, while prices paid declined to 69.2 from 69.9. In the respondents' answers, unsurprisingly, tariffs dominated the tape, with one noting, "We are starting to see the impact of tariffs on the cost of imported goods. For our company, this is primarily for goods from Asia and South America. We expect to see the full effect of tariffs in our cost of goods sold by October." Pantheon Macroeconomics adds that, for now, they retain their view that weak wage growth and downward pressure on margins from subdued demand will mean core services inflation remains contained. But the risks to that view probably lie to the upside.

JOBLESS CLAIMS: Initial jobless claims (w/e 30th Aug) rose to 237k from 229k, above the expected 230k, meaning the 4wk average ticked higher to 231k from 228.5k. Continued claims (w/e 23rd Aug) fell to 1.94mln from 1.944mln, light of the forecasted 1.962mln. Regarding the contributors to the NSA data, the largest were Connecticut 2,949, Tennessee 2,906, and New York 1,804, while Kentucky had the biggest decline of -2,889. On the data, Oxford Economics noted "New claims by federal workers have declined after an initial pop following a Supreme Court ruling allowing the Trump admin to proceed with layoffs. It appears that more workers than previously thought will be leaving the federal workforce through deferred resignations, and those workers won't show up in the claims data."

US INTERNATIONAL TRADE: The US International Trade balance saw the deficit widen to 78.38bln from the prior 59.1bln, wider than the expected deficit of 75.7bln. Exports rose USD 0.8bln to USD 280.5bln, while imports rose USD 20bln to USD 358.8bln. The July increase in the goods and services deficit reflected an increase in the goods deficit of USD 18.2bln to USD 103.9bln and a decrease in the services surplus of USD 1.1bln to USD 25.6bln. Regarding China, the deficit increased to 17.11bln in July from 9.51bln in June, with exports little changed, but imports rising to 26.4bln from 18.9bln. Meanwhile, the EU deficit widened to 19.1bln from 8.1bln, with exports falling to 46.7bln from 49.8bln. Imports rose to USD 65.9bln from 57.9bln. On the data, Oxford Economics highlight that while imports bounced back, over half the increase was due to gold as "trade policy and safe-haven demand brought about a resurgence in trade". Within the import data, industrial supplies and materials rose USD 12.5bln, with capital goods rising by USD 4.7bln. However, Gold made up USD 9.6bln of imports. Oxford Economics highlight that excluding gold, imports rose 3.3%, while exports fell 0.1%. On the capital goods imports, Oxford Economics write that goods linked to AI and data centres are still a source of resilience for imports. Overall, OxEco says, "It's early in the quarter, but the risk is that trade does not provide as large of a boost to Q3 GDP if imports remain resilient." Note, imports are a subtraction in the GDP equation.

CHALLENGER LAYOFFS: Challenger layoffs came in at 85.979k in August, rising from 62.075k seen in July, with August's total the highest for the month since 2020. Within the release, it notes employers announced plans to add 1,494 jobs in August, the lowest total for the month since Challenger began tracking hiring plans in 2009. Challenger adds, "September is typically when we begin to see large seasonal hiring announcements, which foretell how Retailers expect the holiday season to go. Coming off the lowest August on record for hiring plans, it may be a troubling sign".

ADP NATIONAL EMPLOYMENT: ADP national employment for August saw 54k private-payrolls jobs added, shy of the expected 65k and the prior, marginally revised higher, 106k. In terms of median change in annual pay, job-stayers were unchanged at 4.4%, while job-changers ticked higher to 7.1% from 7.0%. ADP chief economist said, "The year started with strong job growth, but that momentum has been whipsawed by uncertainty", and "a variety of things could explain the hiring slowdown, including labor shortages, skittish consumers, and AI disruptions."

UNIT LABOUR COST REVISIONS (Q2 25): Unit labour costs in the nonfarm business sector rose 1.0%, less than the expected 1.2% (prev. 1.6%), corresponding with a 4.3% increase in hourly compensation (prev. 4.0%) and a 3.3% jump in productivity (exp. 2.7%, prev. 2.4%). Output jumped 4.4% (prev. 3.7%) with hours worked rising 1.1% (prev. 1.3%). Oxford Economics notes the upward revision to productivity growth is overstated, given the 1.8% decline in Q1, and the trend in trend in unit labour costs is consistent with a moderate pace of services inflation.

FIXED INCOME

TREASURY FUTURES (Z5) SETTLED 7+ TICKS HIGHER AT 112-27

T-Notes catch bid on dovish Williams and mixed data ahead of NFP . At settlement, 2-year -2.4bps at 3.588%, 3-year -3.1bps at 3.547%, 5-year -3.8bps at 3.647%, 7-year -4.4bps at 3.870%, 10-year -4.4bps at 4.167%, 20-year -3.3bps at 4.810%, 30-year -3.0bps at 4.862%.

INFLATION BREAKEVENS: 1-year BEI -4.9bps at 3.219%, 3-year BEI -2.8bps at 2.757%, 5-year BEI -2.3bps at 2.474%, 10-year BEI -1.7bps at 2.372%, 30-year BEI -1.4bps at 2.272%.

THE DAY: T-Notes were bid throughout the session with gains led by the belly following a slew of economic data and Fed speak ahead of NFP. On data, Challenger Layoffs accelerated while the ADP National Employment print fell below analyst expectations - adding to the labour market slowdown fears ahead of NFP on Friday. Initial Jobless Claims also continued to rise above analyst forecasts, although Continued Claims declined to 1.94mln, beneath forecasts. Unit Labour Cost revisions for Q2 were revised down, below forecasts, while productivity was revised up, above the consensus. Trade data saw a widening deficit, while the ISM Services PMI report beat forecasts, with prices paid and employment little changed, but business activity and new orders accelerated. The weak ADP data saw Treasuries rise into the 13:30/08:30 data, where two-way price action was seen, before selling off marginally after the PMI report.

Thereafter, focus turned to Fed speak, namely, NY Fed President Williams, who reiterated he expects gradual interest rate cuts over time, but noted that balancing has moved a bit more towards the Fed's job mandate. He also said he sees reduced upside risk to inflation from tariffs. However, he did not comment when asked if market pricing for the September rate cut view is correct, perhaps as he is waiting for the NFP report on Friday. Meanwhile, Fed Governor Nominee Miran spoke at the hearing, stressing the importance of Fed independence. He also implied he would stay on as CEA Chair to ensure a smooth switchback when his term as Fed Governor expires in January. Regarding Fed Governor Cook, WSJ reported that the DoJ has opened a criminal investigation into Cook and issued subpoenas as part of an inquiry into mortgage fraud. All eyes turn to the NFP on Friday before the Fed blackout period commences from Saturday. Next week, the focus is on PPI and CPI data, as well as the BLS benchmark revisions. For the Newsquawk NFP preview, please click here.

SUPPLY

T-Notes/Bonds

- US Treasury to sell USD 58bln of 3-year notes on Sept. 9th, USD 39bln of 10yr notes on Sept. 10th and USD 22bln of 30-year bonds on Sept. 11th; all to settle Sept. 15th.

Bills:

- US sold USD 100bln of 4-week bills at a high rate of 4.175%, B/C 2.78x
- US sold USD 85bln of 8-week bills at a high rate of 4.100%, B/C 2.79x
- US to sell USD 82bln of 13-week bills and USD 73bln of 26-week bills on September 8th
- US to sell USD 85bln of 6-week bills on September 9th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: September 24bps (prev. 24bps), Oct 38bps (prev. 37bps), Dec 59bps (prev. 58bps).
- NY Fed RRP op demand at USD 20bln (prev. 18bln) across 17 counterparties (prev. 17)
- EFFR at 4.33% (prev. 4.33%), volumes at USD 119bln (prev. 120bln) on September 3rd
- SOFR at 4.39% (prev. 4.39%), volumes at USD 2.880tln (prev. 2.947tln) on September 3rd

CRUDE

WTI (V5) SETTLED USD 0.49 LOWER AT 63.48/BBL; BRENT (X5) SETTLED USD 0.61 LOWER AT 66.99/BBL

The crude complex was lower and still weighed on by Wednesday's reporting that suggested the OPEC-8 are mulling another production hike at the meeting on Sunday. Prices found a floor in the European morning; however, modest upticks were seen after Russian Deputy PM Novak said the OPEC-8 are not discussing a production increase now. As a reminder, the OPEC-8 announced a c. 547k BPD production increase for September, following the 411k BPD hike for August, with the upcoming meeting set to discuss production levels for October. Note, regarding August production, Reuters found that output from OPEC overall increased by 360k BPD, while Bloomberg reported a 400k BPD increase. In the weekly EIA data, which was delayed a day due to Labor Day, crude stocks saw a surprise build, in fitting with the private metrics. Distillates saw an unexpected build, and Gasoline saw a larger-than-anticipated draw, both following the API figures seen on Tuesday. Crude production fell 16k W/W to 13.423mln. WTI and Brent saw earlier lows of USD 62.72/bbl and 66.35/bbl, respectively, against later highs of 63.84/bbl and 67.41/bbl. All traders await the pivotal US jobs report on Friday ahead of the aforementioned OPEC+ meeting on Sunday.

EQUITIES

- **CLOSES**: SPX +0.83% at 6,502, NDX +0.93% at 23,633, DJI +0.77% at 45,621, RUT +1.26% at 2,380.
- **SECTORS**: Consumer Discretionary +2.25%, Communication Services +1.12%, Industrials +1.09%, Financials +1.00%, Real Estate +0.64%, Energy +0.60%, Technology +0.55%, Health +0.36%, Materials +0.23%, Consumer Staples +0.09%, Utilities -0.16%
- **EUROPEAN CLOSES**: Euro Stoxx 50 +0.37% at 5,345, Dax 40 +0.81% at 23,787, FTSE 100 +0.42% at 9,217, CAC 40 -0.27% at 7,699, FTSE MIB +0.49% at 41,990, IBEX 35 +0.87% at 14,918, PSI +1.32% at 7,749, SMI +1.54% at 12,388, AEX +1.34% at 900.

STOCK SPECIFICS:

- **Nvidia (NVDA)**: Chinese firms still keen on NVDA chips
- **Salesforce (CRM)**: Q2 nos. topped but guidance was soft & analysts said it points to muted growth
- **BYD (BYDDY)**: Cut 2025 sales target by 16% to 4.6mln vehicles
- **American Eagle Outfitters (AEO)**: EPS & rev. topped as Sydney Sweeney ads seen driving sales
- **T.Rowe Price Group (TROW)**: GS to buy $1bln of TROW stock in private-funds deal
- **SAIC (SAIC)**: Top line missed & cut FY rev. outlook
- **C3.ai (AI)**: Reported an adj. loss that was wider than expected. Revenue also missed. On top of that, withdrew its previous FY guidance as it appointed a new CEO and restructured its sales and services organization.
- **Ulta Beauty (ULTA)**: Notes consumer remains "recession resilient"; Co prioritises beauty and wellness, cites its diversified mass-to-luxury portfolio as a trade-down hedge. Raises FY same-store sales guidance to 2.5-3.5%.
- **Gap (GAP)**: Reportedly to expand into cosmetics, according to WSJ; Old Navy will roll out new beauty products this fall, and Gap stores will add fragrances next year.
- **Microsoft (MSFT)**: Set to avoid EU fine with offer to unbundle Teams, according to Bloomberg.
- US President Trump Administration said it will not pursue a plan to require **airlines (JETS, AAL, UAL, DAL, LUV, JBLU)** to pay passengers when flight disruptions are caused by carriers.

US FX WRAP

The Dollar was firmer on Thursday amid a deluge of data, Miran's Senate hearing, and Fed speak. On the data footing, ADP national employment showed private payrolls added fewer jobs than expected, which comes ahead of the pivotal jobs report tomorrow, which will shape expectations for the Fed at the upcoming meeting. Reminder, the ADP does not have the closest correlation to the US jobs report. US international trade showed a deeper deficit than expected, while initial jobless claims topped expectations and even printed outside the top end of the forecast range. Lastly, ISM Services PMI saw the headline and business activity impress, while prices paid encouragingly declined. Elsewhere, Fed's Williams reiterated he expects gradual interest rate cuts over time if the economy meets his forecasts, and in later remarks, declined to comment on whether the market's Sept. rate cut view is correct.

G10 FX was lower across the board against the Dollar, albeit to varying degrees, with GBP and EUR the relative 'outperformers' and Antipodeans the laggards. AUD/USD and NZD/USD saw lows of 0.6502 and 0.5834, respectively, but little follow-through was seen from the larger-than-expected Australian goods balance overnight.

JPY was choppy on Thursday, with USD/JPY trading between 147.82-148.77, as the Yen noticed some modest strength after Reuters cited Japanese sources, saying Japan and the US are in the final stage of talks to implement lower tariffs on Japanese auto imports; reductions could take effect within 10-14 days after a US presidential executive order. Before this, Japanese trade negotiator Akazawa stated that he will visit the US as administrative issues have been resolved, and he will continue to push for a presidential order for what has been agreed on tariffs.

As mentioned, the **Euro and Pound** outperformed, with the fiscal picture remaining front and centre for the latter. For the singlecurrency, markets await EZ Q3 and Q4 data prints await as the impact of the US administration's trade policies are felt across the Eurozone. Meanwhile, the ECB’s confab next week is widely anticipated to leave rates unchanged. French political tensions also remain a part of the narrative ahead of next Monday's confidence vote in PM Bayrou. A softer-than-expected outturn for EZ retail had little sway on price action.

CHF was weighed on by Swiss CPI unexpectedly declining M/M in August, which resulted in immediate Swissy weakness due to the softer print. Similarly, the SEK saw some pressure on CPIF data, as the metrics increased the odds of the Riksbank cutting as soon as the September meeting.

EMFX was mixed. On the trade front, Mexican President Sheinbaum stated Mexico is considering tariffs on imports from countries that do not have trade agreements, including China. Re. rate decisions, Goldman Sachs sees CBRT cutting key rate by 200bps in next week's meeting, vs. its prior view of 350bps cut. Meanwhile, NBP’s Glapinski spoke heavily and noted inflation risk in the quarters ahead, and would like to cut further, as long as forecasts point to CPI moderating.