

Bonds bid and Dollar hit ahead of more jobs and inflation data

- **SNAPSHOT:** Equities, Treasuries flatten, Crude up, Dollar down
- **REAR VIEW:** NY Fed SCE sees inflation expectations little changed, with consumer concerns over the labour market deteriorating; China's imports & exports in August fall short of expectations; EU reportedly weighs new sanctions on Russia to hit banks and oil trade; Saudi Arabia lowers Arab light crude OSP premiums to Asia and NW Europe, maintains US; French PM Bayrou loses confidence vote as expected; Japan's PM resigns; US reportedly weighs annual chip supply permits for SK Hynix & Samsung.
- **COMING UP: Data:** French Industrial Output, US NFP Prelim. Benchmark revisions. **Event:** Apple. **Speakers:** BoE's Breeden. **Supply:** Dutch, UK, German & US.
- **WEEK AHEAD:** Highlights include US CPI, BLS revisions, ECB, OPEC, French No Confidence Vote, Chinese Inflation & Trade, Japanese GDP, Apple Event. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB and CBRT. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Limited earnings but highlights include ORCL, ADBE. [Click here for the full report.](#)

MARKET WRAP

Stocks were little changed on Monday, although outperformance was seen in the Nasdaq 100 thanks to gains in the Tech and Consumer Discretionary sectors. On the flipside, Utilities, real Estate and Consumer staples underperformed while overall breadth was weak as the large-cap stocks kept indices bid. Equities were bid at the open but sold off throughout the last few hours of trade with little fresh news driving price action. Participants are still cognizant of the soft labour market report seen last Friday, ahead of inflation data this week. T-notes were firmer across the curve, but much more so in the long-end, seeing the curve bull flatten mid Trump naming Waller, Warsh and Hasset as final three Fed Chair Picks. In FX, Antipodes outperformed while the Dollar and Yen lagged, with the Yen pressured by Japanese PM Ishiba resigning as leader of the LDP, and as such resigning from the PM role. Crude prices were bid as the OPEC-8 lifted production, albeit at a slower pace of increase of 137k bpd (as touted), while reports of fresh Russia sanctions from the US and EU also supported the upside. Although crude prices settled well off earlier peaks after Saudi Arabia cut October OSPs to NW Europe and Asia, while maintaining prices to the US from September. Gold prices continued to advance to a fresh record high on rate cut expectations, geopolitics, and dollar weakness. Attention this week turns to the BLS Benchmark Payroll revisions on Tuesday, PPI on Wednesday, CPI on Thursday, as well as the Senate Banking panel vote on Fed Governor Nominee Miran. Treasury traders will also be watching 3-, 10- and 30-year supply throughout the week.

US

NY FED: The NY Fed Survey of Consumer Expectations for August saw inflation expectations tick up at the short-term horizon and remained unchanged at the medium- and longer-term horizons. Unemployment and job loss expectations worsened. Job finding expectations declined to a series low. Spending and household income growth expectations remained broadly unchanged. Specifically, median one-year ahead inflation expectations rose 0.1% to 3.2%, but the three-year and five-year forecast horizons were unchanged at 3.0% and 2.9%. Inflation uncertainty increased for the one and three-year horizons, but declined for the five-year horizon. Home price growth was unchanged at 3.0%. On the labour market, one-year ahead earnings growth expectations fell by 0.1% to 2.5%, below the 12-month average of 2.8%. Mean unemployment expectations rose by 1.7% to 39.1%, above the 38.1% 12-month average. The mean perceived probability of losing one's job in the next 12 months rose by 0.1% to 14.5%, also above the 14.0% average. Also, the mean perceived probability of finding a job if one's current job was lost fell markedly by 5.8% to 44.9%, the lowest readings since the start of the series.

FIXED INCOME**T-NOTE FUTURES (Z5) SETTLED 5 TICKS HIGHER AT 113-17+**

T-notes flatten as Trump narrows Fed Chair picks to three as eyes turn to BLS prelim. benchmark revisions, CPI/PPI and supply. At settlement, 2-year -0.6bps at 3.501%, 3-year -0.9bps at 3.468%, 5-year -0.8bps at 3.575%, 7-year -1.9bps at 3.777%, 10-year -3.7bps at 4.049%, 20-year -6.9bps at 4.650%, 30-year -8.1bps at 4.693%.

INFLATION BREAKEVENS: 1-year BEI +1.3bps at 3.193%, 3-year BEI -0.4bps at 2.735%, 5-year BEI -1.3bps at 2.444%, 10-year BEI -1.2bps at 2.346%, 30-year BEI -2.1bps at 2.232%.

THE DAY: T-notes were rangebound overnight before tracking higher in the European morning. Despite the little change in T-notes overnight, it is worth noting weakness in JGBs after PM Ishiba said he will be standing down as PM and leader of the LDP. For T-notes, however, the weak August jobs report is fresh on investors' minds, helping with the upside in T-notes. There was a brief blip off highs in the face of a slew of corporate issuance, but T-notes continued to push higher thereafter with moves led by the long end while the front-end was anchored after Friday's move, which saw 70bps of easing priced in by the Fed this year (up from 59bps). Note, Barclays now expects Fed to cut interest rates three times in 2025 with 25bps cuts in September, October and December vs. prev. forecast of two 25bps cuts in September and December. The moves in the long-end could be an unwind of

term premium after US President Trump announced that Waller, Warsh and Hasset are the three remaining picks for the next Fed Chair. Waller is seen as the favourite, and also seen as the most friendly option for Fed independence. Elsewhere, the NY Fed survey of consumer expectations showed a rather bleak view of the labour market, while inflation expectations saw a slight decline in the 1-year, with 3- and 5-year expectations unchanged. Attention on Tuesday turns to the BLS Preliminary benchmark revisions, ahead of PPI on Wednesday and CPI on Thursday, with 3-, 10- and 30-year issuance also due this week.

SUPPLY

T-Notes/Bonds

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

Bills:

- US sold USD 82bln of 3-month bills at a high rate of 3.940%, B/C 2.81x; sold USD 73bln of 6-month bills at a high rate of 3.730%, B/C 3.17x
- US to sell USD 85bln of 6-week bills on September 9th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 27bps (prev. 27ps), Oct 48bps (prev. 47bps), Dec 70bps (prev. 69bps).**
- NY Fed RRP Op demand at USD 19bln (prev. 21bln) across 20 counterparties (prev. 15).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 116bln (prev. 118bln) on September 5th
- SOFR at 4.42% (prev. 4.41%), volumes at USD 2.847tln (prev. 2.834tln) on September 5th

CRUDE

WTI (V5) SETTLED USD 0.39 HIGHER AT 62.26/BBL; BRENT (X5) SETTLED USD 0.52 HIGHER AT USD 66.02/BBL

The crude complex was firmer to start the week and saw support from OPEC and geopolitics, before Saudi OSPs saw gains trimmed. WTI and Brent gained after the OPEC+ 8 members agreed to raise the oil production by 137k BPD in October, as widely touted, and after reports that EU and US are mulling more sanctions on Russia. Following the OPEC decision, Goldman Sachs left their 2025 price forecasts for WTI and Brent unchanged, and for 2026 to average at USD 56/bbl and USD 52/bbl, respectively. However, benchmarks trimmed gains after Saudi Arabia lowered October OSPs to Asia and NW Europe, but maintained US OSPs from September. Whilst broader newsflow was sparse amid the Fed blackout, participants await the pivotal inflation reports this week, which will continue to shape Fed expectations for next Wednesday's meeting. For the record, WTI and Brent hit lows of USD 61.85/bbl and 65.51/bbl, respectively, against highs of 63.34/bbl and 67.04/bbl.

EQUITIES

CLOSES: SPX +0.21% at 6,495, NDX +0.46% at 23,762, DJI +0.25% at 45,515, RUT +0.16% at 2,395

SECTORS: Utilities -1.07%, Real Estate -0.68%, Communication Services -0.31%, Consumer Staples -0.17%, Energy -0.15%, Health -0.11%, Financials +0.02%, Industrials +0.21%, Materials +0.23%, Consumer Discretionary +0.53%, Technology +0.67%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.81% at 5,361, Dax 40 +0.96% at 23,824, FTSE 100 +0.14% at 9,221, CAC 40 +0.78% at 7,735, FTSE MIB +0.28% at 41,724, IBEX 35 +1.02% at 15,002, PSI +0.65% at 7,754, SMI -0.49% at 12,310, AEX +0.67% at 905

STOCK SPECIFICS:

- **AppLovin (APP), Robinhood (HOOD), EMCOR Group (EME):** To join SPX, effective BMO Sept. 22. **Charter Communications (CHTR)** will exit the S&P 100.
- **Centuri Holdings (CTRI):** Carl Icahn increased his passive stake to 12.24% (prev. 9.0%)
- **EchoStar Corporation (SATS):** Announced a spectrum sale & commercial agreement with SpaceX worth a total of USD 17bln.
- **Rapport Therapeutics (RAPP):** Successful mid-stage seizure trial & plans to launch Phase 3 trials of the drug next year.
- **UnitedHealth (UNH):** To affirm FY25 EPS expectations of at least USD 16.00 in investor meetings.
- **Chewy (CHWY):** Upgraded at Mizuho to 'Outperform' from 'Neutral'.
- **Samsung Electronics, SK Hynix:** The US is considering annual permits for the companies to supply chips to China.
- **Volkswagen (VWAGY):** For the first time, Volkswagen unveiled an EV powered by a solid-state battery; the all-electric test motorbike relies on technology provided by **QuantumScape (QS)**.
- **XPeng (XPEV):** CEO said they plan the global launch of the mass market Mona brand EV in 2026.
- **Uber (UBER):** Uber and China-based self-driving tech firm Momenta announced plans to test level 4 autonomous vehicles in Germany next year. Expects to sustain margin leverage after last quarter's +18% top-line and +35% bottom-line growth; launched USD 2.25bln 2-parter in 5- and 10-year issuance.
- **Zoetis (ZTS):** Spoke of tough Q3 comp sales, 15% overall, and 18% for US companion animals, but raised organic operational revenue growth to 6.5-8%, via MS Conference.
- **Tempus AI (TEM):** Said it's on track to achieve positive adj. EBITDA in 2025, driven by consecutive quarterly improvements.
- **Bank of America (BAC):** CFO expects NII to rise 6-7% for the year, on track from previous guidance; 2026 NII is expected to grow and be similar to this year.
- **Amazon (AMZN):** Bought a stake in Latin American delivery start-up Rappi, weighing on **MercadoLibre (MELI)**.
- US Senator Warren queries Wall Street banks over stock buybacks and dividends; Goldman Sachs (GS), JPMorgan (JPM),

and Morgan Stanley (MS), Bank of America (BAC), Citi (C) and Wells Fargo (WFC) received letters.

- **NVIDIA (NVDA):** Said they have received several H2O licenses of their key customers in China, via the GS conference. Q3 data centre revenue expected to be up ~17% sequentially (prev. 12% in Q2), driven by Blackwell GB200, GB300 Ultra and networking synergies. Potential USD 2-5bln of increment Q3 revenue contingent on H2O shipments to China post-government licensing amid ongoing geopolitical approvals.

FX

The Dollar was broadly weaker vs peers to start the week, tracking longer-dated US yields lower. The move saw the DXY extend on Friday's weakness, sparked by another weak NFP report, pushing DXY down to 97.42 from earlier highs of 97.94. Key updates included US President Trump announcing his top and final three picks to replace Fed Chair Powell are Former Fed Governor Warsh, current Fed Governor Waller, and NEC Director Hasset. Perhaps long-end treasuries welcomed the update, given 2/3 are former/current Fed officials, damping the possibility of a more radical (less independent) appointment. Elsewhere, the NY Fed SCE revealed consumers' concerns were more intensified on the labour market, with inflation expectations little changed, while perceptions over finding a job if one's job was lost fell to its lowest reading since the inception of the survey back in 2013. For Tuesday, the BLS Prelim benchmark report is due, where the BBG consensus is -700k while recent remarks from Fed's Waller point to a downward revision of 720k (-60k/mnth).

G10 FX was generally firmer against USD on the day, led by Antipodes, CHF, and the Euro. Meanwhile, CAD was flat, and the Yen was modestly weaker vs the Dollar after the PM Ishiba resigned. Impacts from the political situation may hit the BoJ, whereby the central bank may delay the resumption of the BoJ's rate normalisation, given the political uncertainty stemming from potential replacements. Those in the running typically favour looser fiscal policies through more stimulus measures. The Head of Japan FX at Barclays writes, "Regardless of the outcome, the curve is likely to further steepen. It's just a question of the magnitude". Now, USD/JPY sits at 147.40 from earlier highs of 148.60.

EUR/USD climbed higher despite the confidence vote in France. PM Bayrou lost this vote in a landslide as expected, with President Macron to name a new PM in the coming days. The announcement may come after the September 10th strikes, perhaps aiming to avoid further domestic unrest that would hinder the political climate. Ahead of APAC trade and ECB on Thursday (exp. to hold), EUR/USD trades at 1.1760. Elsewhere, the SNB Chairman Schlegel said there's a high bar to the next interest rate cut.

EMFX: Chinese imports and exports fell short of expectations in August, imports 1.3% Y/Y (exp. 3.0%), exports 4.4% Y/Y (exp. 5.0%). The report follows last week's US International Trade report for July, which showcased a widening deficit between the US and China. Weighing on China's exports was a 33.1% drop in exports to the US and a 1.4% drop to South Korea, while exports to ASEAN grew 22.5%.

In Argentina, political unrest arose from President Milei suffering a heavy defeat at local elections from the opposition, Peronists. ARS, stocks, and bonds all sold off, with USD/ARS hitting historic highs of 1445. Local press now reports that Milei calls cabinet meeting amid rumours of reshuffle.

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