

Stocks mixed and bonds bid after soft PPI

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar flat.
- **REAR VIEW:** Cooler-than-expected US PPI; Strong US 10yr auction; Poland downs Russian drones over Polish airspace; Stellar ORCL earnings report; Soft Chinese CPI; Trump posts on Truth "What's with Russia violating Poland's airspace with drones? Here we go!"; Atlanta Fed GDPnow Q3 model revised higher; Trump admin appeals court ruling blocking removal of Fed Governor Cook; Mexico raises tariff on cars from Asia, particularly from China, from 20% to 50%
- **COMING UP:** **Data:** US CPI (Aug), Jobless Claims (6 Sep w/e) **Events:** ECB Announcement, CBRT Announcement, IEA & OPEC Monthly Report **Speakers:** ECB's Lagarde **Supply:** Italy, US **Earnings:** Adobe.

MARKET WRAP

Stocks were mixed on Wednesday, while the Dollar finished flat with Bonds bid. Sectors were mixed, with Utilities, Tech, and Energy outperforming, with Tech names largely boosted by Oracle (ORCL) after rallying post-earnings with a chunky RPO of USD 455bln, which USD 300bln seems to be from OpenAI (according to WSJ). The large backlog of orders at Oracle (ORCL) only emboldened the high demands for the AI market and helped support AI infrastructure names (semis and cloud providers). The underperforming sectors were Consumer Discretionary, Consumer Staples and Health Care, while Communication names also lagged, with weakness in Amazon (AMZN) and Meta (META) weighing on Discretionary and Communication sectors. The primary driver for the move up in bonds and downside in the dollar was the softer-than-expected PPI report, which helped ease the hot/sticky inflation fears somewhat amid a deteriorating labour market, although attention turns to the CPI on Wednesday. Meanwhile, T-Notes moved to fresh highs after a strong 10-year auction, following the strong 3-year supply on Tuesday ahead of the 30-year bond issuance on Thursday. Crude prices settled green on geopolitical developments, namely Russia attacking Ukraine with drones that entered Polish airspace, leading to Poland downing some of the Russian drones, which marks the first direct NATO engagement. Gold prices were bid on geopolitics and the soft PPI report. Elsewhere, Miran was put forward to the full Senate for Fed Governor Nomination after passing the Senate Banking Committee vote, with Politico suggesting Republicans are aiming to get him in for a Senate vote on Monday, before the start of the two-day Fed meeting that starts on Tuesday. Meanwhile, a district judge ruled that Governor Cook's dismissal by US President Trump was unlawful, although the Trump administration has since appealed the decision to the Appeals Court.

US

PPI: Overall, PPI was soft. The headline and core M/M prints both declined 0.1%, well beneath the +0.3% forecasts and down from the 0.9% in July. On a Y/Y basis, the headline rose 2.6%, below the 3.3% forecast and prior, with the core Y/Y rising 2.8%, below the 3.5% forecast and prior of 3.7%. The super core print rose 0.3%, easing from the prior 0.6%. with the Y/Y at 2.8%, matching the prior month pace. Within the report, the PCE components saw Airline passenger services little changed at 1.0% (prev. 1.1%), but portfolio management fees rose 2.0%, easing from the prior 5.8% pace. Within the healthcare price changes, the only notable jump was in hospital outpatient care to +0.2% from -0.7%. The data helped ease some of the hot/sticky inflation fears at a time of a softening labour market, although the CPI data due Thursday will be watched to further shape how far away the Fed is from each of its goals. The Fed's preferred gauge of inflation is PCE, and following the PPI data, estimates from Morgan Stanley and Pantheon Macroeconomics range from 0.30-0.35%.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 7+ TICKS HIGHER AT 113-18+

T-Notes catch bid on soft PPI and strong auction ahead of CPI. At settlement, 2-year -1.1bps at 3.531%, 3-year -1.0bps at 3.482%, 5-year -2.3bps at 3.578%, 7-year -3.6bps at 3.766%, 10-year -4.4bps at 4.030%, 20-year -4.4bps at 4.626%, 30-year -4.1bps at 4.676%.

INFLATION BREAKEVENS: 1-year BEI -1.6bps at 3.237%, 3-year BEI -1.7bps at 2.732%, 5-year BEI -0.8bps at 2.452%, 10-year BEI -1.1bps at 2.343%, 30-year BEI -0.5bps at 2.233%.

THE DAY: T-Notes bull flattened with Treasury upside supported by softer than expected PPI driving the move higher. The soft PPI helped ease some of the hot inflation concerns alongside weak labour market fears, which should help the Fed who have been looking to determine the distance from each of its goals. However, the Fed is more focused on consumer prices, with CPI due on Thursday, while the Fed's preferred measure of inflation is Core PCE, due at the end of the month. Following the PPI data, Pantheon expects a 0.3-0.35% increase in Core PCE, while Morgan Stanley sees it at 0.34% - both likely subject to revisions after the CPI data tomorrow. Meanwhile, T-Notes pushed to fresh session highs in the wake of the 10yr auction, which similar to the 3yr on Tuesday, was strong thanks to a surge in Indirect demand, with the largest stop through on a 10-year auction since December 2024.

Elsewhere, on the Fed, a district judge ruled that Governor Cook's dismissal was unlawful, although the Trump administration has appealed the ruling to the appeals court. Meanwhile, Fed Governor Nominee Miran passed the Republican-controlled Senate Banking Committee, which voted to send his nomination to the full Senate, which needs to take place before the September 17th

meeting if he were to be able to vote in said meeting. Looking ahead, attention is largely on CPI on Thursday, alongside weekly jobless claims ahead of the 30-year bond auction and Federal Budget data. There is also the ECB rate decision and Press Conference.

SUPPLY

T-Notes/Bonds

- **10-YEAR:** Overall a strong 10yr auction, following the strong 3-year auction on Tuesday amid a jump in indirect demand. The auction saw a high yield of 4.033%, stopping through the when issued by 1.3bps, a much better reception than the last auction which saw a tail of 1.1bps, and better than the six auction average of a 0.8bps stop through. The high demand was led by indirect bidders, which took home 83.13% of the auction, well above the prior 64.2% and six-auction average of 71.1%. Direct demand fell to 12.6% from 19.6%, below recent averages. However, this left dealers with just 4.21% of the auction, a huge improvement on the prior 16.2% and six auction average of 11.4%.
- US Treasury to sell USD 22bln of 30-year bonds on Sept. 11th; all to settle Sept. 15th.

Bills:

- US sold USD 65bln of 17-week bills at a high rate of 3.850%, B/C 3.26x
- US to sell USD 100bln of 4-wk bills and USD 85bln of 8-wk bills on September 11th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 27bps (prev. 27bps), Oct 47bps (prev. 46bps), Dec 69bps (prev. 68bps).**
- NY Fed RRP Op demand at USD 25bln (prev. 23bln) across 18 counterparties (prev. 15).
- EFRR at 4.33% (prev. 4.33%), volumes at USD 112bln (prev. 110bln) on September 9th
- SOFR at 4.40% (prev. 4.40%), volumes at USD 2.863tln (prev. 2.872tln) on September 9th

CRUDE

WTI (V5) SETTLED USD 1.04 HIGHER AT 63.67/BBL; BRENT (X5) SETTLED USD 1.10 HIGHER AT 67.49/BBL

The crude complex was firmer amid a myriad of bullish factors. WTI and Brent were already on the front foot in the European morning after recent geopolitical developments, including Israel striking Hamas in Qatar, and overnight, Poland downing Russian drones over Polish airspace, the first direct NATO engagement. Following this, Polish PM Tusk said Poland asked to evoke Article 4 of the NATO treaty (not Article 5). However, benchmarks sparked to session highs after Trump posted on Truth, "What's with Russia violating Poland's airspace with drones? Here we go!". In addition, overnight, Trump asked the EU to hit China and India with 100% tariffs to pressure Putin to end the war in Ukraine, but Reuters sources said that EU is very unlikely to impose crippling tariffs them. Elsewhere, the complex saw marginal weakness on the weekly EIA data - crude and gasoline posted a surprise build, in fitting with the private metrics, while distillates reported a larger than anticipated build. Overall, crude production rose 71k W/W to 13.495mln. For the record, WTI and Brent saw lows of USD 62.72/bbl and 66.66, respectively, against Trump-induced highs of USD 64.08 and 67.78/bbl.

EQUITIES

CLOSES: SPX +0.31% at 6,533, NDX +0.04% at 23,849, DJI -0.48% at 45,491, RUT -0.25% at 2,376.

SECTORS: Technology +1.76%, Energy +1.76%, Utilities +1.69%, Industrials +0.73%, Materials +0.23%, Real Estate -0.07%, Financials -0.33%, Communication Services -0.87%, Health -0.91%, Consumer Staples -1.06%, Consumer Discretionary -1.58%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.16% at 5,360, Dax 40 -0.39% at 23,627, FTSE 100 -0.19% at 9,225, CAC 40 +0.15% at 7,761, FTSE MIB +0.12% at 42,060, IBEX 35 +1.29% at 15,218, PSI +0.54% at 7,729, SMI -0.60% at 12,207, AEX -0.68% at 902.

STOCK SPECIFICS:

- **Oracle (ORCL):** Bullish cloud outlook that boosted AI infrastructure hopes; ORCL's performance is also lifting other AI-linked stocks, including Nvidia (NVDA). [To see a full Newsquawk analysis piece, please click here](#). Following earnings, WSJ reported Oracle and OpenAI signed a USD 300bln computing deal, which is to require 4.5 GW of power capacity. This shows the vast majority of future contract revenue is set to come from OpenAI.
- **TSMC (TSM):** August revenue +34% Y/Y
- **Synopsys (SNPS):** EPS & revenue missed with dismal FY & next Q guidance.
- **Bill Holdings (BILL):** Elliott Investment took a ~5% stake, becoming its second activist investor after Starboard Value disclosed 8.5%.
- **GameStop (GME):** EPS & revenue topped.
- **Novo Nordisk (NVO):** Will cut 9k jobs & lowered profit view.
- **Meta Platforms (META):** Co. TikTok successfully challenged an EU levy
- **NIO (NIO):** Announced a proposed equity offering of 181.8mln Class A shares
- **Nike (NKE):** Upgraded at TD Cowen 'Buy' from 'Hold'.
- **HP (HPQ):** Downgraded at Evercore ISI to 'In Line' from 'Outperform'.
- **Vimeo (VMEQ):** To be acquired by Bending Spoons for USD 7.85/shr in cash, via Bloomberg.
- **Boeing (BA):** Reaches tentative labour deal with striking defense union, according to Bloomberg.

FX

The Dollar was lower on Wednesday and weighed on after a soft PPI report, ahead of CPI on Thursday, which was much cooler than expected across all metrics, with M/M even falling 0.1% for both the core and headline figures. Headline and core Y/Y printed 2.6% (exp. 3.3%, prev. 3.3%) and 2.8% (exp. 3.5%, prev. 3.7%), respectively. Note, money market pricing saw minimal change ahead of the FOMC next week with a 25bps cut still fully priced in, with a c. 7% probability of a 50bps reduction. DXY traded between 97.593-934.

G10 FX was mixed. CHF was the clear G10 laggard, with the CAD also seeing losses, while EUR and JPY were flat, GBP saw slight strength vs. the Buck, while Antipodeans notably outperformed. The latter was supported by the aforementioned Buck weakness, but the Aussie also saw tailwinds from firmer copper prices and a rising Yuan in wake of inflation data overnight. AUD/USD traded between 0.6581-6635, while NZD/USD topped out at 0.5963.

Newsflow was fairly sparse today, with FX price action largely at the whim to the Buck. Despite saying that, and although the Swissy saw little move, SNB's Chairman Schlegel said the SNB is to begin publishing rate discussion summaries, but it will not detail individual board members' position. In a reiteration, Schlegel said the bar is high to go into negative territory, but will do so if really necessary. Meanwhile, Norwegian core inflation printed 3.1% Y/Y, as expected, and unchanged from the prior. Note, Norges Bank's forecast is 3.1%. Looking ahead, attention turns to the ECB rate decision and updated macro economic projections, with rates widely expected to be left unchanged.

EMFX was mixed. COP was pressured, while ZAR, BRL, MXN, and CLP all saw strength. In Brazil, Supreme Court Justice Fux voted to acquit former President Bolsonaro for the crime of criminal organisation. Note, Fux is one of the five judges to decide on his fate, and 2 have found him guilty, and Fux not guilty, so the decision rests on the final two, whereby a decision has to be made by the end of the week. Note, reports suggest Bolsonaro could be sentenced to as many as 43 years in prison if found guilty.

For the **Yuan**, Trump asked the EU to hit China and India with 100% tariffs to pressure Putin to end the war in Ukraine, but Reuters sources said that EU is very unlikely to impose crippling tariffs on them. Overnight, Chinese inflation data was largely cooler than expected. PPI Y/Y declined 2.9%, as expected, but CPI M/M and Y/Y printed 0.0% (exp. 0.1%, prev. 0.4%) and -0.4% (exp. -0.2%, prev. 0.0%). Elsewhere, the Yuan saw strength as Xinhua reported that China to make full use of proactive fiscal policy.

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