newsquawk

US Market Wrap - 11th September 2025

Stocks and Bonds gain with Dollar sold amid surging jobless claims

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar
- **REAR VIEW**: US CPI largely matches expectations, although hot headline M/M; US Initial Claims surge above expectations, Continued Claims unchanged; Solid US 30yr auction; US Federal Budget widens more than expected; Bessent to add 1 or 2 names to Fed Chair candidates; Trump admin asks US appeals court to pause ruling that blocked the removal of Fed Governor Cook; ECB hold rates, as expected, Lagarde said risks to growth have become more balanced (prev. remain tilted to the downside); PSKY reportedly prepares bid for WBD.
- **COMING UP**: **Data:** German CPI Final (Aug), UK GDP (Jul), French Final CPI (Aug), Spanish Final CPI (Aug), US University of Michigan Prelim (Sep). **Events:** CBR Announcement; ECB Publication of ECB staff macroeconomic projections for the euro area. **Speakers:** RBA's Jones. **Credit Rating Reviews:** France, Spain.

MARKET WRAP

US indices saw gains, despite an initial choppy reaction in equity futures to US data. CPI printed broadly in line (ex. headline M/M, which was hot), while initial jobless claims soared to 263k (exp. 235, prev. 236k), and continues to add to the economic concerns around the labour market, which saw the market largely focus on the latter. As such, indices strengthened (despite initial two-way action), while Treasuries rose and the Dollar was sold on the soaring jobless claims. Fed money market pricing has moved dovish, with 73bps of easing priced in by year-end, vs. 68bps pre-data. As mentioned, the Dollar was weaker to the benefit of G10 FX peers, as Antipodeans outperformed, while the EUR benefited from a hawkish Lagarde in the ECB press conference - recapping, ECB left rates unchanged, as expected, with 2026 HICP inflation and GDP growth projections softer than forecasts, while Lagarde said risks to growth have become more balanced (prev. risks to economic growth remain tilted to the downside). Sectors are all in the green with Materials sitting atop of the pile, while Energy was the only one in the red and weighed on by the downside in WTI prices, which pared some of the 3-day winning streak gains, albeit in a lack of energy newsflow, which makes a change on the week. For the record, the US 30yr auction was solid but garnered little reaction in T-Notes, given the aforementioned spike in jobless claims was the clear driver. On the Fed footing, CNBC sources reported US Treasury Secretary Bessent met this week with Warsh, Lindsey, and Bullard as Fed Chief search continues, and he is waiting for the end of the Fed blackout to speak with sitting Fed officials; sources added Bessent favours smaller Fed footprint and the goal is to add one or two names to candidates Trump has already mentioned. Lastly, the Trump administration asked the US appeals court to pause a ruling that blocked the removal of Fed Governor Lisa Cook

US

CPI: US CPI rose 0.5% M/M, above the 0.3% forecast and accelerating from the prior 0.2%, seeing the Y/Y pace at 2.9%, accelerating from the 2.7% in July but in line with analyst forecasts. The Core print rose 0.3%, matching the prior and consensus, with Y/Y at 3.1%, also matching the consensus and prior. The super core print rose 3.2%, matching the pace in July. Further in the report, the Core goods prices rose 0.28%, accelerating from the 0.21% in July and 0.2% in June, while core services rose 0.35%, vs the 0.36% rise in July and 0.25% in June. Pantheon Macroeconomics highlights that the rise in goods prices is the largest since May 2023, driven by new vehicles, used vehicles, while apparel and video and audio products also contributed to the upside. Meanwhile, goods exempt from tariffs, like cellphones and prescription drugs (for now), continued to drift down. Pantheon suggests that the pass through to prices is only one-third complete. The Fed has been shifting their focus to the labour market given the recent downside, while the doves have been arguing that the tariffs will result in a one-time price increase on inflation - an argument that has gained more credence with Fed Chair Powell also suggesting this at his dovish Jackson Hole speech. Meanwhile, after the string of weak jobs reports, Fed's Goolsbee was still reluctant to commit to a September rate cut, noting he will be watching the inflation data to see if the pick up in services prices (not affected by tariffs) was a blip, or something more consistent. Core service prices rose 0.35%, more-or-less unchanged from the 0.36% increase in July, which is concerning if services prices remains sticky in the face of rising goods prices from tariffs. Meanwhile, heading into the blackout period (and pre NFP, CPI) Fed's Musalem (hawk) said he had marked down his inflation risks, and marked up labour market risks. The CPI data today came alongside a spike higher in initial jobless claims to the highest level since October 2021.

JOBLESS CLAIMS: Initial jobless claims (w/e 6th Sep.) printed its highest figure since October 2021, as it rose to 263k from 236k, above the expected 235k and the top end of the forecast range. Note, the reporting week coincided with the Labor Day holiday (1st Sep.). Texas (+15,304) was the standout mover in non-SA claims, and Oxford Economics notes they do not have a good explanation for the increase just yet; it wasn't flagged by WARN notices for Texas in July, which increased from 2,175 to 3,722; WARN notices typically lead related increases in jobless claims by about two months. Note, seasonal factors anticipated a decline of 13,004. The headline meant the 4-wk average jumped to 240.5k from 230.75k. Continued claims (w/e 30th Aug.) were unchanged W/W at 1.939mln, shy of the expected 1.951mln. The jump in initial claims further adds to the continued economic concerns around the labour market following the weak July and August NFP reports, accompanied by chunky downward revisions in July. Meanwhile, the prelim annual BLS benchmark payroll revisions also revealed that jobs had been overstated by 911k in the 12 months to March 2025 - putting the labour market in a weaker position than initially thought.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 2+ TICKS HIGHER AT 113-21

T-Notes rise on jobless claims spike. At settlement, 2-year +0.2bps at 3.535%, 3-year +0.9bps at 3.493%, 5-year +0.3bps at 3.585%, 7-year -0.8bps at 3.760%, 10-year -1.7bps at 4.015%, 20-year -2.1bps at 4.606%, 30-year -2.8bps at 4.649%.

INFLATION BREAKEVENS: 1-year BEI -0.4bps at 3.221%, 3-year BEI -1.8bps at 2.707%, 5-year BEI -0.5bps at 2.436%, 10-year BEI +0.4bps at 2.341%, 30-year BEI +1.3bps at 2.240%.

THE DAY: T-Notes were sideways overnight before ultimately rallying on the US data. The data was mixed, where a hot headline CPI M/M (0.4% vs exp. 0.3%) saw T-Notes briefly fall, but the move was swiftly pared on the initial jobless claims number. The weekly Initial Jobless Claims surged to 263k, the highest level since October 2021 and outside the top end of analyst forecast ranges. The jump in claims, coupled with inline Core CPI (despite headline upside), largely took the focus given recent concerns on the labour market. Money markets start to price in rate cuts from the Fed more aggressively after the data, with 73bps of easing now priced by year-end vs 68bps before the data was released. Elsewhere, the ECB rate decision saw the central bank leave rates on hold as widely expected in a unanimous decision, albeit the 2026 HICP inflation and GDP growth projections were softer than expected. However, President Lagarde acknowledged risks to growth have become more balanced (prev. remained tilted to the downside), while noting the disinflationary process is over. ECB sources from Reuters later noted that the next real discussion on the rate cut debate will take place in December. Although Bloomberg sources said no further cuts are needed to deliver 2% inflation. Meanwhile, the 30-year bond auction was solid, but garnered little reaction in the Treasury space.

SUPPLY

T-Notes/Bonds

30-YEAR: Overall, a solid auction, which comes after the strong 3 and 10yr auctions this week. The auction saw a high yield of 4.651%, which was on-the-screws, unchanged from the six-auction average, but much improved from the 2.1bps tail in the prior auction. Bid-to-cover was 2.38x, above the prior 2.27x, but more-or-less in line with the six-auction average of 2.37x. Indirect bidders took home 62.0% of the auction, above the prior 59.5% and average 60.9%. Direct demand rose to 28.0% from 23.0%, surpassing recent averages, which left dealers with 10.0%, a notable improvement from the prior 17.5% and six-auction average of 14.1%.

- US Treasury to sell USD 13bln in 20yr bonds on September 16th and USD 19bln in 10yr TIPS on September 18th; all to settle Sept. 30th

Bills:

- US sold USD 100bln 4-week bills at a high rate of 4.000%, B/C 2.81x; sold USD 85bln of 8-week bills at a high rate of 4.060%, B/C 2.64x
- US to sell USD 73bln of 26-week bills and USD 82bln of 13-week bills on September 15th
- US to sell USD 85bln of 6-week bills on September 16th.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: September 27bps (prev. 27bps), Oct 50bps (prev. 47bps), Dec 73bps (prev. 69bps).**
- NY Fed RRP op demand at USD 27bln (prev. 29bln) across 15 counterparties (prev. 18).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 111bln (prev. 112bln) on September 10th
- SOFR at 4.39% (prev. 4.40%), volumes at USD 2.800tln (prev. 2.863tln) on September 10th

CRUDE

WTI (V5) SETTLED USD 1.30 LOWER AT USD 62.37/BBL; BRENT (X5) SETTLED USD 1.12 LOWER AT USD 66.37/BBL

The crude complex was lower, paring some of the 3-day winning streak gains, albeit in a lack of energy newsflow, which makes a change on the week. Globally, attention was on US data, whereby the soaring jobless claims figures outweighed a relatively in line CPI report, as well as ECB. Back to the energy space, the IEA raised its 2025 world oil demand growth forecast to 740k BPD (prev. 680k BPD), and maintained its 2026 forecast at 700k BPD. Further, IEA suggested world oil supply to lift by 2.7mln BPD in ‘25 amid the latest OPEC+ hike (prev. 2.5mln BPD rise) whilst the net increase from Sep. to Oct. in OPEC+ oil output will be 40k BPD, less than 137k BPD quota hike, citing capacity limits in some members. Meanwhile, OPEC's MOMR left its forecasts unchanged. Geopolitical updates were light, although Ukrainian President Zelensky said they have not seen strong steps from allies in response (referring to the drone incursion into Poland). WTI and Brent traded between USD 62.24-63.80/bbl and USD 66.15-67.62/bb, respectively.

Morgan Stanley noted that after summer strength wanes, the global surplus is likely to re-emerge. Eventually, MS suspect this will roll over into critical price-driving storage in the Atlantic basin as well. To allow oil inventories to build, the forward curve will need to create favourable storage economics. That requires a contango structure, driving flat price down to ~ USD 60/bbl for a period, MS write.

EQUITIES

CLOSES: SPX +0.85% at 6,587, NDX +0.60% at 23,993, DJI +1.36% at 46,108, RUT +1.83% at 2,422

SECTORS: Energy -0.04%, Technology +0.18%, Communication Services +0.18%, Utilities +0.49%, Consumer Staples +0.95%, Industrials +0.96%, Financials +1.67%, Real Estate +1.68%, Consumer Discretionary +1.70%, Health +1.73%, Materials +2.14%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.49% at 5,388, Dax 40 +0.26% at 23,693, FTSE 100 +0.78% at 9,298, CAC 40 +0.80% at

7,824, FTSE MIB +0.89% at 42,432, IBEX 35 +0.59% at 15,308, PSI +0.33% at 7,755, SMI +0.62% at 12,294, AEX +0.47% at 906

STOCK SPECIFICS:

- **Oracle (ORCL):** Said in Q1 that it approved & initiated plans to restructure operating activities costing up to USD 1.6bln
- **Alibaba (BABA):** Will sell USD 3.2bln in zero-coupon convertible senior notes due 2032.
- **Amazon (AMZN):** Named a top pick at MS.
- **Royal Caribbean Cruises (RCL):** Raised quarterly dividend by 33%.
- **Boeing (BA):** Struck a labour deal.
- **AMD (AMD):** Downgraded to 'Hold' from 'Buy' at Erste Group.
- **Centene (CNC):** Reiterated FY25 adj. EPS view above expectations.
- **Kroger (KR):** EPS and SSS beat, but revenue missed.
- **Paramount Skydance (PSKY)** prepares Ellison-Backed Bid for **Warner Bros. Discovery (WBD),** according to WSJ citing sources; the majority of the planned bid for Warner will be made up of cash. CNBC sources note PSKY could make a bid for WBD as soon as next week.
- **American Airlines (AAL)** - CFO said looks like October is going to be better than September, via MS Conference. Demand for future bookings really strong.
- **Lockheed Martin (LMT)** - Executive said they don't expect any additional charges on the classified aeronautics and the classified MFC programmes that we've disclosed over the last few months. Sees 2025 revenue growth of 4-5% and backlog stands at USD 167bln as of mid-year.

FX

The Dollar was hit by soft US labour data and a strong EUR arising from a hawkish ECB President Lagarde (more below). US data saw US CPI largely in line with expectations, with headline M/M slightly hotter than expected at 0.4% (exp. 0.3%). The main concern arose from the weekly initial claims report, where the initial claims surged by 27k to 263k (exp. 235k), putting the 4-week average at 240.5k (prev. 230.75k), its sharpest increase since December 2020. The move higher was driven by a 15k+ increase in Texas, albeit, some economic commentators suggest it could turn out to be a one-time effect given the recent floods. Following the data, expectations in money markets over easing increased, now ~73bps are priced in (prev. 68bps). DXY trades at ~97.54 from earlier highs of 98.088.

EUR finished firmer due to the aforementioned USD weakness and the ECB's President Lagarde surprising markets with hawkish commentary in the press conference. The ECB kept rates unchanged, very much as expected, accompanied by a dovish outlook on inflation. The ECB revised up its inflation forecast to 1.7% (prev. 1.6%), shy of the expected 1.9%. This did spark a dovish reaction at first; however, Largarde reversed this move through a few key comments. 1) Risks to growth have become more balanced (prev. risks to economic growth remain tilted to the downside), 2) The disinflationary process is over, 3) They are still in a good place. Bloomberg sources later noted that ECB members are convinced that no further interest-rate cuts are needed to deliver 2% inflation, despite new economic projections pointing to an undershoot over the next two years. However, Reuters sources suggested the rate cut debate is not over but October seen too soon and next real discussion is more likely in December. EUR/USD rose to ~1.1740, remaining above its 21 DMA (1.1674) and 50 DMA (1.1659).

G10FX was entirely firmer against the Buck on said soft US data. Aside from the US and ECB, newsflow was generally thin in the space. Highlights included the RBNZ Governor Hawkesby noting the central projection for the OCR is to fall to around 2.50% by the end of the year (currently 3.0%), a more dovish viewpoint than RBNZ pricing, which has ~38bps of easing by year-end. Nonetheless, NZD outperformed in the G10 space alongside AUD, with NZD/USD hitting highs of 0.5975 from earlier lows of 0.5917 while AUD/USD now trades at ~0.6660.

TRY: In Turkey, the CBRT cut its Weekly Repo Rate by 250bps to 40.5%, 50bps more than expected. Since the decision, USD/TRY has been little changed. EMFX watchers cited disappointment after the rate decision, noting that while it represents a slowdown in the pace of easing, officials considered the real policy rate too high for “disinflationist domestic demand conditions.

BRL: Brazil Supreme Court panel formed a majority to convict former President Bolsonaro of all charges against him in coup attempt trial.