

Stocks mixed and bonds hit ahead of key risk week

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar flat.
- **REAR VIEW:** Prelim UoM disappoints, with 5yr inflation expectations rising; US reportedly proposes broad G7 sanctions on Russian energy; Trump says patience has run out with Putin; US QSS rises 2.2% to \$5.695tn; CBO downgrades US real GDP growth; IAM union rejects deal with BA; BlackRock's Rieder reportedly climbs Fed Chair ranks; Axios says spike in jobless claims was due to many being fake.
- **COMING UP: Data:** Chinese Activity Data (Aug), German Wholesale Price Index (Aug), NY Fed Manufacturing (Sep) **Speakers:** ECB's Schnabel, Rehn, Lagarde.
- **WEEK AHEAD:** Highlights include FOMC, BoE, BoC, BoJ, US Retail Sales, UK Inflation, UK Jobs and China activity data. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC, BoJ, BoE, BoC, BCB, Norges; Reviewing CBRT and ECB. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Light earnings docket but highlights include GIS, FDX, LEN. [Click here for the full report.](#)

MARKET WRAP

Stocks were mixed on Friday in what was ultimately quiet trade with tech gains buoying the Nasdaq. The majority of sectors closed red, led by Materials and Health Care but Utilities and Technology outperformed. T-Notes were sold across the curve in likely profit taking after the recent rally with all eyes on the FOMC next week. The Dollar was flat, as was most of G10 FX albeit the Yen and Kiwi lagged peers ahead of the key risk week next week (US Retail Sales, Fed, BoE, BoJ, BoC). The crude complex ended the day, and week, with gains as Russia tensions continue to mount. Gold prices added to recent gains despite the move higher in yields as geopolitical risk premium kept the yellow metal bid.

US

MICHIGAN: Prelim UoM for September saw sentiment fall to 55.4 from 58.2, way beneath the expected 58.0. Current conditions dipped to 61.2 from 61.7, again shy of the projected 61.3, and the forward-looking expectations tumbled to 51.8 (exp. 54.9, prev. 55.9), beneath the bottom end of the forecast range. 1yr inflation expectations were left unchanged at 4.8%, but longer-term 5-10yr moved higher to 3.9% from 3.5%. Surveys of Consumers Director Joanne Hsu said, "buying conditions for durables improved, while all other index components fell. Consumers continue to note multiple vulnerabilities in the economy, with rising risks to business conditions, labour markets, and inflation." On trade, Hsu added "Trade policy remains highly salient to consumers, with about 60% of consumers providing unprompted comments about tariffs, little changed M/M. Still, sentiment remains above April and May 2025 readings, immediately after the initial announcement of reciprocal tariffs."

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 12 TICKS LOWER AT 113-09

T-Notes sold in likely profit-taking ahead of Fed next week. At settlement, 2-year +2.7bps at 3.556%, 3-year +3.7bps at 3.524%, 5-year +4.5bps at 3.623%, 7-year +5.1bps at 3.808%, 10-year +4.6bps at 4.057%, 20-year +3.3bps at 4.639%, 30-year +2.3bps at 4.674%.

INFLATION BREAKEVENS: 1-year BEI +6.0bps at 3.279%, 3-year BEI +2.4bps at 2.735%, 5-year BEI +1.6bps at 2.454%, 10-year BEI +1.1bps at 2.354%, 30-year BEI +1.1bps at 2.253%.

THE DAY: T-Notes were lower across the curve on Friday, paring some of the upside on Thursday after the mostly in line CPI and spike in initial jobless claims. There was likely some profit-taking ongoing following the recent upside in Treasuries, as Fed rate cut expectations build following a deterioration in the labour market. On the Fed, the meeting takes place next week, where a 25bps rate cut is widely expected, while we will also see the updated summary of economic projections, with particular attention on the 2025 and 2026 year-end dot plots. The market currently prices in 70bps of easing by year-end, which fully prices two rate cuts with an 80% probability of a third. Meanwhile, through 2026, 141bps of easing is priced from the current rate level - which fully prices five 25bps rate cuts with a 64% probability of a sixth. Morgan Stanley, in a report posted today, announced they expect four consecutive 25bps rate cuts through January, followed by two more 25bps cuts in April and July - which is more dovish than current market pricing.

Meanwhile, the Senate are looking to vote on Miran's Fed Governor nomination on Monday, where if approved, it would see him be able to vote at the upcoming meeting. Meanwhile, the DC Circuit has laid out a briefing schedule for this weekend to determine whether Cook can remain at the Fed, which if she can, would also be able to vote. On the Fed Chair, Bessent has reportedly interviewed four of the eleven candidates, and BlackRock's Rieder has climbed the ranks.

Data today saw the Quarterly Services Survey for Q2, which rose 2.2% to USD 5.965tn, while the UoM took focus. Overall sentiment was weak in the prelim September report, while inflation expectations were unchanged in the 1yr but saw a notable increase to 3.9%

from 3.5% in the 5-year forecast. Attention next week is largely on the FOMC, but also US Retail Sales on Tuesday.

SUPPLY

T-Notes/Bonds

- 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 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 26bps (prev. 27bps), Oct 48bps (prev. 50bps), Dec 70bps (prev. 73bps).
- NY Fed RRP op demand at USD 17.3bln (prev. 27bln) across 16 counterparties (prev. 15).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 117bln (prev. 111bln) on September 11th
- SOFR at 4.41% (prev. 4.39%), volumes at USD 2.828tln (prev. 2.800tln) on September 11th

Block trades (Futures)

- 11:28EDT/16:28BST: 5.0k 2-Year T-Note Futures (ZTZ5) at 104-107

CRUDE

WTI (V5) SETTLED USD 0.32 HIGHER AT 62.69/BBL; BRENT (X5) SETTLED USD 0.62 HIGHER AT 66.99/BBL

The crude complex ended the day, and week, with gains as Russia tensions continue to mount. Facilitating the gains in the oil space were Bloomberg source reports that US proposes broad G7 sanctions on Russian energy to end the war, and giving benchmarks a further fillip higher was US President Trump remarking that Russian drones should not have been close to Poland, and Trump added that his patience has run out with Russian President Putin. Elsewhere, newsflow was light to end the week as attention turns to plenty of scheduled macro events next week, such as FOMC, BoJ, BoE, BoC, and China activity data. In addition, Beijing confirmed Chinese Commerce Minister He Lifeng to visit Spain from 14-17th September for trade talks including discussions with US officials, whereby the US-China talks are to focus on trade, export controls, tariffs and TikTok. For the record, the weekly Baker Hughes rig count saw oil rigs rise 2 to 416, natgas was unchanged at 118, leaving the total up 2 at 539. WTI and Brent saw lows of USD 61.69 and 65.71/bbl, respectively, against later peaks of USD 63.98 and 68.17/bbl.

EQUITIES

CLOSES: SPX -0.06% at 6,584, NDX +0.41% at 24,092, DJI -0.59% at 45,838, RUT -1.11% at 2,395.

SECTORS: Consumer Discretionary +0.56%, Utilities +0.56%, Technology +0.44%, Communication Services +0.21%, Consumer Staples -0.26%, Real Estate -0.47%, Financials -0.48%, Energy -0.57%, Industrials -0.82%, Materials -0.97%, Health -1.13%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.08% at 5,391, Dax 40 -0.06% at 23,689, FTSE 100 -0.15% at 9,283, CAC 40 +0.02% at 7,825, FTSE MIB +0.32% at 42,566, IBEX 35 -0.09% at 15,308, PSI -0.08% at 7,748, SMI -0.78% at 12,197, AEX +0.35% at 909.

STOCK SPECIFICS:

- **Adobe (ADBE):** EPS & revenue beat; Strong next quarter & FY outlook
- **Super Micro Computer (SMCI)** has begun global volume shipments of Nvidia Blackwell Ultra solutions.
- **Warner Bros. Discovery (WBD)** extending on 29% gains on Thurs. after reports **Paramount Skydance (PSKY)** is preparing a majority cash bid for the Co.
- **RH (RH):** Top & bottom line light; Cut FY revenue growth & adj. EBITDA margin.
- **Apple's (AAPL)** China website said the iPhone Air is now coming later, with the delay likely related to eSIM issue.
- **Micron (MU)** froze prices as inference AI fuels a surge in SSD demand and supply shortages, TrendForce reports.
- **General Motors (GM)** upgraded to 'Overweight' from 'Equal Weight' at Barclays.
- **Applied Materials (AMAT)** downgraded at Mizuho to 'Neutral' from 'Outperform'
- **Microsoft (MSFT)** & OpenAI signed a non-binding deal to redefine their partnership.
- **Novartis (NVS)** downgraded to 'Sell' from 'Neutral' at Goldman Sachs.
- **NVIDIA (NVDA)** reportedly steps back from cloud effort to compete with **AWS (AMZN)**, according to The Information.
- **Joby (JOBY)** plans to jumpstart US operations through the White House EVTol integration programme.
- **Amazon (AMZN)** and **Alphabet (GOOGL)** under FTC investigation over search advertising practices, according to Bloomberg sources.
- Of note for vaccine names (**MRNA, BNTX, PFE, AZN**): Trump officials are to link child deaths to COVID shots, according to WaPo; US officials plan to link 25 child deaths to COVID shots.
- IAM union rejects deal with **Boeing (BA)**; strike at defense unit is to continue, according to Bloomberg.
- **Bank of America (BAC)** reportedly plans leadership shakeup that elevates trading head Demare, according to Bloomberg.
- **Google (GOOGL)** loses bid to further delay court-ordered reforms to app store play - US appeals court ruling.
- **Corteva (CTVA)** is reportedly considering a breakup that would separate its seed and pesticide businesses into two separate companies, according to WSJ citing sources.

FX

The Dollar was more-or-less flat on Friday in what was largely quiet newsflow to end the week, ahead of a plethora of risk events next week with the FOMC the highlight. Nonetheless, prelim UoM for September disappointed as sentiment, conditions, and expectations all declined and also fell short of expectations. In terms of inflation expectations, 1yr was unchanged, but longer-term 5yr rose to 3.9% from 3.5%. In addition, the CBO downgraded 2025 growth of real GDP to 1.4% from 1.9% primarily due to negative effects on output stemming from new tariffs and lower net immigration, which more than offset the positive effects of provisions of the reconciliation act this year. Elsewhere, there was bullish US rhetoric on Russia as Trump said Russian drones should not have been close to Poland, and patience has run out with Putin. Meanwhile, Bloomberg sources suggested that US proposes broad G7 sanctions on Russian energy to end the war. For the record, DXY traded between 97.488-864.

G10 FX largely saw weakness against the Buck, albeit with no extensive losses. **NZD** and **JPY** were the relative laggards, with USD/JPY breaching 148 to the upside, albeit with no clear driver. Attention turns to the BoJ next week, where they are widely expected to keep rates unchanged. As a reminder, this week there were hawkish BBG sources which noted the BoJ sees some chance of hiking this year, and some officials are even of the view that a hike could be appropriate as early as October.

EUR and **GBP**, flat, were the relative outperformers, although the Pound was on the backfoot in the morning in wake of an in-line M/M outturn for UK GDP at 0%, leaving the 3M/3M rate at 0.2%, as expected. Looking under the hood, Pantheon Macroeconomics noted that M/M growth was close to being rounded down to 0.1% with the main downside surprise coming via a 1.3% M/M decline in manufacturing production. Money market pricing has been left little changed as attention turns to next week's docket, which includes UK jobs, CPI retail sales and the BoE rate decision. The latter is widely expected to see rates left unchanged with the next cut not fully priced until April next year. Cable traded between 1.3525-80.

EUR/USD traded between a very narrow 1.1702-47, despite a deluge of ECB speak following the rate decision on Thursday.

EMFX was largely weaker vs. the Greenback, although the BRL was the clear gainer ahead of BCB next week, where the central bank is widely expected to leave unchanged at 15% - highlighted by the latest Reuters poll which sees all 41 economists surveyed expecting that outcome. Elsewhere on the central bank footing, Peru cut its reference rate by 25bps to 4.25%, as expected. CBR cut rates by 100bps to 17%, but expectations were for a larger reduction to 16%.

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