US Market Wrap - 18th September 2025

Stocks bid and bonds hit on strong US data

- **SNAPSHOT**: Equities up, Treasuries down, Crude down, Dollar up
- **REAR VIEW**: Jobless claims drop; Strong Philly Fed; BoE holds as expected in 7-2 vote; NVDA to invest USD 5bln in INTC; China drops GOOG antitrust probe; Weak Aussie jobs; Weak Kiwi GDP; EU to phase out Russian LNG more quickly, but no mention of oil; Woeful 10yr TIPS auction; Norges cuts as expected.
- **COMING UP**: **Data**: Japanese CPI (Aug), UK Retail Sales (Aug), German Producer Prices (Aug), Canadian Retail Sales (Jul) **Events:** BoJ Announcement, Quad Witching **Speakers**: BoJ Governor Ueda; ECB's Lagarde; Fed's Daly, Miran, Former Fed President Bullard **Supply**: Australia.

MARKET WRAP

US indices saw gains on Thursday, with the small-cap Russell 2000 outperforming, while the tech-heavy Nasdaq 100 also saw decent gains and was buoyed by NVIDIA investing USD 5bln in Intel - this provided tailwinds for most semi names, aside from AMD and TSM, as it is seen as a threat to their competitiveness. As such, Technology was the clear sectoral outperformer while Consumer Staples lagged. The Dollar was firmer, to the detriment of G10 FX peers, and surged in wake of initial jobless claims, which came in at 231k (exp. 240k, prev. 264k). There was a deluge of central bank decisions (BoE, Norges, SARB, BCB), while Antipodeans were hit on weak data overnight -Kiwi was the notable laggard after the weak Q2 GDP metrics, which saw the economy contract much more than anticipated, while the Aussie economy unexpectedly lost 5.4k jobs in August. The BoE held the Bank Rate at 4.0%, which was widely expected, in a 7-2 vote. Dovish dissent came from Dhingra and Taylor, who preferred a 25bps reduction. Treasuries were weaker across the curve, but particularly in the long-end, as they were hit on the aforementioned jobless claims and a strong Philly Fed. There was a dismal 10yr TIPS auction, which put a cap on the gradual bid into settlement. The crude complex was lower, and weighed on by Trump comments, and the EU reportedly phasing out Russian LNG quicker than expected - a potential indication they are still focusing on LNG, instead of Russian oil - despite Trump's demands. On the former, Trump stated that if the oil price drops, Putin will have no choice but to end the war.

GLOBAL

BOE REVIEW: As expected, the MPC opted to hold the Bank Rate at 4.0%. The decision to do so came via a 7-2 vote with dovish dissent from Dhingra and Taylor, who preferred a 25bps reduction on account of the judgement that the disinflation process was continuing and the need to take action to insure against the risk of recession and below-target inflation. For the consensus on the board, policymakers stated that an unchanged rate was appropriate due to the lack of news since the prior announcement and the question over whether upside risks to inflation could be outweighed by downside risks stemming from the potential for a more substantial weakening in demand. Within the policy statement, the MPC continues to expect CPI to peak at 4% in September and as such, "a gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate". Market pricing expects the BoE to remain cautious in the face of upside inflation risks and only price 9bps of loosening by year-end with the next 25bps reduction not fully priced in until April 2026. On the Bank's QT programme, the MPC voted 7-2 to slow QT pace to GBP 70bln (exp. 70bln; prev. GBP 100bln). As such, active sales will climb to GBP 21bln from GBP 13bln. Of relief to those in the Treasury, the MPC opted to shift the maturity profile of its bond-selling with 2025/26 gilt sales to be split 40:40:20 between short-, medium- and long-maturity buckets in initial proceeds terms (2024/25 had an equal split). Overall, the meeting was largely a placeholder event with the MPC in wait-and-see mode over whether September marks the peak for inflation and the disinflation process resumes.

US JOBLESS CLAIMS: Initial Jobless claims fell to 231k in the latest week, down from the 264k seen previously, and beneath the 240k consensus. The 4wk average was little changed at 240k. Continued Claims fell to 1.92mln from 1.93mln, also beneath the consensus of 1.95mln. Within the report, the unadjusted claims fell 10k to 194k, while seasonal factors had expected a 17k decrease. For continued claims, the unadjusted data saw a 51k drop to 1.753mln, seasonal factors expected a 44k decrease. Following the data, Pantheon Macroeconomics highlights that it shows the "no hire, no fire" economy trundles on. Fed Chair Powell on Wednesday warned if there was a sudden increase in firing/layoffs, due to the lack of hiring, then you could quickly see a flow into higher unemployment. Given claims have pared quite drastically from the prior, somewhat abnormal spike last week, and also snapping three consecutive weeks of gains, it has reduced some of the labour market concerns, particularly around firing and supporting the argument that last week's increase was just a blip. There was an Axios report last week that suggested the spike in Claims, led by Texas, was due to fraudulent claims in the state. This week, claims in Texas fell by 5k, after rising c. 15k in the prior week - there was no mention of fraudulent claims in the press release. The largest state contributors to the move lower in claims this week, in the non-seasonally adjusted data, was Connecticut (-4k) and Texas (-5k). The largest gains were in New York (1.6k), Massachusetts (1.1k) and South Carolina (1.1k).

PHILLY FED: Philly Fed impressed, with the headline rising to its highest level since January at 23.2 from -0.3, way above the expected 2.5 and printing outside the upper bound of the forecast range. New orders bounced back into positive territory, printing 12.4 from -1.9, while shipments jumped to 26.1 from 4.1. Employment was little changed at 5.6 (prev. 5.9), while prices paid and received encouragingly tumbled to 46.8 (prev. 66.8) and 18.8 (prev. 35.8), respectively. Capex came in at 12.5 (prev. 38.4), while the 6m ahead index lifted to 31.5 from 25.0. Overall, current indicators improve, firms continue to report overall price increases, higher production, little change in capacity utilization, and they continue to expect growth.

US LEADING INDEX: The US Leading Index, which provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term, declined 0.5% in August, a bigger decline than the expected 0.1% and the most pessimistic forecast of -0.4%. The prior July print of -0.1% was revised up to +0.1%. The breakdown sees the Coincident Economic Index (CEI) lift 0.2%, following an increase of 0.1% in both June and July, while the Lagging Economic Index (LAG) inched up by 0.1%, after being unchanged in both June and July. Within the release, it notes "In August, the US LEI registered its largest monthly decline since April 2025, signalling more headwinds ahead". Adding, "Among its components, only stock prices and the Leading Credit Index supported the LEI in August and over the past six months. Meanwhile, the contribution of the yield spread turned slightly negative for the first time since April."

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 4+ TICKS LOWER AT 112-31+

T-Notes sold across the curve on a drop in jobless claims and strong Philly Fed . At settlement, 2-year +2.3bps at 3.570%, 3-year +2.3bps at 3.553%, 5-year +2.1bps at 3.668%, 7-year +2.7bps at 3.859%, 10-year +3.6bps at 4.112%, 20-year +5.4bps at 4.696%, 30-year +5.5bps at 4.729%.

INFLATION BREAKEVENS: 1-year BEI -0.7bps at 3.276%, 3-year BEI -0.4bps at 2.732%, 5-year BEI -0.4bps at 2.470%, 10-year BEI -0.6bps at 2.367%, 30-year BEI +0.2bps at 2.268%.

THE DAY: Overnight, T-Notes were bid as Asia digested the FOMC - seemingly taking more focus on the statement and dot plots rather than Powell's hawkish press conference. Treasuries then meandered in the European morning ahead of US data, which ultimately saw the curve lower for the rest of the US session. T-Notes were lower across the curve after the weekly initial jobless claims, which saw a notable reversal in the latest week to 231k from 264k, below the 240k forecast, snapping three consecutive weeks of gains. The Philly Fed report was also much stronger than expected, adding to the Treasury downside. T-Notes fell immediately, but continued to push lower thereafter to 112-23+ from an earlier peak of 113-12. Nonetheless, T-Notes then gradually pared into the settlement, but were still lower across the curve, with the curve bear steepening. Note, the gains were capped after a woeful 10-year TIPS auction, which saw a 5bps tail (more below).

SUPPLY

T-Notes/Bonds

- **10YR TIPS**: Overall, a woeful auction. The US Treasury sold USD 19bln of 10-year TIPS at a high yield of 1.734%, a lower yield than the prior 1.985%, which tailed the when issued by a huge 5bps. Much larger than the prior stop through of 0.5bps. The bid-to-cover was also soft at 2.20x, below the prior 2.41x and the average 2.40x. Direct demand fell to 26.12% from 32%, but remained above the 22.2% average, while indirect demand dipped to 56.08% from 62.7%, beneath the 68.2% average. This left dealer with a high take-down of 17.8%, well above the prior 5.4% and average 9.6%.
- US Treasury to sell USD 69bln of 2yr notes on 23rd September, USD 70bln of 5yr notes on 24th September and USD 44bln of 7yr notes on 25th September; all to settle September 30th (as expected)
- US to sell USD 28bln of 2yr FRNs on September 24th; to settle Sept 26th.

Bills

- US sells USD 100bln of 4-week bills at a high rate of 4.040%, B/C 2.71x; sells USD 85bln of 8-week bills at a high rate of 3.965%, B/C 276x
- US to sell USD 82bln of 13-week bills and USD 73bln in 26-week bills on September 22nd, to sell USD 85bln in 6-week bills on September 23rd, all to settle September 25th (sizes unchanged)

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: Oct 23.5bps (prev. 23bps), Dec 44bps (prev. 44bps), January 57.5bps (prev. 58bps).
- NY Fed RRP op demand at USD 14bln (prev. 14bln) across 13 counterparties (prev. 14).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 98bln (prev. 91bln) on September 16th.
- SOFR at 4.38% (prev. 4.39%), volumes at USD 2.853tln (prev. 2.857tln) on September 16th

BLOCK TRADES (Futures)

- 14:17EDT/19:17BST: 10.0k 5-Year T-Note Futures (ZFZ5) at 109-170
- 13:09EDT/18:09BST: 10.0k 10-Year T-Note Futures (ZNZ5) at 112-315
- 13:08EDT/18:08BST: 5.0k 10-Year T-Note Futures (ZNZ5) at 112-310
- 12:32EDT/17:32BST: 10.0k 10-Year T-Note Futures (ZNZ5) at 112-305
- 10:02EDT/15:02BST: 5.0k 2-Year T-Note Futures (ZTZ5) at 104-096
- 09:37EDT/14:37BST: 14.5k 5-Year T-Note Futures (ZFZ5) at 109-137
- 09:33EDT/14:33BST: 5.5k 2-Year T-Note Futures (ZTZ5) at 104-098
- 04:08EDT/09:08BST: 5.0k 5-Year T-Note Futures (ZFZ5) at 109-235

CRUDE

WTI (V5) SETTLED USD 0.48 LOWER AT 63.57/BBL; BRENT (X5) SETTLED USD 0.51 LOWER AT 67.44/BBL

The crude complex was lower, and weighed on by Trump comments and the EU reportedly phasing out Russian LNG quicker than expected. Recapping, benchmarks saw downside after US President Trump stated that if the oil price drops, Russian President

Putin will have no choice but to end the war; he also echoed recent remarks that he is disappointed by other countries buying Russian oil. Shortly after this, oil saw two-way action, but ultimately extended lower after Bloomberg reported that the EU plans to phase out Russian LNG more quickly after Trump's push. In a knee-jerk reaction, upside was seen, but as desks digested the information, oil fell as Europe does not appear to be cutting out Russian oil despite Trump's demands. Prior to this, benchmarks were choppy but unmoved by the firmer Dollar in the wake of initial jobless claims. WTI traded between USD 63.33-64.55/bbl, while Brent chopped between USD 67.19/bbl and 68.42/bbl.

EQUITIES

- **CLOSES**: SPX +0.48% at 6,632, NDX +0.95% at 24,455, DJI +0.27% at 46,142, RUT +2.51% at 2,468.
- **SECTORS**: Technology +1.36%, Industrials +1.06%, Communication Services +0.28%, Health +0.18%, Real Estate +0.06%, Financials +0.06%, Utilities +0.05%, Materials -0.14%, Energy -0.43%, Consumer Discretionary -0.51%, Consumer Staples -1.03%.
- **EUROPEAN CLOSES**: Euro Stoxx 50 +1.67% at 5,459, Dax 40 +1.33% at 23,671, FTSE 100 +0.21% at 9,228, CAC 40 +0.87% at 7,855, FTSE MIB +0.84% at 42,308, IBEX 35 +0.32% at 15,175, PSI -0.05% at 7,726, SMI +0.42% at 12,049, AEX +2.02% at 933.

STOCK SPECIFICS:

- **NVIDIA (NVDA)** to invest USD 5bln in **Intel (INTC)**. To see a full Newsquawk analysis piece, please click here In later remarks, NVDA CEO said its **Arm (ARM)** chip roadmap will continue, and today should have no effect on Arm (ARM).
- **Apple (AAPL)** reportedly explores possible test production of foldable iPhones in Taiwan.
- China drops **Google (GOOGL)** antitrust probe during US trade talks, according to FT.
- **Nucor (NUE)** cut Q3 profit guidance, citing lower profitability across all three operation segments vs. Q2.
- **Roche (RHHBY)** agreed to acquire **89bio (ETNB)** for up to USD 3.5bln (USD 14.50/shr). Note, ETNB closed Wednesday at USD 8.08/shr.
- US judge ruled **Amazon (AMZN)** violated online shopper protection law.
- **Meta Platforms (META)** launched its first consumer-ready smart glasses with a built-in display at USD 799 and available September 30th.
- **GE HealthCare (GEHC)** is weighing selling its stake in its China business and may be valued at several billion dollars.
- **Nike (NKE)** upgraded to 'Outperform' from 'Sector Perform' at RBC Capital
- **Progressive (PGR)** downgraded to 'Equal Weight' from 'Overweight' at Wells Fargo

US FX WRAP

The Dollar was firmer on Thursday, and was seemingly boosted in wake of initial jobless claims which printed 231k (exp. 240k, prev. 264k), despite initial being subdued in the European morning the day after the FOMC. Back to jobless claims, the hawkish move was likely driven on the fact that while the Fed decision (& SEPs) were dovish, Powell in the Presser pushed back on that and described it as more of a risk management move, with greater focus on the labour market as part of their data-dependent approach. As such, the better-than-expected claims data serves as the first insight into the labour market post-Fed, and factors on the hawkish side of the picture. Looking to Friday, we will get Miran’s dovish dissent speech, and Trump/Xi holding a call at 14:00BST/09:00ET. Note, the Philly Fed survey was also strong, supporting the moves.

G10 FX was weighed on by the broader Dollar strength, although there were some currency-specific narratives to factor in as well. USD/JPY traded between 146.78-148.26 as participants await the conclusion of the two-day BoJ meeting overnight. As a reminder, the BoJ is expected to keep rates at 0.50%, and the political uncertainty in Japan is seen to potentially delay a resumption of BoJ rate hikes. On that footing, LDP leadership candidate Hayashi said Japan's conditions have allowed the BoJ to raise rates, and the economy is now at a new phase. Note, Takaichi and Koizumi are considered the frontrunners.

Antipodeans sit at the bottom of the pile with the Kiwi notable laggard after the weak Q2 GDP metrics, which saw the economy contract much more than anticipated. Meanwhile, the AUD is weighed on by the disappointing Australian labour market data overnight, whereby the Aussie economy unexpectedly lost 5.4k jobs in August. NZD/USD hit a low of 0.5873, while AUD/USD bottomed out at 0.6608.

Cable traded between 1.3535-3660, with the BoE holding the Bank Rate at 4.0%, which was widely expected, in a 7-2 vote. Dovish dissent came from Dhingra and Taylor, who preferred a 25bps reduction. On the Bank's QT programme, the MPC voted 7-2 to slow QT pace to GBP 70bln (exp. GBP 70bln, prev. GBP 100bln). As such, active sales will climb to GBP 21bln from GBP 13bln. Money market pricing expects the Old Lady to remain cautious in the face of upside inflation risks and prices in 9bps of cuts by year-end with the next 25bps reduction not fully priced in until April ‘26.

There was a deluge of **central bank activity** on Thursday, and the NOK saw two-way action on the Norges Bank rate decision. Initially, a dovish reaction was seen to the 25bps cut as money markets were only pricing in such a move with a 40% probability, with the remaining 60% positioned for a hold. In wake of that, the hawkish language in the statement and Governor Bache saying they "do not envisage a large decrease in the policy rate ahead" sparked an unwinding of the initial dovish move.

In the **EM** space, BRL and ZAR saw little move in wake of their respective decisions. SARB maintained its Repo Rate at 7.00%, as expected, in a split decision, while the BCB held rates at 15%, as expected. Looking ahead, Copom signalled that the Selic is likely to remain at this restrictive level through 2025, with modest easing possible from early 2026, conditional.