newsquawk

US Market Wrap - 25th September 2025

Stocks & Treasuries slide with Dollar bid as traders await pivotal PCE

- **SNAPSHOT**: Equities down, Treasuries down, Crude flat, Dollar up
- **REAR VIEW**: US data comes in hot, Q2 GDP & GDP sales revised higher, Initial Claims sink beneath forecasts, Durable goods top exp.; US Adv. Goods Trade deficit narrows more than anticipated; Fed's Miran & Goolsbee reiterate recent remarks, Schmid maintains hawk view; Russia to extend gasoline exports ban until end-2025; Poor US 7yr note auction; SNB holds rates & Banxico cuts rates, both as expected; AMZN to pay USD 2.5bln in FTC case.
- **COMING UP**: **Data:** Japanese Tokyo CPI (Sep), Chinese Industrial Profit YTD, US PCE (Aug), US University of Michigan Final (Sep). **Speakers:** BoJ's Noguchi; ECB's Cipollone, Lagarde; Fed's Barkin; Bowman. **Supply:** Australia, Italy. **Earnings:** Carnival.

MARKET WRAP

US indices closed in the red, weighed by hot US data. The data sparked concerns over the Fed's ability to cut rates in the current environment, whereby the Q2 data pointed towards a hotter-than-expected economy. GDP, GDP Sales, and GDP Deflator were all revised higher, with GDP seeing a chunky upward revision to 3.8% (exp. 3.3%, prev. 3.3%). The move was primarily driven by an upward revision to consumer spending. Simultaneously, Durable Goods topped expectations, and Initial & Continued Claims dropped below expectations, with Initial Claims falling ~20k below the 4-week average. The labour data will be welcomed; however, it does dampen expectations of an imminent labour market meltdown paving the way for a series of rate cuts. As such, RUT underperformed as T-Notes on the short end were sold, while the USD gained thanks to a more attractive rate differential. Many Fed speakers hit the wires again, but they largely kept to their known stances. Schmid (2025 voter), a hawk, described Fed policy as 'slightly restrictive,' which is the right place to be. In supply, the US sold USD 44bln of 7yr notes. The auction was met with weak demand, but similar to the 2yr and 5yr this week, the reaction across markets was limited. Equity sectors ex-Energy traded in the red, led by Health, Consumer Discretionary, and Materials, while Energy once again in a seemingly rotation play. Separately, the SNB held rates at 0.0%, while Banxico cut rates by 25bps to 7.50%; both decisions were widely expected. In crude, prices settled flat after a choppy session. Bloomberg reported that Europeans privately tell Russia that they are ready to shoot down jets. Late into the close, the EU is reportedly planning to impose tariffs of 25-50% on Chinese steel and related products.

US DATA

Q2 GDP FINAL: The GDP final figure was revised up to 3.8%, surpassing the consensus for it to be unrevised at 3.3% and the highest forecast of 3.7%. The increase largely reflected an upward revision to consumer spending that was partly offset by a downward revision to exports. Concerning services, the largest contributors were transportation services, financial services and insurance. Meanwhile, the biggest drivers for goods were motor vehicles and parts (mainly new and used light trucks). GDP Sales saw a similar theme, revised higher to 7.5% above the expected 6.8% and the highest forecast of 6.9% (prev 6.8%). The GDP Deflator was slightly revised up to 2.1% (exp. 2.0%, prev. 2.0%), Core PCE Prices printed 2.6% (exp. 2.5%, prev. 2.5%), and PCE Prices printed 2.1% (exp. 2.0%, prev. 2.0%). PCE ex food, energy, and housing was revised up 2.3% from 2.2% and PCE Services ex energy and housing was revised up to 2.4% from 2.1%, Elsewhere, consumer spending was revised up to 2.5% from 1.6% while corporate goods were revised down to 0.2% from 2.0%. On the latter, Oxford Economics writes that "This would suggest that businesses absorbed some of the tariffs, but the hit to corporate profit margins has been small, which is key". Ahead, the agency notes that "odds are that we will be revising higher our forecast for Q3 GDP because of the incoming data on spending this quarter".

JOBLESS CLAIMS: Initial jobless claims (w/e 20th Sept) printed 218k (exp. 235k, prev. 232k) and came in beneath the bottom end of the forecast range, which saw the 4-wk average tick lower to 237.5k from 240.25k. Note, seasonals had expected a decrease of 3,477 W/W. Behind the headline figures, California (+1,714) was the greatest increase, while Arkansas (-1,300), New York (-1,880), and Texas (-6,901) all contributed to the downside. Continued claims (w/e 13th Sept), for the week that coincides with the usual payrolls period, declined to 1.926mln from 1.928mln, beneath the forecasted 1.935mln. The headline figure will offer some assurance that labour market conditions are not deteriorating, but Pantheon Macroeconomics says claims are painting an overly flattering picture of labour market conditions.

DURABLE GOODS: Durable Goods for August rose 2.9% (exp. -0.5%, prev. -2.7%), and was mostly driven by volatile aircraft orders. Commercial aircraft orders soared 21.6%, and defense aircraft orders jumped 50.1%. Ex-transport rose a solid 0.4% (exp. 0.0%, prev. +1.0). Non-defense cap ex-air +0.6% (exp. -0.1%, prev. 0.8%) and ex-defense +1.9% (prev. -2.3%). Oxford Economics adds that the upward surprise is further evidence that business equipment investment is holding up well. Shipments edged lower, but the broader picture is that conditions are brightening. OxEco adds that the ongoing tailwind from AI-related investments has played a key role in the resilience of business equipment investment, but they expect that strength will begin to broaden in '26 as business tax cuts, lower interest rates, and the fading of policy uncertainty cause firms to resume investments in other areas.

ADVANCED GOODS TRADE BALANCE: The Advanced Goods trade balance for August showed a deficit of USD 85.5bln, shallower than the expected USD 95.2bln deficit and falling from the prior USD 102.8bln deficit seen in July. Exports of goods were USD 176.1bln (prev. 178.4bln M/M) and imports were USD 261.6bln (prev. 281.2bln). Overall, the steep decline in imports as new tariffs came into force means net trade is on track to provide a near 1ppt boost to Q3 GDP, OxEco write. They estimate that half of the decline was due to weaker gold imports, which are excluded from the calculation of GDP. Even so, nongold imports are on track to decline 3% on an annualised basis in Q3.

EXISTING HOME SALES: Existing home sales for August dipped to 4mln from 4.01mln, but printed above the consensus of 3.96mln. Inventory of homes for sale was unchanged at 1.53mln units, 4.6 months' worth, while median existing home price rose 2% Y/Y to USD 422.6k. NAR Chief Economist Lawrence Yun said, "Home sales have been sluggish over the past few years due to elevated mortgage rates and limited inventory. However, mortgage rates are declining and more inventory is coming to the market, which should boost sales in the coming months."

FED

FED's MIRAN (voter, dovish dissenter): As expected, Miran reiterated his dovish rhetoric, noting his view going forward is that policy is up 200bps too restrictive and should remove that in 50bps moves. In the next 6 months, he would like the Fed to be a lot closer to neutral. On 2026, he is still on the low end of 2026 projections, but less daylight between him and others.

FED'S GOOLSBEE (2025 voter): Said the job market seems to be cooling, and counting on inflation being 'transitory' makes him uneasy; rates can go down a fair bit more if inflation heads towards 2%, but reiterated he is wary of frontloading cuts; somewhat uneasy with frontloading too many cuts based on slowing job numbers. That said, he is still relatively optimistic that tariffs will not drive up inflation broadly, and rates can come down. On policy, Goolsbee noted it has been mildly and moderately restrictive, while the pace of rate cuts will be in large measure be determined by the behaviour of inflation.

FED'S SCHMID (2025 voter): Schmid, a known hawk, said the current Fed is close to meeting its mandates, but policy must look forward; the rate cut [last week] was appropriate to offset risks to the labour market, and Fed policy is 'slightly restrictive,' which is the right place to be. Regarding the balance sheet, Schmid noted reserves could trend down to approximately USD 2.6tln.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLED 10 TICKS LOWER AT 112-10+

T-Notes sold on hot US data ahead of PCE. At settlement, 2-year +6.3bps at 3.661%, 3-year +6.3bps at 3.660%, 5-year +5.3bps at 3.765%, 7-year +4.3bps at 3.944%, 10-year +2.5bps at 4.172%, 20-year +0.3bps at 4.728%, 30-year -0.5bps at 4.753%.

INFLATION BREAKEVENS: 1-year BEI +1.4bps at 3.266%, 3-year BEI +0.2bps at 2.736%, 5-year BEI +0.8bps at 2.478%, 10-year BEI +0.6bps at 2.368%, 30-year BEI -0.2bps at 2.263%.

THE DAY: T-Notes meandered in APAC trade before succumbing to pressure in the European morning ahead of US data. Upon the data releases, selling across the curve accelerated, particularly on the short end as the hot data somewhat dented rate cut expectations til year-end. The GDP was hot across the board, seeing the headline, sales, and all components of PCE Prices revised higher, with the GDP deflator also seeing a slightly upward revision. At the same time, initial claims and continued claims both unexpectedly fell, with the former dropping to 218k (exp. 235k), notably lower than the 4-week average of 237.5k. Money market pricing now indicates ~86% chance of a 25bps rate cut in October (prev. 90%), but did reach as low as around 80%. Beyond, a further 25bps of easing by year-end, is priced with a 52% chance, down from the 72% seen yesterday. Separately, many Fed speakers were present. Governor Miran and 2025 voter Goolsbee spoke in line with recent comments, while 2025 voter Schmid, a known hawk, kept true to his stance, calling policy "slightly restrictive", which is the right place to be. From the earlier highs of 112-22, T-Notes reached as low as 112-06, before moving slightly higher into settlement. The US sold USD 44bln of 7yr notes, in what was a weak auction (more below). Similar to the auctions earlier in the week (mediocre 2yr & average 5yr), a muted reaction was seen in Treasuries.

SUPPLY

NOTES

- **US sold USD 44bln of 7yr notes; tail 0.6bps**
- The auction came in weak, highlighted by the 0.6bps tail, an increase from the prior tail of 0.3bps, and an increasing signal of weaker demand relative to the six-auction average stop through of 0.7bps. B/C dropped to 2.40x from 2.49x, standing firm below the 2.6x average. The only positive was the jump in Direct demand to 31.6% from 12.8% (avg. 22.2%); however, this was offset by the drop in Indirect demand to 56.4% from 77.4% (avg. 68.1%). This left Dealers with 12% of the bid, up from 9.8%, and keeping above the 9.7% average.

Bills

- US sold USD 100bln 4-wk bills at high rate 4.080%, covered 2.61x; sold USD 85bln of 8-wk bills at high rate 4.000%, covered 2.65x
- US to sell USD 82bln of 13-wk bills and USD 73bln of 26-wk bills on September 29th; to sell USD 85bln of 6-wk bills and USD 50bln of 52-wk bills on September 30th; all to settle on October 2nd

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Oct 21bps (prev. 23.5bps), Dec 38bps (prev. 43bps), January 47bps (prev. 55bps).**
- NY Fed RRP op demand at USD 25bln (prev. 29bln) across 21 counterparties (prev. 22).
- EFFR at 4.09% (prev. 4.09%), volumes at USD 88bln (prev. 95bln) on September 24th.
- SOFR at 4.13% (prev. 4.12%), volumes at USD 2.852tln (prev. 2.877tln) on September 24th.

CRUDE

WTI (X5) SETTLED USD 0.01 LOWER AT 64.98/BBL; BRENT (X5) SETTLED USD 0.11 HIGHER AT 69.42/BBL

The crude complex was choppy, but ultimately settled more or less unchanged amid a week of notable gains. There was a deluge of US data and Fed speak, whereby the latter broadly painted an upbeat picture of the US economy (Q2 GDP revised higher, Durable goods beat, and jobless claims tumbled), but little move was seen in the energy space. Russia/Ukraine dominated the slate on Thursday, with upside in benchmarks seen in the European morning after Interfax reported that Russia is to extend the gasoline export ban until the end of 2025, and is imposing a ban on diesel fuel exports for non-producers. Later in the US afternoon, another boost was seen as Bloomberg reported that Europeans privately told Russia that they are ready to shoot down jets. Elsewhere, TASS said Ukraine tried to attack the Kursk nuclear power plant, but it continues to operate normally. While intelligence sources said Ukraine's Naval drones attacked Novorossiysk and Tuapse, which temporarily suspended operations at the Transneft oil pumping complex and oil terminal. Trump met with Erdogan and said he wants him to stop buying Russian oil. WTI traded between USD 64.06-65.03/bbl, while Brent hit a low of USD 68.42/bbl and a high of 69.42.

EQUITIES

CLOSES: SPX -0.50% at 6,605, NDX -0.43% at 24,397, DJI -0.38% at 45,947, RUT -0.98% at 2,411

SECTORS: Health -1.67%, Consumer Discretionary -1.47%, Materials -1.21%, Utilities -0.96%, Industrials -0.66%, Communication Services -0.64%, Consumer Staples -0.59%, Financials -0.27%, Real Estate -0.27%, Technology +0.03%, Energy +0.87%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.30% at 5,448, Dax 40 -0.61% at 23,521, FTSE 100 -0.39% at 9,214, CAC 40 -0.41% at 7,795, FTSE MIB -0.43% at 42,242, IBEX 35 -0.27% at 15,154, PSI +0.00% at 7,915, SMI -0.74% at 11,890, AEX -0.11% at 934.

STOCK SPECIFICS:

- **Intel (INTC)** has approached Apple (AAPL) about a potential investment to support its turnaround. Meanwhile, Intel has approached **TSMC (TSM)** about investments or manufacturing partnerships, WSJ reports
- **Starbucks (SBUX)** approved restructuring plan & estimates $1bln in restructuring costs
- US lawmakers are scrutinising large US Cos, including Amazon (AMZN) and Apple (AAPL), over their use of H-1B visas amid US layoffs.
- **Eli Lilly (LLY):** Halted diabetes trial of muscle-sparing drug with Zepbound.
- **Accenture (ACN):** EPS & revenue topped but next quarter revenue midpoint light.
- **CarMax (KMX):** EPS & revenue light.
- **H. B. Fuller (FUL):** Revenue light & narrowed FY EPS view as it slightly reduced the top end of outlook.
- **Oracle (ORCL):** Initiated with a 'Sell' at USD 175 PT at Rothschild & Redburn.
- **Lululemon (LULU):** Downgraded to 'Hold' from 'Buy' at Needham.
- **Uranium Energy (UEC):** Downgraded to 'Market Perform' from 'Outperform' at BMO Capital.
- **Citi (C):** Moved nearly 1k tech jobs to India after China cuts, according to Bloomberg.
- **Google (GOOGL):** Set to be hit with second fine under landmark EU rules in the coming months, according to Reuters sources; EU not rushing decision due to US trade tensions and criticism.
- **Amazon (AMZN):** To pay USD 2.5bln in fines and consumer redress in Prime case settlement, according to the FTC; AMZN to establish USD 1.5bln consumer fund for reimbursements related to Prime case settlement
- **Meta (META):** Is reportedly set to face a charge sheet from the EU for failing to adequately police illegal content, risking fines for violating the bloc’s content moderation rulebook, according to Bloomberg.
- **Oracle (ORCL),** Silver Lake, and MGX would each take a roughly USD 15% stake in the new TikTok US, Bloomberg reports.
- **Volkswagen (VWAGY):** Cut output and paused production at German EV plants, Bloomberg reports.

FX

The Dollar saw extensive gains and continued on its move higher seen on Wednesday. The catalyst on Thursday was US data, which broadly painted an upbeat picture of the US economy – recapping, Q2 GDP was revised higher, as was core PCE, but attention is on August’s print on Friday. Jobless claims tumbled to 218k from 232k, beneath the lower end of the forecast range. Durable Goods soared, and the US advanced goods trade balance posted a shallower deficit than expected. In addition, there was a deluge of Fed speak (Miran, Goolsbee, Schmid, Bowman, Logan), but little new was said, and the members largely reiterated their known tones (comments available in US market wrap). DXY hit a peak of 98.602, the highest level since September 4th at 98.26. As mentioned, Friday’s highlight is PCE for August, whereby on Tuesday, Chair Powell said total PCE prices is seen up 2.7% Y/Y (vs. 2.6% Y/Y in July); Core PCE prices are expected to have increased 2.9% Y/Y (matching the July reading), driven by goods price rises, mainly reflecting tariffs.

G10 FX was once again lower across the board amid the surging Buck, as opposed to much currency-specific newsflow. Despite saying that, CHF saw modest strength in wake of the SNB. Overall, it was largely as expected - the policy rate was maintained at the ZLB, FX guidance was reiterated, and the tiering system for sight deposits continues to be in play. While the statement does not give much away on forward guidance, the inflation forecasts were maintained for 2025, 2026 and 2027. Market pricing moved in a hawkish direction since the announcement, with just 5bps of easing implied by end-2026 vs 10bps heading into the confab. For the EUR, Ukraine/Russia headlines and drone activity over certain nations remain frequent, but so far have not had any obvious impact on the FX space, with ING observing that "if investors were substantially more worried about military conflict at NATO's eastern border, CEE currencies would be a lot weaker, as would German equity markets".

EMFX was exclusively lower amid the aforementioned themes. South African PPI was hotter than expected, while Brazilian IPCA-15 Mid-Month CPI came in short of Wall St. consensus. Elsewhere in Brazil, BCB forecasts 2025 GDP growth of 2.0% (prev. 2.1%), 2026 +1.5%.

MXN saw little move on Banxico, whereby they cut rates by 25bps, as expected to 7.50%, and Heath dissented in favour of maintaining rates at 7.75%, as he did in the prior meeting. The Governing Board deemed it appropriate to continue the rate-cutting cycle, and the decision was consistent with the assessment of the current inflationary outlook. Headline inflation forecasts were adjusted slightly, while core inflation forecasts were revised marginally upwards, but headline inflation is still expected to converge to the target in Q3 ’26. Ahead, the board will assess further adjustments to the reference rate.