

Stocks rally on soft CPI ahead of Fed next week

- **SNAPSHOT:** Equities up, Treasuries flat, Crude down, Dollar flat, Gold down
- **REAR VIEW:** Soft US CPI, US Flash PMIs beat; UoM misses, 5yr infl expectations rise; Trump terminates trade talks with Canada; Trump to sign economic agreements in Asia next week; Trump-Xi meeting to go ahead; USTR investigates China implementation of 2020 trade deal; Witkoff to meet with Russian counterpart; Strong INTC report, but stock fades; Strong F earnings; UK retail sales impress.
- **WEEK AHEAD:** Highlights include US-China trade talks, FOMC, BoC, BoJ, ECB and Aussie CPI. [To download the report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC, BoJ, ECB; Reviewing BoK, PBoC LPR, and CBRT. [To download the report, please click here.](#)
- **WEEKLY US EARNINGS:** Abundance of earnings with highlights including AAPL, AMZN, MSFT, META, GOOGL. [To download the report, please click here.](#)

MARKET WRAP

US indices closed the final trading session of the week in the green and were buoyed by a soft US CPI report, which did little to alter money market pricing into the Fed next week, whereby a 25-bps cut is a near certainty. Sectors were predominantly firmer, with Technology and Communications outperforming, while Energy lagged ahead of a deluge of earnings next week, with 5 out of the Mag-7 reporting. The Dollar was eventually flat, but saw weakness after the aforementioned CPI report, while the Pound was boosted following a much stronger than expected set of UK retail sales, and the CAD was initially hit after Trump ended all trade talks with Canada after they put out anti-tariff adverts, albeit Canada is set to pull the ad. The crude complex was choppy, but ended the week with sizeable gains as US/Russia relations worsened, with focus on US-China talks next week. T-Notes settled little changed despite surging higher following the softer inflation metrics. Elsewhere on the data footing, US S&P Global PMIs impressed with both Mfg. and Services printing above consensus, but UoM missed expectations with a fall in current conditions and expectations, with the 1-year inflation expectation unchanged at 4.6%, but the 5-year rising to 3.9% from 3.7%. Next week, the PCE and GDP data will likely be cancelled, but focus will be on 2, 5 and 7-year supply as well as US/China trade talks, and of course, the Fed meeting.

US

CPI: Headline CPI rose 0.3% M/M in September, cooler than the 0.4% expected and prior, with the Y/Y rising 3.0%, up from the prior 2.9% but below the 3.1% forecast. Core measures rose 0.2% (exp. 0.3%, prev 0.3%), with the Y/Y with the Y/Y rising 3.0%, beneath the 3.1% forecast and prior. The report will be welcome but likely changes little for the Fed, with inflation still above target at 3.0%. However, given that there was no acceleration M/M, it shows inflationary pressures remain contained. Expectations at the Fed are building that tariffs will not result in persistent inflation, but price pressures are expected to remain into 2026, before cooling in H2 '26 and returning to target in 2027 - providing the situation stays similar to the current picture. ING summarises the data as giving the green light to rate cuts. The desk notes that softer than expected, with tariff effects remaining limited. Says that should gradually change, but gives more time for disinflationary forces such as energy, housing and softer wages to mitigate the tariff impact. "In any case, the Fed's more pressing concern is the cooling jobs market as it looks to optimise policy for its dual mandate".

FLASH PMI: The S&P Global Flash PMI data in the US was better than expected. The Composite rose to 54.8 from 53.9, with the manufacturing component rising to 52.2 from 52, and services lifting to 55.2 from 54.2. Within the report, it noted that the data is consistent with the economy growing at a 2.5% annualised rate in October after a similar rise was signalled for Q3. It highlighted that business activity growth in October was the second-fastest so far this year, and was accompanied by the largest rise in new business seen in 2025 to date. "Improvements in output and new work were recorded in manufacturing and services, though both sectors signalled falling exports. Factories also reported falling input buying amid a steep drop in backlogs of work and an unprecedented build-up of unsold stock." On employment, growth picked up, but the pace was modest, and it weakened in manufacturing. Prices charged for goods and services rose at the slowest rate since April, but firms' costs continued to increase sharply due to the impact of tariffs alongside upward wage pressures.

FIXED INCOME

T-NOTE FUTURES (Z5) SETTLE 1+ TICK LOWER AT 113-14

T-Notes settle little changed despite soft CPI. At settlement, 2-year 0.0bps at 3.482%, 3-year +0.3bps at 3.487%, 5-year +0.5bps at 3.602%, 7-year +0.7bps at 3.784%, 10-year +1.0bps at 3.999%, 20-year +1.6bps at 4.558%, 30-year +1.6bps at 4.587%.

INFLATION BREAKEVENS: 1-year BEI -10.6bps at 3.118%, 3-year BEI -3.4bps at 2.590%, 5-year BEI -2.5bps at 2.334%, 10-year BEI -1.0bps at 2.277%, 30-year BEI -0.3bps at 2.223%.

THE DAY: T-Notes had rallied in response to the softer than expected CPI data, but the moves then started to pare with T-Notes

meandering into settlement to settle little changed. The report helps keep rate cuts on the table as although inflation remains above target, it is not accelerating away, and the Fed can take out another risk management cut next week. A lot of the focus has been shifting towards the labour side of the mandate, although the Fed is relying on private data at the moment, given the government shutdown. Shortly after the CPI report, the flash S&P Global PMI data was released, which weighed on T-Notes following a better-than-expected report. It also noted "The survey data are consistent with the economy expanding at a 2.5% annualised rate in October after a similar rise was signalled for the third quarter." Meanwhile, the UoM data missed expectations with a fall in current conditions and expectations, with the 1-year inflation expectation unchanged at 4.6%, but the 5-year rising to 3.9% from 3.7%. Next week, the PCE and GDP data will likely be cancelled, but focus will be on 2, 5 and 7-year supply as well as US/China trade talks, and of course, the Fed meeting.

SUPPLY

Notes

- US Treasury to sell USD 69bn of 2-year notes on October 27th, USD 70bn 5-year notes on October 27th and USD 44bn of 7-year notes on October 28th; all to settle October 31st.
- US to sell USD30bn in 2-year FRN's on October 29th, to settle October 31st.

Bills

- US to sell USD 86bn in 13-week bills and USD 77bn in 26-week bills on October 27th.
- To sell USD 95bn in 6-week bills and USD 50bn in 52-week bills on October 28th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: Oct 24bps (prev. 24bps), Dec 50bps (prev. 49bps), January 64bps (prev. 65bps).
- NY Fed RRP op demand at USD 2.435bn (prev. USD 6.9bn) across 4 counterparties (prev. 15)
- NY Fed Repo op demand at USD 0bn (prev. 0bn)
- EFFR at 4.11% (prev. 4.11%), volumes at USD 93bn (prev. 91bn) on October 23rd.
- SOFR at 4.24% (prev. 4.21%), volumes at USD 3.002tn (prev. 2.956tn) on October 23rd.

CRUDE

WTI (Z5) SETTLES USD 0.29 LOWER AT 61.50/BBL; BRENT (Z5) SETTLES USD 0.05 LOWER AT 65.94/BBL

The crude complex was choppy, but ended the week with sizeable gains as US/Russia relations worsened. Earlier in the session, benchmarks came under pressure as Axios reported that White House envoy Witkoff is to meet Russian counterpart this weekend, which comes despite the Putin/Trump meeting "on hold" and the US slapping more sanctions on Russia. Away from this, energy-specific newsflow was fairly sparse with cooler-than-expected US CPI the highlight, albeit little move was seen in energy. Elsewhere, in the weekly Baker Hughes rig count, oil rose 2 to 420, nat gas was unchanged at 121, leaving the total rising 2 to 550. WTI traded between USD 61.21-62.56/bbl and Brent USD 65.41-66.78/bbl, against the weekly range of USD 55.96-62.59/bbl and USD 60.07-66.78/bbl.

EQUITIES

- **CLOSES:** SPX +0.79% at 6,792, NDX +1.04% at 25,358, DJI +1.01% at 47,207, RUT +1.24% at 2,513
- **SECTORS:** Technology +1.58%, Communication Services +1.27%, Utilities +1.18%, Financials +1.09%, Real Estate +0.37%, Industrials +0.06%, Health -0.02%, Consumer Discretionary -0.12%, Consumer Staples -0.39%, Materials -0.61%, Energy -1.01%
- **EUROPEAN CLOSES:** Euro Stoxx 50 +0.09% at 5,674, Dax 40 +0.15% at 24,244, FTSE 100 +0.70% at 9,646, CAC 40 +0.00% at 8,226, FTSE MIB +0.25% at 42,487, IBEX 35 +0.44% at 15,862, PSI +0.19% at 8,370, SMI +0.04% at 12,562, AEX +0.52% at 979.

STOCK SPECIFICS:

- **Intel (INTC):** EPS & rev. beat w/ solid guidance, stock initially rallied, but failed to hold.
- **Ford (F):** EPS & rev. topped but lowered FY adj. EBIT & FCF view based on a supplier fire.
- **Deckers (DECK):** FY rev. outlook light & flagged signs of waning demand in its core US market
- **Booz Allen (BAH):** Top & bottom line short alongside cutting FY outlook.
- **Newmont (NEM):** Warned higher costs will hit Q4 FCF. Later reported via bbg that Newmont (NEM) is said to be considering a deal for **Barrick Gold's (B)** Nevada gold assets; NEM could weigh options including a bid for JV stake or a takeover.
- **Applied Materials (AMAT):** Will cut ~4% of its workforce.
- **Tesla (TSLA):** US Auto Safety Agency questions Tesla (TSLA) regarding "Mad Max" FSD driver assistance mode.
- **Jacob's (J)** has reportedly been approached by WSP Global about a takeover approach, according to Street Insider.

US FX WRAP

The Dollar was flat on Friday, despite seeing immediate weakness in the wake of the cooler-than-expected US CPI report. There was little move in money market pricing with a 25bps reduction priced in with almost 100% certainty at the FOMC next Wednesday. Elsewhere on the data footing, US S&P Global was strong, with Mfg. rising to 52.2 (prev. & exp. 52), and Services to 55.2 (exp. 53.5, prev. 54.2), and above the top end of the forecast range. Lastly, the final UoM for October saw sentiment revised lower to

53.6 from 55.0, with both conditions and expectations revised down to 58.6 (prev. 61.0) and 50.3 (prev. 51.2), respectively. 1yr inflation expectations was unchanged at 4.6%, with the longer-term 5yr revised higher to 3.9% from 3.7%.

G10 FX was pretty contained, although the **EUR** was the relative outperformer, albeit only seeing marginal gains, as the single-currency saw strength after better-than-anticipated German HCOB PMIs, but no extended move was seen on strong EU-wide figures. EUR/USD traded between 1.1601-47.

CAD ended the day flat but was the talk of the town on Friday as the Loonie was pressured overnight after US President Trump ended trade talks with Canada, in the wake of Ontario Premier Ford putting out anti-tariff adverts. In more recent trade, the Ontario government reportedly will take down anti-tariff ads after Trump ended trade talks, according to the Globe and Mail, citing sources. USD/CAD printed a high of 1.4039 against a low of 1.3975 and trades around 1.40 at the time of writing.

JPY was the relative G10 laggard, albeit on limited newsflow, as USD/JPY reached a high of 153.06. On the data footing, Japanese CPI and ex-food was in line, but ex-food & energy was slightly cooler than expected. The **Pound** was boosted early doors by a much stronger than expected set of UK retail sales, spurring an initial intra-day 1.3321 peak. However, this then pared modestly into the morning's PMIs, which were broadly better than anticipated, though no further move was spurred. Cable then hit a later high of 1.3359, given the Greenback move after US CPI.

Little move was seen in the **RUB** as CBR cut rates to 16.5% from 17%, as expected. CBR to maintain monetary conditions as tight as necessary to return inflation to the target, and added that underlying inflation will reach 4% in 2026 H2. In 2027 and beyond, annual inflation will stay on target. According to CBR's forecast, given the monetary policy stance, annual inflation will decline to 4.0-5.0% in 2026.

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