US Market Wrap - 18th December 2025

Stocks bid after soft CPI and strong Micron earnings

- **SNAPSHOT**: Equities up, Treasuries up, Crude up, Dollar flat, Gold down
- **REAR VIEW**: Softer-than-expected US CPI; Initial claims match expectations, continued claims stay elevated; Trump says Fed's Waller and Bowman are great; BoE cuts rates as expected, but with more hawkish dissent; ECB, Norges Bank, and Riksbank hold rates as widely expected; Banxico cuts rates as expected; MU reports strong earnings and guidance; OpenAI raises tens of billions at USD 750bln valuation
- **COMING UP**: Note, on Friday 19th December, the desk will be closing at the earlier time of 18:05GMT/13:05EST after coverage of the Baker Hughes Rig Count. **Data:** German GfK Consumer Sentiment (Jan), UK PSNB (Nov), UK Retail Sales (Nov), GfK Consumer Confidence (Dec), Canadian Retail Sales (Oct), EZ Consumer Confidence (Dec), US Employment Trends (Nov). **Events:** BoJ Announcement, CBR Announcement. **Speakers:** BoJ's Ueda; ECB's Cipollone, Lane; Fed's Williams.

MARKET WRAP

It was a choppy session on Thursday, upside kicked off overnight, led by the Nasdaq after the stellar Micron (MU) earnings and guidance on Wednesday night, while reports that OpenAI is set to raise billions at a USD 750bln valuation also lifted sentiment, indicating strong investor appetite in the AI space, after some of fresh concerns last week following Broadcom and Oracle earnings. Stocks advanced further after the November US CPI came in notably softer than expected, albeit with some nuances around the government shutdown (please read CPI review below). The data also led to immediate upside in T-notes and gold, but this swiftly pared as the nuances were digested - stocks held their bid. In the US afternoon, notable pressure was seen in equities, gold, and crypto - albeit on no clear headline driver, with the majority of that downside paring before the closing bell. T-notes chopped after the data but found some support into settlement after a strong 5-year TIPS auction. Aside from the CPI data, initial jobless claims were in line, while continued claims rose but not as much as expected, while Philly Fed disappointed. In FX, the Dollar saw two-way trade but ultimately traded flat at the US close, while GBP gave back its post-BoE gains - BoE cut but with a hawkish vote split, while the Euro saw some gains in response to the ECB lifting inflation forecasts, but that also gave back its strength - currently trading marginally lower vs the buck. Crude prices were choppy, with strong selling observed overnight as Trump didn't speak on Venezuela or Russia, but ultimately pared and settled green as the EU & UK hit Russia with more sanctions.

US

CPI: There was no monthly data in November due to the lack of October data. The Y/Y prints were notably softer than expected. Headline Y/Y rose 2.7%, well below the 3.1% forecast and down from the 3.0% seen in September. The Core print rose 2.6%, beneath the 3.0% forecast and September rate. It appears this is largely due to sampling errors from the BLS, given the government shutdown. UBS explains that the BLS is assuming prices were unchanged in October for most items, and they are not adjusting for the late November sampling starts, which puts their November collection squarely in line with Black Friday Sales. UBS estimate that these biases will lead core inflation to be around 27bps lower than it would be if the BLS had been able to sample the data as normal. Therefore, there are still nuances being digested with incoming US data, which offsets a large portion of the drop in inflation today. However, when adding back on the 27bps to the 2.63%, Core CPI Y/Y of 2.9% is still softer than the 3.0% forecast. This is a welcome step in the right direction for the FOMC, albeit they will be watching in the months ahead to see if the trend continues.

CLAIMS: Initial jobless claims (w/e 13 December - coincides with the usual NFP survey window) fell to 224k from an upwardly revised 237k, a smidge beneath the expected 225k. This left the 4-week average higher at 217.5k from 217k. On an unadjusted basis, initial claims fell 19% to 255k, with seasonal factors having expected a decrease of about 14% W/W. Continued claims rose to 1.897mln (rev. 1.830mln, prev. 1.838mln), shy of the expected 1.930mln. The rebound in continued claims, albeit still below the expected, likely represents the fate initial claims saw last week, whereby the end of the Thanksgiving period returned upside risks to the reading. Oxford Economics expects seasonal volatility in claims to persist for several more weeks and said nothing in the data warrants a change in their forecast that the Fed will be comfortable keeping rates unchanged until well into 2026.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 8 TICKS HIGHER AT 112-24

T-notes gain on soft CPI and strong 5-year TIPS auction. At settlement, 2-year -2.3bps at 3.462%, 3-year -2.8bps at 3.500%, 5-year -3.5bps at 3.660%, 7-year -3.6bps at 3.869%, 10-year -3.5bps at 4.116%, 20-year -2.8bps at 4.756%, 30-year -2.9bps at 4.799%.

INFLATION BREAKEVENS: 1-year BEI -4.3bps at 2.405%, 3-year BEI -3.3bps at 2.288%, 5-year BEI -1.2bps at 2.175%, 10-year BEI -0.2bps at 2.220%, 30-year BEI 0.0bps at 2.222%.

THE DAY: T-notes were firmer across the curve with upside starting in the European morning, with peaks seen in the immediacy of the CPI data. The notable drop in the Y/Y November figures saw T-notes rally. Core CPI printed 2.6% with headline at 2.7%, beneath the 3.0% forecasts. However, the notable drop is not an accurate gauge of the pricing picture in the US. UBS analysts highlight that sampling error meant that Core CPI likely came in 27bps beneath the actual print - hence the notable drop in the data. However, when adding on that 27bps to the 2.63% Core Y/Y rate, CPI rose 2.9%, still below the 3.0% forecast and prior. T-note futures rallied to hit a peak of 112-31 on the data, before swiftly paring thereafter once the nuances were digested. Meanwhile, Initial Jobless Claims were in line with expectations at 224k, while continued claims rose to 1.897mln, but below the 1.930mln consensus. There was no Fed speak today, but US President Trump spoke on the new Fed Chair - he said he spoke to Waller, noting he is great, before later also acknowledging that Bowman is great, too. He said he is speaking to three or four people after he spoke about Waller, likely referring to Hassett, Warsh and Bowman. He reiterated that he will announce the Fed Chair over the next couple of weeks, but maybe not before the New Year. T-notes did move higher into settlement, supported by a strong 5-year TIPS auction (see below).

SUPPLY:

Notes

Overall, a strong 5-year TIPS auction. The US Treasury sold USD 24bln of 5-year TIPS at a high yield of 1.433%, stopping through the when issued by 0.7bps. This is a notable improvement when compared to the prior tail of 1.2bps and the six auction average of 1.4bps tail. The bid to cover was also strong, rising to 2.62x from 2.51x, above the 2.39x six auction average. The breakdown of demand saw direct demand fall to 21.95% from 24.4%, but remain above the 20% average, while the drop was more than offset by an uptake in indirect demand. Indirect bidders took 72.63% of the supply, up from the prior 62.1%, and above the 67.7% average. This left dealers - who are forced to pick up the remainder of the auction - taking just 5.43% of the auction, a notable decline from the 13.5% seen last time, and below the 12.3% average.

Bills

- US sold 4-week bills at a high rate of 3.580%, B/C 3.28x;
- US sold 8-week bills at a high rate of 3.585%, B/C 3.01x
- US to sell USD 86bln of 13-week bills and USD 77bln of 26-week bills on December 22nd.
- US to sell USD 75bln 6-week bills and USD 50bln of 52-week bills on December 23rd.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 6.6bps (prev. 6bps), March 16.2bps (prev. 14.4bps), April 23.6bps (prev. 21.8bps), December 62.0bps (prev. 59.8bps).**
- NY Fed RRP op demand at USD 11.7bln (prev. 10.4bln) across 7 counterparties (prev. 17)
- NY Fed Repo Op demand at USD 0.000bln (prev. 0.001bln) across two operations.
- EFFR at 3.64% (prev. 3.64%), volumes at USD 94bln (prev. 95bln) on December 17th
- SOFR at 3.69% (prev. 3.69%), volumes at USD 3.289tln (prev. 3.319tln) on December 17th.
- Treasury Buyback [20- to 30-year, liquidity support, max. USD 2bln]: Accepts USD 2bln of 24.63bln offers; accepts 4 of the 35 eligible issues. Offer to cover: 12.32x

CRUDE

WTI (F6) SETTLED USD 0.21 HIGHER AT 56.15/BBL; BRENT (G6) SETTLED USD 0.14 HIGHER AT 59.82/BBL

WTI and Brent were firmer as more sanctions landed on Russia. This time, the EU imposed additional sanctions on 41 vessels that are part of Russia's "shadow fleet", with the UK also making 24 designations under the Russian sanctions scheme. The focus on the Ukraine-Russia conflict is to continue into the weekend, with Ukraine to meet with Poland on Friday to solve the frozen Russian assets issue, while the US and Russia will hold talks on the war in Miami this week. Crude prices settled off highs with Trump's national address on Wednesday, adding pressure, given he didn't mention/escalate the situation with Venezuela or Russia. WTI and Brent's intraday range: USD 55.73-56.85/bbl, USD 59.54-60.67/bbl, respectively.

Commentary (BOFA)

- BofA says if WTI prices average USD 57/bbl in 2026, in line with its forecasts, US Shale oil production may fall by 70k BPD or 1% Y/Y
- Remains somewhat bearish on prices in 2026, with Brent set to trade below USD 60/bbl in Q1'26 and average roughly next year compared to almost USD 69 this year.

EQUITIES

CLOSES: SPX +0.79% at 6,775, NDX +1.51% at 25,019 , DJI +0.14% at 47,952, RUT +0.62% at 2,508

SECTORS: Energy -1.42%, Consumer Staples -0.68%, Real Estate -0.62%, Financials -0.17%, Materials -0.12%, Health +0.09%, Industrials +0.64%, Utilities +1.08%, Technology +1.41%, Communication Services +1.48%, Consumer Discretionary +1.78%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.16% at 5,747, Dax 40 +0.99% at 24,197, FTSE 100 +0.65% at 9,838, CAC 40 +0.80% at 8,151, FTSE MIB +0.82% at 44,463, IBEX 35 +1.15% at 17,133, PSI +0.71% at 8,128, SMI +0.80% at 13,132, AEX +1.12% at 940

STOCK SPECIFICS

- **Micron (MU):** Strong earnings, Q1 metrics and guidance beat; raised FY26 capex view.
- **OpenAI (MSFT)** discussed raising tens of billions at about a USD 75bln valuation, according to The Information.
- **Insmed (INSM):** Phase 2b BiRCh study of brensocatib did not meet its primary or secondary efficacy endpoints.
- **Lululemon (LULU):** To expand into six new markets in 2026; Elliott built over a USD 1bln stake in LULU.

- **Coinbase (COIN):** Begun rolling out stock trading and access to the prediction market for US users.
- **Accenture (ACN):** FY profit outlook underwhelmed.
- **FactSet Research (FDS):** FY26 guidance missed.
- **Instacart (CART):** FTC is investigating the co.'s Eversight pricing tool.
- **GE Vernova (GEV):** Upgraded at Jefferies to 'Buy' from 'Hold'.
- **Etsy (ETSY):** Announced a new USD 750mln share repurchase plan.
- **Trump Media & Technology (DJT):** To merge with TAE Technologies, in an all-stock transaction valued at more than USD 6bln.
- **Serve Robotics (SERV):** Initiated with an 'Outperform' at Oppenheimer and a USD 20 PT.
- **Rivian (RIVN):** Upgraded at Baird to 'Outperform' from 'Neutral'.
- **DTE Energy (DTE)** reportedly requested Michigan regulator approval to power the **Oracle (ORCL)** and OpenAI data centre, via Bloomberg.
- **Cannabis** - US President Trump to sign EO aiming to expedite reclassification of marijuana as schedule III substance; Marijuana will remain illegal to possess under federal law; Trump order will not encourage use, but recognizes potential both therapeutic uses and risks like addiction; Trump order will allow more research of medical marijuana and cannabidiol (CBD).

FX

The Dollar Index was little changed as participants looked past the softer-than-expected CPI data. Monthly figures were absent, given the government shutdown, with desks also pointing out BLS assumptions within the report (prices were unchanged in October for most items), leaving the data gauges of both sides of the Fed's mandate somewhat distorted. Core Y/Y eased to 2.6% (exp. 3.0%, prev. 3.0%) and Headline Y/Y eased to 2.7% (exp. 3.1%, prev. 3.0%). Other data points included initial claims that fell in line with expectations, while continued claims remain at elevated levels, but below the consensus; seasonal volatility is likely to continue in claims data given the Christmas/New Year period. The Philly Fed also offered a glimpse into conditions for December, with the Business Outlook unexpectedly seeing its third straight negative reading as about 28% of firms reported decreases in general activity M/M. DXY headed lower ahead of CPI, then extended to lows of 98.168 before recovering from the CPI-led weakness.

EUR was modestly lower following the ECB decision to hold its rate settings. EUR/USD gained modestly, hitting 1.1762 highs after the announcement before paring for the remainder of the session. It was an expected announcement, but did see the 2026 projections revised up for inflation and growth. Later, Bloomberg sources noted ECB officials expected the easing cycle to be most likely finished based on said upward revisions. Reuters sources noted policymakers see growth and inflation risks as balanced; expect to keep rates on hold, but had no appetite to take a rate cut off the table on Thursday.

GBP was modestly firmer, supported by a hawkish BoE cut. Following the soft UK CPI earlier in the week, desks had expected more support for rate cuts, but the 5-4 split surprised markets with more members arguing for unchanged rates. Other hawkish elements expressed were uncertainty over the neutral rate as restrictiveness falls, and as the BoE approaches such a level, there is "more limited space", a point that means "judgements around further policy easing will become a closer call". Cable now resides around 1.3380 but is notably off the 1.3446 highs.

The Yen was flat vs the buck, trading between 155.29-97 as eyes turn to the BoJ rate decision overnight, where a 25bps rate hike is expected. For the full Newsquawk BoJ preview, please click here.

In Scandinavia, both the Norges and the Riksbank held their respective rates; both decisions were as expected. Both decisions had little impact on EUR/NOK and EUR/SEK.

MXN was unreactive to the expected Banxico decision to cut rates by a further 25bps to 7.00%. Similar to the last meeting, Heath argued for unchanged rates. Concerning the policy path, the statement involved a hawkish tweak, whereby the Board will evaluate the timing for additional reference rate adjustments (prev. board will evaluate reducing the reference rate)