

newsquawk

US Market Wrap - 7th January 2026

Stocks sold as Trump takes aim at housing and defence sectors

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar up, Gold down
- **REAR VIEW:** US ISM Services tops expectations; JOLTS unexpectedly declines; US seizes Venezuela tankers and Russian tanker linked to Venezuela; ADP falls short of expectations; Venezuela to give 30-50mln barrels of oil to the US, marketing of crude has begun; EIA crude stocks show surprise draw; Aussie CPI comes in soft; China reportedly tells tech companies to halt NVDA H200 chip orders; Trump to immediately take steps to ban large institutional investors from buying more single-family homes; Trump calls on defence names to stop buybacks and dividends
- **COMING UP: Data:** Swedish CPI (Dec), Swiss CPI (Dec), US Initial Jobless Claims, RevelioLabs Total US Nonfarm Employment Data, Chinese Trade Balance (Dec). **Events:** SNB Minutes; ECB SCE; BoE DMP. **Speakers:** ECB's de Guindos. **Supply:** Japan, Spain, France.

MARKET WRAP

Stocks saw two-way trade with upside in stocks seen throughout most of the US session before selling off in the afternoon into the closing bell to see indices close predominantly in the red, albeit nasdaq was flat. The downside extended with US President Trump taking aim at two sectors in the US, housing and defence. The President announced he will ban large institutional investors from buying more single-family homes, weighing on the real estate sector and Blackstone (BX). Meanwhile, for Defence, Trump said he will not permit buybacks or dividends until problems, like slow production and maintenance, are fixed. T-notes were predominantly firmer with the curve flattening. Focus was largely on US data, which saw ADP employment post job gains in December but short of analyst expectations, while the ISM Services PMI beat expectations. JOLTS, however, saw a notable drop below forecasts. Crude prices saw two-way trade but settled in the red with oil sales from Venezuela set to continue indefinitely with sanctions reduced as part of an agreement; Trump announced overnight Venezuela will be turning over between 30-50mln bbls of oil to the US, with sources later noting 50mln bbls will be sold in the first tranche. In FX, the Dollar saw gains against G10s with CAD lagging as crude prices fell.

US

ISM SERVICES: ISM Services for December rose to 54.4 from 52.6, and above the expected 52.3. Business activity rose to 56.0 (exp. 54.0, prev. 54.5), and Employment lifted back above 50 to 52.0 (exp. 48.7, prev. 48.9), printing in expansionary territory for the first time since May. New orders also impressed as it lifted to 57.9 from 52.9, well above the forecasted 52.2, with the inflationary gauge of prices paid encouragingly dipping to 64.3 (exp. 65.5, prev. 65.4), which is the slowest since April, indicating the bulk of the impact from tariffs may be in the rear-view. Overall, it was a strong report that continues to highlight the resilience of the US economy, especially in service-providing industries. Regarding new orders, the pace of expansion was the fastest in over a year and indicates the momentum should be carried into the new year.

JOLTS: The November JOLTS report was soft. The headline fell to 7.146mln from 7.449mln (revised down from 7.67mln), despite expectations for a rise to 7.60mln. Within the report, the vacancy rate eased to 4.3% from 4.5%. Quits rose to 3.161mln from 2.973mln, with the quits rate rising to 2% from 1.9%. The hiring rate declined to 3.2% from 3.4%, with the separation rate unchanged at 3.2%. Summarising the data, Pantheon Macroeconomics notes rock-bottom hiring, but with layoffs also still low, it continues the low hiring, low firing economy seen recently. The consultancy notes that the report suggests "the FOMC still needs to ease policy further in order to prevent the unemployment rate from rising further and inflation eventually sliding below the 2% target".

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 8 TICKS HIGHER AT 112-18+

T-notes see two-way trade amid mixed data. 2-year -0.2bps at 3.470%, 3-year -1.1bps at 3.522%, 5-year -2.4bps at 3.694%, 7-year -2.9bps at 3.903%, 10-year -3.7bps at 4.138%, 20-year -5.0bps at 4.759%, 30-year -4.5bps at 4.819%.

THE DAY: T-notes ex-2yr rose with the curve flattening. T-notes had been trending higher overnight and in the European session to see a peak of 112-22 with upside supported by a softer than expected ADP report; these gains then started to fade ahead of the ISM and JOLTS data. The data was mixed with ISM Services PMI beating expectations and weighing on T-notes, but it is likely the downside was limited by the soft JOLTS report, which confirmed the low firing, low hiring economy seen recently. The PMI data saw a strong beat on the headline, while prices eased but only marginally, with employment returning to expansionary territory. T-notes went on to hit 112-13+, holding above the overnight low of 112-11, before then paring into settlement. The upside was perhaps supported by tumbling crude prices or simply a gradual reversal of the data as eyes turn to NFP on Friday.

SUPPLY

- US sold USD 69bn of 17-week bills at high rate 3.510%, B/C 3.02x
- US to sell USD 80bn of 8-week bills and USD 80bn of 4-week bills on January 8th; all to settle on January 13th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 1bp (prev. 3bps), March 10bps (prev. 11bps), April 16bp (prev. 16bps), December 58bps (prev. 56bps)
- NY Fed RRP op demand at USD 4.58bln (prev. 2.58bln) across 8 counterparties (prev. 10)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 88bln (prev. 88bln) on January 6th.
- SOFR at 3.66% (prev. 3.74%), volumes at USD 3.390tln (prev. 3.441tln) on January 6th

CRUDE

WTI (G6) SETTLED USD 1.14 LOWER AT 55.99/BBL; BRENT (H6) SETTLED USD 0.74 LOWER AT USD 59.96/BBL

The crude complex was choppy, but settled in the red amid a further deluge of Venezuela headlines. Once again, geopolitics was the focus of trade, as the US said it seized a second tanker in the Caribbean after it confirmed the apprehension of a Russian-flagged vessel linked to Venezuelan oil in the North Atlantic. As a result, WTI and Brent saw choppy trade, but ultimately saw downside, and continued since, amid reports oil sales from Venezuela will continue indefinitely and sanctions will be reduced as part of an agreement between the US admin and Venezuela. The reports added that 50mln barrels to be sold to the US in the first tranche. As such, WTI and Brent fell from earlier peaks of USD 57.17/bbl and 6093/bbl, respectively, to settle just off lows. For the record, the weekly EIA data saw a surprise crude draw, in fitting with the private figures last night, while gasoline and distillates both saw a larger than expected build, once again echoing Tuesday's API figures. Overall total production was unchanged at 13.8mln W/W. Elsewhere, Energy Secretary Wright said they wish to fill the SPR, and it is currently being filled, but not at an ideal pace.

EQUITIES

CLOSES: SPX -0.34% at 6,921, NDX +0.06% at 25,654, DJI -0.94% at 28,996, RUT -0.29% at 2,575

SECTORS: Utilities -2.46%, Industrials -1.90%, Materials -1.63%, Financials -1.44%, Real Estate -1.37%, Energy -1.19%, Consumer Staples -1.02%, Consumer Discretionary -0.08%, Technology +0.09%, Communication Services +0.79%, Health +1.01%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.12% at 5,925, Dax 40 +0.83% at 25,099, FTSE 100 -0.74% at 10,048, CAC 40 -0.04% at 8,234, FTSE MIB -0.43% at 45,559, IBEX 35 -0.29% at 17,596, PSI -0.41% at 8,479, SMI -0.07% at 13,313, AEX -1.26% at 979

STOCK SPECIFICS:

- **Mobileye (MBLY)**: Will acquire humanoid robotics startup Mentee Robotics for ~\$900mln.
- **Strategy (MSTR)**: MSCI said that it will not exclude DATs from MSCI Global Investable Market Indexes at Feb. review.
- **McDonald's (MCD)**: Upgraded at Oppenheimer to 'Outperform' from 'Perform'.
- **AAR Corp (AIR)**: EPS & revenue beat
- **Ventyx Biosciences (VTYX)**: Eli Lilly (LLY) in advanced talks to acquire Co. for >\$1bln
- **STAAR Surgical (STAA)**: ALC terminated its definitive merger agreement with Staar Surgical
- **Meta Platforms (META)**: Chinese officials are reviewing Cos. USD 2bln purchase of AI start-up Manus
- **JPMorgan (JPM)**: Downgraded at Wolfe Research to 'Peer Perform' from 'Outperform'
- **CoStar Group (CSGP)**: FY revenue outlook marginally disappoints & new USD 1.5bln share buyback programme.
- China reportedly tells tech companies to halt **NVIDIA (NVDA)** H200 chip orders, via The Information; officials may order domestic AI chip purchases with NVIDIA orders.
- The Trump administration advised more protein and less sugar in new dietary guidelines; Beyond Meat (BYND) gained on the news.
- US President Trump said he is immediately taking steps to ban large institutional investors from buying more single-family homes, and will be calling on Congress to codify it; BK, BLK, KKR, INVH all saw downside following the Truth Social post.
- US President Trump called on Defence stocks (LMT, RTX, NOC, BA, PLTR etc) to stop buybacks and dividends until they increase production and maintenance.

FX

The dollar was slightly firmer on Wednesday, tracking the move higher in US yields on the short end after ISM Services strongly topped expectations, pointing to the strongest growth in the services sector since October 2024. Additionally, all sub indices expanded for the first time since February, as employment expanded for the first time since May. On the flip side, Job openings unexpectedly deteriorated in November; however, markets shrugged it aside, alongside the slight miss in the ADP December report, as more significance is placed on the December NFP report on Friday, which is expected to show 55k jobs added to the US economy after the 64k print in November. Geopolitics continues to dominate the tape; however, its impact on FX has been lessening as the US looks to stabilise Venezuela, claiming it's in close correspondence with the interim Venezuela authorities who are expected to give the US 30-50mln barrels of oil to sell immediately. DXY nears session highs of 98.706 from earlier 98.497 lows.

G10 FX ex-SEK was entirely in the red vs USD, with CHF, GBP, and CAD underperforming. EUR was modestly lower, with today's in-line EZ Y/Y Flash reading unlikely to change the ECB's narrative. In Australia, CPI was softer-than-expected, sparking AUD weakness, which held till the time of writing despite USD weakness through the EU morning. AUD/USD now hovers around 0.6727.

