

newsquawk

US Market Wrap - 8th January 2026

Stocks mixed and bonds hit ahead of NFP

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up, Gold up
- **REAR VIEW:** US Initial jobless claims sit at the low end of 2025 levels, continued claims inch higher; NY Fed SCE sees 1yr inflation expectations move higher, 3- & 5-yr unchanged; Trade deficit narrows in October; Atlanta Fed GDP sees chunky upgrade; China is reportedly to approve some NVDA H200 purchases as soon as this quarter; Bigger-than-expected EIA nat gas draw; Encouraging RevelioLabs and Challenger layoffs data; MRK in talks to buy RVMD; GLEN and RIO in merger talks again.
- **COMING UP: Data:** Chinese CPI/PPI, German Industrial Output (Nov), Norwegian CPI (Dec), US Jobs Report (Dec), University of Michigan Sentiment Prelim (Jan), Canadian Jobs Report (Dec). **Speakers:** ECB's Lane; Fed's Kashkari, Barkin

MARKET WRAP

US stocks were mixed on Thursday. NVDA lagged its Mag7 peers, with other AI-exposed names also hit, despite little newsflow to support the downside, as seemingly profit-taking drove the moves. Specifically, Micron (MU) was lower by -3.7%, and Sandisk (SNDK) dropped over 5%. As such, Tech was the worst-performing sector while Energy and Staples outperformed. Russell outperformed thanks to strong gains in Bloom Energy (BE, +13%) after it signed a deal with AEP; Kratos (KTOS) also contributed to index gains after Trump sparked a rally in defence names, arguing military spending should be increased by a USD 500bln to 1.5tn in 2027. Elsewhere, the dollar and US yields were higher following a deluge of US data. Data largely came in hot. Claims continue to signal a labour market that doesn't face an imminent meltdown, and trade data unveiled an unexpected chunky reduction in the trade deficit as imports dropped and exports increased. Following the data and the ISM Services beat on Wednesday, the Atlanta Fed revised up its Q4 real GDP growth forecast to 5.4% from 2.7%. Other data included the NY Fed SCE, which saw consumer's 1yr inflation expectations move higher but unchanged on the 3- and 5yr horizons. Meanwhile, Unit Labour Costs saw consecutive quarterly drop, despite expectations for a rebound. Productivity also accelerated. Ahead of the NFP report on Friday, RevelioLabs estimates 71k jobs will be added to the US economy. In commodities, metals were mixed as gold eked out gains while silver saw losses. Meanwhile, oil prices were firmer throughout the day, reversing Wednesday's losses. Before the settlement, US President Trump gave the complex another leg higher, saying he would hit Iran hard if they killed rioters. On the Fed, Treasury Secretary Bessent said that they have yet to interview Rick Rieder for the Fed Chair role, and thinks Trump will announce his decision either before or after his trip to Davos in two weeks.

US DATA

CLAIMS: Initial jobless claims (w/e 3rd Jan) rose to 208k from a revised 200k (prev. 199k), shy of the expected 210k. This left the 4-week average at 211,750 from the prior 218.75k, its lowest reading since April 2024. The seasonal factors had expected an increase of 17,786, +6.6% W/W. Continued claims rose to 1.914mln above the expected 1.9mln from the revised 1.858mln (prev. 1.866mln). Oxford Economics believes there is still some risk that recent layoffs translate into a bump up in claims, but "we think the risk will fade as more time passes without seeing a shift higher in claims". The firm adds that there is nothing in the claims data to warrant a change in our view that the "Fed will be comfortable keeping rates unchanged until well in 2026".

INTL. TRADE: The October Trade balance saw the deficit narrow to USD 29.4 billion from 48.1bln, vs the 58.9bln deficit forecast. Exports rose 2.6% to USD 302bln with imports declining 3.2% to 331.4bln. Regarding the trade of goods, October figures show the US had the largest surplus with Switzerland, the UK, South and Central America, and the largest deficits with Mexico, Taiwan, Vietnam, China, and the EU. In the wake of the data, the Atlanta Fed GDPNow model is tracking growth in Q4 25 of 5.4%, well up from the 2.7% prior. It noted that the nowcast of the contribution of net exports to fourth-quarter real GDP growth increased from -0.30% to 1.97%.

UNIT LABOUR COSTS/PRODUCTIVITY: The Preliminary Q3 report saw productivity rise 4.9%, above the 3.0% forecast (albeit others had the forecast at 5%), rising from the prior upwardly revised 4.1% from 3.3%. Oxford Economics suggest that the latest figures suggest firms are successfully doing more with less labour, giving more credence to a jobless expansion. Within the report, the annual revisions were also strong, which pushed up the prior read. Unit Labour Costs fell by 1.9%, with the prior revised to -2.9% from +1%. Oxford Economics highlights that the trend in unit labour costs is consistent with a moderate pace of services inflation. The desk highlights that "If productivity growth continues to accelerate due to tax cuts, deregulation, and technological advancements, including AI, economic growth can pick up without causing unwanted inflation."

NY FED: The NY Fed Survey of Consumer Expectations found that the median inflation expectations for the 1-year ahead increased by 0.2% to 3.4% in December, while the 3- and 5-year forecasts were unchanged at 3%. The mean perceived probability of finding a job if one's current job were lost fell by 4.2% to 43.1%, reaching a new series low. The decline was driven by respondents with annual household incomes below USD 100k and was most pronounced for those above age 60 and those with a high school degree or less. The mean perceived probability of losing one's job in the next twelve months increased by 1.4% to 15.2%. The reading is above the series' 12-month trailing average of 14.3%. The mean probability of leaving one's job voluntarily, or the expected quit rate, in the next twelve months fell by 0.2% to 17.5%. Households' perceptions about their current financial situation compared to a year ago improved, with a smaller share of households reporting a worse financial situation and a larger share reporting a better financial situation. Year-ahead expectations about households' financial situation improved as well.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLE 10+ TICKS LOWER AT 112-08

Yields rise across the curve, supported by US data and gains in oil prices. At settlement, 2-year +1.0bps at 3.488%, 3-year +2.3bps at 3.556%, 5-year +3.0bps at 3.736%, 7-year +3.4bps at 3.950%, 10-year +3.1bps at 4.183%, 20-year +2.4bps at 4.798%, 30-year +2.5bps at 4.858%.

THE DAY: T-notes sold off across the curve on Thursday with pressure seen throughout the European morning, US morning and heading into settlement. The downside appeared to track the gains in oil prices, which clawed back some of the recent losses, seeing WTI settle almost 3% higher. There was also plenty of US data. Initial jobless Claims remained low while productivity jumped and unit labour costs slumped in Q3. Trade data saw the deficit narrow in October thanks to rising exports and falling imports, which had positive growth implications for Q4 - the Atlanta Fed GDP estimate was revised up to 5.4% from 2.7%. The NY Fed SCE saw inflation expectations rise to 3.4% from 3.2% in the 1-year ahead horizon, with 3- and 5-year forecasts maintained at 3.0% while the perceived labour market conditions worsened, but expectations about the year-ahead financial situation improved. Elsewhere, Fed's Miran spoke - reiterating his dovish tone, noting he would like to see 150bps of easing this year. Meanwhile, Treasury Secretary Bessent said that they have yet to interview Rick Rieder for the Fed Chair role, and thinks Trump will announce his decision in January, either before or after his trip to Davos in two weeks. Attention now largely turns to the NFP report on Friday - the RevelioLabs employment report released today was strong, showing 71k jobs added - we will see if this translates in the official report tomorrow.

SUPPLY

Notes

- US Treasury to sell USD 58bln of 3yr notes on Jan 12th, USD 39bln of 10yr notes on Jan 12th and USD 22bln of 30yr bonds on Jan 13th (as expected); all to settle Jan 15th

Bills

- US sold 4-week bills at a high rate of 3.550%, B/C 3.18x; sold 8-week bills at a high rate of 3.540%, B/C 2.85x
- US to sell USD 86bln of 13-week bills and USD 77bln of 26-week bills on Jan 12th.
- US to sell USD 75bln of 6-week bills on Jan 13th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 2bps (prev. 1bps), March 10bps (prev. 10bps), April 16bps (prev. 16bp), December 58bps (prev. 58bps)**
- NY Fed RRP op demand at USD 3.1bln (prev. 4.6bln) across 7 counterparties (prev. 8)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 83bln (prev. 88bln) on January 7th.
- SOFR at 3.65% (prev. 3.66%), volumes at USD 3.267tln (prev. 3.390tln) on January 7th
- Treasury Buyback (Liquidity Support): Accepts USD 2bln of 28.65bln offers, accepts 1 issue of the 35 eligible Offer-to-cover 14.33x
- NY Fed T-bill purchases (reserve management): Accepts USD 8.165bln of USD 65.033bln submitted; offer to cover 8.13x

CRUDE

WTI (G6) SETTLES USD 1.77 HIGHER AT USD 57.76/BBL; BRENT (H6) SETTLES USD 2.03 HIGHER AT USD 61.99/BBL

Crude prices gained after two sessions of losses, paring the weakness seen on Wednesday. Behind the rebound, market-moving headlines were largely absent as newsflow pertained to the US methodology of bringing Venezuelan crude online. US Energy Secretary Wright reckons Venezuela's oil production could be up 50% in the next 18 months. Overnight, WSJ reports suggest US President Trump believes his efforts could help lower oil prices to his favoured level of USD 50/bbl. Ahead of the settlement, Trump said he would hit Iran hard if they kill rioters amid a nationwide internet blackout in the country. Crude prices continued their ascent higher following the remarks, with WTI and Brent hitting highs of USD 57.82 and 62.02/bbl, respectively.

Goldman Sachs survey (via Bloomberg):

- More than 59% of over 1,100 Goldman clients across asset classes are bearish or slightly bearish on crude.
- A record number of institutional investors said oil was their favourite short.
- The survey was conducted between January 5th and 7th.

EQUITIES

CLOSES: SPX +0.01% at 6,921, NDX -0.57% at 25,507, DJI +0.55% at 49,266, RUT +1.11% at 2,604

SECTORS: Energy +3.20%, Consumer Staples +2.26%, Consumer Discretionary +1.72%, Materials +1.38%, Real Estate +0.79%, Industrials +0.78%, Communication Services +0.59%, Financials +0.57%, Utilities +0.32%, Health -0.91%, Technology -1.54%

EUROPEAN CLOSES: Euro Stoxx 50 -0.33% at 5,904, Dax 40 +0.01% at 25,126, FTSE 100 -0.04% at 10,045, CAC 40 +0.12% at 8,243, FTSE MIB +0.25% at 45,672, IBEX 35 +0.33% at 17,655, PSI +0.09% at 8,487, SMI +0.10% at 13,337, AEX -1.44% at 965

STOCK SPECIFICS

- **NVIDIA (NVDA)**: China is set to approve some NVDA H200 chip purchases as soon as this quarter.
- **Jefferies (JEF)**: Investors take focus on loss linked to First Brands exposure despite earnings beat.
- **Constellation Brands (STZ)**: Delivered an earnings beat.
- **Applied Digital (APLD)**: Adj. EPS & revenue topped expectations.
- **RTX (RTX), Lockheed Martin (LMT), Northrop Grumman (NOC)**: Trump says the military budget should be raised to USD 1.5tn from USD 1.0tn.
- **AbbVie (ABBV)**: Lowered FY adj. EPS view; rejected reports its to acquire Revolution Medicines (RVMD), -8.2%.
- **Alphabet (GOOGL)**: Upgraded at Cantor Fitzgerald to 'Overweight' from 'Neutral'.
- **Marqeta (MQ)**: Downgraded at Mizuho to 'Neutral' from 'Outperform'.
- **Alcoa (AA)**: Downgraded at JPMorgan to 'Underweight' from 'Neutral'.
- **Nike (NKE)**: Downgraded at Needham to 'Hold' from 'Buy'.
- **Glencore (GLEN LN)** confirms it is in preliminary talks with **Rio Tinto (RIO LN)** about a possible combination, but cannot confirm a deal will be agreed; expectation is that any merger would be effected via the acquisition of GLEN by RIO.
- **Merck (MRK)** reportedly in talks to buy **Revolution Medicines (RVMD)**, according to FT; deal not finalized

FX

The dollar was firmer, supported by US data that pointed to no imminent meltdown in the labour market. The 4-week initial claims average hit its lowest level since April 2024, while continued claims remain at a level consistent with a slow pace of hiring, Oxford Economics argued. Ahead of the NFP December report on Friday (exp. +60k), Revelio published their estimates of 71k, meaning if realised, the unemployment rate could be subject to downward pressure when taking into account the widely floated 0-50k breakeven range argued by Fed officials. Oxford expects "a solid increase in payroll employment and the unemployment rate to tick lower". Following the data, the dollar moved higher alongside US yields. Separately, the NY Fed SCE saw short-term inflation expectations move higher but stay put on the medium and longer-term outlook. On trade, the reduction in the trade deficit arising from a larger than expected increase in exports and a bigger-than-expected drop in imports resulted in a chunky upward revision to the Atlanta Fed's real GDP growth estimate, 5.4% (prev. 2.7%). Note the beat in ISM Services on Wednesday also contributed. DXY now trades at ~98.30 from earlier 98.679 lows.

G10 FX were lower across the board amid broad USD strength. Antipodes underperformed amid another day of pressure in the metals complex, while in overnight trade, via an ABC interview, the RBA Deputy Governor said they've likely seen the last rate cut in the cycle, and the likelihood of near term rate cuts is very low. In Europe, the EUR also faced pressure despite resilience in the morning; EZ data had little bearing on price action. At the time of writing, EUR/USD hovers just off 1.1643 lows and AUD/USD has also come slightly off lows, trading around 0.6695.

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