

Dollar hit and curve steepens on DoJ Fed probe

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude up, Dollar down, Gold up
- **REAR VIEW:** DoJ serves Fed with subpoenas over renovation of its Washington HQ, Powell to continue his job; Trump is calling for a one-year cap on credit card interest rates of 10%; Trump says military is considering very strong options in Iran; Iran's FM and US Envoy Witkoff reportedly discussed potential meeting soon; Mediocre US 3yr note auction, Strong US 10yr auction; AAPL to use GOOGL's Gemini for AI-powered Siri
- **COMING UP:** **Data:** US NFIB (Dec), CPI (Dec), Average Weekly Prelim Estimate ADP. **Events:** EIA STEO. **Speakers:** BoE's Bailey; Fed's Barkin, Musalem. **Supply:** Australia, UK, Italy, Germany, US. **Earnings:** JPMorgan, Delta Air, Bank of New York Mellon.
- **WEEK AHEAD:** Highlights include US Earnings, US CPI, US Retail Sales, UK GDP, and China Trade. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Financials kick off earnings season; JPM, BAC, WFC, GS, MS, and C all due. [Click here for the full report.](#)

MARKET WRAP

Stocks managed to close in the green, seeing gradual strength throughout the session, paring the weakness seen overnight. The Russell outperformed while sectors were mixed. Consumer Staples led the gains, largely due to Walmart (WMT) rising on news that it is to be added to the Nasdaq 100 index. Financials lagged, however, on Trump's aim at credit card fees, calling on them to be capped - which hit banks ahead of earnings. Elsewhere, focus lay largely on Fed independence threats after the DoJ investigation into Fed Chair Powell over building renovation costs. The news weighed on the Dollar while the Treasury curve steepened with long-end yields rising as traders price in more term premium. Oil prices settled in the green with focus on geopolitical updates and any potential escalations between the US and Iran. With the Dollar sold and a turnaround in stocks, Antipodes and GBP outperformed, with Antipodes benefiting from rising metal prices. Although the dollar was hit, the Yen was the lagging currency in continuation of Friday's price action as more reports highlight PM Takaichi's ruling LDP party is planning to dissolve the country's Lower House.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLE 2+ TICKS LOWER AT 112-04+

Treasury curve bear steepens in response to DoJ Fed probe. At settlement, 2-year +0.3bps at 3.543%, 3-year +0.5bps at 3.599%, 5-year +0.7bps at 3.764%, 7-year +1.0bps at 3.965%, 10-year +1.6bps at 4.187%, 20-year +1.7bps at 4.783%, 30-year +2.1bps at 4.840%.

THE DAY: T-Notes bear steepened on Monday with long-end yields selling off in response to the DoJ probing Fed Chair Powell and his renovation costs on the Fed building. Normally, Fed Chair Powell ignores these, but he responded to the allegations, denying them and exclaiming that this is an attack from the administration against the Fed over its setting of interest rates. The attack on Fed independence saw long-end yields rise as investors started to demand more term premium, a similar reaction seen when reports circulated of Hasset being Fed Chair, given his closeness with US President Trump. Behind closed doors, the move from the DoJ has not sat well with US Treasury Secretary Bessent. Axios reported that he told Trump this probe has made a mess, and now he believes that Fed Chair Powell could stay on once his term as Chair expires and stay on until his term as governor expires in May 2028. This leaves Trump with just one appointment to the Fed this year - Miran's replacement, who would likely be the next Fed Chair. Trump is still set to interview BlackRock's Rick Rieder for the role of Fed Chair, which is reportedly taking place on Thursday, and then we are expecting an announcement on Trump's pick by the end of the month. Meanwhile, T-Note supply had little impact on price action today (reviews below), with the 30-year bond auction on Tuesday, and traders also eyeing US CPI.

SUPPLY

Notes

- **Overall, a solid 10-year auction.** The US Treasury sold USD 39bln of 10-year notes at a high yield of 4.173%, stopping through the When Issued by 0.7bps. A better sign of demand when looking at the prior on the screws auction, and also better than the six-auction average of 0.1bps. The bid-to-cover ratio of 2.55x matched the prior and was slightly better than the 2.51x average. Looking at the breakdown, Direct demand rose to 24.5% from 21%, above the 20.6% average. Indirect demand was little changed at 69.6%, in line with recent averages. This left dealers with a low 5.9% of the auction, a sign of stronger overall demand when compared to the prior 8.8% and 9.9% average.
- **Overall, a relatively soft-to-average 3-year auction.** The US Treasury sold USD 58bln of 3-year notes at a high yield of 3.609%, stopping through the when issued by 0.1bps. This is not as strong as the prior 0.8bps or 0.4bps stop through six auction average. The bid-to-cover was more in line at 2.65x (prev. 2.64x, average 2.65x). The breakdown saw direct demand rise to 29.5% from 19%, above the 24.6% average, but indirect demand fell to 56.5% from 72%, below the 63.3% average.

This let dealers with an above average takedown of 14%, vs the prior 9% and 12% average.

- US Treasury to sell USD 22bln of 30yr bonds on Jan 13th (as expected); all to settle Jan 15th

Bills

- US sold USD 86bln of 3-month bills at a high rate of 3.570%, B/C 2.79x
- US sold USD 79bln of 6-month bills at a high rate of 3.490%, B/C 3.17x
- US to sell USD 75bln of 6-week bills on Jan 13th.

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 4.5bps (prev. 7bps), April 10bps (prev. 11bps), December 50bps (prev. 50bps)
- NY Fed RRP op demand at USD 3.4bln (prev. 3.3bln) across 11 counterparties (prev. 6)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 93bln (prev. 87bln) on January 9th.
- SOFR at 3.64% (prev. 3.64%), volumes at USD 3.166tln (prev. 3.249tln) on January 9th

CRUDE

WTI (G6) SETTLED USD 0.38 HIGHER AT 59.50/BBL; BRENT (H6) SETTLED USD 0.53 HIGHER AT 63.87/BBL

The crude complex saw marginal gains upon the return to trading, amid heightening Iran/US tensions. Over the weekend, several hundred more Iranian protesters reportedly died, and Trump responded, saying the US was considering "very strong options" to intervene, after previously warning he would act if protesters were killed. In more recent updates, Axios reported Iran's Foreign Minister and US Special Envoy Witkoff discussed a potential meeting soon, and in the coming days, and WSJ, citing US officials, said the White House weighs Iran's nuclear talks offer as Trump leans towards strikes, although Vance leads the effort by some aides to persuade Trump to engage in negotiations with Tehran. Despite the ever ongoing geopolitical woes, price action was pretty contained on Monday as participants await the next catalyst for the energy space. Elsewhere, Interior Secretary Burgum said if we start seeing low oil prices, it is an opportunity to fill the SPR, which helped oil rise into settlement.

EQUITIES

CLOSES: SPX +0.16% at 6,977, NDX +0.08% at 25,788, DJI +0.17% at 49,590, RUT +0.44% at 2,636

SECTORS: Consumer Staples +1.42%, Industrials +0.75%, Materials +0.74%, Technology +0.35%, Real Estate +0.23%, Utilities +0.19%, Health +0.07%, Consumer Discretionary +0.04%, Communication Services +0.02%, Energy -0.66%, Financials -0.80%

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 +0.32% at 6,017, Dax 40 +0.54% at 25,398, FTSE 100 +0.16% at 10,141, CAC 40 -0.04% at 8,359, FTSE MIB +0.03% at 45,732, IBEX 35 +0.14% at 17,674, PSI -0.31% at 8,494, SMI +0.02% at 13,425, AEX +0.54% at 994.

STOCK SPECIFICS:

- Trump is calling for a one-year cap on credit card interest rates of 10%. Of note for **Capital One Financial (COF)**, **Synchrony Financial (SYF)**, **JPMorgan (JPM)**, **Citigroup (C)**.
- **Allegiant Travel (ALGT)** to acquire **Sun Country (SNKY)** for USD 18.89/shr.
- **Apple (AAPL)** has selected **Alphabet's (GOOGL)** Gemini for AI-powered Siri, to be delivered in 2026.
- **Citi (C)** is reportedly cutting roughly 1k jobs this week in a cost-cut push.
- **CrowdStrike (CRWD)** downgraded at KeyBanc to 'Sector Weight' from 'Overweight'.
- **Duolingo (DUOL)** announced CFO transition; prelim Q4 results disappoint.
- **Exelixis (EXEL)** FY26 rev. view missed expectations.
- **Meta (META)** reportedly plans to cut ~10% of Reality Labs Business Staff, according to NYT.
- **Moderna (MRNA)** 2025 rev. outlook matched the street view.
- **Palantir (PLTR)** upgraded at Citi to 'Buy' from 'Neutral'.
- **Shake Shack (SHAK)** prelim Q4 rev. metric missed expectations.
- **Snowflake (SNOW)** downgraded at Barclays to 'Equal Weight' from 'Overweight'.
- **UnitedHealth (UNH)** reportedly used aggressive tactics when collecting payment-boosting diagnoses for Medicaid Advantage members.

FX

The Dollar Index was lower and seemingly weighed on by Fed independence concerns, given that Federal prosecutors have opened a criminal investigation into Chair Powell over the Fed's renovation of its Washington HQ. Powell came back with a fierce response, but the outcome will not be in the near future. Elsewhere, newsflow was pretty light on Monday with no Fed speak or data, as attention turns to CPI on Tuesday and the beginning of US earnings season. Geopolitics remains in focus, and any escalation between the US and Iran is one to watch, while Trump, after-hours on Friday, took aim at credit card interest rates, which could also be dampening the appeal of the Dollar.

G10 FX, ex-Yen, were all firmer and profited off the flailing Buck. The Kiwi outperformed and saw NZD/USD print a high of 0.5769 as it remains buoyed by strength across the metals complex, where spot gold continued to make fresh ATHs. GBP, CHF, AUD, EUR, and CAD all saw similar gains, with the Swissy the favoured haven as the Dollar remained out of favour, and the Yen was hindered by continued reporting of PM Takachi's plans to dissolve parliament and call a snap election. The Yen was the only G10 to lose out

vs. the Greenback, which saw USD/JPY hit a peak of 158.21 vs. a low of 157.52. As mentioned, FX headlines were few and far between as the Dollar story stole the headlines, but on the central bank footing, ECB's Villeroy said it is "fanciful" to think ECB could raise key rate this year and fall in Dollar possible if Fed independence is challenged. EUR/USD traded between 1.1622-98.

LatAm FX broadly benefited from the aforementioned Dollar weakness. There was little new specifics aside from what was mentioned above regarding the Dollar, although Brazil Treasury sees gross debt-to-GDP at 83.6% in 2026, rising to 88.6% by 2032.

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