US Market Wrap - 13th January 2026

Stocks and Dollar fade soft CPI as Trump ups the ante on Iran

- **SNAPSHOT**: Equities down, Treasuries up, Crude up, Dollar up, Gold down
- **REAR VIEW**: Soft US CPI; Japan to hold snap election; Mixed JPM report as EPS & rev. miss but FY NII guidance impresses; Trump tells Iranian protestors help is on its way; Strong 30yr auction; US Sec of State Rubio said they are looking at non-kinetic responses to help Iranian protestors.
- **COMING UP**: **Data**: Chinese Balance of Trade (Dec), US PPI (Nov; Oct-cancelled), Retail Sales (Nov), Atlanta Fed GDP **Events** NBP Policy Announcement; Fed's Beige Book **Speakers**: BoE's Taylor, Ramsden; ECB's de Guindos; Fed's Paulson, Kashkari, Williams, Miran, Bostic **Supply**: Australia, Japan, UK, Germany **Earnings:** Wells Fargo, Citi, Bank of America.

MARKET WRAP

Stocks closed in the red on Tuesday with the initial rally seen after the soft-leaning CPI faded. Downside was led by the Dow, while Russell and Equal Weight S&P were flattish with SPX and NDX closing lower by 0.2%. Sectors were more mixed with Energy and Defensives leading the gains, whilst Financials and Consumer Discretionary lagged. The downside in Financials was led by the big banks after JPM was hit post earnings, weighing on peers - hence Dow underperformance, too, and also not the best start to the Q4 '25 earnings season. Meanwhile, the upside in Energy stocks largely tracked crude prices higher due to ongoing geopolitical concerns, mainly around Iran. President Trump has advised US citizens in Iran to "get out", whilst also telling Iranian protestors that "help is on its way". T-Notes bull steepened after the soft CPI report, but ultimately the report does little to change the Fed calculus, with officials likely awaiting more reports and confirmation of inflation returning to target before cutting, unless there is a drastic downturn in the labour market. The Dollar was ultimately firmer after paring the initial post-CPI weakness as geopolitics took focus after the punchy Trump comments on Iran. Yen continues to lag after Takichi confirmed snap elections. Metals were mixed with gold prices lower, albeit silver held onto gains as volatility continues. Attention on Wednesday turns to US PPI and Retail Sales on Wednesday, and potential SCOTUS opinions on Trump's tariffs.

US

CPI: Overall, the CPI report leaned soft. The headline M/M rate rose 0.3%, in line with expectations, while the core rate rose 0.2%, beneath the 0.3% forecast. The headline Y/Y print rose 2.7%, in line with forecasts and matching the November print, while the core Y/Y rose 2.6%, below the 2.7% forecast and matching the prior pace. The supercore was also maintained at 2.7%. The report is welcome as it does not show any further upward pressure in prices, albeit it remains sticky above target. This should not change the Fed calculus too much, with WSJ's Timiraos noting the Fed will likely want to see more evidence that inflation is levelling off and then declining before cutting rates. Money markets are not pricing in cuts until the June or July meeting. If inflation were to ease in the upcoming months, this could bring forward rate cut bets, particularly if aligned with a weakening labour market. Following the data, Citi group are now expecting a 0.31% M/M increase in core PCE inflation; "Details like stronger restaurant prices and recreational services will boost PCE, while soft recreation equipment, tax services, and communications services should weigh on PCE". The desk also notes the data would apply 2.9% Y/Y, and 2.8% for Q4 vs Q4, albeit PPI data with October and November due tomorrow, these expectations will change.

WILLIAMS (Voter, Neutral) said monetary policy is well-positioned ahead of the January decision amid a favourable outlook, noting policy is now closer to neutral, but still described it as moderately restrictive. Williams expects that we'll see the labour market stabilize this year. He also echoed guidance, noting that in considering the extent and timing of additional adjustments, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. Williams added that the actions taken by the FOMC have moved the modestly restrictive stance of monetary policy closer to neutral. On inflation, underlying trends have been pretty favorable, and expect inflation to be just under 2.5% for this year as a whole, before reaching 2% in 2027, and anticipate it will peak at around 2.75 to 3% sometime during the first half of this year. The NY Fed president added that inflation expectations remain well anchored. He also said the economic outlook is favourable, and expects the economy to grow above trend this year, with real GDP growth between 2.5 and 2.75%. GDP growth looks to have been somewhat above 2% last year, and it will likely pick up some this year. Williams added that downside risks to employment have increased as the labour market cooled, and expects that they'll see the labour market stabilise this year and then strengthen somewhat thereafter.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 4 TICKS HIGHER AT 112-08+

T-Notes bull steepen after soft leaning CPI. At settlement, 2-year −2.3bps at 3.524%, 3-year −2.9bps at 3.583%, 5-year −2.4bps at 3.743%, 7-year −2.0bps at 3.947%, 10-year −1.6bps at 4.171%, 20-year −1.0bps at 4.772%, 30-year −1.1bps at 4.829%.

THE DAY: T-Notes were little changed overnight and throughout the European morning, with participants fixated on the December CPI report. Overall, the data leaned softer than expected, helping T-Notes rally. The soft CPI saw the curve bull steepen, with front-end yields moving lower as the soft CPI print supported the view of lower upside risks to inflation. However, the report will likely do little to alter Fed calculus, with officials wanting to see several data points to confirm inflation is not accelerating, and would likely want to see further progress towards the target given the stickiness seen recently. A return to 2% inflation or a notable worsening in labour market conditions would be needed to bring forward rate cuts from the Fed, with the next cut currently priced for around June/July. Fed's Williams spoke overnight, noting policy is well-positioned and he expects the labour market to stabilise this year. He also reiterated his description of policy as "moderately restrictive". He expects inflation to peak mid-2026 before returning to target in 2027. Williams also highlighted that downside risks to employment have increased. Meanwhile, the 30-year bond auction was strong but sparked little reaction (more below).

SUPPLY

Notes

Overall, a strong 30-year auction. The US Treasury sold USD 22bln of 30-year bonds at a high yield of 4.825%, above the prior and six auction averages. The high yield stopped through the When Issued by 0.8bps, a stronger sign of demand when compared to the prior 0.1bps stop through and a six auction average of a 0.5bps tail. 30-year yields have rallied this week as investors demand more term premium following the DoJ probe into the Fed, which made for an attractive auction at these yields. Both the 10 and 30-year auctions were stronger than the 3-year supply on Monday, with the bear steepening led by the long-end this week, making these auctions more attractive. Looking at the breakdown, direct demand slipped to 21.3% from 23.5%, below the 23.9% average. Indirect demand rose to 66.77% from 65.4%, above the 63.7% average. This left dealers with 11.9% of the auction, above the 11.2% prior but below the 12.4% average.

Bills

- US sells USD 6-week bills at a high rate of 3.585%, B/C 2.97x
- US to sell USD 69bln of 17-week bills on Jan 14, USD 95bln (prev. 80bln) of 4-week bills, and USD 90bln (prev. 80bln) of 8-week bills on Jan 15th; to settle on Jan 20

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 5bps (prev. 4.5bps), April 10bps (prev. 10bps), December 53bps (prev. 50bps)
- NY Fed RRP op demand at USD 3.3bln (prev. 3.4bln) across 5 counterparties (prev. 11)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 93bln (prev. 93bln) on January 12th.
- SOFR at 3.64% (prev. 3.64%), volumes at USD 3.128tln (prev. 3.166tln) on January 12th

CRUDE

WTI (G6) SETTLED USD 1.65 HIGHER AT 61.15/BBL; BRENT (H6) SETTLED USD 1.60 HIGHER AT 65.47/BBL

The crude complex saw gains as Iran/US rhetoric ramps up, with Trump suggesting Americans should evacuate Iran . It was one-way traffic for oil prices on Tuesday after hitting lows in the APAC session, with several bullish catalysts along the way. Firstly, CBS reported President Trump was briefed on military and covert operations against Iran, but no decision has been made, and as participants digested that, alongside BBG reports that two tankers were attacked in proximity to the Black Sea loading terminal for the CPC, crude climbed. Thereafter, WTI and Brent bounced again as Trump posted on Truth that he has cancelled all meetings with Iranian officials until the killing of protesters stops and help is on its way. Once again, the space saw a further fillip higher as when Trump was asked about help on the way to Iran, said you are going to find out and it is a good idea if Americans evacuate from Iran. However, ahead of settlement, Axios reported that Secretary of State Rubio, in recent days, said they are looking at non-kinetic responses to help Iranian protestors. This saw oil prices briefly tumble before completely fading the move. Aside from geopolitics, the monthly EIA STEO saw world oil demand for 2026 at 104.8mln BPD (prev. 105.2mln BPD), and 2027 at 106.1mln BPD, albeit little move was seen. After-hours, await the weekly private inventory data, whereby current expectations are (bbls): Crude +0.419mln, Distillate +0.129mln, Gasoline +0.242mln.

EQUITIES

CLOSES: SPX -0.22% at 6,962, NDX -0.18% at 25,742, DJI -0.82% at 49,182, RUT -0.02% at 2,635.

SECTORS: Energy +1.53%, Consumer Staples +1.08%, Real Estate +0.82%, Utilities +0.64%, Industrials +0.52%, Materials +0.30%, Communication Services +0.15%, Technology -0.14%, Health -0.40%, Consumer Discretionary -0.49%, Financials -1.84%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.24% at 6,030, Dax 40 +0.02% at 25,411, FTSE 100 -0.03% at 10,137, CAC 40 -0.14% at 8,347, FTSE MIB -0.45% at 45,525, IBEX 35 +0.08% at 17,687, PSI +0.77% at 8,559, SMI -0.44% at 13,368, AEX +0.37% at 997.

STOCK SPECIFICS:

- **AMD (AMD), Intel (INTC):** Upgraded at KeyBanc.
- **Delta Air Lines (DAL):** EPS guidance for next quarter and FY missed expectations.
- **JPMorgan (JPM):** 2026 NII outlook impresses; however, EPS and revenue for the current quarter missed.
- **Cardinal Health (CAH):** Raised FY26 guidance.
- **BlackRock (BLK):** Cutting hundreds of jobs, reducing global headcount by c. 1%.
- **Albemarle (ALB):** Upgraded at Deutsche Bank to 'Buy' from 'Hold'.
- **Alcoa (AA):** Downgraded at Wells Fargo to 'Equal Weight' from 'Overweight'.
- **Synopsys (SNPS):** Downgraded at Piper Sandler to 'Neutral' from 'Overweight'.
- Trump Administration appears to have ended its US trade probe into pharmaceutical imports, according to End Point News.
- **Netflix (NFLX)** weighs amending **Warner Bros. (WBD)** bid to make it all cash, Bloomberg reports

FX

The Dollar Index saw gains on Tuesday and attempted to reclaim some of Monday's weakness, despite seeing immediate weakness after the cooler-than-expected US CPI report. Core M/M and Y/Y both came in a tenth cooler than anticipated, while headline M/M and Y/Y were in line at 0.3% and 2.7%, respectively, although WSJ's Timiraos said the dataset is "unlikely" to alter the Fed's wait-and-see approach. While the Greenback saw losses in the wake of the dataset, it pared the losses throughout the rest of the session to sit just off highs, at the time of writing. ADP saw 11.75k weekly jobs added (prev. 11.5k), but little move was seen. Elsewhere, geopolitics remain in focus as there continues to be punchy Trump rhetoric regarding Iran, as US officials reportedly try to prevent the President from striking Iran.

G10 FX was exclusively lower vs. the Greenback, albeit to varying degrees, as CAD, EUR, GBP saw the shallowest losses while Antipodeans and the **Yen** lagged. The latter has been weighed on by as "Takaichi trade" extends, after the PM confirmed her intent to hold snap elections. USD/JPY hit a high of 159.19, with intervention coming into sight with many citing 160 as the line in the sand. Overnight, the Finance Minister Katayama said she shared concerns with Bessent over the weak JPY, which saw modest USD/JPY downside.

Newsflow elsewhere in the **G10** sphere was pretty light, and seemingly a function of broader Dollar moves. For the record, Australiar Westpac Consumer Confidence was better than feared, but failed to provide a push for the Aussie, with AUD/USD set to end the day towards the bottom end of its 0.6673-6727 range. The Loonie was the relative outperformer, as alluded to, and was likely supported by the bid in oil prices, although USD/CAD was in a narrow 45 pip range. For the EUR, ING believe the single-currency euro is lacking any substantial bullish driver at this point; they think there could be conditions for a move EUR/USD to hit 1.16 in the coming days. For the record, EUR/USD traded between 1.1679-34, today.