

US assets bid after Trump walks back EU tariff threat

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar up, Gold up
- **REAR VIEW:** Trump to not impose February 1st tariffs on EU after "very productive" meeting with NATO's Rutte, both reached a framework of a future deal; Denmark rejects Trump's proposal to negotiate an acquisition of Greenland; Trump threatens Iran if it attempts a Trump assassination; SCOTUS seemingly likely to rule in favour of Fed's Cook against Trump; Kazakhstan's TengizChevroil declares a force majeure on Tengiz; US pending home sales unexpectedly sink; NFLX guidance disappoints.
- **COMING UP:** **Data:** Australian Employment (Dec), UK PSNB (Dec), US GDP/PCE Final (Q3), Jobless Claims (w/e 17th Jan), New Zealand CPI (Q4), Japanese CPI (Dec), EZ Consumer Confidence Flash (Jan). **Events:** ECB Minutes (Dec), Norges Bank Policy Announcement, CBRT Policy Announcement. **Speakers:** Norges Bank Bache; US President Trump. **Supply:** France, US. **Earnings:** Intel, Procter & Gamble, Freeport McMoRan, Ge Aerospace, Abbott, LVMH

MARKET WRAP

US stocks rose on Wednesday after President Trump ruled out military action over Greenland, easing market fears, though gains were capped after Denmark rejected Trump's demand to negotiate a US takeover of the island. Later, Trump said that after meeting NATO Secretary General Rutte, a framework for a future deal on Greenland had been formed and that he would therefore not impose tariffs scheduled to take effect on 1st February. Traders are still awaiting details regarding the 'deal'. An EU spokesperson said that the bloc's emergency meeting will still take place on Thursday, with traders eyeing potential retaliatory measures. Trump's update lifted stocks and the USD further but weighed on gold. The USD gained as easing safe-haven demand pressured the EUR and CHF, while USDJPY ticked up on the back of USD strength as well as continued concerns over Japan's fiscal trajectory. Gold hit fresh record highs around USD 4,888/oz early on, but surrendered most gains as immediate geopolitical tensions eased, traders took profits, and prices were later hit by Trump's tariff update. T-Note futures edged higher; the Treasury's sale of USD 13bln of 20yr bonds drew strong demand, stopping 1bps through the screens, with a near-record 2.86x cover, as direct buyers took a record share and left dealers with a minimal amount. Earlier, Swedish pension fund Alecta said it had sold most of its US Treasury holdings, citing increased risk and unpredictability in US politics. Crude prices rose early, driven by temporary shutdowns at major Kazakh fields, including fire-related force majeure at Tengiz and drone damage to loading buoys that sharply cut output. Prices settled slightly higher, with gains said to have been capped by anticipated inventory builds in this week's reports, and traders also noted the return of Canadian oil export bottlenecks amid a production surge, with Enbridge rationing space on its Mainline system for February and shippers facing cuts of more than 20%, the highest apportionment since the Trans Mountain expansion launched.

US

PENDING HOME SALES: Pending home sales for December tumbled 9.3% M/M (exp. -0.3%), with declines in all four regions. In the release, NAR Chief Economist Lawrence Yun noted that after several months of encouraging signs in pending contracts and closed sales, this report dampened the short-term outlook, and the housing sector is not out of the woods yet. Ahead, Yun added they'll be watching the data in the coming months to determine whether the soft contract signings were a one-month aberration or the start of an underlying trend. As a result, the Chief Economist added the decline [in pending home sales] could be a result of dampened consumer enthusiasm about buying a home when there are so few options listed for sale, as in December there were only 1.18mln homes on the market – matching the lowest inventory level of 2025.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7+ TICKS HIGHER AT 111-21

T-Notes gain as US-EU tensions ease after Trump walks back tariff threat on the EU. At settlement, 2-year -0.8bps at 3.597%, 3-year -2.0bps at 3.664%, 5-year -2.5bps at 3.833%, 7-year -3.7bps at 4.039%, 10-year -4.4bps at 4.255%, 20-year -5.2bps at 4.829%, 30-year -4.4bps at 4.872%.

THE DAY: T-Notes spent overnight and European trade in fairly contained ranges with participants lacking conviction on either direction. Despite the rebound in US equities at the open after US President Trump downplayed "force against NATO", USTs failed to hold onto any sizable rally until later in the session. The US 20yr bond auction was encouraging, given concerns surrounding reliance on debt funded by the RoW. Indirect bids little changed while direct's stepped up their bid proportion, leaving dealers with 6.2% of the bid, beneath the six-auction average. The focus was and still is Greenland, with the absence of US data and Fed'speak doing little to change the current theme. Equities rebound was later pressured by Denmark's rejection of Trump's demand to negotiate the takeover of Greenland - T-notes chopped eventually resuming higher. Later, Trump U-turned on his tariff threat on EU nations over Greenland, citing a very productive meeting with NATO's Secretary General Rutte, which led to the formation of a framework for a future deal - T-notes extended higher, hitting highs of 111-22. Arguments were heard from Fed's Cook and Trump's team at the US Supreme Court, with reporting siding with Cook, as SCOTUS seems likely to rule in the Governor's favour; USTs were unfazed by the reports. Tier 1 data returns on Thursday, PCE (Nov), GDP Final (Q3), and claims will be watched.

SUPPLY

Bonds

- Overall, a strong auction, highlighted by all internals. The stop-through of 1bps was both larger than the prior 0.1bps and the six-auction average of 0.5bps. B/C rose to 2.86x from 2.67x. The bid breakdown saw a drop in dealer take to 6.2% from 12.6%, beneath the 10.9% average. This came as a result of a rise in direct demand to 29.1% from 22.2%, now above the 25.7% average. Meanwhile, indirect take was little changed at 64.7%, down from the 65.2% prior, but still above the 63.5% average.

Bills

- US sold 17-week bills at a high rate of 3.580%, B/C 2.99x

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 3.3bps (prev. 4.5bps), April 7.7bps (prev. 9.3bps), December 44.9bps (prev. 45.7bps)
- NY Fed RRP op demand at 3.34bln (prev. 3.51bln) across 12 counterparties (prev. 16)
- EFR at 3.64% (prev. 3.64%), volumes at USD 83bln (prev. 84bln) on January 20th
- SOFR at 3.64% (prev. 3.65%), volumes at USD 3.162tln (prev. 3.163tln) on January 20th

CRUDE

WTI (H6) SETTLED USD 0.26 HIGHER AT 60.62/BBL; BRENT (H6) SETTLED USD 0.32 HIGHER AT USD 65.24

The crude complex was flat in a choppy session as Trump's Davos appearances dominated the slate. Overnight benchmarks saw pressure, before grinding higher through the EU morning, albeit on no particular headline driver. Despite saying that, NewsNation reports that Trump remarked Iran will be "wiped off the face of the Earth" if Iran attempts to carry out an assassination threat against him, which may have provided some tailwinds. Thereafter, slight pressure was seen in the complex amid reports that India's Reliance is to get Russian oil in February after a one-month pause. No move was seen in the oil space during Trump's address at Davos, but broader risk-on sentiment was seen as he said he would not use force against NATO when speaking about the possible acquisition of Greenland. Risk appetite increased following Trump's cancellation of the February 1st tariffs on European nations after a productive meeting with NATO's Rutte. Regarding Tengizchevroil, they declared a force majeure on the Tengiz oil project, and they are unable to state how long it will last. For the record, WTI traded between USD 59.22-60.89/bbl and Brent USD 63.61-65.41/bbl.

EQUITIES

CLOSES: SPX +1.16% at 6,876, NDX +1.36% at 25,327, DJI +1.21% at 49,077, RUT +2.00% at 2,698

SECTORS: Utilities +0.20%, Consumer Staples +0.25%, Real Estate +0.38%, Financials +0.42%, Technology +0.99%, Communication Services +1.44%, Consumer Discretionary +1.60%, Industrials +1.71%, Health +1.80%, Materials +1.87%, Energy +2.38%.

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 -0.36% at 5,871, Dax 40 -0.51% at 24,578, FTSE 100 +0.11% at 10,138, CAC 40 +0.08% at 8,069, FTSE MIB -0.50% at 44,488, IBEX 35 +0.06% at 17,440, PSI -0.04% at 8,460, SMI -0.29% at 13,132, AEX +0.28% at 994

STOCK SPECIFICS

- **Netflix (NFLX):** Despite modest earnings beat, as investor focus shifted to the costly & uncertain bidding war for WBD; Light Q1 profit view & paused share buybacks
- **Progress Software (PRGS):** EPS & revenue beat with strong next quarter & FY guidance.
- **Kraft Heinz (KHC):** Disclosed that Berkshire Hathaway may sell its 27.5% stake, valued at ~USD 7.7bln
- **United Airlines (UAL):** Top & bottom line beat with a solid outlook.
- **NVIDIA (NVDA):** CEO Huang plans to travel to China in late Jan. to reopen the AI chip market.
- **Johnson & Johnson (JNJ):** Profit missed.
- **Truist Financial (TFC):** Earnings & revenue fell short of expectations.
- **Halliburton (HAL):** EPS & revenue topped Wall St. consensus.
- **Travelers (TRV):** Profit & revenue. impressed, authorised additional \$5bln share buybacks & remain highly confident in the outlook.
- Culper Research short **T1 Energy (TE).**
- **Apple (AAPL)** reportedly to revamp Siri in H2; Apple is poised to unveil chatbot in June for a September release; Apple mulls running chatbot directly on Google Cloud and TPU chips.
- Kerrisdale Capital short on **Affirm (AFRM).**
- Anthropic's revenue run rate topped USD 9bln at the end of 2025.

FX

The Dollar strengthened on US President Trump announcing he has reached a framework for a deal on Greenland with NATO's Rutte, which led to him cancelling the 1st February tariffs on the EU. The dollar started to reverse morning weakness after Trump disregarded military action against NATO to acquire Greenland, resulting in some faith being restored in Transatlantic relations. EUR

and CHF, the best performers thus far this week on elevated geopolitical risks, walked back some of their gains. That said, Denmark has rejected Trump's proposal of negotiations, which leaves uncertainty still at large, given that the talks didn't include Denmark. Nonetheless, the dollar continued its move off lows after Trump's initial placatory remark, hitting highs of 98.868. Outside of geopolitics, newsflow was generally light. Reporting of Trump vs Fed's Cook indicates that the Supreme Court is likely to rule in Cook's favour; DXY was unfazed. Attention will also be on the US data on Thursday, where GDP Final (Q3), PCE (Nov), and claims are due.

AUD and **NZD** led G10 gains despite the turnaround in metal gains as geopolitical risks eased in the short term. **CAD** was flat while **JPY** and **GBP** saw modest losses. Cable was briefly weighed by the CPI December report as the slight acceleration in Services Y/Y may have been less than some had expected. The headline print ran hot, but it was subject to elevated airfares over the Christmas period and tobacco changes from the latest budget. GBP sits around 1.3420 at the time of writing.

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