

### De-dollarisation continues as markets await FOMC & Mag-7 earnings

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude up, Dollar down, Gold up
- **REAR VIEW:** Trump doesn't think the dollar declined too much & not concerned about the decline; Consumer Confidence hits 12yr low; Richmond Fed Mfg shows slight uptick, albeit still negative; Trump raises tariffs on South Korea; Japanese Finance Minister said to take appropriate steps on FX in coordination with the US; Healthcare insurers hit on upcoming proposal to keep Medicare rates to insurers steady; LVMH tops earnings expectations; Average 5yr US auction.
- **COMING UP:** **Data:** Australian CPI (Dec), German GfK (Feb), New Zealand Trade (Dec). **Events:** Fed Policy Announcement, BoC Policy Announcement, BCB Policy Announcement. **Speakers:** ECB's Elderson, Schnabel; BoC's Macklem; Fed Chair Powell. **Supply:** Japan, Germany, US. **Earnings:** Microsoft, Meta, Tesla, Lam, ServiceNow, IBM, GE Vernova, AT&T, Starbucks, VF Corp, Danaher, ASML, Volvo AB

### MARKET WRAP

US stocks closed firmer, driven largely by mega-cap names as markets look towards MSFT, TSLA, and META earnings on Wednesday after the FOMC. Unsurprisingly, Healthcare was the worst performer, weighed by broad weakness in insurers (UNH -19.6%, CVS -14.2%, HUM -21.1%) after a WSJ report late on Monday that the Trump admin is proposing to keep the rates steady that Medicare pays insurers, lower than the St. expectations of 5%. Financials also saw losses while Tech, Utilities, and Energy outperformed. The latter was supported by upside in crude prices as the winter storm in the US continues to curtail production, with analysts noting that US oil producers lost up to 15% of national production over the weekend. US data largely had little impact on FX, but did add to downside in US 2yr yields as US Consumer Confidence hit a 12yr low; Richmond Fed showed slight improvement, albeit still negative, while ADP weekly growth marginally eased. The main move came near the US cash close, namely existing broad dollar weakness extending after Trump remarked that he doesn't think the Dollar declined too much and is not concerned with its decline, leaving DXY at levels not seen since 2022. For JPY, another sharp bout of strength was seen in the European morning, keeping speculation over FX intervention or rate checks at recent heights. T-Notes were sold on the long end as the curve steepened; little reaction was seen on an average 5yr note auction. In commodities, gold and silver pared some of the weakness seen late on Monday, and saw further strong on Tuesday, even accelerating after the dollar weakened on Trump's aforementioned comment; gold climbed above USD 5,185/oz with silver back above USD 112/oz.

### FIXED INCOME

#### T-NOTE FUTURES (H6) SETTLED 1 TICK LOWER AT 111-25

**T-Notes steepen as Trump ramps up pressure on South Korea over stalled trade talks, while US Consumer Confidence sinks to a 12-year low.** At settlement, 2-year -2.5bps at 3.573%, 3-year -2.0bps at 3.643%, 5-year -1.1bps at 3.819%, 7-year -0.3bps at 4.021%, 10-year +0.8bps at 4.229%, 20-year +2.5bps at 4.793%, 30-year +2.6bps at 4.836%.

**THE DAY:** T-Notes gradually moved lower throughout APAC trade before stabilising until the US morning. Newsflow at the time was contained to trade as Trump aimed at South Korea, raising tariffs to 25% from 15% on multiple goods over the lack of progress in the trade deal that was agreed last year. Thereafter, updates were sparse until US Consumer Confidence hit a 12yr low, allowing for a continued rally in the 2yr as money markets slightly increased rate cut bets for March and April. Meanwhile, the Richmond Fed Manufacturing Survey was slightly firmer in January, supported by increases in Shipments and New Orders, while employment fell. In the US afternoon, the 5yr note auction was met with average demand, showing the 7th tail out of the last 8 auctions. Now the focus turns to the Fed tomorrow, where the Committee is expected to hold rates, but likely with at least two dovish dissents, Governors Bowman and Miran. ZN H6 traded in a 111'21-111'29 range. [Click here for the Newsquawk FOMC Preview.](#)

#### SUPPLY:

##### Notes

- US sold USD 70bln of 5yr notes.
- Overall, an average 5yr note auction, marking the 7th tail out of the last 8 auctions. The tail printed 0.3bps, above the prior 0.1bps, but more-or-less in line with the 0.4bps six-auction average. B/C was little changed at 2.34x from the prior 2.35x, close to the 2.36x average. Dealer's bid proportion rose to 10.9% from 8.8% above the 10.4% average, a result of directs bid dropping to 28.5% from 31.7%, beneath the average of 28.7%. Indirects took 60.7% of the bid, up from 59.5%, but slightly shy of the 61.0% average.

##### Bills

- US sold 6-week bills at a high rate of 3.635%, B/C 2.64x
- US is to sell USD 69bln of 17-wk bills on January 28th, and USD 105bln of 4-wk bills and USD 95bln of 8-wk bills on January 29th; all to settle on February 3rd

## STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 3.4bps (prev. 2.8bps), April 6.7bps (prev. 6.2bps), December 46.7bps (prev. 45.2bps).
- NY Fed RRP op demand at 1.25bln (prev. 1.49bln) across 5 counterparties (prev. 7)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 83bln (prev. 99bln) on January 26th.
- SOFR at 3.66% (prev. 3.65%), volumes at USD 3.143tln (prev. 3.137tln) on January 26th.

## CRUDE

WTI (H6) SETTLED USD 1.76 HIGHER AT 62.39/BBL; BRENT (H6) SETTLED USD 1.98 HIGHER AT 67.57/BBL

The crude complex was firmer and gained from troughs throughout the duration of the US session. There was no specific headline driver for the turnaround in prices, but it appears to be closely associated with the winter storm in the US, as it has curtailed production and even drove US Gulf Coast crude exports to zero over the weekend. Analysts add that US oil producers lost up to 2mln BPD or ~15% of national production over the weekend. While the impact is only going to be in the immediate short-term, desks write that the cold weather will likely cause quite notable drawdowns in oil stocks over the next few weeks, particularly if this weather continues. Further on the supply footing, Reuters source reports notes that Kazakhstan's biggest oilfield, Tengiz, is likely to restore less than half of its normal production by February 7th as it slowly recovers from a fire and power outage. While there wasn't too much to add from a geopolitical standpoint on Tuesday, Trump said a big armada is going over to Iran, but hopefully won't have to use it. While on Ukraine/Russia, remarked that very good things are happening. After-hours we get the weekly private inventory data, whereby current expectations are (bbls): Crude +1.8mln, Distillate -0.6mln, Gasoline +1.0mln.

## EQUITIES

CLOSES: SPX +0.41% at 6,979, NDX +0.88% at 25,940, DJI -0.83% at 49,003, RUT +0.26% at 2,667

SECTORS: Health -1.66%, Financials -0.74%, Communication Services +0.02%, Materials +0.04%, Real Estate +0.14%, Consumer Staples +0.33%, Industrials +0.42%, Consumer Discretionary +0.67%, Energy +0.99%, Utilities +1.25%, Technology +1.42%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.58% at 5,993, Dax 40 -0.10% at 24,908, FTSE 100 +0.58% at 10,208, CAC 40 +0.27% at 8,153, FTSE MIB +1.09% at 45,440, IBEX 35 +0.70% at 17,804, PSI +0.90% at 8,654, SMI +0.46% at 13,206, AEX +0.29% at 1,002

### STOCK SPECIFICS:

- Following NVIDIA's (NVDA) investment on Monday, CoreWeave (CRWV) was upgraded at Deutsche Bank.
- Meta (META) reportedly agreed a deal to pay Corning (GLW) as much as USD 6bln for fibre optic cables in data centres.
- Micron (MU) is to invest USD 24bln over 10 years in Singapore NAND plant.
- Salesforce (CRM) subsidiary Computable Insights awarded USD 5.64bln Army contract
- Trump admin proposes keeping the rates steady that Medicare pays insurers. Of note for insurers, Humana (HUM), UnitedHealth (UNH), CVS Health (CVS).
- Amazon (AMZN) to close Amazon Go and Amazon Fresh physical stores; now planning to invest in opening more than 100 new whole foods market stores over the next few years. To launch new same-day deliveries in more cities in 2026.

### EARNINGS:

- American Airlines (AAL): Midpoint of FY profit view surpassed Wall St. consensus
- Boeing (BA): Profit beat, but only topped as results incl. \$9.6bln gain on digital aviation solutions deal
- General Motors (GM): Profit topped & approves new \$6bln share repurchase programme.
- HCA Healthcare (HCA): Profit topped & authorised additional share repurchase programme for up to \$10bln
- JetBlue (JBLU): Deeper loss per shr. than expected
- Nucor (NUE): EPS & rev. light
- RTX (RTX): Strong Q metrics w/ midpoint of FY EPS view also above exp.
- Sanmina (SANM): Next quarter sales outlook disappointed
- UnitedHealth (UNH): Profit & rev. was short w/ FY26 top line guidance light
- UPS (UPS): Top & bottom line surpassed exp; Strong FY rev. outlook

## FX

The Dollar was once again sold, as the "de-dollarisation" trade is still very much in effect, with renewed pressure stemming from US/Japan rate checks and Trump's latest tariff threats on Canada and South Korea. On the latter, he announced he is "increasing South Korean tariffs on Autos, Lumber, Pharma, and all other reciprocal tariffs, from 15% to 25%. US data came in the form of Consumer Confidence, Richmond Fed, and the weekly ADP, but did little to move the Greenback as participants await FOMC and Mag-7 earnings on Wednesday. Briefly recapping the data, Consumer Confidence disappointed, Richmond Fed was slightly better than expected, albeit still negative, and ADP added 7.75k jobs a week (prev. 8k). The Dollar Index hit a low of 95.953 against an earlier high of 97.118 as the week's key risk events come into view.

G10 FX was firmer across the board and benefited from the broad Dollar weakness. **Swissy** was the clear gainer, and seemingly buoyed by its haven status, while all other G10s also saw decent strength. On the in-vogue **Yen**, a large bout of strength was seen in the EU session, which led USD/JPY to tumble below 153.20, from around from 154.55, and the move lacked a fresh catalyst. Markets no doubt will speculate the move being either a) intervention or b) a rate check, which, of course, follows a rate check conducted by the NY Fed on Friday. On this front, Finance Minister Katayama said they are coordinating with the US, and will take

appropriate steps on FX – a comment which led the pair down to make a fresh trough below the 153.00 mark. The pair continued lower and found a floor at 152.57, a level it resides around at the time of writing.

There was little currency-specific newsflow, but **Cable** printed a 4-year high of 1.3791, while **EUR/USD** hit a high of 1.1990. On the central bank footing, ECB's Nagel said there is no reason to change rates anytime soon, and agrees with Chief Economist Lane that there is no good argument for changing rates in either direction. ECB's Kocher remarked officials must be ready to act if needed. Precious metals once again saw strength, as spot silver peaked at c. USD 117/oz and spot gold at USD 5140/oz, with Citi raising silver 0-3month price forecast to USD 150/oz (prev. 100 oz), citing strong speculative demand and tightening physical supply outside the US, and it also warns short-term profit-taking from Chinese investors could pressure prices.

In **EMFX**, and to avoid repeating myself saw gains on the known themes, while CNB Deputy Governor Frait said the domestic economy does not justify rate cuts; 50bps of easing is the maximum for this year.

## CENTRAL BANK PREVIEWS

**FED:** The Federal Reserve is widely expected to leave the policy rate unchanged at 3.50-3.75%, with the latest Reuters poll showing unanimous expectations for no change at this meeting, and also 58% of economists surveyed by Reuters also see rates staying on hold through the quarter. Money markets are pricing in around 45bps of cuts by year-end, with the first 25bps reduction seen by July. Goldman Sachs said the meeting is likely to be uneventful, with no change to the Federal Funds Rate, only minor statement tweaks, and few clues on the future policy path. The bank expects Chair Powell to stress that the FOMC has already delivered three cuts to help stabilise the labour market and is well positioned to assess the impact. As in recent meetings, guidance is likely to matter more than the decision itself, particularly around how long policymakers intend to remain patient before easing eventually comes into view. [Click here for the full FOMC Newsquawk Preview.](#)

**BOC:** The BoC is widely expected to keep rates on hold at 2.25%, as reflected in the unanimous view of a Bloomberg survey of analysts and current OIS pricing. A Reuters poll shows about 75% of the 35 economists surveyed expect rates to remain unchanged in 2026, up from around 60% in December. The shift reflects worsening US-Canada trade relations and elevated uncertainty ahead of USMCA renegotiations later this year, prompting participants to scale back bets on a return to tightening. The latest escalation followed comments by US President Trump, who threatened 100% tariffs on Canada over closer ties with China, including reduced tariffs on Chinese EVs and the reopening of channels for investment, energy cooperation and long-term trade growth. Money markets now price about 12 bps of hikes by year-end, down from around 35 bps in December. Data since the December meeting have been mixed, giving the BoC scope to cite greater economic uncertainty in a decision to hold rates. The unemployment rate again proved volatile, rising in December despite full-time job gains offsetting a decline in part-time employment. Headline inflation accelerated, while average BoC core measures eased slightly. The meeting will include the latest MPR, with attention on any changes to the neutral rate estimate, although desks say this is not expected. [Click here for the full BOC Newsquawk Preview.](#)

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