newsquawk

US Market Wrap - 28th January 2026

Dollar supported as Bessent maintains strong USD policy as Fed fails to move the needle

- **SNAPSHOT**: Equities mixed, Treasuries down/flat, Crude up, Dollar up, Gold up.
- **REAR VIEW**: Fed holds rates as expected with an improved outlook on economic growth; Bessent says Trump Fed Chair pick announcement may come in the next week or so; Trump warns Iran of a far worse attack if no deal reached; Iran says response if attacked will be immediate and unprecedented; Bessent downplays USD/JPY intervention speculation, reiterates strong USD policy; BoC holds rates as expected; Hotter-than-expected Aussie inflation; SK Hynix tops earnings expectations; ASML slips despite strong earnings.
- **COMING UP**: **Data:** Japanese Consumer Confidence (Jan), Tokyo Core CPI (Jan), Retail Sales (Dec), Swedish GDP (Dec), Spanish Retail Sales (Dec), EZ M3 (Dec), US Jobless Claims, Chicago Fed Labour Market Indicators (Jan). **Events:** Riksbank Policy Announcement, CBRT Minutes (Jan), SARB Policy Announcement. **Speakers:** Norges Bank's Bech-Moen; Riksbank's Thedeen; ECB's Cipollone. **Supply:** Italy, US. **Earnings:** Apple, SanDisk, Visa, Western Digital, Mastercard, Caterpillar, Nasdaq, Blackstone, Lockheed Martin, SAP, Sanofi, ING, Deutsche Bank, H&M.

MARKET WRAP

US indices were eventually mixed on Wednesday, while sectors saw downside bias as Real Estate and Health lagged, as the latter extended on Tuesday's pronounced losses. Energy and Tech sat atop of the pile, with the former buoyed by gains in the crude complex amid punchy Trump remarks on Iran, while Tech saw strength ahead of Mag-7 earnings after-hours. The key risk event during the session was the FOMC and accompanying Chair Powell press conference, which largely went as expected and saw little market move. The Fed held rates between 3.5-3.75%, as expected, albeit within two dissenters (Waller, Miran), who voted for a 25bps reduction. BoC was also largely a non-event, with little move on CAD (more below). In FX, the Dollar pared some of its recent weakness, with the EUR, CHF, and JPY all seeing notable losses. The Yen noticed a strong bout of selling after US Treasury Secretary Bessent said "we are absolutely not intervening in USD/JPY currently" and "US does not speculate on interventions; Has always had a strong USD policy." Back to the energy space, which rose after Trump said that a massive Armada is heading to Iran, time is running out to make a deal, and the next attack will be far worse. For fixed income markets, long-end yields ticked higher as the Fed's decision to hold rates does little to shift markets. Lastly, recapping some of the earnings today, ASML (ASML, -2.2%) topped quarterly expectations, alongside a strong order metric and guidance, though the initial move higher pared as some cited profit taking. Meanwhile, Seagate (STX, +19.1%) left sentiment still very bullish on memory names after a stellar earnings report driven by robust AI-driven demand for data storage (MU +6.1%, WD +10.7%).

CENTRAL BANK REVIEWS

FOMC STATEMENT: The Fed left rates unchanged at 3.50-3.75%, as expected, in a 10-2 vote split, with Governors Miran and Waller calling for a 25bps reduction (Miran had previously voted for a 50bps cut in December, atlhough in recent remarks said the need to dissent with a 50bps cut has become somewhat less). The January statement revised the economic assessment by replacing “economic activity has been expanding at a moderate pace” with “expanding at a solid pace”, “job gains have slowed this year” with “job gains have remained low”, and “the unemployment rate has edged up” with it having “shown some signs of stabilisation”; “inflation has moved up since earlier in the year and remains somewhat elevated” is simplified to “inflation remains somewhat elevated”. In its risk characterisation, December’s addition that the Committee “judges that downside risks to employment rose in recent months” is removed, leaving only that it is attentive to risks to both sides of the mandate. Balance-sheet guidance states that “reserve balances have declined to ample levels and [the Committee] will initiate purchases of shorter-term Treasury securities”, is omitted entirely. The voting members include a new voting composition, and dissents: December’s dissent split between one member favouring a 0.50ppts cut (Miran) and two preferring no change, is replaced in January by two dissenters preferring a 0.25ppts cut (Miran, Waller). The language of the statement tilts a little more positive on the economy and jobs, and broadly unchanged on inflation. Heading into the announcement, traders were attentive for any remarks about the future policy path; however, the statement doesn't offer any immediate clues. Markets were little changed in wake of the announcement. Traders will look to Chair Powell's press conference for potential signals, and additionally will also be attentive to the possibility that the Trump administration is getting closer to announcing its next Fed Chair soon.

POWELL PRESS CONFERENCE: Traders looked to Chair Powell’s post-meeting press conference for guidance on the future path of interest rates, but he offered little new information. Powell acknowledged an improvement in incoming economic data and reiterated that policy decisions will continue to be made on a meeting-by-meeting basis, guided by the data and the balance of risks. He said there was broad Committee support for holding rates, with no participant viewing a hike as their base case. Policy was described as well-positioned, with rates within a plausible neutral range, but towards the higher end. Powell noted that the December SEP showed most policymakers still expect further normalisation ahead. On the economy, Powell said activity is expanding at a solid pace and that growth remains on a firm footing, having shown notable resilience despite significant trade policy changes. He said incoming data since the last meeting has clearly improved the outlook, leaving the Committee more optimistic than at the time of the December SEP. However, he cautioned that quarterly GDP figures can be volatile and argued that labour market data provides a more reliable signal. The earlier divergence between strong growth and a weakening labour market may have reflected productivity gains and now appears to be resolving as labour conditions stabilise. Distortions from the government shutdown are no longer material and should unwind this quarter. Powell warned, however, that the US fiscal path is unsustainable and will need to be addressed. Inflation has evolved broadly as expected but remains somewhat elevated. Powell said there was no progress on core PCE inflation last year, with the overshoot largely driven by goods prices, tariffs and one-off factors rather than demand. Goods and tariff-related inflation are expected to peak around mid-year, with many effects already passed through. He added will see the tariff effect on goods pricing peaking over this year, and if the Fed sees that, that would tell the Fed it can loosen policy. He said December core PCE inflation was likely around 3.0% and headline around 2.9%. Short-term market-based inflation expectations have fully retraced since "Liberation Day", while longer-term measures suggest confidence that inflation will return to 2%. Powell said the labour market has weakened alongside solid growth, but recent data suggests stabilisation following a period of cooling. Job gains remain subdued, and while risks to employment have diminished, they have not disappeared, making it difficult to judge whether the dual mandate is fully in balance. Consumer spending remains resilient but uneven across income groups, with a disconnect between weak survey data and stronger realised spending. Asked about the USD and gold prices, Powell said the Fed does not comment on the currency and does not take signals from gold. He strongly defended central bank independence, warning that any loss of credibility would be difficult to reverse. He said the Fed remains fully committed to its independence, adding jokingly that future Chairs should avoid domestic politics. More seriously, he described the case involving Governor Cook as potentially among the most important in the Fed's legal history. Powell declined to comment on whether he intends to remain a Governor after his term as Chair ends.

BOC: The BoC delivered a widely expected decision, holding rates steady at 2.25%. Changes to the statement were minor. The central bank said it remains focused on keeping inflation close to its 2% target while supporting the economy through a period of structural adjustment, adding that the current policy rate remains appropriate provided the economy evolves broadly in line with the outlook published in its updated projections. In the MPR, GDP projections were little changed, with 2026 growth kept at 1.1% and 2027 revised to 1.5% from 1.6%. On inflation, the headline Y/Y forecast was trimmed to 2.0% from 2.1%, while the 2027 projection was unchanged at 2.1%. The neutral rate estimate was maintained at 2.25–3.25%. Governor Tiff Macklem said elevated uncertainty made it difficult to predict the timing or direction of the next policy move. The subsequent press conference with Macklem and Deputy Governor Rogers added little, with Macklem noting it was hard to assign probabilities to risks to the outlook, citing unpredictable US trade policy and geopolitical risks. The reaction in the CAD and government bonds was muted.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 5 TICKS LOWER AT 111-20+

Long-end yields tick higher as the Fed's decision to hold rates does little to shift markets. At settlement, 2-year +0.8bps at 3.590%, 3-year +0.6bps at 3.657%, 5-year +1.2bps at 3.843%, 7-year +0.8bps at 4.041%, 10-year +0.4bps at 4.249%, 20-year unch at 4.818%, 30-year -0.4ps at 4.859%.

THE DAY: Treasuries were sold on the short end, albeit within contained ranges, whilst the long end was little changed. The main event was the Fed, albeit markets were unfazed by the widely expected Fed decision to hold the FFR at 3.50-3.75% expected. Governors Miran and Waller both dissented in favour of a 25bps, with Friday in focus for a potential glimpse of their reasoning behind their dissents. Changes within the statement unveiled policymakers holding a more optimistic outlook on the economy and job growth, and a view of diminishing downside risks to employment. Chair Powell, in the following press conference, views the tariff effect on goods pricing peaking over this year, a prospect, if realised, would tell the Fed it can loosen policy. Aside from the highlights outlined above, there was little of note, with outcomes broadly as anticipated. US Treasury Secretary Bessent in the US afternoon said US President Trump's Fed chair pick may come in the next week or so. ZN H6 traded between 111'15+ and 111'26+.

SUPPLY:

Notes

US sold USD 30bln of 2-year FRN; high discount margin 0.099%.

Bills

- US sold 17-week bills at a high rate of 3.590%, B/C 2.92x.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 2.3bps (prev. 3.4bps), April 5.8bps (prev. 6.7bps), June 17.3bps (prev. 18.3), December 44.7bps (prev. 46.7bps).**
- NY Fed RRP op demand at 1.1bln (prev. 1.25bln) across 5 counterparties (prev. 5).
- EFFR at 3.64% (prev. 3.64%), volumes at USD 88bln (prev. 83bln) on January 27th.
- SOFR at 3.66% (prev. 3.66%), volumes at USD 3.145tln (prev. 3.143tln) on January 27th.

CRUDE

WTI (H6) SETTLED USD 0.82 HIGHER AT USD 63.21/BBL; BRENT (H6) SETTLED USD 0.83 HIGHER AT USD 68.40/BBL

The crude complex was firmer, and seemingly boosted by continued punchy Trump rhetoric on Iran. Overnight in APAC trade and through the early part of the EU session, WTI and Brent traded pretty sideways, amid light newsflow, before hitting troughs of USD 62.07/bbl and USD 66.14/bbl. However, benchmarks had already started their turnaround before extending higher as Trump posted on Truth that a massive Armada is heading to Iran, time is running out to make a deal, and the next attack will be far worse. Following this, WTI and Brent gradually edged higher to hit peaks of USD 63.52/bbl and 67.50/bbl, respectively. Oil came off these levels into settlement, and through the US afternoon, potentially helped a couple of factors: 1) reports from Sky News Arabia that Hamas confirms its readiness to transfer the management of Gaza affairs to the Palestinian Technocrats Committee; 2) Broad Dollar strength after Treasury Secretary Bessent said the US is "absolutely not intervening in USD/JPY currently". Back to Iran, an adviser to Iran's Supreme Leader totally dismisses the notion of "a limited strike"; and added, "Any military action from the US, from any origin, at any level, will be considered the start of war. The response will be immediate, all out and unprecedented, targeting the aggressor, the heart of Tel Aviv and all who support the aggressor." In the wake of the Fed, whereby they rates were unchanged as expected, little reaction was seen in the oil space.

In the weekly EIA data, little move was seen, but there was a larger crude draw than expected, a shallower gasoline build, and a surprise distillate build. Overall, crude production fell 36k W/W to 13.696mln.

EQUITIES

CLOSES: SPX -0.01% at 6,978, NDX +0.32% at 26,023, DJI +0.02% at 49,016, RUT -0.49% at 2,654

SECTORS: Real Estate -0.92%, Consumer Staples -0.78%, Health -0.77%, Consumer Discretionary -0.67%, Industrials -0.53%, Utilities -0.23%, Financials -0.03%, Communication Services +0.08%, Materials +0.17%, Technology +0.62%, Energy +0.74%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.03% at 5,933, Dax 40 -0.20% at 24,844, FTSE 100 -0.52% at 10,154, CAC 40 -1.06% at 8,067, FTSE MIB -0.66% at 45,139, IBEX 35 -1.10% at 17,608, PSI +0.11% at 8,663, SMI -1.53% at 13,012, AEX -0.45% at 997

STOCK SPECIFICS

- **NVIDIA (NVDA):** China approved the first batch of H200 AI chips for import, covering several hundred thousand
- **Amazon (AMZN):** Cuts 16k jobs globally to undo pandemic-era hiring amid AI push
- **C3.ai (AI):** Is in talks to merge with startup Automation Anywhere.
- **Applied Materials (AMAT):** Upgraded at Mizuho to 'Outperform' from 'Neutral'.
- **Regenxbio (RGNX):** FDA halts RGNX Gene therapy trials after brain tumour found in patient.
- **Alkami (ALKT):** Said to tap adviser to explore sale, Bloomberg reports.

EARNINGS

- **Seagate (STX):** Quarterly metrics beat & issued stronger guidance, supported by robust AI-driven demand for data storage
- **Texas Instruments (TXN):** Stronger than exp. Q1 outlook, signalling a recovery in demand for industrial equipment & vehicles
- **ASML (ASML):** Rev., profit topped, orders reached a record & strong guidance; Announced share buyback of up to €12bln
- **Starbucks (SBUX):** Rev. & comp. sales surpassed exp. w/ better than exp. FY comp. sales view
- **AT&T (T):** Stellar report & solid FY profit view
- **PPG Industries (PPG):** Profit missed & issued cautious outlook
- **Elevance Health (ELV):** Top line weak & FY bottom line guidance missed
- **Qorvo (QRVO):** Light next quarter guidance.

FX

Dollar strength was present on Wednesday ahead of the Fed's decision to hold rates as expected. US Treasury Secretary Bessent added to existing strength seen in APAC and EU trade after reiterating a strong USD policy, adding "we are absolutely not intervening in USD/JPY currently... The US does not speculate on interventions". The dollar saw choppy trade amid the Fed's decision and ultimately trimmed some of the strength driven by Bessent. Language tweaks within the statement point towards an improved outlook on economic growth and reduced downside risks to employment. The decision was met with two dovish dissenters, Governor Miran, who scaled back his usual 50bps dissent in favour of 25bps, with Governor Waller also joining in the 25bps rate cut camp; their dissents will be watched for their view (likely on Friday). In the subsequent press conference, Powell added that they will see the tariff effect on goods pricing peaking over this year; if the Fed sees that, that would tell the Fed it can loosen policy. DXY hit highs of 96.787 before paring to ~96.40

CAD, AUD, and **NZD** were the relative outperformers on Wednesday with modest strength. For the Aussie, weakness was limited after a hotter-than-expected inflation reading in December, 3.8% Y/Y (exp. 3.6%, prev. 3.4%). ANZ now sees the RBA raising rates by 25bps at its meeting next week, while it views this as a single insurance tightening and not the start of a series of hikes. Money markets also upped their rate hike expectations this week, pricing a ~70% chance from 60.4% seen pre-CPI release. AUD/USD extended into an eight-day run of gains, peaking at 0.70227.

CAD was unfazed by the BoC's decision to hold rates at 2.25% as expected. The statement, Macklem, and MPR were all very similar to those of their last issues. The BoC continued to note heightened uncertainty amid unpredictable US trade policies and geopolitical risks. The governing council view the current policy rate as appropriate, conditional on the economy evolving broadly in line with the outlook they published today (2027 GDP revised slightly higher, 2026 CPI Y/Y revised slightly lower).

JPY and **CHF** lost their haven appeals as the dollar clawed back the weakness seen on Tuesday in response to US President Trump saying he didn't think that the dollar had declined too much. JPY was weighed by said Bessent remarks, but keep in mind that much of JPY's weakness occurred before Bessent's remarks, with the downside arising from Bessent having trimmed at the timing of writing; USD/JPY traded between 152.141-154.044