newsquawk

US Market Wrap - 29th January 2026

MSFT leads tech losses as USD sees two-way trade

- **SNAPSHOT**: Equities mixed, Treasuries up, Crude up, Dollar down, Gold down
- **REAR VIEW**: MSFT sinks on Azure growth miss; Trump reportedly mulling new large-scale strike on Iran; Iran reportedly warned ships of upcoming drill this weekend that would include live firing in the Strait of Hormuz; Initial claims little changed W/W, continued claims unexpectedly fall; Widening US trade deficit in Nov. points to slower Q4 GDP growth than exp.; Trump said Putin agreed not to fire on Kyiv for a week, given the cold; META rallies on strong revenue growth outlook; TSLA lower as Musk looks to pivot into physical AI; Weak US 7yr note auction; AMZN in talks to invest up to $50B in OpenAI; Trump said Fed Chair announcement next week
- **COMING UP**: **Data:** French/Spanish/German/Italian GDP Flash (Q4), German Import Prices (Dec), Unemployment (Jan), Prelim. HICP (Jan), Spanish Prelim. CPI (Jan), EZ GDP Flash Prelim. (Q4), Canadian GDP (Dec), US PPI (Dec). **Speakers:** Fed's Musalem, Bowman; Riksbank's Jansson. **Supply:** Australia, Japan. **Earnings:** SoFi, American Express, Verizon, Chevron, Exxon, Colgate.

MARKET WRAP

US indices saw weakness with the tech-heavy Nasdaq 100 lagging and weighed on by Microsoft (MSFT, -10%) plunging after-earnings as Azure growth and next quarter guide disappointed lofty Wall St. expectations. As such, Technology was the clear sectorial laggard, which overall held an upside bias, with Communications sitting atop of the pile, buoyed by stellar Meta (+10.4%) earnings. Tesla (-3.5%) was the other Mag-7 name to report, and eventually saw weakness amid MSFT and broad risk-off sentiment, despite initially seeing gains pre-market amid earnings beat but attention was on the path ahead given CapEx hike. In FX, the Dollar ultimately saw mild losses, but that only tells half the story. After the cash open, there was a heavy bout of risk-off sentiment, which saw chunky stock and gold selling, with the Greenback firming as a result. Precious metals have seen hefty gains in recent days/week so profit taking was likely at play, but some traders suggested gold was hit hard as people liquidated profitable gold longs to cover losses in tech. WTI and Brent saw chunky gains as US/Iran tensions heighten, as reports suggested Trump is considering a new large-scale attack on Iran due to a lack of progress on a nuclear deal, before later AP reported that Iran has warned ships that it intends to run a drill over the weekend that would include live firing in the Strait of Hormuz. Treasuries saw gains across the curve, albeit within pretty contained parameters, as a weak 7yr auction seemed to have little sway. Crypto assets also got hit hard, with Bitcoin hitting a low of c. USD 83k. Ahead, attention will be on Waller's Fed dissent, which may be explained on Friday, Trump's Fed Chair pick, any further geopolitical updates, whether that be Iran or Russia/Ukraine, and major earnings, starting with Apple after-hours.

US

JOBLESS CLAIMS: Initial jobless claims (w/e Jan. 24th) were largely unchanged W/W as it marginally dropped to 209k from 210k, but printed above the expected 205k – this left the 4-wk average ticking higher to 206.25k from 204k. For the headline, seasonal factors had expected a decrease of 39,910 W/W. Continuing claims (w/e Jan. 17th) fell to 1.827mln from 1.840mln, but beneath Wall St. consensus of 1.860mln. Overall, Oxford Economics notes that the initial claims print reinforces their baseline forecast that unemployment will edge down over 2025, and as claims lead joblessness by four months, the latest numbers push back against concerns around high-profile layoff announcements. Continuing, a proxy for hiring, fell to its lowest since last November, but stayed at levels consistent with a 'low-hire, low-fire' environment that is leading to a divided labour market.

US INTL TRADE: The US goods and services trade deficit increased in November to USD 56.8bln from USD 29.2bln (exp. deficit of 40.5bln), a result of a decline in exports to 292.1bln from 302bln and an increase in imports to 348.9bln from 331.4bln. The US recorded surpluses with Switzerland (7.8bln), the Netherlands (5.6bln), South and Central America (5.1bln), the UK (4.2bln), and Hong Kong (2.2bln). Meanwhile, deficits were recorded with Mexico (17.8bln), China (14.7bln), the EU (14.5bln), Japan (4.7bln), India (4.4bln), South Korea (3.7bln), and Canada (3.5bln). Following the data, the Atlanta Fed revised down its GDPnow model estimate for real GDP growth in Q4 to 4.2% from 5.4%. Oxford Economics writes that data from major US ports suggests exports decreased again in December, while imports rose, meaning another widening of the trade deficit may occur in the next trade report.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7 TICKS HIGHER AT 111-27+

T-Notes steepen despite oil gains, arousing inflation concerns. At settlement, 2-year -2.2bps at 3.555%, 3-year -2.3bps at 3.620%, 5-year -2.6bps at 3.807%, 7-year -2.1bps at 4.010%, 10-year -1.8bps at 4.229%, 20-year -0.5bps at 4.809%, 30-year -0.2ps at 4.854%.

THE DAY: T-Notes were bid across the curve as markets looked past any inflationary concerns arising from the continued oil rally amid increased geopolitical risks between the US and Iran. Data this morning was mixed, as initial claims were little changed W/W while continued claims unexpectedly fell back to a level not seen since last November. On trade, the widening deficit, due to a drop in exports and a rise in imports in November, has seen the Atlanta Fed revise down its Q4 GDP growth estimate to 4.2% from 5.4%. T-Notes saw a lift amid broad-risk off trade across markets, whereby equity downside on Mag-7 weakness, particularly in Microsoft, sparked a sell-off in precious metals as traders suggested participants used profits in commodities to offset equities losses; USD was also bid, but pared most strength against major peers. The 7-year note auction was weak, yet failed to stir a sustained reaction. T-Notes again saw low volatility, trading between 111'16+-111'28+.

SUPPLY:

Notes

- US sold USD 44bln of 7yr notes; tails 0.4bps
- A weak 7yr note auction seen by the 0.4bps tail after the last auction's stop through of 0.3bps and a six-auction average stop through of 0.1bps. B/C fell to 2.45x from 2.51x, remaining beneath the 2.52x average. The rise in indirect's bid proportion to 66.8% from 59.0% above the 61.8% average failed to offset the drop in direct demand to 22.2% from 31.6%, now below the 28.0% average. This left dealers with more of the bid at 10.9% from the prior 9.3%, surpassing the 10.2% average.

Bills

- US sold USD 105bln of 4-wk bills at high-rate 3.630%, B/C 2.86x; sold USD 95bln of 8-wk bills at high-rate 3.635%, B/C 2.87x.
- US to USD 77bln 26-week bills and to sell USD 89bln 13-week bills on February 2nd; to sell USD 90bln 6-week bills on Feb 3rd; all to settle on Feb 5th.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 2.8bps (prev. 2.3bps), April 7.2bps (prev. 5.8bps), June 18.8bps (prev. 17.3), December 47.7bps (prev. 44.7bps).**
- NY Fed RRP op demand at USD 2.85bln (prev. 1.1bln) across 4 counterparties (prev. 5)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 89bln (prev. 88bln) on January 28th.
- SOFR at 3.64% (prev. 3.66%), volumes at USD 3.146tln (prev. 3.145tln) on January 28th.

CRUDE

WTI (H6) SETTLED USD 2.21 HIGHER AT 65.42/BBL; BRENT (H6) SETTLED USD 2.31 AT 70.71/BBL

The crude complex saw notable gains amid heightened US/Iran rhetoric. The first catalyst came amid reports that Trump is considering a new large-scale attack on Iran due to a lack of progress on a nuclear deal. This saw benchmarks grind higher overnight and through the European morning, before the space surged to highs as AP said that Iran has warned ships that it intends to run a drill over the weekend that would include live firing in the Strait of Hormuz. As such, WTI and Brent hit peaks of USD 66.48/bbl and USD 70.58/bbl, respectively, before paring some of the move in the hour after the US cash open on broad-based Dollar strength and risk-off trade. Nonetheless, energy still remained significantly up on the session and never got near testing overnight lows as traders continue to digest the wealth of headline newsflow on Thursday. Ahead, attention will be on Waller’s Fed dissent, Trump’s Fed Chair pick, any further geopolitical updates, whether that be Iran or Russia/Ukraine, and major earnings. For the record re. Russia/Ukraine, US Secretary of State Rubio stated that the only unresolved issue in the Ukraine conflict settlement was the territorial issue; however, Kremlin aide Ushakov denied Rubio’s statement that the only unresolved issue in the Ukraine settlement was the territorial issue.

EQUITIES

CLOSES: SPX -0.13% at 6,969, NDX -0.53% at 25,884, DJI +0.11% at 49,072, RUT +0.05% at 2,655

SECTORS: Technology -1.86%, Consumer Discretionary -0.64%, Health -0.27%, Consumer Staples -0.03%, Utilities +0.08%, Materials +0.14%, Industrials +1.02%, Energy +1.08%, Financials +1.11%, Real Estate +1.42%, Communication Services +2.92%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.55% at 5,901, Dax 40 -2.13% at 24,293, FTSE 100 +0.17% at 10,172, CAC 40 +0.06% at 8,071, FTSE MIB -0.14% at 45,076, IBEX 35 -0.17% at 17,577, PSI -0.22% at 8,644, SMI +0.79% at 13,147, AEX -0.02% at 997

STOCK SPECIFICS:

- **Microsoft (MSFT):** Azure growth disappointed. Sell side analysis available here.
- **Meta (META):** Quarterly metrics beat with revenue growth outlook offsetting concerns over capex increase. Sell side analysis available here.
- **Tesla (TSLA):** Earnings beat; to pivot to physical AI, over doubling capex Y/Y. Sell side analysis available here.
- **Mastercard (MA):** Q4 adj. EPS & revenue beat.
- **Lockheed Martin (LMT):** Beat on Q4 metrics with guidance strong.
- **IBM (IBM):** Issued Q4 and outlook beat.
- **SAP (SAP):** Cloud revenue missed.
- **ServiceNow (NOW):** AI concerns offset earnings beat.
- **Southwest Airlines (LUV):** Topped earnings exp.
- **Dow (DOW):** Q1 rev. guide underwhelmed.
- **Altria (MO):** Q4 adj. EPS missed.
- **Royal Caribbean (RCL):** Strong guidance amid resilient demand.
- **International Paper (IP):** Mixed earnings; to split into two publicly traded companies.
- **Whirlpool (WHR):** Quarterly metrics & guidance fell short.

- **Joby (JOBY):** To raise $1B through sale of shares and convertible senior notes.
- **Warrior Met Coal (HCC):** Upgraded at UBS to 'Buy' from 'Neutral'.
- **Mercedes (MBG GY)** reportedly proceeding with robotaxi plan with NVIDIA (NVDA).
- **Amazon (AMZN)** in talks to invest up to USD 50bln in OpenAI, WSJ reports; OpenAI is seeking up to USD 100bln in new capital from investors; Softbank is in talks to invest up to USD 30bln more in OpenAI as part of the round.

FX

The dollar was mixed against peers on Thursday amid a swift transition into risk-off after the US cash open. Microsoft was already weighing on the Tech sector after Azure growth fell short of analysts' expectations; however, its Mag7 peers (ex-Meta) soon joined the selling off, sparking sharp downside in US indices, seemingly resulting in precious metals participants cashing out profits to cover equity losses. This benefited the dollar, which was generally weaker against major peers at the time. That said, much of the strength on the risk-off theme has pared since as US equities bounced, particularly vs CAD and havens (JPY & CHF). Data did little to change views of future Fed policy as initial claims remained stable while continued claims unexpectedly fell but remained within ranges over the last year. Many desks are preparing for a Q4 GDP reading below what was seen last week, following November's widening trade deficit as both exports rose and imports fell. DXY hit highs of 96.656 before paring gains to around 96.250, and saw lows of 95.840.

AUD was one of the worst G10 performers as the trimming of risk-taking left the high-beta FX paring its original outperformance; **SEK** and **NOK** were at the bottom of the pile vs USD. On the flip side, CAD led strength in the space as oil prices likely contributed to a brighter economic outlook. CHF & JPY pared weakness vs USD seen after the US cash open, emerging as preferred safe haven bets.

In Sweden, the Riksbank kept rates steady at 1.75% as expected, reiterating that the policy rate is expected to remain at this level for some time to come, in line with the forecast in December. EUR/SEK was little fazed at the time; NOK/SEK was firmer on the day.