

Metals slammed, Dollar buoyed, Equities chop, and Treasuries steepen amid Warsh's Fed nomination

- **SNAPSHOT:** Equities down, Treasuries steepen, Crude flat/down, Dollar up, Gold down
- **REAR VIEW:** Trump nominates Kevin Warsh as Fed Chair; US PPI comes in hot; Trump says Iran wants to make a deal; Fed's Waller and Miran explain dissent, Waller cites job market downside risks, Miran cites low inflation; Fed's Musalem advises against further interest rate cuts; Trump threatens Canada with a 50% tariff on aircrafts sold to the US; Stellar AAPL report, albeit with memory concerns.
- **COMING UP:** **Data:** German Retail Sales (Dec), Global Final Manufacturing PMIs (Jan), US ISM Manufacturing PMI (Jan). **Speakers:** BoE's Breeden; Fed's Bostic. **Supply:** Treasury Refunding Announcement. **Earnings:** Palantir, NXP Semiconductors.
- **WEEK AHEAD:** Highlights include policy announcements from the ECB, BoE, RBA, RBI, Banxico; US & Canada jobs data; EZ flash inflation; PMI data; OPEC meeting; ISM; Treasury QRA. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Mag-7 earnings continue with AMZN/GOOGL the headliners. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing: BoE, ECB, RBA, Banxico, BoJ SOO, RBI; reviewing FOMC, BoC, Riksbank, BCB. [Click here for the full report.](#)

MARKET WRAP

US indices were choppy as participants digested what Trump's nomination of Kevin Warsh as Fed Chair would mean. That assessment is likely to continue for some time until Warsh issues a more up-to-date view on current conditions, given his lack of appearances in recent times. Warsh has been viewed as hawkish in the past on his approach to the balance sheet, showing concerns over QE, while in 2025, he advocated for lower rates. Equities were very choppy at the open, ultimately finishing the session red (SPX -0.4%, NDX -1.3%, RUT -1.6%), led by Materials amid a large correction in precious metals, followed by Tech. Apple (AAPL) ended the day higher by 0.4% after reporting top and bottom line beats, yet some desks showed concern over lacklustre services revenue and future expenses tied to memory shortages. Consumer Staples and Healthcare benefited as defensive names. In FX, the dollar was firmer against all G10 peers, likely as Warsh's past as Fed governor eases the worst-case scenario of downside risks to Fed independence, and also being a more 'hawkish' option than others. Additionally, he is supportive of large reforms to the Fed, a prospect, even if realised, would likely take time and heavy persuasion, potentially keep rates higher for longer than he would like - another dollar positive. T-Notes steepened and were sold on the long end on the nomination. In commodities, precious metals wiped out WTD gains, ex-gold trimmed most of MTD gains as the strong dollar and the new Fed regime weighed; gold dropped around 10% to ~4860/oz and silver fell 30% to ~83/oz. Oil prices were little changed as US-Iran tensions remained into the weekend. Trump believes Iran wants to make a deal, while Iran reiterated that it is prepared to return to talks with the US, on the condition that they are based on mutual respect. US data saw PPI come in hotter-than-expected in December; little reaction was seen. From the Fed, many officials spoke with Governors Waller and Miran, explaining their dissent at this week's meeting, arguing for a 25bps rate cut; Musalem said further rate cuts are not advisable (more on Fed remarks below).

US

PPI: Core and Headline PPI were notably hotter-than-expected in December. Core M/M rose 0.7% (exp. 0.2%, prev. 0.0%), Y/Y rose 3.3% (exp. 2.9%, prev. 3.0%). Headline M/M rose 0.5% (exp. 0.2%, prev. 0.2%), Y/Y rose 3.0% (prev. 3.0%). Supercore M/M rose 0.4%, accelerating from November's 0.2% with the Y/Y reading unchanged at 3.5%. Looking at the PCE components, changes were mixed. Portfolio Management accelerated 2.0% from 1.4% due to stock market gains; Physician Care and Nursing Home care were unchanged at 0.1% and 0.2% respectively; Scheduled domestic passenger air transport rebounded, +2.5% (prev. -2.4%). Pantheon Macroeconomics noted that there were no major surprises among the PPI components that feed into the PCE. The firm forecasts core PCE inflation increasing to 3.0% in December from November's 2.8%. As a reminder, Fed Chair Powell at the post-FOMC press conference said that December core PCE inflation was likely around 3.0% and headline around 2.9%.

FED

WALLER (dissenter): Remarkd he dissented in favour of 25bps cut as policy is still restricting activity too much. Thinks policy should be closer to neutral, and perhaps around 3% (currently 3.50-3.75%). The Governor added the labour market remains weak despite solid economic growth, and the labour market does not look remotely healthy, and while supply was a factor, demand is weak. Inflation is elevated from tariffs, but monopol should look through those effects given anchored expectations. Waller has heard of multiple layoffs planned for 2026 with considerable doubt about job growth and significant risk of a substantial deterioration. Inflation excluding tariffs is near Fed's 2% goal and on path to reach it.

MIRAN (dissenter): Said it wasn't hard for him to dissent, as inflation over target is due to two things, one of them being housing and the other portfolio management quirks. Thinks u/e will top out a little bit higher than where they are now. Given Miran's term concludes expires over the weekend, he would assume Warsh takes his seat on the Fed board of Governors, and on Warsh, thinks he'll be persuasive, and lot of his views are right.

MUSALEM (2028 voter): Said further interest rate cuts are not advisable, with policy now neutral and an economy that does not need stimulus. Expects inflation to decline towards 2%, but sees a risk it could remain above 2% for longer. The St. Louis Fed President argues that not all of the current inflation is from tariffs. Musalem believes that the risk of a significant job market downturn has fallen and hopes productivity growth continues, but notes it's too early to depend on it. Risks are balanced, further rate cuts only needed if the job market were to decay or inflation falls. The 2028 voter expects the economy to continue growing above trend, boosted by credit conditions and fiscal policy. Tariffs are about half of the current inflation overshoot

BOSTIC (retiring in Feb): Inflation is too high and needs to come down and wants clear evidence of a return to 2%. Atlanta Fed President said Fed should be more patient for now, and two cuts in 2026 is not the baseline case. On both sides of the mandate, remarked still have ways to go on inflation, need to be vigilant, while downside risk to labour market is much further away than it was.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 1 TICK LOWER AT 111-26+

Treasury curve steepened as Trump announced Warsh as Fed Chair nomination. At settlement, 2-year -4.1bps at 3.527%, 3-year -3.4bps at 3.598%, 5-year -2.4bps at 3.797%, 7-year unch. at 4.016%, 10-year +0.6bps at 4.243%, 20-year +1.0bps at 4.825%, 30-year +1.7bps at 4.876%.

THE DAY: Treasuries began the day on the backfoot amid reports that Trump would nominate Warsh for the Fed Chair position. As such, T-Notes hit a low of 111-17+, alongside broad Dollar strength and heavy stock/precious metals selling. The reaction happened as although Warsh has called for immediate rate cuts, his policy stance is net-hawkish against the other options available. However, while he will likely call for lower policy rates, given his recent commentary and the clear pressure from the administration, the main point of focus will be on the balance sheet, as Warsh has long been critical of QE and a large balance sheet. As such, and as desks note, the nomination meant investors reassessed the outlook for policy support in the Treasury market, pressuring the long-end. Over the course of the day, the short-end pared its initial weakness to see strength. On Warsh, it is worth reminding he will need to convince the rest of the Committee to his views, as a majority decision is required and he cannot do it off his own back. Lastly, PPI was hotter than expected, while saw marginal weakness in T-Notes being paring.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 3.5bps (prev. 2.8bps), April 7.2bps (prev. 7.2bps), June 21.1bps (prev. 18.8bps), December 51.4bps (prev. 47.7bps).**
- NY Fed RRP op demand at USD 9.6bln (prev. 2.85bln) across 8 counterparties (prev. 4)
- EFR at 3.64% (prev. 3.64%), volumes at USD 104bln (prev. 89bln) on January 29th.
- SOFR at 3.65% (prev. 3.64%), volumes at USD 3.166tln (prev. 3.146tln) on January 29th

CRUDE

WTI (H6) SETTLED USD 0.21 LOWER AT 65.21/BBL; BRENT (H6) SETTLED USD 0.02 LOWER AT 70.69/BBL

The crude complex saw losses in choppy trade, but still saw notable gains on the week. WTI and Brent were initially pressured in overnight trade, and tumbled to lows of USD 63.64/bbl and 67.79, respectively, after US President Trump said he plans to have talks with Tehran, and there are big, powerful ships going to Iran, but he hopes they don't have to use them. Thereafter, benchmarks rebounded, albeit on no clear catalyst, before seeing another leg lower in wake of Iranian Foreign Minister Araqchi stating they are prepared to return to talks with the US, on the condition they are based on mutual respect, and it is not seeking nuclear weapons. In what seemed a common theme, benchmarks reversed this move to edge higher to peaks of USD 66.11/bbl and 70.21, before once again, moving lower on US/Iran rhetoric - Trump remarked he hopes they get a deal, and Iran wants one. For the record, the weekly Baker Hughes rig count saw oil unchanged at 411, natgas up 3 at 122, leaving the total at 556. For reference, markets and a lot of participants' attention were dominated by moves in the metals and FX space as early source reports noted that Warsh was going to be Trump's new Fed Chair nomination, which was later confirmed, such notable moves (Dollar strength, metals weakness) as he was deemed the "more hawkish" candidate in respect to the others.

EQUITIES

CLOSES: SPX -0.43% at 6,939, NDX -1.28% at 25,552, DJI -0.36% at 48,892, RUT -1.55% at 2,614

SECTORS: Materials -1.85%, Technology -1.33%, Industrials -0.28%, Financials -0.28%, Communication Services -0.23%, Utilities -0.20%, Consumer Discretionary -0.07%, Real Estate +0.09%, Health +0.57%, Energy +0.98%, Consumer Staples +1.35%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.98% at 5,950, Dax 40 +0.85% at 24,516, FTSE 100 +0.51% at 10,224, CAC 40 +0.68% at 8,127, FTSE MIB +1.00% at 45,527, IBEX 35 +1.66% at 17,881, PSI +0.20% at 8,662, SMI +0.20% at 13,202, AEX +0.47% at 1,002

STOCK SPECIFICS:

- **Apple (AAPL):** Despite initially rising after EPS, rev., & Greater China sales beat w/ exceptionally strong demand for the latest iPhone models
- **SanDisk (SNDK):** Smashed profit expectations, beat on revenue & raised guidance, citing exceptionally strong demand for memory & storage products.
- **Deckers (DECK):** Top & bottom-line surpassed exp. alongside lifting FY outlook
- **SoFi Tech (SOFI):** EPS, revenue topped with a solid FY outlook
- **Colgate (CL):** Results impressed

- **Tesla (TSLA):** SpaceX is considering a potential merger with Tesla or with AI firm xAI.
- **Verizon (VZ):** EPS, revenue, & postpaid phone net additions topped with a strong FY profit view.
- **Chevron (CVX):** Beats Q4 profit estimate & eyes Venezuela investment opportunities
- **Charles Schwab (SCHW):** Paul Woolway will retire as CEO on 1st July & Tyler Woulfe will succeed him; also, raises Q div. 19% to \$0.32/shr
- **NVIDIA (NVDA):** China has reportedly given conditional approval to DeepSeek for H200 chip
- **Western Digital (WDC):** EPS & Rev. beat alongside strong guidance; Plans to monetise its remaining 7.5m In SNDK shares before 1yr anniversary of the separation.
- Shares of **Unity Software (U), Take-Two (TTWO), and Roblox (RBLX)** were weighed following concerns of AI disruption following the launch of Google's Project Genie, a new DeepMind AI prototype launched today that enables users to generate Interactive 3D worlds from Text prompts.

FX

The dollar was broadly firmer against peers following overnight reports and later confirmation in the US morning of Trump nominating former Fed Governor Warsh. The move likely reflects easing concerns over Fed independence, with many desks pointing out his hawkish disposition in the past. Moreover, given that Warsh is supportive of reform at the Fed, criticising forward-looking policy, frequent communication, rates at current levels, loose financial conditions, as well as QE, it signals he'll likely face a tough time persuading his soon-to-be peers. If met with rejection, at least at first, this would likely support the notion of Fed Independence, perhaps boosting the dollar. Fed's Muaslem today said Fed meetings are about persuasion; The best idea wins. In other news, PPI was hotter-than-expected in December with all gauges accelerating. Many Fed officials hit the newswires today. Governors Waller and Miran explained their dissents, the former citing risks to the labour market, both now and for the year ahead; Miran continued to cite low inflation. DXY trimmed most of its weekly losses, trading now at around 97.06 from earlier WTD lows of 95.55.

All G10 FX was in the red on the Warsh Fed Chair nomination, amid Dollar strength, with magnitudes of selling similar across currency pairs. In Europe, data saw HICP incrementally beat expectations, though the EUR was little moved given that the State CPIs had already indicated the mildly hawkish skew; meanwhile, French GDP contracted a touch from the prior, whilst Spanish, Italy and Germany was a little more upbeat.

Precious metals were hit hard to end the week, with gold finishing the week at around USD 4,900/oz from the weekly peak of 5,602/oz, -9% on the day; silver peaked on Thursday at ~121.60/oz before dropping to ~84/oz, ~28% lower D/D. Driving metals lower was the stronger dollar, prospects of reduced QE or QT in the new Fed regime, and the YTD momentum trade fading from the recent record of ETF buying.

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