

Dollar and yields rise after hot ISM Manufacturing

- **SNAPSHOT:** Equities up, Treasuries down, Crude down, Dollar up, Gold down.
- **REAR VIEW:** Strong ISM Manufacturing PMI report; BLS delays JOLTS (Dec) and NFP (Jan) reports due this week amid partial government shutdown; US and India reach trade agreement, US to cut tariffs to 18%, Indian to slash tariffs to zero; Eight OPEC+ members agreed on Sunday to maintain the pause in oil output hikes in March; Trump launches USD 12bln mineral stockpile to counter China; Zelensky expects new round of trilateral talks this week; NVDA reportedly halted plan to invest USD 100bln in OpenAI; Fitch rates ORCL's senior notes offering 'BBB' with outlook stable.
- **COMING UP: Data:** CBRT Inflation (Jan), French Prelim. CPI (Jan), US JOLTS (Dec), RCM/TIPP (Feb), New Zealand Unemployment (Q4), Australian S&P PMIs Final (Jan). **Speakers:** RBA's Bullock; Fed's Bowman, Barkin; ECB's Lagarde. **Events:** RBA Policy Announcement. **Supply:** Japan, UK, Germany. **Earnings:** AMD, Supermicro, Amgen, Amcor, PayPal, PepsiCo, Pfizer, Merck, Publicis.
- **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 week ahead.](#)
- **CENTRAL BANK WEEKLY:** Previewing: BoE, ECB, RBA, Banxico, BoJ SOO, RBI; reviewing FOMC, BoC, Riksbank, BCB. [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.](#)

MARKET WRAP

US indices saw gains to start the week, with most sectors also in the green, as Consumer Staples and Industrials led the way. Energy, Utilities, and Real Estate were the only ones in the red, with the former weighed on by losses in excess of USD 3/bbl on WTI and Brent. Energy was heavily sold as the US/Iran rhetoric seemingly eased, after weeks of escalating tension. Trump told reporters on Saturday that Iran was "seriously talking", after Tehran's top security official Larjani said arrangements for negotiations were underway. In more recent updates, Axios reported that a senior US official said the US-Iran meeting on Friday will focus on trying to reach a "package deal" that would prevent war with Iran. In a continuation of Friday's trade after Warsh's Fed Chair nomination, the Dollar saw strength to the detriment of G10s peers, as the Swissy led the losses. GBP, AUD, and NZD were the relative outperformers, albeit still saw weakness ahead of the RBA overnight. Gold and Silver continued on losses from Friday as the debasement trade took a backfoot; Gold fell c. 4.5% to ~USD 4,670 while silver dropped by c. 6% to ~USD 80/oz. Treasuries were weaker across the curve, with the short-end underperforming after a hot ISM Mfg. reading. We also got the refunding estimates ahead of QRA on Wednesday, whereby the US Treasury expects to borrow USD 574bln in Q1 (prev. 578bln, exp. 550bln), sees end cash balance of USD 850bln; to borrow USD 109bln in Q2, sees end cash balance of USD 900bln. In terms of stock-specific stories, NVIDIA (-2.9%) saw weakness as WSJ flags doubts over Cos. USD 100bln OpenAI investment, while Oracle (ORCL) plans to raise between USD 45-50bln (in debt and equity) to expand its Cloud infrastructure. Material names saw notable strength as Trump launches a USD 12bln mineral stockpile to counter China. Looking at the week ahead, there are central bank decisions (RBA, BoE, ECB, Banxico) and earnings (GOOGL, QCOM, AMZN), while on the data footing the BLS will not release the January jobs report on Friday due to the partial US Government shutdown; December JOLTS (due 3rd Feb) has also been postponed.

US

ISM MANUFACTURING: ISM Manufacturing for January rose to 52.6 from 47.9, above the expected 48.5 and outside the top end of the forecast range, as it rose back into expansionary territory. Employment and new orders jumped to 48.1 (prev. 44.9) and 57.1 (prev. 47.7), respectively, with prices paid at 59.0 (exp. 60.5, prev. 58.5), and also production, supplier deliveries, and inventories all improved. Highlighting the stellar report, the headline registered the fastest pace of expansion in over three years, new orders came in strong, backlog of orders rose, and low customer inventories suggested there will be momentum in the sector. However, Oxford Economics notes that comments remained downbeat, with policy uncertainty the largest drag on sentiment. This uncertainty is bleeding through to employment, which is lagging the demand indicators, with a continued use of layoffs in addition to attrition.

FED BOSTIC (2027 voter, retiring end of Feb): Fed chair job is a very large job; to have policy go in a direction you want, you have to build trust with the committee, show wisdom, and guidance. He added that it is a huge undertaking for Warsh, and he's got a tall task. Even though Bostic is retiring soon, he has no rate cuts for 2026 pencilled in, and that one or two cuts would put them at neutral. Regarding inflation, not through tariffs and premature to say that the job is done.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7+ TICKS LOWER AT 111-19

T-Notes flatten after hot ISM mfg PMI reading. At settlement, 2-year +4.1bps at 3.568%, 3-year +4.5bps at 3.643%, 5-year +4.0bps at 3.835%, 7-year +3.6bps at 4.051%, 10-year +3.6bps at 4.277%, 20-year +3.4bps at 4.860%, 30-year +3.5bps at 4.910%.

THE DAY: Treasuries were little changed ahead of the ISM Manufacturing PMI (Jan) report, paring overnight gains gradually through

the European morning. Upon the better-than-expected headline, which saw expansion in the mfg sector for the first time in 12 months, yields across the curve moved higher as new orders, production, and supplier deliveries all accelerated M/M. The week was meant to be heavy in data, perhaps paving the way for volatility to reenter the space. However, the partial shutdown has seen the JOLTS (Dec) and NFP (Jan) that were scheduled for this week delayed; rescheduled dates will be known once the shutdown is over. Attention will likely be on Kevin Warsh for any current outlook on the economy/policy/balance sheet as his lack of recent media appearances has left uncertainty about his policies a lot more heightened than that of his soon-to-be peers. ZN H6 hit highs of 112'02 before hitting lows of 111'16+ on ISM.

SUPPLY

[QRA estimates](#)

- Treasury expects to borrow USD 574bln in Q1 (prev. 578bln, exp. 550bln), sees end cash balance of USD 850bln; to borrow USD 109bln in Q2, sees end cash balance of USD 900bln. Note, QRA is 08:30EST/13:30GMT on Wednesday.

BILLS

- US sold 3-month bills at high rate 3.600%, B/C 2.81x; sold 6-month bills at high rate 3.525%, B/C 3.08x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 2.2bps (prev. 3.5bps), April 5.8bps (prev. 7.2bps), June 17.3bps (prev. 21.1bps), December 47.4bps (prev. 51.4bps).**
- NY Fed RRP op demand at USD 10.42bln (prev. 9.63bln) across 8 counterparties (prev. 8).
- EFR at 3.64% (prev. 3.64%), volumes at USD 101bln (prev. 104bln) on January 30th.
- SOFR at 3.68% (prev. 3.65%), volumes at USD 3.275tln (prev. 3.166tln) on January 30th.

CRUDE

WTI (H6) SETTLED USD 3.07 LOWER AT 62.14/BBL; BRENT (J6) SETTLED USD 3.02 LOWER AT 66.30/BBL

The crude complex was heavily sold as US/Iran rhetoric seemingly eased, after weeks of escalating tension. At the reopening of trade, WTI and Brent had gapped lower amid risk-off sentiment, but also as Trump told reporters on Saturday that Iran was "seriously talking", after Tehran's top security official Larijani said arrangements for negotiations were underway. In more recent updates, Axios reported that a senior US official said the US-Iran meeting on Friday will focus on trying to reach a "package deal" that would prevent war with Iran; the Trump admin hopes the Iranians will come to the summit ready to make significant compromises. Also adding to the bearish sentiment was the Dollar strength, and also forecasts of milder weather in the US, and finally, Kazakhstan's Tengiz oilfield production is expected to reach 430k BPD by the 4th February. Finally, on Sunday, OPEC+ agreed to keep its oil output unchanged for March. WTI traded between USD 61.39-64.74/bbl and Brent 65.45-68.83.

EQUITIES

CLOSES: SPX +0.54% at 6,976, NDX +0.73% at 25,739, DJI +1.05% at 49,408, RUT +1.02% at 2,640

SECTORS: Energy -1.98%, Utilities -1.54%, Real Estate -1.12%, Communication Services +0.34%, Technology +0.46%, Health +0.61%, Materials +0.71%, Consumer Discretionary +0.72%, Financials +1.03%, Industrials +1.26%, Consumer Staples +1.59%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.99% at 6,007, Dax 40 +1.00% at 24,785, FTSE 100 +1.15% at 10,342, CAC 40 +0.67% at 8,181, FTSE MIB +1.05% at 46,005, IBEX 35 +1.25% at 18,104, PSI +0.51% at 8,706, SMI +1.80% at 13,416, AEX +0.78% at 1,010

STOCK SPECIFICS:

- **NVIDIA (NVDA):** Plans to invest up to \$100bln in OpenAI to support training & operation of AI models has stalled after internal doubts
- **NVIDIA (NVDA)/OpenAI** deal is reportedly still on the table, according to CNBC citing a source
- **Oracle (ORCL):** Plans to raise \$45-50bln this year to expand its Cloud infrastructure; following, Fitch rates senior notes offering 'BBB' & affirms IDR w/ outlook stable
- Trump launches USD 12bln mineral stockpile to counter China; Of note for CRML, USAR, MP, UUUU. UAML.
- **IDEXX (IDXX):** EPS & profit beat
- **McDonald's (MCD):** Upgraded at BTIG to 'Buy' from 'Neutral'.
- **Disney (DIS):** Top, bottom line surpassed exp. & on track to repurchase \$7bln of stock in FY26; close to naming new CEO
- **Humana (HUM):** Downgraded at Morgan Stanley to 'Underweight' from 'Equal Weight'.
- **BYD (BYDDY):** Weak Jan. sales (-30% Y/Y) signalled cooling demand.; Of note for LI, XPEV, NIO.

FX

USD started the week firm against all G10 peers, as sentiment on the buck continues to improve following the Kevin Warsh Fed Chair nomination. As such, precious metals saw weakness against Friday's close and continued lower, showing some modest signs of a reversal of the debasement trade. A better-than-expected ISM Manufacturing PMI reading in January saw US yield across the curve move higher, allowing for the dollar to sustain its move higher. Manufacturing printed 52.6, its first expansion in 12 months and the largest expansion since 2022 supported by an expansion in new Orders (57.1 vs prev. 47.4) as well as production (55.9 vs prev. 50.7). At the Fed, Bostic argues that one or two rate cuts would put them at neutral and said its premature to say that the inflation job is done. Given the partial government shutdown, the BLS have delayed the January NFP report due Friday and the December

JOLTS report due Tuesday.

G10FX was sold against USD on the above themes, with CHF leading the losses amid the improvement of risk sentiment surrounding the dollar, as enthusiasm to seek dollar alternatives eased. Relative outperformers include GBP, NZD, and AUD. Ahead, the focus will be on the RBA overnight, whereby the RBA is widely expected to hike the Cash Rate by 25bps to 3.85% following recent strong jobs data and hotter-than-expected inflation. Money markets assign a 76% chance of a 25bps hike vs the 24% priced in for no change. AUD/USD trades at 0.69440 from earlier 0.6909 lows. [Click here for the RBA Newsquawk Preview.](#)

SNB's Chairman Schlegel reiterated typical commentary on Monday, arguing they can cut rates below zero, but need a higher threshold. He said current rates are appropriate and again said they can be active in the FX markets. USD/CHF erased last week's losses, climbing back to ~0.7800 while EUR/CHF peaked at 0.9218 before paring to ~0.9194.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com