

Anthropic eases AI disruption concerns as Indices retrace early losses

- **SNAPSHOT:** Equities up, Treasuries down, Crude down, Dollar up, Gold up.
- **REAR VIEW:** Anthropic partnerships ease concerns over AI disruption; Trump's 10% global tariff rate takes effect; Iran's Deputy FM says Tehran is ready to take any necessary step to reach a deal with the US; Japan's PM reportedly relays to BoJ reservations about more rate hikes; Trump reportedly considers new national security tariffs after SCOTUS agreement; EU trade official says US have reassured them that they will stand by US-EU trade deal; Soft US 2yr auction; META and AMD announce AI deal; NVO to cut US Wegovy and Ozempic drug prices.
- **COMING UP: Data:** Australian CPI (Jan), German GfK (Mar), GDP Final (Q4), Swiss Sentiment (Feb), EZ HICP Final (Jan). **Speakers:** US President Trump; RBA's Bullock; Fed's Musalem, Barkin, Schmid. **Supply:** Germany, US. **Earnings:** NVIDIA, Salesforce, Snowflake, TJX Companies, Lowe's, Synopsys, HSBC, Bayer, Fresenius.

MARKET WRAP

US indices pared into initial losses, led by weakness in Nvidia, but soon reversed and buoyed by the Anthropic presentation just after the open, which boosted many names that Anthropic has announced they are, or will be, partnering with, potentially quelling some AI disruption fears surrounding these names. A lot of the names hit from AI disruption fears like software are turning around amid the presentation. Sectors are predominantly firmer, with Consumer Discretionary and Technology atop of the breakdown, with the latter boosted by AMD (+8.7%), after they signed a deal with META, while Salesforce (+4.1%) gained after Anthropic, in their presentation, noted they are "leading the transformation". Health and Energy are the only sectors in the red. The Dollar was mixed against peers, with activity currencies all seeing strength to varying degrees against the Greenback and supported by the turnaround in risk sentiment. The Yen was the clear G10 underperformer and hit on reports that PM Takaichi raised reservations about rate hikes to BoJ Governor Ueda. The crude complex saw two-way trade, but ultimately lower amid more constructive US/Iran relations, as Iran's Deputy Foreign Minister remarked that Tehran is ready to take any necessary step to reach a deal with the US, and a strike on Iran is a real gamble. Treasuries were slightly lower in choppy action, as moves continue to be dictated by AI. Spot gold saw losses, as did Bitcoin, but is off its earlier lows. No real US data was of note on Tuesday as market reactions were limited, while there were a couple of Fed speakers, but they did not say much to move the needle. Ahead, Trump's State of the Union address is in focus ahead of Nvidia earnings on Wednesday.

US

CONSUMER CONFIDENCE: Note, the cutoff date for the preliminary results was February 17, namely before the SCOTUS ruling on Friday that deemed Trump's IEEPA tariffs illegal, as well as Trump's 15% global tariff replacement. US Consumer Confidence rose more than expected in February to 91.2 (exp. 87.0) from January's 84.5, supported by consumers' feeling less pessimistic about future economic conditions. The Present Situation Index fell to 120.0 from 121.8, as consumers' views on current business conditions ticked higher for "bad", 19% from 17.3%, while only moved higher for good to 19.7% from 19.6%. On the labour market, 28% of consumers said jobs were plentiful, vs 25.8% seen in January, while 20.6% said jobs were "hard to get", up from 19.0%. The Expectations Index rose to 72.0 from 67.2, with consumers less pessimistic about future business conditions, less negative about the labour market and slightly more optimistic about income prospects in the future. 21% expected business conditions to worsen (prev. 23.7%), 26.1% anticipated fewer jobs (prev. 28.7%), 17.3% of consumers expected their incomes to increase (prev. 17.2%). Consumers' year-ahead inflation expectations declined in February, lowering to 5.5% from 5.6%. The labour market differential—the share of consumers saying jobs are "plentiful" minus the share saying jobs are "hard to get"—rose 0.6% to +7.4%. Oxford Economics notes that the labour market differential still suggests the unemployment rate will rise to 5% in 2026.

FED's COOK (voter, neutral): Said the neutral rate could fall over time, particularly if AI-driven productivity gains are fully realised or if labour market transitions lead to greater income inequality, which could lower the neutral rate all else equal. However, she also noted that the current AI-driven investment surge may mean the neutral rate is presently higher than it was pre-pandemic. Cook highlighted that policymakers could face trade-offs between inflation and unemployment in such an environment, arguing that education and workforce policies may be better suited than monetary policy to address structural labour market challenges. She warned that in a productivity boom, rising unemployment may not necessarily signal economic slack, and conventional demand-side easing could risk fuelling inflation without resolving AI-driven job displacement. While the unemployment rate remains low at 4.3% and layoffs are subdued, she acknowledged uncertainty around the scale and intensity of the labour market transition, noting that job displacement could precede job creation, temporarily lifting unemployment and reducing participation.

FED's GOOLSBEE (2027 voter, dovish): The Chicago Fed President is optimistic there can be more rate cuts this year, but reiterated not until inflation is heading back to target. He adds that progress on inflation has stopped and is concerned if it remains stuck above the target. Goolsbee notes it can't bank on coming productivity to lower inflation or use that as a rationale for rate cuts, and argued that it is not obvious that Fed policy is even restrictive. He described core services inflation ex-housing as stubbornly high. He stated that consumer spending, not AI investment, has been the main driver of economic growth, with economic growth and the labour market not seemingly fragile. The low hiring, low firing environment fuelled by uncertainty looks set to continue with the SCOTUS tariff ruling, he said. Goolsbee believes the job market and growth are quite steady.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 2+ TICKS LOWER AT 113-09+

T-notes see two-way trade whilst sentiment remains driven by AI. At settlement, 2-year +2.1bps at 3.461%, 3-year +1.8bps at 3.462%, 5-year +1.7bps at 3.598%, 7-year +1.4bps at 3.795%, 10-year +1.0bps at 4.037%, 20-year +0.2bps at 4.635%, 30-year -0.1bps at 4.694%.

THE DAY: T-notes flattened on Tuesday with moves led by the front-end. Trade was quite choppy after a quiet overnight and European session. T-notes largely saw two-way price action in the US session, with market focus remaining on AI disruption. However, some of the recent fears were softened somewhat today as Anthropic announced a slew of new partnerships - many of the companies that were hit by Anthropic's abilities are actually partnering with Anthropic, helping software names rally. US data saw the FHFA house price index rise 0.1% M/M, under the 0.3% forecast, while the Case-Schiller house prices declined 0.1% M/M. Consumer Confidence beat, while ADP weekly employment also accelerated somewhat. The Dallas Fed Services index declined, while the Philly Fed non-manufacturing survey also worsened. The Atlanta Fed GDP Now estimate for Q1 was unchanged at 3.1%. Elsewhere, Fed speak largely centred around AI, but Cook said the neutral rate could fall over time if the labour market transition leads to a rise in income inequality. However, the AI-driven investment surge means it is possible that the current neutral rate is higher than before the pandemic. Goolsbee largely reiterated recent remarks, noting he is optimistic there can be more rate cuts this year, but not until inflation is heading back to target. He continues to emphasise concerns around core services prices.

SUPPLY

Bills

- US sold 6-week bills at high rate 3.635%; B/C 2.82x
- US to sell USD 105bln in 4-week bills and USD 95bln in 8-week bills on February 26th, and to sell USD 69bln in 17-week bills on February 25th; all to settle to March 3rd

Notes

- Overall, a relatively soft 2-year auction. The US sold USD 69bln of 2-year notes at a high yield of 3.455%, tailing the when issued by 0.1bps. The tail is worse when compared to the prior stop through of 1.4bps and six auction average stop through of 0.5bps. The bid-to-cover fell to 2.63x from 2.75x, in line with recent averages. The breakdown saw an uptake in direct demand to 34.3% from 28.3%, above the 32.0% average. However, indirect demand slumped to 55.91% from 64.4%, below the 57.1% average. This left dealers with 9.8% of the supply, above the prior but below recent averages.
- US to sell USD 70bln of 5-year notes on February 25th and USD 44bln of 7-year notes on February 26th; all to settle March 2nd
- US to sell USD 28bln of 2-year FRN's on February 25th; to settle February 27th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 2.7bps (prev. 3.2bps), June 12.0bps (prev. 13.6bps), December 54.8bps (prev. 57.3bps).
- NY Fed RRP op demand at 0.92bln (prev. 0.88bln) across 17 counterparties (prev. 7)
- SOFR at 3.66% (prev. 3.66%), volumes at USD 3.197tln (prev. USD 3.224tln) on February 23rd
- EFRF at 3.64% (prev. 3.64%), volumes at USD 97bln (prev. USD 101bln) on February 23rd

CRUDE

WTI (J6) SETTLED USD 0.68 LOWER AT 65.63/BBL; BRENT (J6) SETTLED USD 0.72 LOWER AT 70.77/BBL

The crude complex saw two-way trade on Tuesday, but ultimately lower amid more constructive US/Iran relations. WTI and Brent saw choppy trade overnight and through the European session to hit highs of USD 67.15/bbl and Brent 71.90, respectively, albeit in thin oil-specific newsflow. However, this soon changed, and immediate downside ensued in the space as Iran's Deputy Foreign Minister remarked that Tehran is ready to take any necessary step to reach a deal with the US, and a strike on Iran is a real gamble. As such, benchmarks fell to intraday lows as participants digested the comments, and continued grinding lower into the close to settle at troughs. Prior to these comments, oil did see some modest upside as White House, on Iran, said Trump's first option is always diplomacy, but is willing to use lethal force when and if necessary. On the supply front, Transneft has reportedly cut crude oil intake by 250k BPD after Monday's attack on a major pumping station, and Venezuela is reportedly readying larger crude cargoes for exports starting in March and exports of Venezuelan oil to expand to India. Ahead, traders await private inventory data after-hours, whereby current expectations are (bbls): Crude +1.5mln, Distillate -1.6mln, Gasoline -0.6mln.

EQUITIES

CLOSES: SPX +0.77% at 6,890, NDX +1.09% at 24,977, DJI +0.76% at 49,175, RUT +1.20% at 2,652

SECTORS: Health -0.53%, Energy -0.11%, Communication Services +0.22%, Real Estate +0.23%, Financials +0.47%, Consumer Staples +0.69%, Materials +0.79%, Utilities +1.09%, Technology +1.17%, Industrials +1.23%, Consumer Discretionary +1.58%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.10% at 6,121, Dax 40 +0.12% at 25,022, FTSE 100 -0.04% at 10,681, CAC 40 +0.26% at 8,519, FTSE MIB -0.10% at 46,652, IBEX 35 -0.54% at 18,190, PSI +0.25% at 9,269, SMI +1.08% at 13,994, AEX +0.34% at 1,020

STOCK SPECIFICS:

- **Diamondback Energy (FANG):** Profit light.
- **Hims & Hers Health (HIMS):** Light next quarter revenue view.
- **Home Depot (HD):** Profit & rev. beat, raised div. 1.3% & SSS surprisingly rose
- **JPMorgan (JPM):** Q1 IB fees & trading rev. exp. to rise by a mid-teens percentage Y/Y; now sees FY NII of ~\$104.5bln (prev. 103bln)
- **Keurig Dr Pepper (KDP):** EPS & rev. beat
- **Keysight Tech (KEYS):** Top, bottom line beat & issued stronger than exp. next quarter outlook.
- **Meta (META)** signs blockbuster **AMD (AMD)** deal to spend billions on AI gear & to acquire shares of AMD.
- **Novo Nordisk (NVO)** to cut Ozempic & Wegovy prices by up to 50% starting Jan. '27, WSJ reports.
- **PayPal (PYPL)** attracting takeover interest from banks & at least one large rival w/ with some parties considering the whole Co. & others specific assets
- **Warner Bros. Discovery (WBD)** confirmed that it has received a revised proposal from Paramount Skydance (PSKY), but the Netflix (NFLX) merger agreement remains in effect, and the Board continues to recommend in favour of the Netflix transaction.
- **Anthropic** unveiled 10 new ways for business customers to plug in its tech to key areas of work; could help with Investment Banking tasks like reviewing deals, Wealth-Management tasks such as portfolio analysis and HR related tasks. Other items include plug-ins for private equity, engineering and design. Novo Nordisk (NVO), Accenture (ACN), Infosys (INFY), Spotify (SPOT), Intuit (INTU), Factset (FDS), Thomson Reuters (TRI), DocuSign (DOCU), LegalZoom (LZ), and Intercontinental Exchange (ICE) moved higher as partnerships with these companies were mentioned, raising concerns that AI will disrupt software-related names.
- Citron Research is short **SanDisk (SNDK)**, "The market is pricing SanDisk like it's Nvidia (NVDA). There's one problem: NVIDIA has a moat. SanDisk sells a commodity."
- **Unity Software (U)** reportedly considering selling China business, according to Bloomberg.
- **Apple (AAPL)** shareholders approve all co. proposals at annual meeting, including note on executive pay, but reject shareholder proposal asking for report on China entanglements, via Apple AGM; CEO Cook said co. continues to plan for an annual increase to the dividend.
- **Klaviyo (KVYO)** and **Google (GOOGL)** announce strategic partnership to power autonomous customer experiences.
- Stripe is considering an acquisition of all or parts of **PayPal (PYPL)**, Bloomberg reports.

FX

The Dollar was mixed against peers on Tuesday, with DXY's modest gains a function of JPY weakness (more below) as opposed to US specifics. Risk-off sentiment seen to start the week, arising from AI disruption, was eased following optimistic announcements between AI firm Anthropic and software-related names, allowing the likes of AUD to reverse earlier weakness. Elsewhere, focus was on data and Fed speak. US Consumer Confidence rose in February, with consumers feeling less pessimistic about future economic conditions, while ADP's weekly private job figures picked up, and the Richmond Fed Manufacturing Index contracted at a faster rate in February. Fed speak highlights included Goolsbee (2027 voter) reiterating that more progress is needed on inflation before resuming rate cuts.

JPY was weighed by two reports, firstly in overnight trade following the Nikkei report that several senior US officials said the "rate checks" carried out when JPY weakened in Jan were initiated by US Treasury Secretary Bessent rather than at Japan's request. Later, the more notable move came on Mainichi reports that Japan's PM Takaichi relayed to BoJ Governor Ueda reservations about further rate hikes, being stricter than their previous meeting, sources said. Shortly after the news, USD/JPY hit session highs of 156.28 before retreating to ~155.79 at the time of writing.

GBP was muted amid a deluge of remarks from BoE policy makers. The main takeaway is that a cut in April/May remains an open question for markets, with Governor Bailey saying a rate cut in April is a genuinely open question. Pill kept hawkish, issuing concerns over future policy easing with risks still to the upside on achieving the inflation target. Cable finished the session flat at ~1.3498 from earlier 1.3537 highs.

HUF was modestly firmer against EUR in the aftermath of the NBH's decision to cut rates by 25bps, as expected to 6.25%. Governor Varga reiterated a data-dependent approach, with the 25bps cut the only option discussed at the meeting.

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