

First to Market

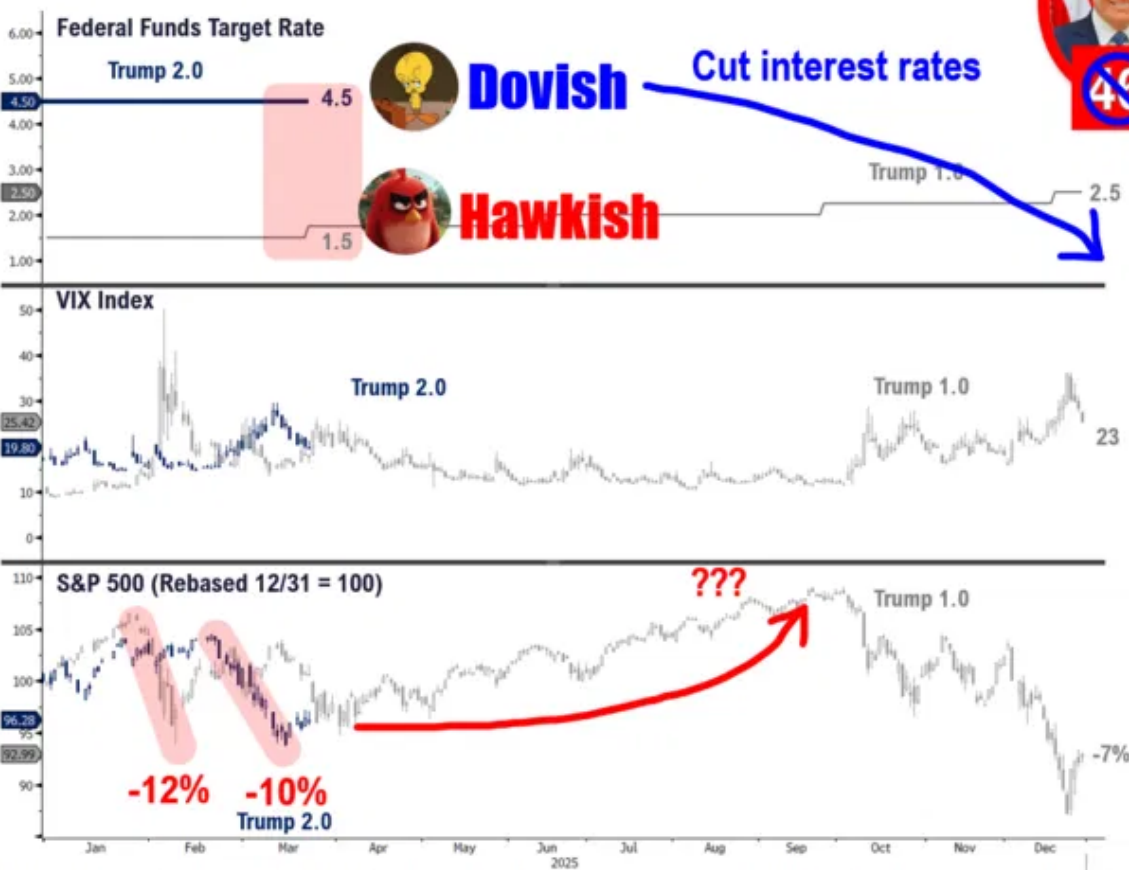
March 21, 2025

## The Joe We Need

*"Way down among Brazilians / Coffee beans grow by the billions / So they've got to find those extra cups to fill / They've got an awful lot of coffee in Brazil." – Frank Sinatra*

## Chart of the Day

Fed Funds, VIX, & S&P 500 during Trump 1.0 vs. Trump 2.0  
2025 vs. 2018



FOTR Index (Federal Funds Target Rate - Upper Bound) 2018 vs 2025 FF VIX SPX Daily 31DEC2024-31DEC2025 Copyright © 2025 Bloomberg Finance L.P. 20-Mar-2025 17:32:32

Source: Fundstrat Bloomberg

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## Good morning!

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Coffee consumption in the U.S. is at a 20-year high, with 67% of Americans drinking coffee daily and 75% drinking coffee at least once a week. That means that there's a decent chance that you're reading this newsletter while sipping a cup of the ol' bean juice. As most know, almost all of our coffee is imported. The only significant coffee-growing region in the U.S. is in Hawaii, with its rich volcanic soil and perfect combination of sunshine, humidity, and mild evenings. But even if the state's Kona coffee wasn't so highly prized (and priced), it wouldn't be enough for Americans – volume-wise, it accounts for less than 1% of what we drink. Kona coffee a premium item, not your everyday cup of Joe.

In the near-term, this has thus led to some real concern about [how President Donald Trump's tariffs could affect the price of what gets so many of us going in the morning](#). Yet even before Trump re-entered the Oval Office, coffee prices had been on the rise. On global commodity markets, Arabica coffee hit all-time highs of around \$4.30 a pound by mid-February. Rising demand, including from countries that have not historically been known as coffee aficionados (China and India for example), accounts for part of this. Also playing a role are adverse weather conditions affecting the coffee harvest in major growing regions such as Vietnam and, with all due respect to Mr. Sinatra (see above), Brazil.

There is a case to be made that any tariff-related effect on consumer prices of goods like coffee will be, [as Federal Reserve Chair Jerome Powell put it](#), ["transitory"](#), but if tariffs won't keep coffee prices elevated, a changing climate might.



Some are working on a solution to both problems by boosting domestic production. Efforts are being made to [revive](#) the coffee industry of Puerto Rico, where the island's coffee was once so well-regarded it was known as the "[the Coffee of Popes and Kings](#)." But risk takers are also hoping to produce coffee beans in parts of the U.S. recently made feasible due to climate change – to wit, areas that previously were not warm enough [might now be](#). Areas under consideration include southern California and [Florida](#), where nearby avocado and citrus trees (respectively) could facilitate coffee cultivation by providing needed shade and protection.

This is by no means a solution that will materialize any time soon, especially since newly planted coffee trees take three to four years to start producing coffee beans (seeds). Frinj Coffee, a passion project backed by the singer Jason Mraz, is currently selling whole beans grown around Santa Barbara, California, at an eye-watering \$128/pound, making continental U.S. coffee cultivation very much a distant dream of a select few. Nevertheless, one thing is for certain: U.S. demand for coffee isn't going away anytime soon, so why not seek a way to fulfill some of that demand at home?

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## Catch Up With Fundstrat

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When we look at back at 2018, we see stocks recovered from tariff news and rallied strongly. [One of the fuels we see in 2025](#) is the possibility of a sizable drop in the VIX across all future expirations.

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## TECHNICAL

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As of the last two days, the entire downtrend from mid-February has been exceeded, and signs of Consumer Staples faltering last week proved to be an excellent early technical bullish sign for [the prospects of U.S. equity markets trying to bottom out](#).

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## CRYPTO

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Market reaction function arguably is improving, but in our view, not enough to warrant drastic changes to our near-term outlook. We saw some evidence yesterday to suggest that crypto markets might not have completely priced in the risks of tariffs, so [we are inclined to think there is still downside risk](#) should those tariffs be implemented.

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## News We're Following

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### **Breaking News**

- London's Heathrow Airport shut down after power-station fire, causing travel chaos [SEM](#)

### **Markets and economy**

- Home sales rose 4.2% in February, beating expectations [WSJ](#)
- EU delays implementing first retaliatory tariffs on U.S. goods to middle of April [CNBC](#)

### **Business**

- Boston Celtics sold for \$6.1 billion, a record price for pro sports [WSJ](#)
- Nvidia CEO Huang says he was wrong about timeline for quantum, surprised his comments hurt stocks [CNBC](#)
- Darden Restaurants lifts sales with bigger footprint, popular dishes [WSJ](#)
- X sues Modi's government over content removal in new India censorship fight [REU](#)

### **Politics**

- Musk set to receive top-secret briefing on U.S. war plans for China [WSJ](#)



- Judge bars Musk's DOGE team from Social Security records in scathing ruling [CNBC](#)
- Trump signs order seeking to abolish education department [WSJ](#)
- Trump to expand critical mineral output using wartime powers [BBG](#)

### Overseas

- China to add cobalt, copper in boost to state metal reserves [BBG](#)
- Canada's new prime minister Mark Carney expected to call April 28 snap election [SEM](#)
- UK issues travel warning for US [HILL](#)

### Of Interest

- Zimbabwe sports minister elected first female Olympics president [ET](#)

### Overnight

S&P Futures -18 ▼ point(s) (-0.3% ▼)  
Overnight range: -28 ▼ to +12 ▲ point(s)

### APAC

Nikkei -0.2% ▼  
Topix +0.29% ▲  
China SHCOMP -1.29% ▼  
Hang Seng -2.19% ▼  
Korea +0.23% ▲  
Singapore -0.1% ▼  
Australia +0.16% ▲  
India +0.63% ▲  
Taiwan -0.75% ▼

### Europe



Stoxx 50 **-0.76%** ▼  
Stoxx 600 **-0.74%** ▼  
FTSE 100 **-0.46%** ▼  
DAX **-1.0%** ▼  
CAC 40 **-0.72%** ▼  
Italy **-0.57%** ▼  
IBEX **-0.27%** ▼

## FX

Dollar Index (DXY) **+0.18%** ▲ to 104.03  
EUR/USD **-0.2%** ▼ to 1.0829  
GBP/USD **-0.22%** ▼ to 1.2938  
USD/JPY **+0.43%** ▲ to 149.42  
USD/CNY **+0.02%** ▲ to 7.2508  
USD/CNH **+0.07%** ▲ to 7.2575  
USD/CHF **+0.18%** ▲ to 0.8835  
USD/CAD **+0.07%** ▲ to 1.4335  
AUD/USD **-0.29%** ▼ to 0.6285

## Crypto

BTC **-0.46%** ▼ to 84116.32  
ETH **-0.53%** ▼ to 1968.79  
XRP **-1.45%** ▼ to 2.4094  
Cardano **-1.41%** ▼ to 0.711  
Solana **-0.22%** ▼ to 127.72  
Avalanche **-0.64%** ▼ to 18.61  
Dogecoin **-1.12%** ▼ to 0.1676  
Chainlink **-0.52%** ▼ to 14.14

## Commodities and Others



VIX **+2.88%** ▲ to 20.37  
WTI Crude **-0.45%** ▼ to 67.95  
Brent Crude **-0.22%** ▼ to 71.84  
Nat Gas **-1.21%** ▼ to 3.93  
RBOB Gas **-0.45%** ▼ to 2.181  
Heating Oil **-0.63%** ▼ to 2.24  
Gold **-0.51%** ▼ to 3029.33  
Silver **-1.76%** ▼ to 33.0  
Copper **-0.75%** ▼ to 5.047

## US Treasuries

1M **-1.3bps** ▼ to 4.2728%  
3M **-2.2bps** ▼ to 4.2689%  
6M **-1.2bps** ▼ to 4.2166%  
12M **-2.5bps** ▼ to 4.0307%  
2Y **-2.0bps** ▼ to 3.9438%  
5Y **-1.9bps** ▼ to 3.9925%  
7Y **-1.6bps** ▼ to 4.1089%  
10Y **-1.2bps** ▼ to 4.2252%  
20Y **-0.6bps** ▼ to 4.5798%  
30Y **-0.5bps** ▼ to 4.5507%

## UST Term Structure

2Y-3 ▼M Spread narrowed 3.6bps to **-36.6** ▼ bps  
10Y-2 ▼Y Spread widened 0.8bps to 27.7 bps  
30Y-10 ▼Y Spread widened 0.8bps to 32.4 bps

## Yesterday's Recap

SPX **-0.22%** ▼  
SPX Eq Wt **-0.42%** ▼



NASDAQ 100 -0.3% ▼  
NASDAQ Comp -0.33% ▼  
Russell Midcap -0.4% ▼  
R2k -0.65% ▼  
R1k Value -0.25% ▼  
R1k Growth -0.22% ▼  
R2k Value -0.51% ▼  
R2k Growth -0.77% ▼  
FANG+ -0.79% ▼  
Semis -0.16% ▼  
Software -0.41% ▼  
Biotech -0.99% ▼  
Regional Banks -0.68% ▼ SPX GICS1 Sorted: Utes +0.42% ▲  
Energy +0.42% ▲  
Fin +0.19% ▲  
Healthcare +0.11% ▲  
REITs -0.09% ▼  
Cons Disc -0.19% ▼  
SPX -0.22% ▼  
Comm Svcs -0.32% ▼  
Indu -0.46% ▼  
Tech -0.49% ▼  
Cons Staples -0.52% ▼  
Materials -0.62% ▼

## USD HY OaS

All Sectors +0.5bp ▲ to 358bp  
All Sectors ex-Energy +0.1bp ▲ to 323bp  
Cons Disc +1.2bp ▲ to 347bp  
Indu +0.7bp ▲ to 265bp  
Tech +1.8bp ▲ to 362bp  
Comm Svcs -0.2bp ▼ to 551bp





Materials **+0.1bp ▲** to 321bp  
 Energy **-0.0bp ▼** to 353bp  
 Fin Snr **+0.1bp ▲** to 304bp  
 Fin Sub **-2.9bp ▼** to 228bp  
 Cons Staples **-0.2bp ▼** to 232bp  
 Healthcare **+1.1bp ▲** to 370bp  
 Utes **-1.0bp ▼** to 245bp \*

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
3/24	9:45AM	Mar P S&P Manu PMI	51.8	52.7
3/24	9:45AM	Mar P S&P Srvcs PMI	51.2	51.0
3/25	10AM	Mar Conf Board Sentiment	94.0	98.3
3/25	10AM	Feb New Home Sales	680.0	657.0
3/25	10AM	Feb New Home Sales m/m	3.5	-10.5
3/26	8:30AM	Feb P Durable Gds Orders	-0.7	3.2
3/27	8:30AM	4Q T GDP QoQ	2.4	2.3

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