

Stocks lower amid mixed Iran headlines, while bonds gain on Dove Waller

- **SNAPSHOT:** Equities down, Treasuries up, WTI up, Brent down, Dollar flat.
- **REAR VIEW:** Iran ready to discuss limitations on its uranium enrichment, but, zero enrichment will undoubtedly be rejected; EU/E3/Iran meeting yields little progress, but to continue talking; US prepares action targeting allies' chip plants in China; Japan scraps US meeting after Washington demands more defence spending; Fed's Waller says in a position to cut as early as July while Barkin in no rush to cut interest rates; Dismal UK Retail Sales; Slightly hotter-than-expected Japanese CPI; PBoC sets strongest CNY fix since March 17th; Japan to cut 20yr issuance more than expected; Disappointing Philly Fed.
- **COMING UP: Data:** Japanese CPI, UK PSNB, Retail sales, US Philly Fed Business Index, Leading Index Change, Canadian Producer Prices & Retail sales, EU Consumer Confidence. **Events:** Quad witching, Chinese LPRs, Japanese MOF Bond Meeting & Minutes, Iranian Foreign Minister Araghchi meets with European Ministers. **Speakers:** ECB Governing Council Macroprudential Forum, BoJ's Ueda. **Holiday:** Sweden, Finland, New Zealand.
- **WEEK AHEAD:** Highlights include inflation data from the US, Canada, Aus; Global PMIs; BoJ Summary of Opinions. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing Banxico; reviewing FOMC, SNB, BoE, BoJ, PBoC, BCB, CBRT, Norges Bank, Riksbank. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Light earnings schedule although FDX, MU, and NKE all report. [Click here for the full list.](#)

MARKET WRAP

US stocks saw choppy trade action amid quad-witching as participants returned from the Juneteenth market holiday on Thursday, whereby upside was seen in equity futures in response to the two weeks Trump has given himself to decide whether to attack Iran. Friday, however, saw cash equities close lower, amid a few important headlines. Stocks found upside from an Iranian Senior official who said Iran is ready to discuss limitations on its uranium enrichment. The move sparked immediate downside in crude, which has now ultimately pared and also saw a swift reversal as the official quickly added they will undoubtedly reject a zero enrichment proposal. In addition, likely supporting the crude rebound were the talks in Geneva between the E3/EU/Iran, which have seemingly yielded little progress thus far, with the only positive being that discussions will continue. Note, WTI ended the day with slight gains, Brent with notable losses, as the disparity came due to no WTI settlement on Thursday on account of the US market holiday. Aside from geopolitics, two headlines weighed on stocks: 1) WSJ reporting US prepares action targeting allies' chip plants in China, 2) Japan scraps US meeting after Washington demands more defence spending, via FT. Sectors saw mixed performance, with Energy, Staples, and Utilities gaining, while Communications and Materials saw losses. Separately, fixed income was helped by two factors as Fed's Waller stuck with his very dovish stance, and Philly Fed disappointing. On the former, Waller said their in a position to cut as early as July, and shouldn't wait for the job market to tank before cutting rates. Meanwhile, Barkin (2027 voter) sees no rush to cut rates, citing nothing urgent seen in the data warranting such a move. In FX, the Dollar haven bid was weighed on by the possible hopes of limitation on uranium enrichment in Iran. GBP was modestly lower against USD following a poor UK Retail Sales report, Yen was little bothered by a slightly hotter than expected CPI report, and CAD traded within tight ranges after a disappointing retail sales report. While Trump's deadline for a decision on Iran is due within two weeks, military action or diplomacy could occur at any time, and as such, participants will be very wary of weekend risk given any possible escalation.

US

PHILLY FED: Philly Fed headline was unchanged in June at -4, but expectations were for it to rise to -1, albeit still remain in negative territory. In the breakdown, Employment plunged below zero to -9.8 from +16.5, its lowest value since May 2020, while the inflationary gauge of Prices Paid encouragingly dropped to 41.4 from 59.8. New Orders and Capex dipped to 2.3 (prev. 7.5) and 14.5 (prev. 27.0), respectively, but Shipments rose 21 points to 8.3, its first positive reading since March, with the 6m index tumbling to 18.3 from 47.2.

WALLER (voter) was the first Committee member to speak since the blackout, and spoke very dovishly, a stance he has had for a notable while. Waller said central banks should look through tariff effects on inflation, and the Fed is in a position as early as July for cuts. As a reminder, the median dot plot for year-end 2025 had 50bps of cuts. Waller added the Fed has room to bring rates down and then can see what happens with inflation, and not sure if the committee would go along but the data is good, unemployment is low, and inflation is close to target. The dove said the process should start slow to be sure there are no surprises and if there is a shock the Fed could pause. On data, said so far the data has been fine, with no reason to wait much longer to cut, and The Fed has been on pause for six months waiting for an inflation shock that has not arrived. Further still, Waller said the central bank Fed should not wait for the job market to crash in order to cut rates; don't want to wait for the job market to tank before cutting rates, and tariffs will not be completely passed through, and a 10% tariff on all imports would not have much impact on overall inflation.

BARKIN (2027 voter) conformed to the usual rhetoric we heard from Fed members pre-decision, and also as Powell toed in the press conference on Wednesday. The Richmond Fed President said he sees no rush to cut interest rates and is not ready to dismiss inflation risk from tariffs. Regarding future plans, added nothing urgent in the data warranting a rate cut at this point.

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 6 TICKS HIGHER AT 110-31+

T-Notes find support from Fed's Waller touting a July rate cut, and a poor Philly Fed. At settlement, 2s -3.1bps at 3.910%, 3s -3.1bps at 3.862%, 5s -2.8bps at 3.961%, 7s -2.4bps at 4.153%, 10s -1.8bps at 4.377%, 20s -0.6bps at 4.902%, 30s -0.5bps at 4.891%.

INFLATION BREAKEVENS: 5yr BEI +1.1bps at 2.376%, 10yr BEI +1.5bps at 2.327%, 30yr BEI +1.3bps at 2.302%.

THE DAY: During APAC trade, T-Notes were choppy before selling into and throughout the European morning, as perhaps the development on Juneteenth (Trump giving 2 weeks to decide on Iran pathway) pressured T-Notes recent haven bid. Lows of 110-16 were seen. Nonetheless, a reversal soon followed for the remainder of the day, kicked off by a poor Philly Fed and, more importantly, a once again Dovish Waller. Waller believes the Fed is in a position as early as July for cuts, and he signalled willingness to front-run easing before a slowdown/tank in the job market, contrary to peers who'd advocate for a more restrictive policy, as highlighted by Barkin, who sees no rush to cut interest rates. Barkin sees nothing urgent in data warranting a rate cut at this point, stating the job market and consumption are holding up. The upside in T-Notes continued for the remainder of the day, hitting highs of 111-03 with the short end outperforming as money markets once again go back to pricing two full 25bps rate cuts from the Fed by year-end.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: July 4bps (prev. 4bps), September 20bps (prev. 19bps), Oct 34bps (prev. 32bps), Dec 51bps (prev. 48bps).**
- NY Fed RRP op demand at USD 138bln (prev. 205bln) across 25 counterparties (prev. 40).
- EFRF at 4.33% (prev. 4.33%), volumes at USD 109bln (prev. 104bln).
- SOFR at 4.28% (prev. 4.31%), volumes at USD 2.639tln (prev. 2.692tln).

CRUDE

WTI (Q5) SETTLED USD 0.34 HIGHER AT USD 73.84/BBL; BRENT (Q5) SETTLED USD 1.84 LOWER AT USD 77.01/BBL

WTI ended the day with slight gains, Brent with notable losses, as the disparity came due to no WTI settlement on Thursday on account of the US market holiday, whereby Trump said he will make a decision in the next two weeks whether to attack Iran. Benchmarks saw notable weakness to hit lows in the US morning of USD 72.32/bbl and 75.51/bbl after a senior Iranian official noted Iran is ready to discuss limitations on its uranium enrichment. Although some of the move was pared as he swiftly added zero enrichment will undoubtedly be rejected, especially now under Israel's strikes. Thereafter, attention turned to the E3-EU-Iran meeting, whereby the readout since has been mixed – EU official said no further Europe-Iran nuclear talks scheduled yet, while Iran foreign minister said Iran sees serious and respectful discussion and it is ready to consider diplomacy once again, but made it crystal clear that Iran's defence capabilities are not negotiable. From the US, Trump reportedly presided over a national security meeting on Iran at the White House. For the record, the weekly Baker Hughes rig count saw oil rigs decrease once again to 438 from 439, while nat gas dipped 2 to 111, leaving the total down 1 to 554. Concluding, Iran/Israel has dominated the tape, and given the conflicting reports, it has seen massive moves in WTI and Brent with ranges of USD 67.84-75.74/bbl and 70.56-79.04/bbl, respectively, as such participants will be cognizant of weekend risk and any further escalation.

EQUITIES

CLOSES: SPX -0.22% at 5,968, NDX -0.43% at 21,626, DJI +0.08% at 42,207, RUT -0.17% at 2,109

SECTORS: Communication Services -1.83%, Materials -0.66%, Health -0.46%, Technology -0.26%, Consumer Discretionary -0.20%, Real Estate -0.08%, Industrials +0.14%, Utilities +0.26%, Financials +0.27%, Consumer Staples +0.62%, Energy +1.05%.

EUROPEAN CLOSES: DAX: +1.17% at 23,327, FTSE 100: -0.20% at 8,775, CAC 40: +0.48% at 7,590, Euro Stoxx 50: +0.75% at 5,236, AEX: -0.09% at 909, IBEX 35: +0.73% at 13,845, FTSE MIB: +0.74% at 39,231, SMI: -0.30% at 11,858, PSI: +0.71% at 7,445

STOCK SPECIFICS:

- **US** prepares action targeting allies' chip plants in China, WSJ reports. A top US official told global semi makers he wants to revoke waivers they have used to access US tech in China, sources said.
- **QXO (QXO)** proposed to acquire **GMS (GMS)** for USD 95.20/shr or ~USD 5bln; following this, WSJ said Home Depot (HD) also has made an offer for **GMS**, though the price remains undisclosed.
- **Mars'** \$36bln bid for **Kellanova (K)** is expected to face a full EU antitrust probe.
- **Temu's (PDD)** US weekly sales fell >25% from May 11th to June 8th as it sharply cut ad spending amid Trump's tariff actions.
- **Delta Air Lines (DAL)** raised quarterly dividend by 25%.
- **Softbank (SFTBY)** founder is proposing a USD 1tln industrial complex in Arizona with **TSMC (TSM)**.
- EU and Turkey take aim at **Google (GOOGL)**.
- **Mondelez International (MDLZ)** upgraded to 'Overweight' from 'Equal Weight' at Wells Fargo; sees the "intersection" of price execution, "ever-muted" inflation in 2026 and a low relative valuation creating the "optimal bull case" for Mondelez.

EARNINGS:

- **Accenture (ACN):** EPS & revenue beat, but consulting bookings notably missed.
- **Darden Restaurants (DRI):** FY26 guidance light; EPS beat with revenue in line & authorised USD 1bln share buyback programme.
- **CarMax (KMX):** Top & bottom line surpassed expectations.

FX

The Dollar ended the day flat, but concluded the week with gains as the Middle East has dominated direction despite the FOMC on Wednesday. Back to Friday, Philly Fed disappointed, but Fed's dove Waller gave notable remarks, albeit didn't garner much of a reaction. Waller has been known to be out of consensus for a while now, and he did not miss a beat today, noting the Fed is in a position as early as July for cuts. Barkin (2027 voter) toed the usual Fed line and followed Powell on Wednesday as he sees no rush to cut interest rates, and nothing urgent in the data warranting a rate cut at this point. Aside from that, Israel/Iran took the highlights, with Trump stating on Thursday [on US market holiday] he will decide within two weeks whether to attack Iran. DXY traded between 98.536-98.898.

G10 FX largely saw losses against the Greenback with Antipodeans and the JPY lagging, while EUR was the distinct outperformer and saw gains, while GBP was flat. Currency-specific newsflow was light, and the Euro strength was likely driven by the positive geopolitical updates and lower oil prices. EUR/USD traded between 1.1491-1.1543. Overnight there was hotter-than-expected Japanese CPI, but muted reaction was seen in the Yen. USD/JPY saw an earlier low of 145.13 but currently sits at its high of 146.00. USD/CAD traded between tight parameters, although Canadian retail sales disappointed, with ex-autos M/M even unexpectedly falling. Antipodeans were hit by the broader risk sentiment, and AUD/USD and NZD/USD hit lows of 0.6452 and 0.5965, respectively, a level they both currently sit around.

GBP was choppy as it saw immediate weakness on a dismal UK retail sales report, as the headline plunged 2.7% M/M against an expected decline of 0.5%. On the data, volumes fell across all sectors, and primarily in food stores, though a particularly strong prior figure appears to be influencing that component to a degree. Overall, the data skews the dial towards the dovish side of the BoE – as a reminder June's decision was unchanged but subject to dissent from three MPC members who wanted a 25bps cut. However, the main focus point remains on the progress of disinflation, for which there are numerous relevant data points before the August MPC.

EMFX was broadly weaker, although ZAR did strengthen against the Greenback amidst a lack of any data/notable headlines. Despite saying that, the Yuan saw modest upside overnight as the PBoC set USD/CNY mid-point at 7.1695 (exp. 7.1801, prev. 7.1729), which was the strongest CNY fix since March 17th.

Copyright © 2025 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

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