

Stocks gain & oil slumps on 'de-escalatory' Iran response

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down
- **REAR VIEW:** US attacks Iran's nuclear facilities; Iran retaliated with attack on US military base, but notified US & Qatar in advance; Trump calls Iran's response very weak & calls for world peace; Fed's Bowman joins Waller in camp supporting July cut; US Mfg & Services flash PMIs better-than-expected; US existing home sales unexpectedly rise; Mixed flash PMIs out of Europe; TSLA launches Robotaxi in Austin.
- **COMING UP: Data:** German Ifo, Canadian Inflation, US Consumer Confidence, NZ Trade. **Events:** NBH Policy Announcement. **Speakers:** BoE's Bailey, Greene, Ramsden, Pill, Breeden; ECB's Lagarde, de Guindos, Lane; Fed's Powell, Hammack, Williams, Collins, Barr. **Supply:** UK, Germany, US. **Earnings:** FedEx, Carnival.
- **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.](#)
- **US WEEKLY EARNINGS ESTIMATES** Light earnings schedule although FDX, MU, and NKE all report. [Click here for the full list.](#)

MARKET WRAP

US indices ended the day with gains in what was a very choppy session as Middle East tensions ruled the roost. At the reopening of trade, the crude complex gapped higher while US equity futures gapped lower after the US attacked Iranian nuclear sites over the weekend in what was a clear escalation of the Israel/Iran war. As such, WTI and Brent soared to highs of USD 78.40/bbl and 81.40/bbl, respectively, before swiftly paring amid profit-taking and an absence of further escalation in the US morning. However, as the session continued and European players left for the day, the Iranian retaliation attack on the US occurred, but it was largely seen as 'de-escalatory' and as such WTI and Brent tumbled to lows of USD 68.20/bbl and 71.15/bbl, highlighting a USD 10/bbl swing in benchmarks on the day, while US indices gained. On Iran's response, it was seen as a 'symbolic' attack on the US rather than one to cause damage - Iran warned Qatar and the Trump admin hours before the attack to limit the damage, and while they attacked the largest US military base in the Middle East, it has been widely circulated that it has been vacated with no personnel in it at the moment. Note, that reports initially said Iran targeted bases in Qatar, Kuwait, and Iraq, but a US military official confirmed no Iranian attack was recorded at any US base other than Qatar. The Dollar was also choppy but ultimately settled with losses amid risk-on trade to the benefit of the majority of G10 peers. On top of geopolitics, which did dominate, Fed's Bowman was notably dovish and joined the Waller camp in stating open to cutting rates as soon as the July FOMC meeting if inflation pressures stay contained. The reaction saw a dovish move across markets, so Treasuries and Equities lifted, while the Dollar sold off. Sectors were exclusively firmer, aside from Energy, which was weighed on by the losses in the crude complex. Elsewhere, US Flash PMIs garnered little reaction but Mfg. was surprisingly unchanged, against an expected fall, while Services fell less than anticipated. Into the close, the above moves accentuated as Trump posted on Truth, the Iran response was very weak, confirmed Iran had let them know, no US officials died, and now encourages world peace.

US

BOWMAN (voter) struck a notably dovish tone, following in the footsteps of known dove Waller last week, continue to highlight a potential divide forming between FOMC Committee members. Bowman said she is open to cutting rates as soon as the July FOMC meeting if inflation pressures stay contained, and 'it is time to consider adjusting the policy rate'. Bowman added they should put more weight on downside risks to the job market going forward, and trade policy is only likely to have 'minimal impacts' on inflation. She added data not showing much impact from trade policy shifts, the Government policy changes should lower inflation risks, and tariffs likely to have a small impact on inflation. Note, that Bowman, after Waller, is the second Committee member to signal a willingness for a July cut, and both of them are Governors. The year-end 2025 median SEP dot plot signalled 50bps of cuts, but with a hawkish composition, as if 1 Committee member shifted to 25bps of cuts this year (from 50bps) the median would have shifted to 25bps of cuts.

GOOLSBEE (2025 voter) said it's critical to look at soft economic data at the current moment of transition. On tariffs, the Chicago Fed President said the impact is blunted by lowered levels and exemptions, the surprise so far is that inflation has not jumped yet on tariffs, and "Less immediate pass through of tariffs relative to past". Moreover, if they don't see an inflation jump on tariffs, then the economy is still on the golden patch. On the job market, Goolsbee noted so far, immigration enforcement hasn't had a major impact on the job market.

S&P GLOBAL FLASH PMI: US composite index fell to 52.8 from 53.0, and was largely due to Services PMI falling to 53.1 from 53.7, albeit above the expected 53.0. Mfg. was unchanged at 52.0, but again above the forecasted 51.0. The June flash PMI data indicated that the US economy continued to grow, but that the outlook remains uncertain while inflationary pressures have risen sharply in the past two months. The report further adds that stronger domestic demand is partly due to stock building, although "Such a boost is likely to unwind in the coming months", and noted that "Prices for goods have meanwhile jumped sharply again, the rate of increase accelerating to a three year high as firms pass higher tariff-related costs on to customers." The report concludes, "...data therefore corroborate speculation that the Fed will remain on hold for some time..."

EXISTING HOME SALES: Existing Home Sales unexpectedly rose 0.8% in May to 4.03mIn (exp. 3.95mIn, prev. 4.0mIn). Supply of unsold inventory rose to 4.6 months' worth, the highest reading since 2016, from 4.4 in April. NAR Chief Economist Yun writes that the relatively subdued sales are largely due to persistently high mortgage rates, and 'if mortgage rates decrease in the second half of this year, expect home sales across the country to increase due to strong income growth, healthy inventory, and a record-high number of jobs'. Oxford Economics baseline assumes rising mortgage rates and softer labor market conditions as the Trump administration's tariffs fully feed through to inflation and growth, and "both should keep a lid on home sales over the balance of 2025".

FIXED INCOME

T-NOTE FUTURES (U5) SETTLED 15 TICKS HIGHER AT USD 111-14+

T-Notes ended the day with gains as Bowman turned dove, in what was a choppy session as geopolitics dominated the tape. At settlement, 2s -6.8bps at 3.840%, 3s -7.0bps at 3.791%, 5s -6.5bps at 3.896%, 7s -5.6bps at 4.097%, 10s -4.1bps at 4.334%, 20s -3.0bps at 4.871%, 30s -2.0bps at 4.869%.

INFLATION BREAKEVENS: 5yr BEI -4.1bps at 2.340%, 10yr BEI -3.2bps at 2.299%, 30yr BEI -2.3bps at 2.281%.

THE DAY: T-Notes saw some haven attraction on the re-opening of trade, given the geopolitical escalation over the weekend, whereby the US attacked Iranian nuclear facilities. As such, T-Notes hit initial intra-day peaks of 111-04, but the move pared through the EU morning to hit troughs of 110-24+ amid potential lack of escalation. However, as US participants entered for the week, T-Notes began pushing higher again and saw another fillip higher on dovish comments from Bowman, joining the Waller camp and seemingly creating a little divide within the Committee, as she is open to cutting rates as soon as the July FOMC meeting if inflation pressures stay contained. As a result, a dovish reaction was seen across markets with Refinitiv money market Fed pricing now seeing 58bps of cuts by year-end and September fully priced in, vs. 80% pre-remarks. Note, US S&P Global Flash PMIs were better than expected but garnered little reaction in Treasuries. Thereafter, Treasuries saw notable strength into settlement and hit peaks of 114-14, likely on the tumbling oil prices, as Iran retaliated to the US weekend strikes, but it was largely seen as de-escalatory and a 'symbolic' attack on the US rather than one to cause damage. Iran warned Qatar and the Trump admin hours before the attack to limit the damage, and while they attacked the largest US military base in the Middle East, it has been widely circulated that it has been vacated with no personnel in it at the moment. Note, reports initially said Iran targeted bases in Qatar, Kuwait, and Iraq, but a US military official confirmed no Iranian attack was recorded at any US base other than Qatar.

SUPPLY:

Bills:

- US sold USD 79bln of 3-mnth bills at 4.195%, covered 3.49x; sold USD 71bln of 6-mnth bills at 4.120%, covered 2.70x.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: July 6bps (prev. 4bps), September 26bps (prev. 20bps), Oct 40bps (prev. 34bps), Dec 58bps (prev. 51bps).**
 - NY Fed RRP op demand at 165bln (prev. 138bln) across 34 counterparties (prev. 25)
 - EFR at 4.33% (prev. 4.33%), volumes at USD 118bln (prev. 109bln).
 - SOFR at 4.29% (prev. 4.28%), volumes at USD 2.700tIn (prev. 2.639tIn).
- T-Notes ended the day with gains as Bowman turned dove, in what was a choppy session as geopolitics dominated the tape. At settlement, 2s -6.8bps at 3.840%, 3s

CRUDE

WTI (Q5) SETTLED USD 5.33 LOWER AT USD 68.51/BBL; BRENT SETTLED USD 5.53 LOWER AT USD 71.48/BBL

The crude complex traded between extreme parameters, but settled with significant weakness and settled at lows, as markets read the Iran response as de-escalatory. Upon reopening, WTI and Brent gapped higher to hit peaks of USD 78.40/bbl and 81.40/bbl, respectively, after US launched an attack on Iranian nuclear facilities over the weekend and struck the Fordow facility, although the extent of the damage is yet to be confirmed, but Trump has said "the sites they hit were totally destroyed". After hitting highs, benchmarks significantly pared with desks citing profit taking and an Iran block on the Strait of Hormuz being an unlikely outcome despite the Iranian parliament endorsing the closure of Hormuz. Namely, ING points out that more than 80% of oil flows through Hormuz end up in Asia, meaning such a blockade would have a limited effect on China, whilst also hurting the relationship with China due to the disruption of oil flows. Thereafter, benchmarks saw fleeting upside just prior to the US cash equity open in the wake of Reuters sources noting US officials say Iranian retaliation could come as soon as the next day or two. However, Iran's response to the US attacks over the weekend swiftly followed, and it attacked the Al Udeid Air Base in Qatar, although many of its US personnel had been evacuated of US personnel for a little while. As such, given the heads-up warning and it being deemed a more 'symbolic' attack, WTI and Brent significantly sold off and hit troughs of USD 68.20/bbl and 71.15/bbl, respectively. On the warning, NYT reported that Iran coordinated the attacks with Qatari officials and gave advanced notice that attacks were coming to minimise casualties, and Axios' Ravid noted the Trump admin was aware in advance. Regarding the actual retaliation, which has been deemed a de-escalation, there were reports Iran was targeting bases in Qatar, Kuwait, and Iraq, but a US military official confirmed no Iranian attack recorded at any US base other than Qatar, and Qatar said its air defences intercepted all missiles on the US military base. Meanwhile, US President Trump on Truth Social said, "Everyone, keep oil prices down. I'm watching!, and "To the DoE: Drill, baby, drill, and I mean now".

EQUITIES

CLOSES: SPX +0.96% at 6,025, NDX +1.06% at 21,856, DJI +0.89% at 42,582, RUT +1.11% at 2,133

SECTORS: Energy -2.51%, Health +0.11%, Communication Services +0.85%, Technology +1.01%, Financials +1.21%, Materials +1.22%, Utilities +1.26%, Industrials +1.29%, Consumer Staples +1.30%, Real Estate +1.49%, Consumer Discretionary +1.75%.

EUROPEAN CLOSSES: DAX: -0.33 % at 23,273, FTSE 100: -0.14 % at 8,762, CAC 40: -0.69 % at 7,538, Euro Stoxx 50: -0.23 % at 5,222, AEX: +0.91 % at 917, IBEX 35: -0.01 % at 13,843, FTSE MIB: -0.96 % at 38,856, SMI: -0.53 % at 11,835, PSI: -0.47 % at 7,410

STOCK SPECIFICS:

- **Tesla (TSLA)** launched Robotaxis in Austin.
- **QXO (QXO)** will not increase its USD 5bln offer for GMS (GMS), despite reports that Home Depot (HD) submitted a competing bid.
- **Fiserv (FI)** to launch a stablecoin & platform.
- **Super Micro Computer (SMCI)** proposed offering of USD 2bln of convertible senior notes due 2030 & may grant option to purchase further USD 300mln notes.
- **Estee Lauder (EL)** upgraded at Deutsche Bank to 'Buy' from 'Hold'.
- **Apple (AAPL)** locked in negotiations with Brussels regulators over making changes to its App Store.
- **Apple (AAPL)** and **Meta (META)** both looked at Perplexity AI.
- **Novo Nordisk (NVO)** terminated collaboration with **Hims & Hers Health (HIMS)**.

FX

The Dollar started the weekend on the back foot due to two main factors: 1) the pulling back of geopolitical risk premium, and 2) a dovish Fed Bowman. On the former, crude prices erased gains, and more, emanating from both the anticipation and actuality of the US bombing of Iranian nuclear facilities; downside was largely due to the Iranian response being limited on a US military base rather than taking an energy disruption approach, and also the prior warning it was coming to both the Trump admin and Qatar. Note, the Al-Udeid Air Base in Qatar (biggest US military installation in the region) has had many of its personnel evacuated in recent weeks. Concerning Bowman, she remarked similarly to Waller on Friday, now open to cutting rates as soon as July if pressures stay contained. The remarks sparked upside in T-Notes with money market pricing now putting the first Fed 25bps rate cut by September (prev. October). US data was mixed. The S&P Global PMI Comp fell, but manufacturing unexpectedly remained unchanged against a forecasted fall and a lesser-than-expected drop in the services. DXY now sits at ~98.30 with weakness most pronounced against CHF, SEK, and EUR,

In Europe, flash PMIs for June filled the calendar, with Germany beating on mfg. and services, France fell short on both, while the UK beat on mfg. but disappointed on services, and the EZ missed on mfg., but met expectations on the services front. A few modest moves were seen in response to the French and German releases in the bund space, but ultimately, trade was determined by the move in oil prices, where the mentioned crude price selloff left the **EUR** and **SEK** outperforming firmer due to their higher level of energy dependence. After EUR/USD failed a move below its 21 DMA of 1.1446, the pair now heads into APAC trade around highs of 1.1577. For **Cable** that sits at ~ 1.3520 while EUR/GBP was modestly lower at ~ 0.8550.

Haven FX was mixed with the CHF outperforming its JPY counterpart, putting USD/CHF at ~0.8120. **USD/JPY**, however, was little changed relative to other pairs, remaining a touch above 146, but well off earlier highs of 148.02. For Gold, prices were firmer by around USD 13/oz despite the perceived de-escalatory response from Iran.

In Mexico, Retail Sales fell 1% in April, the steepest drop since January 2024; meanwhile, Y/Y fell 2%, driven by declines in groceries and beverages, hardware and glass, and motor vehicles and fuel; USD/MXN ended the day modestly lower. On Tuesday, the focus is on the NBH, where expectations are for the deposit rate to stay firm at 6.5%.

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