

Stocks reverse Mag-7 led selloff as geopolitics dominate the tape

- **SNAPSHOT:** Equities, Treasuries mixed, Crude down, Dollar up, Gold down.
- **REAR VIEW:** Iran's Foreign Minister said it has reached an understanding on main principles with the US, but does not mean agreement will be reached soon; Russia-Ukraine talks reportedly tense; Ukraine to reject deal that involves unilaterally withdrawal from eastern Donbas region; Fed's Barr said outlook suggests steady rates for some time; Fed's Daly said 75bps to go to get to neutral; UK u/e rate ticks higher; US NAHB falls short; NY Fed Mfg. Index slightly beats; Canada CPI leans soft.
- **COMING UP: Holiday:** Chinese Spring Festival Golden Week (17-24 Feb). **Data:** Australian Wage Price Index (Q4), UK CPI (Jan), US Durable Goods, Industrial Production (Jan), Housing Starts (Nov/Dec), Atlanta Fed GDP. **Events:** RBNZ Policy Announcement; FOMC Minutes (Jan); US-Ukraine-Russia talks to take place (17-18 Feb). **Speakers:** RBNZ's Bremmen; ECB's Cipollone, Schnabel; Fed's Bowman. **Supply:** Australia, Germany, US. **Earnings:** Analog, Carvana, DoorDash, Booking Holdings, Moody's, Garmin, Glencore.
- **WEEK AHEAD:** Highlights include US PCE and GDP, FOMC Minutes, RBNZ, Flash PMIs, UK, Canadian and Japanese Inflation. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBNZ, FOMC Minutes, and RBA Minutes; Reviewing BoC Minutes. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season continues with retailer WMT the highlight. [Click here for the full report.](#)

MARKET WRAP

US indices were choppy on Tuesday, as US players returned from the US holiday, but ultimately settled with mild gains. After the US cash equity open, indices saw a notable sell-off with the Mag-7 leading the decline, ex-Apple, although swiftly pared through the afternoon. For Apple, Wedbush wrote that the recent selloff in the tech behemoth is unwarranted, and that 2026 will be the year Apple gets into the AI game. Data came via weaker-than-expected NAHB and NY Fed, which marginally topped on the headline, with internals steady; the latter sparked some gradual pressure in T-Notes. The highlight of the day, and dominating the tape, was geopolitical updates with both the US/Iran meeting, and also the trilateral confab between the US/Russia/Ukraine. On the former, the crude complex saw notable weakness after the Iranian Foreign Minister said they have reached an understanding on the main principles with the US, but it does not mean an agreement will be reached soon; the path has started. In more recent trade, US VP Vance remarked that in some ways, Iran talks went well, and Iranians are not yet willing to acknowledge some of Trump's red lines. On the trilateral meeting, where little new was learnt, Zelensky told Axios that the Ukrainian people would reject a peace deal that involves Ukraine unilaterally withdrawing from the eastern Donbas region and turning it over to Russia. The main sticking point is control of the Donbas, and talks in Geneva are expected to continue on Wednesday. The Dollar Index was marginally stronger, with Antipodeans and Yen the gainers, and the Pound the G10 loser on a weak UK jobs report. Treasuries were mixed across the curve, with the short-end weaker and the long-end seeing losses. Spot gold was lower and trades back beneath USD 4.9k/oz. Ahead, FOMC Minutes on Wednesday is arguably the highlight, as well as 20yr bond auction.

US

NY FED: The Empire State Manufacturing Survey fell to 7.1 from 7.7, above the 7.00 expected. Business activity increased modestly; new orders, inventories, unfilled orders and employment increased, while shipments and supply availability held steady. Additionally, the pace of input prices rose and selling price increases picked up with capital spending plans strengthening. Richard Deitz, Economic Research Advisor at the NY Fed, said firms remained optimistic that conditions would continue to improve, with employment expected to grow.

NAHB: NAHB housing market index for February unexpectedly fell to 36 from 37, shy of the expected 38. Within the release, current sales conditions held steady at 41, sales expectations in the next six months fell to 46 from 49, and traffic of prospective buyers dipped to 22 from 24. Overall, Oxford Economics notes that the report lends some downside risk to its forecast for housing starts to gradually improve over H1 '26. However, OxEco do think that lower mortgage rates and stabilising labour market conditions will eventually support an improvement in new home sales and housing construction, although builders will need to work off some of their existing inventory first.

FED's BARR (voter): Said it is prudent for the Fed to take time and look at data, before changing policy again; outlook suggests the Fed will hold rates steady for some time, and they can afford to take its time on monetary policy. On inflation, wants to see more evidence that inflation is ebbing to 2% target, and still sees 'significant risk' inflation will stay over 2% and believes it's reasonable to think price pressures will further cool. On labour, he noted that the market is in balance but vulnerable to shock, with recent data pointing to a stabilising job market. Elsewhere, Barr said the AI boom is unlikely to lead to lower Fed interest rates and added that there is little evidence so far that AI is driving up unemployment. Further, Barr said R-star has risen slightly but not dramatically and that AI investment is 'wildly indifferent' to what the Fed rate target is.

FED's DALY (2027 voter): Remarked that inflation is above target, and people are feeling stretched. Daly added that current policy is slightly restrictive, and has 75bps to get to neutral, and that they need to get inflation down.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 1+ TICK LOWER AT 113-04

T-notes flattened on return from long weekend, with longer end yields lower while the front-end rose. At settlement, 2-year +2.9bps at 3.439%, 3-year +2.3bps at 3.472%, 5-year +1.4bps at 3.623%, 7-year +0.9bps at 3.823%, 10-year -0.2bps at 4.054%, 20-year -1.3bps at 4.631%, 30-year -1.6bps at 4.683%.

THE DAY: T-notes saw minor gains overnight before paring gradually in the European morning with a lot of focus on geopolitical developments with US/Iran talks seemingly off to a good start. Meanwhile, the Russia/Ukraine talks had also begun. The data highlight of the day was the NY Fed Manufacturing and the Weekly ADP report. The NY Fed report was largely in line with expectations, falling slightly to 7.1 from 7.7, vs the 7.0 forecast. This represents a modest increase in business activity, while new orders rose, shipments were steady. Inventories rose, and supply availability held steady. Employment and average work week increased slightly after falling last month. Both input prices and selling price increases picked up. In the wake of the data, T-notes came under gradual pressure on the overall solid report - particularly with employment and inflation picking up, which bolsters the Fed's case for a pause. On which, Fed Governor Barr spoke, noting it is prudent for the Fed to take time and look at data before adjusting policy, and noting the outlook suggests the Fed will hold rates steady for some time. From Fed's Daly (2027 voter), she said they have 75bps to get to neutral. Attention this week turns to PCE and GDP data while 20-year and 30-year TIPS supply will also be in focus.

SUPPLY

Bills

- US sold 3-month bills at high-rate 3.600%, B/C 2.71x; sold 6-month at high-rate 3.500%, B/C 3.08x
- US sold 6-week bills at a high rate of 3.640%, B/C 2.75x; sold 52-week bills at a high rate of 3.345%, B/C 2.96x
- US to sell USD 69bln of 17-week bills on February 18th, and USD 95bln of 8-week bills and USD 105bln of 4-week bills on February 19th; all to settle on February 24th

Notes

- US Treasury to sell USD 16bln of 20-year bonds on Wednesday February 18th, and USD 9bln of 30-year TIPS on Thursday February 19th

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 1.3bps (prev. 1.3bps), April 5.3bps (prev. 6.2bps), June 19.1bps (prev. 21.2bps), December 59.2bps (prev. 62.2bps).**
- NY Fed RRP op demand at USD 0.4bln (prev. 0.4bln) across 5 counterparties (prev. 3)
- EFRF at 3.64% (prev. 3.64%), volumes at USD 90bln (prev. 97bln) on February 13th
- SOFR at 3.66% (prev. 3.65%), volumes at USD 3.169tln (prev. 3.205tln) on February 13th

CRUDE

WTI (J6) SETTLED USD 0.49 LOWER AT 62.26/BBL; BRENT (J6) SETTLED USD 1.23 LOWER AT 67.42/BBL

The crude complex is set to finish the day lower as geopolitics dominated the tape, with both US/Iran and US/Russia/Ukraine. Before delving into the necessary updates, the main move in the energy space came as the Iranian Foreign Minister said that they have reached a general agreement on a set of principles with the US, which sparked immediate downside. The Foreign Minister added that the two parties will welcome potential agreement documents and exchange them, but this does not mean an agreement will be reached soon, although the path has started; a date for the next round of talks with the US has not yet been decided. Note, prior to the talks, the strait of Hormuz was closed for hours due to drills. On the Russia/Ukraine/US trilateral talks, which added little new and were recently concluded, Zelensky told Axios that the Ukrainian people would reject a peace deal that involves Ukraine unilaterally withdrawing from the eastern Donbas region and turning it over to Russia. The main sticking point is control of the Donbas, around 10% of which is still in Ukrainian hands. Axios added that trilateral talks in Geneva are expected to continue on Wednesday. From the Russian side of things, Ria, citing sources, said the talks on Ukraine settlement in Geneva were tense, and we await a US readout. Note, weekly private inventory data is delayed a day on account of the US holiday on Monday. WTI traded between USD 61.87-64.14/bbl and Brent USD 66.82-69.04/bbl.

EQUITIES

CLOSES: SPX +0.10% at 6,843, NDX -0.13% at 24,702, DJI +0.07% at 49,533, RUT +0.00% at 2,647

SECTORS: Consumer Staples -1.51%, Energy -1.37%, Materials -1.16%, Communication Services -0.60%, Utilities -0.37%, Health -0.19%, Consumer Discretionary -0.02%, Industrials +0.45%, Technology +0.49%, Financials +0.99%, Real Estate +1.03%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.78% at 6,025, Dax 40 +0.82% at 25,005, FTSE 100 +0.79% at 10,556, CAC 40 +0.54% at 8,361, FTSE MIB +0.76% at 45,764, IBEX 35 +0.60% at 17,955, PSI +0.17% at 9,074, SMI +0.78% at 13,763, AEX +0.27% at 996

STOCK SPECIFICS:

- **Apple (AAPL):** Will hold a product launch on March 4th & preparing to announce several new devices in the coming weeks
- **CNH Industrial (CNH):** Profit light w/ disappointing FY EPS guidance.
- **Fiserv (FISV):** Jana Partners builds stake in the Co.

- **General Mills (GIS):** Cut annual sales & profit forecast.
- **Genuine Parts (GPC):** Top, bottom line light & confirmed plans to separate automotive and industrial businesses into two Cos.
- **Infosys (INFY):** Partnered with Anthropic.
- **Masimo (MASI)** to be acquired by Danaher (DHR) for \$180/shr; note, closed Fri. at \$130.15/shr.
- **Micron (MU):** WSJ article says MU is investing \$200bln to expand memory-chip production.
- **Norwegian Cruise Line Holdings (NCLH):** Elliott Investment has built a stake >10% & plans to push for changes to improve performance.
- **Warner Bros Discovery (WBD)** sets shareholder vote date for Netflix (NFLX) bid on March 20th & unanimously recommends shareholders reject latest **Paramount Skydance (PSKY)** offer, but gives PSKY a week to negotiate a better deal.
- **Apple (AAPL)** reportedly ramps up work on AI glasses, pendant and camera airpods, according to Bloomberg.
- **Anthropic** is introducing Claude Sonnet 4.6.

FX

The Dollar was mixed vs. G10 peers on Tuesday, with DXY modestly firmer, extending on Monday's gains. In the background, US yields on the short-to-mid end were firmer as bets over Fed rate cuts by year-end were slightly trimmed. Fed Governor Barr signalled no urgency to resume easing, believing the outlook suggests the central bank will hold rates steady for some time. Both him and Goolsbee (2027 voter) said today they want to see more evidence on inflation ebbing to the 2% target before entertaining further easing. DXY came well off the earlier highs, with downside in precious metals on reduced geopolitical risks between the US and Iran likely giving the dollar a floor. Now, DXY trades around 97.16, down from the earlier 97.546 highs.

G10 FX was mixed. **GBP** lagged following a soft labour market report, which saw the unemployment rate unexpectedly rise to 5.2% from 5.1%, a smidge beneath the peak BoE forecast of 5.3%. Moreover, wage growth slowed across both key measures. Cable dropped as low as 1.3496 before recovering to ~1.3560.

JPY and **Antipodes** outperformed against the USD with the turnaround in risk sentiment supporting the latter, while there was little newsflow out of Japan. Ahead, the NZD/USD (trades ~0.6050) is in focus given the upcoming RBNZ policy announcement. Expectations are for the OCR to be unchanged at 2.25%, with money markets in agreement. [Click here for the full Newsquawk RBNZ Preview.](#)

CAD reversed earlier weakness seen on a CPI report than leaned soft, finishing flat against USD. Headline Y/Y printed 2.3% (exp. 2.4%), Trimmed Mean Y/Y 2.4% (exp. 2.6%), while Median Y/Y matched expectations of 2.5%. Following the report, Oxford Economics expects the BoC will hold the policy rate at 2.25% until early 2027.

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