

### Tech weakness hits indices as NVDA slumps

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude down, Dollar up, Gold up
- **REAR VIEW:** NVDA earnings beat still underwhelms investors; Omani, Iranian, and US officials speak well of nuclear talks, set to continue next week; Initial claims tick higher, continued claims drop; Trump-Xi summit preparations reportedly behind schedule; US 7yr note auction shows improvement from 2- and 5yr auctions; Credit concerns renew amid bank exposure to UK Lender MFS collapse.
- **COMING UP: Data:** UK GfK Consumer Confidence (Feb), German Import Prices (Jan), French/Spanish/German CPI (Feb), German Unemployment Rate (Feb), Canadian GDP (Jan), US PPI (Jan). **Speakers:** BoE's Pill. **Supply:** Australia, Japan. **Earnings:** Holcim, BASF

### MARKET WRAP

It was largely a risk-off trade on Thursday as Nvidia (NVDA) post/pre-market upside failed to hold after a strong earnings report, with the stock ultimately closing -5.5%, weighing on broader indices. Tech led the downside with weakness in hardware names, although software names caught a reprieve after recent weakness following a slew of strong earnings last night, particularly Salesforce (CRM). While Financials outperformed in terms of sectors, a bout of weakness (including indices) was seen after a list of banks had reported exposure to the collapse of UK lender MFS. In which the judge cited accusations of fraud and double-pledging, similar to the causes behind the First Brands bankruptcy in 2025. Jefferies (JEF, -3.4%), Apollo (APO, -2.4%), Wells Fargo (WFC, -0.2%) and Barclays (BARC LN) had exposure, and as such underperformed while XLF kept onto its gains of 1.2%. Aside from Nvidia (NVDA), risk sentiment soured further amid reports via SCMP that the Trump-Xi summit preparations falter, with analysts warning that China wants a "many months" process to prepare for such a summit, expressing frustration around how limited US diplomatic channels are. Around the same time, tensions were rising amid reports from the morning US/Iran talks, which started off poorly, hitting sentiment further, supporting havens and lifting crude. However, crude gave back the gains after the afternoon talks were completed, which were ultimately seen as more positive with progress being made - technical talks set to resume in Vienna next week from Monday. Elsewhere, Jobless Claims data continued to show a low-hire, low-fire economy, while Fed speakers largely reiterated recent commentary. Goolsbee is optimistic about further rate cuts this year, but he needs to see inflation returning to target. Miran reiterated he wants 100bps of cuts this year. The 7-year T-note auction was better received than the 2- and 5-year supply earlier in the week, but there was little reaction. The dollar tracked the above risk-off drivers higher, before paring strength as geopolitical tensions eased after the second round of US-Iran negotiations; JPY outperformed following recent weakness, while GBP lagged as attention turns to local elections.

### US

**JOBLESS CLAIMS:** Initial Claims (w/e Feb 21st) rose to 212k from 208k, but below the 215k forecast. The four-week average rose by 750 to 220.25k. Meanwhile, the unadjusted data fell 16.7k to 193.1k, while seasonal factors expected a 19.8k drop. Continued Claims, for the preceding week (which coincides with the usual NFP survey window), fell to 1.833m from 1.864m, below the 1.86m forecast. The unadjusted data fell 50.4k to 2.15m while seasonal factors expected a 14.9k decrease. Regarding the initial claims, Pantheon Macroeconomics advise "against reading too much into the latest week-on-week change in adjusted initial claims, given that the seasonal factors have a tough job precisely capturing the fleeting impact on unadjusted claims from the President's Day holiday." The desk notes unadjusted claims are still very subdued, and layoffs remain at very low levels, and forward-looking indicators expect this to continue. It also highlights how hiring remains soft. Pantheon thinks that "leaves room for payroll growth to continue to undershoot the economy's 'break-even' pace, putting renewed upward pressure on the unemployment rate".

**FED'S MIRAN (Voter):** The Fed Governor reiterated that the Fed should cut by 100bps this year, whereby four cuts are appropriate and sooner rather than later. This confirms Miran is continuing to take a step back in his calls for 50bps rate cuts, and prefers a 25bps increment for 2026. Miran doesn't believe the US has an inflation problem. He views prices as stable and expects AI to be profoundly disinflationary. Miran thinks the labour market has been a bit better, but it is still too early to sound the all clear. He argues that monetary policy could offset the impact of credit card gaps. Meanwhile, Miran has not seen anything worrisome yet in private credit despite some bumps, noting it is not yet worrying from a macro perspective. On banking, he said banks are over-regulated, harming credit creation, and he is a big supporter of Bowman's agenda.

### FIXED INCOME

#### T-NOTE FUTURES (H6) SETTLED 8+ TICKS HIGHER AT 113-13+

**T-notes rally in risk-off trade.** At settlement, 2-year -2.7bps at 3.444%, 3-year -3.2bps at 3.452%, 5-year -3.7bps at 3.579%, 7-year -3.7bps at 3.775%, 10-year -3.2bps at 4.016%, 20-year -3.0bps at 4.607%, 30-year -2.78bps at 4.666%.

**THE DAY:** T-notes were firmer across the curve on Tuesday. Overnight trade was quiet, but T-notes rallied throughout the US session while the jobless claims data had little effect. The upside really kicked off after the US equity open, where any post- and pre-market gains in Nvidia (NVDA) were wiped out (and more) despite a stellar report. Meanwhile, the SCMP reported that the Trump-Xi summit preparations faltered as planning gaps unsettled Beijing. This further hit risk sentiment, weighing on equities and

boosting Treasuries, while at the same time, more haven demand was seen as the first stage of Iran/US talks this morning, which seemingly did not get off to a great start. Attention then shifted to the 7-year auction, which was better received than the 2 and 5-year supply earlier this week (see below). Later, the second part of the US/Iran talks concluded, which ultimately were a lot more optimistic than the morning session - talks resume next week. Fed speak saw Goolsbee largely reiterate recent commentary, noting he wants inflation to come down before easing policy, but he is still optimistic that the Fed can cut rates more this year.

## SUPPLY

### Bills

- US sold 8-week bills at high rate of 3.630%, B/C 2.80x; sold 4-week bills at high rate of 3.625%, B/C 2.88x
- US to sell USD 77bln 26-week bills and USD 89bln 13-week bills on March 2nd; to sell USD 90bln on March 3rd; all to settle on March 5th

### Notes

- The US sold USD 44bln of 7-year notes at a high yield of 3.790%, on the screws vs the When Issued. This was better than the prior and six auction average of a 0.4bps tail, and also a better sign of demand when compared to the 2- and 5-year issuance earlier in the week. The Bid-to-cover rose above recent averages to 2.50x, with these strong metrics despite a rally in T-notes ahead of the auction. The breakdown was more average, with direct demand rising to 26%, in line with recent averages, while indirect demand slipped to 63.6%, slightly above the 62.6% average, which left dealers with 10.4% of the auction, slightly lower than the prior and average.

## STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 3.2bps (prev. 2.7bps), June 11.3bps (prev. 10.8bps), December 54.2bps (prev. 52.3bps).
- NY Fed RRP op demand at 3.80bln (prev. 1.16bln) across 7 counterparties (prev. 7) on February 26th
- SOFR at 3.67% (prev. 3.67%), volumes at USD 3.232tln (prev. USD 3.239tln) on February 25th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 108bln (prev. USD 106bln) on February 25th

## CRUDE

**WTI (J6) SETTLED USD 0.21 LOWER AT USD 65.21/BBL; BRENT (J6) SETTLED USD 0.10 LOWER AT USD 70.75/BBL**

**The crude complex was choppy around US/Iran negotiations and ultimately settled mixed.** The US and Iran met in Geneva in two stages today. After the first stage, reports suggested that there's still uncertainty over Iran's stance on key issues in Geneva, and US officials question whether Iran's Supreme Leader will agree to the proposed terms. One of the key sticking points is seemingly over-enriched uranium, whereby the US wants Iran to destroy its three main nuclear sites, and asks Iran to deliver its remaining enriched uranium to the US, but Iran has said it will not allow enriched uranium to leave the country. The reporting after the first meeting took benchmarks to new highs ahead of the second stage of talks. The second stage was seemingly much more positive, with the Omani Foreign Minister (the mediator of talks), noting progress had been made, which sent crude prices lower. Iran also toed the same line, with the foreign minister Araghchi later stating that an agreement is imminent. There wasn't much reporting from the US side, but Axios said a US official told them that nuclear talks were positive. Technical discussions are set to resume next Monday in Vienna between the US and Iran. Around the settlement, Iran noted how they came very close to understanding and some issues remain a matter of dispute with Washington. Elsewhere, crude specific newsflow was pretty sparse amid no breakthrough in talks between US/Russia/Ukraine. WTI traded between USD 63.60-66.71/bbl and Brent between USD 69.16-72.36/bbl.

## EQUITIES

**CLOSES:** SPX -0.54% at 6,909, NDX -1.16% at 25,034, DJI +0.03% at 49,499, RUT +0.52% at 2,677

**SECTORS:** Technology -1.81%, Communication Services -0.75%, Consumer Discretionary -0.40%, Utilities -0.38%, Consumer Staples -0.37%, Health -0.23%, Materials -0.09%, Energy +0.26%, Real Estate +0.47%, Industrials +0.63%, Financials +1.29%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.28% at 6,156, Dax 40 +0.40% at 25,278, FTSE 100 +0.38% at 10,847, CAC 40 +0.72% at 8,621, FTSE MIB +0.53% at 47,423, IBEX 35 +0.19% at 18,497, PSI -0.30% at 9,268, SMI -0.56% at 13,904, AEX -0.74% at 1,022

### STOCK SPECIFICS:

- **Nvidia (NVDA):** EPS, rev. beat & issued stronger-than-exp. guidance, driven by a 75% surge in data centre rev. amid booming AI demand. Shares pared gains w/ traders underwhelmed by a routine beat & concerns over customer concentration, competition. Newsquawk review/sell-side piece available here
- **Salesforce (CRM):** FY rev. guide came in light; but EPS, rev. topped w/ a new \$50bln share buyback commitment
- **Snowflake (SNOW):** Top & bottom-line surpassed expectations.
- **Nutanix (NTNX):** AMD will buy \$150mln of NTNX stock & provide up to \$100mln to fund joint engineering & sales initiatives to develop an AI infrastructure platform
- **Zoom (ZM):** Profit light
- **The Trade Desk (TTD):** Weak next Q rev. outlook
- **Amazon (AMZN):** Plans to invest up to \$50bln in OpenAI
- **JM Smucker (SJM):** Strong results; Appoints 2 new independent directors following constructive engagement w/ Elliott

- Financials pared gains after reports **Barclays (BARC LN)**, **Atlas, Jefferies (JEF)**, **Wells Fargo (WFC)**, **Apollo Global Management (APO)**, and **Santander (SAN MC)** also among lenders to collapsed MFS.
- **Caesars Entertainment (CZR)** is considering takeover interest from several potential bidders, including Fertitta Entertainment, according to the FT, citing sources.
- **Paypal (PYPL)** and Stripe not currently in talks, Semafor reports.
- Victory Capital offers to buy **Janus Henderson Group (JHG)** for USD 57.04/shr.

## FX

**USD** was broadly firmer as the number of risk-off events unfolded. First-off was pressure in equities following the open as investors lacked enthusiasm over Nvidia earnings despite another earnings beat, which left tech names, particularly semiconductors, sold. Thereafter, concerns over a lack of progress in US-Iran talks after the morning round (later eased), dimming views on the preparations behind the upcoming US-China summit, as well as international bank exposure to a UK lender MFS's collapse, left the dollar in an attractive place. Separately, US data was contained to initial claims, which were modestly higher W/W, but lower than expected, while continued claims dropped after three consecutive weeks of gains; muted reaction across USD and yields was seen. DXY hit highs of 97.98 but later trimmed as geopolitical concerns were eased as Iran-US talks made progress, said Iranian, Omani and US officials.

**JPY** outperformed against USD, rising modestly as a lack of tier 1 data and BoJ policy-related remarks did little to move the needle. BoJ Governor Ueda reiterated the hiking bias, while hawkish dissenter Takata also stated that they must conduct further rate hikes in a gradual manner. ING believes 157.7 (Feb 9 high) could be retested soon; above that raises intervention risk, but Japanese authorities will likely wait until 160.

**Cyclical currencies** generally were on the backfoot as risk sentiment slipped, with GBP the notable laggard. A likely factor behind the underperformance was the aforementioned UK lender MFS, which collapsed, where the judge cited accusations of fraud and double-pledging of assets (similar to First Brands in 2025). Cable hit lows of 1.3345 before paring losses to around 1.3488 amid a pullback in the Dollar as geopolitical fears eased, while the financial sector drawdown on the news in the US proved short-lived. Attention turns to the Gorton and Denton by-election results tonight, which will be viewed as a testament to where the voters sit, largely focusing on Labour's/Reform's strength or weakness.

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