

## Credit risk concerns and US/Iran tensions hits risk sentiment

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar down, Gold up.
- **REAR VIEW:** Trump says undecided on Iran, not happy with how they negotiate; US Core and Headline PPI comes in hot; Hotter-than-expected French and Spanish Prelim CPI, but Germany State CPI prints soft; PBoC to cut FX Risk Reserve Ratio for forward FX sales; NFLX walks away from WBD deal, PSKY wins.
- **COMING UP: Data:** German Retail Sales (Jan), EZ/UK/US Final Manufacturing PMIs (Feb), US ISM Manufacturing PMI (Feb), Chinese RatingDog Manufacturing PMI (Feb), Japanese Unemployment Rate (Jan). **Speakers:** BoJ's Himino; BoE's Taylor, Ramsden; BoC's Kozicki, Macklem. **Earnings:** Riot Platforms, Norwegian Cruise Line, ASM International.
- **WEEK AHEAD:** Highlights include US NFP, Retail Sales, ISM PMIs, OPEC, EZ Flash HICP, ECB Minutes and Australian GDP. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing ECB Minutes; Reviewing PBoC LPR and BoK. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES** Earnings season abates with highlights including TGT, CRWD, AVGO, COST. [Click here for the full report.](#)

## MARKET WRAP

US indices were lower on Friday, amid credit risk and geopolitical tensions, but pared weakness into the close well off earlier troughs. Sectors were mixed, but Financials was the clear laggard as private credit fears continue to linger after the collapse of MFS earlier in the week exposed several US financials, including Wells Fargo, Apollo, and Jefferies. The ongoing private credit concerns may be prompting a rotation out of corporate credit and into safer government debt, underpinning USTs, which saw gains across the curve as Fed rate cut bets were eased for 2026. Energy was the sectorial gainer, and buoyed by the strength in WTI and Brent as US/Iran concerns remain ever-present and tensions rise on whether the US is going to strike Iran. Since the talks yesterday, Oman and Iran said talks were positive but in the most recent comments, Trump said he hasn't made a decision on Iran, but is not happy with how they negotiate. In the FX space, the Swissy outperformed on haven demand, alongside higher gold prices, although the Yen's gains were contained perhaps by the recent nominations put forth for the BoJ board, which are viewed as meaning looser policy in the short term. On the data footing, US PPI was much hotter than expected across the board, but despite the very hot core metrics, inflation fears were not reignited and perhaps due to the generally softer PCE components within the report. Into the weekend, participants will keep an eye on any geopolitical developments ahead of the US payrolls report next Friday.

## US

**PPI:** Overall, the headline and core metrics were hotter than expected in January. The headline M/M rose 0.5%, above the 0.3% forecast and accelerating from the prior 0.4%. The Y/Y rose 2.9%, easing from the prior 3.0% but hotter than the 2.6% forecast. The core metrics surged 0.8% M/M above the 0.3% forecast and prior 0.6%, while the Y/Y rose 3.6% up from the prior 3.3% and forecast of 3.0%. Despite the very hot core metrics, inflation fears were not reignited. This is perhaps due to the generally softer PCE components within the report. Portfolio management and domestic air passenger transport fees eased, while in healthcare, physician care costs rose, but others were little changed, or eased - hospital outpatient care declined 0.86% from the prior 0.02%. Regarding the large upside, Pantheon Macroeconomics highlights that this was driven by a 2.5% jump in trade services prices, unwinding the squeeze in H2 of 2025. The desk notes that PPI and CPI data indicate the Core PCE deflator rose 0.27% in January, and 2.9% Y/Y from the 3.0% in December. Pantheon adds that "Looking ahead, inflation is likely to be broadly unchanged over the next four months" and expects core PCE to drop sharply from June, ending the year marginally above the 2% target, helping Warsh make the case immediately for looser policy.

## FIXED INCOME

### T-NOTE FUTURES (H6) SETTLED 14 TICKS HIGHER AT 113-27+

**T-notes rally on geopolitical risk premium into the weekend while Treasuries attract bond investors worried about corporate credit risk.** At settlement, 2-year -5.3bps at 3.379%, 3-year -6.2bps at 3.382%, 5-year 5.3bps at 3.512%, 7-year -5bps at 3.719%, 10-year -4.2bps at 3.962%, 20-year -2.9bps at 4.571%, 30-year -2.4bps at 4.634%.

**THE DAY:** T-notes largely meandered overnight before rising throughout the European morning and throughout the US session. Upside was seemingly driven by the FTQ bid as geopolitical tensions rise on whether the US is going to strike Iran. Since the talks on Thursday, Oman and Iran said talks were positive, but the silence from the US has been deafening. However, most recently, Trump said he hasn't made a decision on Iran and is not happy with how they negotiate. Meanwhile, embassies are being evacuated in the Middle East, which has bolstered fears around a potential strike, although nothing is confirmed yet. Elsewhere, private credit fears lingered, with financials tumbling on Friday after the collapse of MFS earlier in the week exposed several US PE names and banks — including Wells Fargo, Apollo, and Jefferies. The ongoing private credit concerns may be prompting a rotation out of corporate credit and into safer government debt, underpinning US T-notes. Data today saw a very hot PPI report, albeit this was buoyed by a jump in trade price services, while the PCE components were not too daunting. Pantheon Macroeconomics expects the Core PCE deflator at 0.3%, with the Y/Y at 2.9% - easing from 3.0% in December.

## SUPPLY

### Bills

- 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

## STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 5.2bps (prev. 3.2bps), June 15.1bps (prev. 11.3bps), December 61.2bps (prev. 54.2bps).**
- NY Fed RRP op demand at USD 16.32bln (prev. 3.80bln) across 10 counterparties (prev. 7)
- SOFR at 3.67% (prev. 3.67%), volumes at USD 3.262tln (prev. USD 3.232tln) on February 26th
- EFR at 3.64% (prev. 3.64%), volumes at USD 108bln (prev. USD 108bln) on February 26th

## CRUDE

**WTI (J6) SETTLED USD 1.82 HIGHER AT 67.02/BBL; BRENT (K6) SETTLED USD 2.03 HIGHER AT 72.87/BBL**

The crude complex ended the day, and week, with gains as Iran/US escalating tensions concerns continue to linger. On Friday, negotiations ended without a deal but with both sides agreeing to continue technical talks. Mediators cited "unprecedented openness" and narrowing gaps on nuclear limits and sanctions relief, though key sticking points remain. However, in more recent trade, US President Trump remarked he hasn't made a decision on Iran and is not happy with how they negotiate, but said there will be additional talks on Friday [today]. He reiterated he wants to make a deal, and they cannot have a nuclear weapon, and when asked about using military force in Iran, said don't want to, but sometimes you have to. Overall, the lack of agreement, paired with ongoing geopolitical uncertainty, kept a bid under crude as some gear towards potential US action this weekend. Note, Polymarket currently sees a 26% chance of the US striking Iran by March 2nd. In other news, the weekly Baker Hughes rig count saw oil fall 2 to 407, natgas rise 1 to 134, leaving the total down 1 at 550. WTI traded between USD 64.85-67.83/bbl and Brent USD 70.42-73.54/bbl.

## EQUITIES

**CLOSES:** SPX -0.43% at 6,879, NDX -0.30% at 24,960, DJI -1.05% at 48,977, RUT -1.68% at 2,632

**SECTORS:** Technology -2.17%, Financials -1.99%, Consumer Discretionary +0.03%, Industrials +0.23%, Real Estate +0.50%, Materials +0.80%, Utilities +1.07%, Communication Services +1.44%, Consumer Staples +1.51%, Energy +1.68%, Health +1.77%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.51% at 6,130, Dax 40 +0.09% at 25,312, FTSE 100 +0.59% at 10,911, CAC 40 -0.47% at 8,581, FTSE MIB -0.46% at 47,210, IBEX 35 -0.73% at 18,361, PSI +0.09% at 9,276, SMI +0.94% at 14,045, AEX +0.45% at 1,027

### STOCK SPECIFICS:

- **Meta (META):** Agreed multi-year deal worth billions of dollars to rent Google's tensor processing units; Separately, last week, META scrapped its most advanced internally developed AI training chip
- **Block (XYZ):** Slashed >40% of workforce tied to a strategic shift towards AI & raised FY guidance
- **Dell (DELL):** Stellar Q4 results & guidance, driven by a sharp jump in AI server demand & a rapidly expanding backlog
- **Netflix (NFLX)** declined to match Paramount Skydance's (PSKY) revised \$31/shr all-cash offer for Warner Bros. Discovery (WBD), walking away from its previous. \$27.75/shr agreement
- **Intuit (INTU):** Profit & rev. topped but issued a disappointing outlook
- **Zscaler (ZS):** Guidance disappointed investor expectations
- **CoreWeave (CRWV):** Deeper loss per shr. than exp. w/ weak next Q rev. guide
- **Flutter (FLUT):** Rev. light alongside underwhelming FY outlook
- **Duolingo (DUOL):** Weak Q numbers & guidance amid a strategic shift towards faster user growth that will weigh on bookings growth & profitability.
- Hunterbrook Research is short on **Hercules Capital (HTGC)**.
- **Caesars (CZR)** says early talks focus on select assets, not full sale

## FX

USD was mostly weaker against major peers as a hot PPI report was dismissed as participants placed more significance on the move lower in US yields amid a flight to safety on credit concerns, albeit USD failed to take advantage despite its typical haven status given the increased bets in 2026 rate cuts. Financials ETF XLF, whilst resilient at first on Thursday to credit concerns stemming from UK lender MFS's collapse, saw downside today alongside another move higher in credit spreads. Meanwhile, geopolitical concerns remain elevated ahead of the weekend, with today's remarks from Trump doing little to placate those fears. Back to PPI, the report was overall hot on headline and core, as seen in the Core M/M printing 0.8% in January, above the expected 0.3%, albeit components that feed into PCE showed little concern.

CHF led G10 gains boosted by the risk-off tone alongside higher gold prices, while GBP lagged, unreactive to the Labour Party losing the Gorton & Denton by-election. USD/CHF trades ~0.7680 down from last Friday's close of 0.7772, while EUR/CHF hit new yearly lows of 0.9061. On Euro, EUR/USD originally moved convincingly higher above 1.1800 on hotter-than-expected French and

Spanish inflation, though the move faded after cooler-than-expected German State CPI signals a softer national print ahead.

**JPY** was marginally stronger vs USD, though upside was perhaps limited by the recent nominations put forth for the BoJ board, which are viewed as meaning looser policy in the short term. Tokyo CPI core inflation slipped back below the BoJ's target, but was 1.8% Y/Y, above the forecasted 1.7%.

**USD/CNH** was weaker following the PBoC's decision to cut FX Risk Reserve Ratio for forward FX sales to 0% from 20%, effective March 2nd to promote FX market development and support corporate exchange rate risk management. USD/CNH hit highs of 6.8699, but then later trimmed to 6.8590, still above the 6.8400 seen prior to the PBoC announcement.

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