newsquawk

US Market Wrap - 2nd March 2026

Markets chop in the midst of the US/Iran conflict

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude up, Dollar up, Gold up.
- **REAR VIEW**: US strikes Iran, Iran hits US bases across Middle East; IRGC closes Strait of Hormuz; US Secretary of State Rubio said Bessent and Wright will announce steps to mitigate oil costs on Tuesday; QatarEnergy halts LNG production; Saudi Arabia's Ras Tanura refinery shuts down after a drone strike; Strong ISM Manufacturing PMI, Prices Paid surge; SNB says it is more ready to intervene in FX.
- **COMING UP**: **Data**: EZ Flash HICP (Feb), US RCM/TIPP (Mar), New Zealand Export/Import Prices, Australian Composite PMI Final (Feb) **Speakers**: BoJ's Ueda; Fed's Williams, Kashkari; RBA Governor Bullock **Events**: UK Spring Statement **Supply**: Australia, Japan, Netherlands, Germany **Earnings**: CrowdStrike, Best Buy, Target, AutoZone, Bayer, Adidas, Continental.

MARKET WRAP

Stocks were choppy on Monday while energy prices and gold were bid with T-notes bear flattening and the dollar firmer in response to the US/Iran conflict. Over the weekend, the US struck Iran, killing the Supreme Leader Khamenei, with Iran responding by hitting US bases across the Middle East, but also by closing the Strait of Hormuz and threatening that ships that cross the Strait will be fired upon. The initial reaction saw stocks open lower while T-notes caught a bid, with energy prices surging. Oil remained bid but saw slight selling around the closing bell as Secretary of State Rubio said that Treasury Secretary Bessent and Energy Secretary Wright will announce measures to mitigate oil costs on Tuesday. Natgas rocketed on the geopolitical tensions, but surged even further after QatarEnergy announced it is to stop the production of LNG, due to military attacks on operating facilities in Ras Laffan industrial city and Mesaieed industrial city. T-notes reversed the upside throughout the session as higher energy prices bolstered inflationary concerns. Stocks also clawed back the losses to ultimately close mixed, with the Russell rallying, while other US indices were flat. In FX, the Dollar was bid to the detriment of peers while other havens lacked appeal (JPY on loose fiscal policy, while SNB said today its readiness to intervene in FX is currently higher). Gold remained firmer but settled well off its earlier highs, while silver pared its initial gains. Elsewhere, US data saw a strong ISM Manufacturing PMI report, albeit the prices paid component surged higher.

US

ISM MANUFACTURING PMI: Overall, the headline ISM rose to 52.4 in February, down from January's 52.6 and above the expected decline to 51.8. The headline was within the analyst forecast range of 50.0 to 53.2. The headline was primarily bolstered by a surge in the prices paid component, which rose to 70.5 from 59 in January, marking the highest level since June 2022. Backlog of orders rose 5 points to 56.6, the highest read since May 2022. Meanwhile, employment rose to 48.8 from 48.1. Meanwhile, new orders fell to 55.8 from 57.1, while production fell to 53.5 from 55.9%. The report notes that three demand indicators are in expansion. Regarding the chunky move higher in prices, all of the six largest manufacturing indices reported price increases in February "The Prices Index reading continues to be driven by increases in steel and aluminium prices that impact the entire value chain, as well as tariffs applied to many imported goods". Meanwhile, Pantheon Macroeconomics highlight the jump in Prices Paid is due to the near 30% run-up in oil prices since the start of the year. The desk adds that "The prices received components of the other major manufacturing surveys continue to paint a much more reassuring picture of core goods inflation, suggesting a significant easing in price pressures by around the middle of this year as tariff pass-through continues to fade". In the wake of the report, the Atlanta Fed GDPNow estimate for Q1 '26 was unchanged at 3.0%.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 23+ TICKS LOWER AT 113-02+

T-notes bear flatten as US/Iran conflict raises inflationary fears. At settlement, 2-year +10.2bps at 3.481%, 3-year +10.6bps at 3.487%, 5-year +10.3bps at 3.617%, 7-year +10.0bps at 3.818%, 10-year +8.6bps at 4.048%, 20-year +7.1bps at 4.641%, 30-year +6.4bps at 4.697%

THE DAY: T-notes gapped higher on the resumption of trade last night in a flight to quality bid in response to the Middle East conflict over the weekend, which saw the US and Israel strike Iran, killing the Supreme Leader, Khamenei. In response, Iran attacked US military bases across the Middle East. Although T-notes opened higher, the upside did not last long, and T-notes sold off across the curve with pressure accelerating throughout the US session. The move was led by the front-end of the curve as it reacted to the inflationary prospects of surging crude prices (WTI settled higher by over USD 4.00/bbl today). Although central banks tend to look through one-time or energy-related price increases, a large unknown at the minute is how long the conflict lasts. US President Trump said he expects it could be four weeks, but it could also be longer, or even quicker. If the conflict lasts longer than expected, higher oil prices may start to affect producer prices elsewhere; meanwhile, the IRGC have also "closed" the Strait of Hormuz, which can lead to significant supply disruptions across the globe. The inflationary fears saw the curve ultimately bear flatten, but money market pricing was little changed with 59bps of easing priced by year-end, vs 61bps on Friday. The data highlight on Monday was the ISM Manufacturing PMI, which rose above expectations while the Prices Paid component surged, bolstering inflationary fears.

SUPPLY

Bills

- US sold 3-month bills at a high rate of 3.60%, B/C 2.76x; Sold 6-month bills at a high rate of 3.500%, B/C 2.76x
- US to sell USD 90bln on March 3rd; to settle on March 5th

STIRS/OPERATIONS

- Market Implied Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 4.7bps (prev. 5.2bps), June 14.6bps (prev. 15.1bps), December 59.4bps (prev. 61.2bps).
- NY Fed RRP op demand at 0.63bln (prev. 16.32bln) across 4 counterparties (prev. 10) on March 2nd
- NY Fed Repo op (PM) demand at 9.00bln (Tsy: 3.00bln, Agency: 0.00bln, MBS: 6.00bln) at 3.75% on March 2nd
- SOFR at 3.68% (prev. 3.67%), volumes at USD 3.252tln (prev. USD 3.262tln) on February 27th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 107bln (prev. USD 108bln) on February 27th

CRUDE

WTI (J6) SETTLED USD 4.21 HIGHER AT 71.23/BBL; BRENT (K6) SETTLED USD 4.87 HIGHER AT 77.74/BBL

The crude complex, unsurprisingly, surged amid the start of the Middle Eastern conflict over the weekend . Since the beginning of the US/Iran/Israel war, the conflict has broken out with strikes across multiple countries in the Middle East, including on Gulf Energy infrastructure. Upon reopening, WTI and Brent gapped higher to peaks of USD 75.33/bbl and 80.82/bbl, respectively, and while benchmarks are still significantly higher, they are off earlier highs. The energy space has been supported by the closure of the Strait of Hormuz, and came after at least three ships were attacked near it at the weekend. As a reminder, Iran warned vessels not to pass through the crucial waterway, through which about 20% of the world's oil and gas is shipped. Ahead, JPMorgan said a three to four week squeeze on the Strait of Hormuz traffic could force gulf-cooperation council output shut-ins and push Brent above USD 100/bbl. Natgas rocketed on the geopolitical tensions, but surged even further after QatarEnergy announced it is to stop the production of LNG, due to military attacks on operating facilities in Ras Laffan industrial city and Mesaieed industrial city. Elsewhere, a US official said selling oil from US SPR in the wake of attacks on Iran 'not currently being discussed'.

EQUITIES

CLOSES: SPX +0.04% at 6,882, NDX +0.13% at 24,993, DJI -0.15% at 48,905, RUT +0.90% at 2,656.

SECTORS: Energy +1.95%, Industrials +0.98%, Technology +0.91%, Real Estate +0.23%, Financials -0.29%, Materials -0.42%, Communication Services -0.68%, Utilities -0.77%, Health -1.01%, Consumer Discretionary -1.09%, Consumer Staples -1.35%

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 -2.44% at 5,988, Dax 40 -2.42% at 24,672, FTSE 100 -1.20% at 10,780, CAC 40 -2.17% at 8,394, FTSE MIB -1.97% at 46,280, IBEX 35 -2.62% at 17,879, PSI -0.04% at 9,272, SMI -1.42% at 13,816, AEX -1.06% at 1,016.

STOCK SPECIFICS

- **Cruise liners (NCLH, RCL, CCL), Airliners (UAL, AAL, JBLU, DAL), and Lodging (MAR, BKNG)** stocks all heavily sold and under pressure as strikes across the Middle East disrupted major Middle Eastern airports, including Dubai, grounding flights and weighing on broader sentiment.
- **Drone makers (KTOS, ONDS, RCAT, UMAC, DPRO)** rallied due to geopolitical escalation, which has increased demand for military and surveillance tech. The conflict raises concerns about airspace security and logistics, making unmanned systems more valuable for both military and commercial applications.
- **Defense names (LMT, LHX, RTX, GD)** gain given the Middle East conflict as it increases the need for defence. Stifel recommends (CACI, KTOS, ONDS, LASR, PSN) as they think the war with Iran will further boost defence. Adds defence spending was already set to surge in 2026 and a protracted war with Iran will make the spending more urgent and less controversial.
- **Energy stocks (OXY, XOM, CVX)** saw a strong rally given the surge in oil prices.
- **Fertliser names (CF, NTR)** were higher. RBC said Iran conflict likely lifts nitrogen. RBC expects rising conflict in Iran/Middle East remains a focal point for nitrogen as the Country/region accounts for ~10%/~25% of global urea exports, with nitrogen equities potentially bid up this week on US/Israel missile strikes on Iran. Adds nitrogen business had not seen much disruption in the Middle East, with sales continuing to be made as normal, including ~500Kt volumes from the region being committed to the recent India tender, while prices had yet to price in much risk premium from potential conflict. However, with the weekend's strikes on Iran and shipping through the Straight of Hormuz impacted, supply from the region may be disrupted and could lift global nitrogen prices.
- **Shipping stocks (FRO, DHT)** strengthened and in focus as Iran appears to have effectively closed the Strait of Hormuz in response to US and Israeli attacks. Barron's notes, while that could cause oil prices to spike, it could be good news for shipping stocks, incl. FRO & DHT. Barron's adds other tankers/shipping stocks have already rallied this year including NAT, STNG and TNK to reflect the possibility of this outcome.
- **Waste stocks (WM, CLH, WCN)** – Rising oil prices could be a headwind for waste stocks. Citi evaluate waste stock performance around prior periods of sharp, sudden rising oil prices and pullbacks in the broader market. Adds, generally, rising oil prices could be a headwind for waste, as they could symbolize stronger underlying macro activity and shifting investor preference towards cyclicals. Citi is sticking with WM as its top pick on reasonable valuation, and in the event of sustained higher oil prices, Citi believes it's possible Neutral-rated CLH & WCN could outperform on higher relative exposure to oil.

- **Nvidia (NVDA)** announces strategic partnership with **Lumentum (LITE)** to develop state-of-the-art optics technology; NVDA is investing USD 2bln in LITE to support R&D, future capacity and operations.
- **Nvidia (NVDA)** and **Coherent (COHR)** announce strategic partnership to develop optics technology to scale next-generation data center architecture; NVDA is investing USD 2bln in COHR.
- **Eli Lilly (LLY)** CFO said the orforglipron pill could potentially come to the US market as early as Q2 following expected April approval.
- **Aerovironment (AVAV)** – Downgraded at Raymond from 'Strong Buy' to 'Underperform' noting Space Force announced that it is putting the Satellite Communications Augmentation Resource program back up for competition. The firm noted this was the Cos. largest program of record at about USD 1.4bln of value, which says Aerovironment had USD 2.8bln of total backlog and contends this may erase USD 1-1.4bln of that.

FX

The Dollar Index was firmer to start the week as it was buoyed by haven appeal after the initial US–Israel strike on Iran broadened across the Gulf and Middle East. JPMorgan wrote that the Iran escalation challenges the bearish Dollar view, and recommended tactically unwinding EUR/USD longs today. Furthermore, ING flagged three USD-supportive channels: (1) the US is less energy-import dependent than Europe/Asia (European nat gas opened ~25% higher, before rallying over 50% on Qatar Energy stopping production), (2) markets trimmed Fed cut expectations with a bearish flattening in US yields, and (3) potential EM outflows on higher energy and fewer Fed cuts. While it took a back seat, ISM Mfg PMI topped on the headline, but prices paid soared, and was the highest since June 2022.

G10 FX was lower across the board, and hit by the surging Dollar and broad risk off trade given the aforementioned news, as opposed to anything else currency-specific. **CAD** was the relative outperformer, albeit still saw losses, but was likely supported by surging oil prices, likewise with the **AUD** and metals soaring. **EUR**/USD fell from near 1.1800 to 1.1698 as energy prices surged, with further losses noticed as gas prices spiked on reports that QatarEnergy is reportedly to stop the production of LNG, with the pair hitting fresh lows of 1.1695. ING sees scope toward 1.1575–1.1600 if escalation persists. **CHF** was the G10 laggard, and while it would typically have had appeal, the SNB in the European session stated that in view of the international situation, we are more prepared to intervene in the FX market.