

## Stocks rise and Dollar eases while focus remains on Middle East

- **SNAPSHOT:** Equities up, Treasuries down, Crude flat, Dollar down, Gold up
- **REAR VIEW:** Iranian official denies NY report that Iran reached out to CIA for talks to end the war; ADP monthly growth accelerates more than forecasted; EIA crude stocks build more than expected; Aluminium Bahrain declares force majeure; QatarEnergy declares force majeure; Houthis may attack Saudi energy sites; Australian Q4 GDP growth tops expectations; Swiss Inflation comes in hotter-than-expected; SNB Vice Chair says ready to intervene in FX; Mixed China PMIs.
- **COMING UP: Data:** Australian Trade Balance (Jan), Swedish CPI/F prelim. (Feb), EZ Retail Sales (Jan), US Challenger Job Cuts (Feb), US Export/Import Prices (Jan), Jobless Claims, South Korean CPI (Feb). **Events:** ECB Minutes (Feb); BoE's DMP. **Speakers:** ECB President Lagarde, de Guindos; Fed's Bowman. **Supply:** Japan, Spain, France, UK. **Earnings:** Marvell, Costco, Kroger, JD.com, Victoria's Secret.

## MARKET WRAP

Stocks were firmer on Wednesday, with outperformance seen in the Nasdaq, as consumer discretionary and technology sectors led the gains. The majority of sectors were green, aside from energy and consumer staples. Energy gave back some of its recent gains while crude prices settled flat. Crude initially rallied overnight amid ongoing geopolitical tensions, but ultimately pared with weakness seen on reports that Iran reached out to the CIA to discuss terms to end the conflict. However, this was later denied by Iran, while the US were sceptical of any willingness to off-ramp in the short term anyway. Tensions are still high amid reports from Kan that the Houthis are planning to attack vital targets inside Saudi Arabia, and Saudi Arabia reportedly said it would retaliate if attacked. However, Saudi Arabia said direct intervention in Iran would have dramatic implications for oil prices, but if it escalates, then a reassessment may be necessary. Separate reports noted that if the US and Israel pursue regime change, all regional energy infrastructure will be targeted. Meanwhile, in response to the conflict Aluminium Bahrain and Qatar Energy declared force majeure. Lastly, on the subject, Kurdish forces in Iraq have launched a ground military offensive into Iran against the regime, i24News reported. Aside from geopolitics, the focus was on US data and the Fed Beige Book. ADP and the ISM Services PMI beat expectations (more below). While the Fed's Beige Book reported a slight-moderate increase in economic activity, stable employment levels, and modest price increases. In FX, antipodes rallied amid a positive risk tone with AUD supported by strong GDP data and mixed China PMIs. Gold and silver saw further gains.

## US

**ISM SERVICES:** ISM Services headline jumped to 56.1 in February from 53.8, above the expected 53.5 and also outside the top end of the forecast range, its highest reading since August 2022. Encouragingly, employment rose to 51.8 from 50.3, while the inflationary gauge of prices paid declined to 63.0 from 66.6, and especially welcome after the Mfg. prices component soared to a high since June 2022. Business activity improved to 59.9 from 57.4, and new orders jumped to 58.6 from 53.1. Regarding survey respondents, the ISM Chair remarked that commentary on trade uncertainty increased, with respondents commenting that tariff impacts have stabilised and are now embedded in supply chain costs. Although there were several comments on tariff uncertainty regarding the SCOTUS decision, there was no alarm regarding supply chain performance, suggesting that services Cos. have developed capabilities to routinely address shifts in tariff policies.

**ADP:** The February ADP report saw jobs rise by 63k, beating expectations of 50k and up from the prior 11k, which was downwardly revised from 22k. The 63k print is the highest since November 2025. The largest contributor was a 58k gain in education/health services, while professional/business services cut 30k jobs. Service-providing jobs accounted for 47k jobs on net, with the remaining 16k from the goods-producing industry. ADP Chief Economist Dr Richardson said that "We've seen an increase in hiring and pay gains remain solid, especially for job-stayers". "But with hiring concentrated in only a few sectors, our data shows no widespread pay benefit from changing jobs. In fact, the pay premium for switching employers hit a record low in February." Regarding pay, wages for job stayers rose 4.5%, unchanged from January, while it rose 6.3% for Job changers, down from 6.4% in January.

## FIXED INCOME

### T-NOTE FUTURES (M6) SETTLED 6+ TICKS LOWER AT 112-26

**T-notes lower after strong US data, whilst eyes remain on geopolitical tensions.** At settlement, 2-year +4.5bps at 3.545%, 3-year +4.5bps at 3.550%, 5-year +4.2bps at 3.673%, 7-year +3.8bps at 3.868%, 10-year +3.1bps at 4.088%, 20-year +2.1bps at 4.672%, 30-year +1.8bps at 4.721%.

**THE DAY:** T-notes saw mild pressure on Thursday with gradual weakness seen throughout overnight trade and US trade. With all eyes on the Middle East, oil prices initially continued to climb, but gains in crude had pared throughout US trade and ultimately settled flat, but T-notes remained lower on the session. The weakness in Treasuries was led by the front-end, with downside seen initially in response to the ISM Services PMI. The report beat on the headline with internals very encouraging from an activity perspective and also a Fed perspective; employment rose, prices cooled, while new orders and business activity accelerated. The Fed's Beige Book was also released, which saw a slight-moderate increase in economic activity, stable employment levels, and

modest price increases. Attention largely turns to the US NFP and Retail Sales data on Friday. Ahead of NFP, the ADP report was also strong - rising by 63k, above the 50k forecast and prior 11k print - which was revised down from 22k.

## SUPPLY

### Bills

- US sells 17-week bills at a high rate of 3.590%, B/C 3.25xUS to sell USD 105bln of 4-week bills and USD 95bln of 8-week bills on March 5th; all to settle March 10th

### STIRS/OPERATIONS

- NY Fed RRP op demand at 0.88bln (prev. 1.20bln) across 8 counterparties (prev. 5) on March 4th
- SOFR at 3.70% (prev. 3.71%), volumes at USD 3.31tn (prev. USD 3.404tn) on March 3rd
- EFR at 3.64% (prev. 3.64%), volumes at USD 101bln (prev. USD 97bln) on March 3rd
- Treasury Buyback (Liquidity Support, 3- to 5-year, Max USD 4bln): Accepts 2.463bln of USD 10.405bln offered, accepts 12 of 48 eligible issues

## CRUDE

**WTI (J6) SETTLES USD 0.10 HIGHER AT USD 74.66/BBL; BRENT (K6) SETTLES USD 0.00 HIGHER AT USD 81.40/BBL**

Oil prices saw two-way trade on Wednesday, but ultimately settled flat. Prices were bid overnight to see WTI and Brent hit peaks in the European morning of 77.23 and 84.48, before falling to lows of USD 73.28 and 80.30/bbl, respectively. Concerns remain around the Strait of Hormuz despite announcements by Trump yesterday on insurance and protection through the Strait. Reports highlight how daily tanker rates can cost over USD 29mln to ship crude from the US Gulf to China, which equates to USD 14.50/bbl, implying freight now accounts for c. 20% of the crude price. Oil prices largely pared from the morning highs after reports that Iran's intelligence ministry reached out to the CIA with an offer to discuss terms for ending the conflict. However, this was later denied by Iran, which helped briefly take crude prices off lows. Focus remains on updates on the Strait of Hormuz, with the US currently working on a plan to secure shipping in the Hormuz. Participants will be watching the effectiveness of the measures. Reports have highlighted how shipping has collapsed through the Strait by well over 95%, as major crude and LNG tankers avoid the route.

## EQUITIES

**CLOSES:** SPX +0.78% at 6,870, NDX +1.51% at 25,094, DJI +0.49% at 48,739, RUT +1.06% at 2,636

**SECTORS:** Energy -0.73%, Consumer Staples -0.53%, Materials -0.07%, Real Estate +0.13%, Health +0.19%, Industrials +0.32%, Utilities +0.41%, Financials +0.58%, Communication Services +0.58%, Technology +1.27%, Consumer Discretionary +2.24%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +1.75% at 5,873, Dax 40 +1.79% at 24,216, FTSE 100 +0.80% at 10,568, CAC 40 +0.79% at 8,168, FTSE MIB +1.95% at 45,337, IBEX 35 +2.51% at 17,491, PSI +0.59% at 8,931, SMI +0.90% at 13,525, AEX +0.99% at 1,000

### STOCK SPECIFICS:

- **CrowdStrike (CRWD):** EPS & rev. beat w/ guidance largely in line with exp.
- **GitLab (GTLB):** Issued new rev. guidance that drew increased investor scrutiny around its growth outlook & valuation despite rising interest in its AI offerings
- **Ross Stores (ROST):** EPS, rev. topped, approved a new \$2.5bln buyback prog., raised Q div. 10% & issued a strong outlook
- **Moderna (MRNA), Roivant Sciences (ROIV):** MRNA reached a \$2.5bln settlement in the LNP delivery tech lawsuit.
- **Intel (INTC):** Board chair Frank D. Yeary will retire following the annual meeting in May
- **Tesla (TSLA):** Reinstated w/ 'Buy' at BofA (prev. 'Neutral').
- **CoreWeave (CRWV):** Perplexity has signed a multi-year deal w/ CRWV to help power a new generation of services.
- **Abercrombie & Fitch (ANF):** Muted FY sales outlook.
- DoJ said to probe fertilizer market (**NTR, CF, MOS**) for potential price fixing, according to reports.
- **Intel (INTC)** CFO said CEO Lip-Bu Tan has "opened up a lot of data" to partners, which has helped improve yields on new manufacturing tech, via MS conference.

## FX

The Dollar trimmed its haven status bid as fears surrounding the conflict in the Middle East have walked back further from the heights seen on Tuesday morning. US equities indices have generally pared the downside seen following the Monday close, with high-beta FX tracking the positive risk sentiment, albeit strength varied. Oil prices came notably off highs, settling slightly firmer as optimism grew over easing geopolitical conflicts after a NYT report that Iran's Intelligence Ministry reached out to the CIA indirectly a day after the conflict started with an offer to discuss terms. That said, the report was denied later by an Iranian official who may have offered crude prices a floor. USD failed to track the move higher in US yields, which placed more significance on the ISM Services report. The headline printed its highest level since August 2022, 56.1 (exp. 53.5), driven by accelerations in Business Activity, New Orders, and Employment. Meanwhile, ADP had a muted reaction whereby the monthly private employment figure topped expectations, +63k (exp. 50k).

The Aussie, Kiwi, and SEK led G10 gains with AUD supported by a Q4 GDP growth rate above expectations, 0.8% vs exp. 0.6%. Meanwhile, very modest CHF strength followed a hotter-than-expected CPI Y/Y reading of 0.1% in February (exp. -0.1%). AUD/USD sits around highs of 0.7083 whilst EUR/CHF was modestly lower at ~ 0.9068.

**EUR/PLN** failed to reverse earlier downside on the NBP rate decision, whereby rates were cut to 3.75% from 4.00% as expected, accompanied by decreases to the GDP outlook for 2026 and 2027. EUR/PLN bounced from 4.2629 to 4.2806 on the decision before gradually paring the move thereafter.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com