

Risk-off sentiment continues as Middle East war shows no signs of abating

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up, Gold down.
- **REAR VIEW:** China reportedly in talks with Iran to allow safe oil and gas passage through Hormuz; US Challenger Job Cuts ease, Initial & Continued claims remain within recent ranges, Import Prices and Unit Labour Costs come in hot, and Export Prices match expectations; US drafts a rule requiring licenses for AI chip exports worldwide; WTI breaches \$80/bbl for first time since Jan 2025; NBP Governor said to be weighing gold sales for defence funding; China cuts 2026 GDP growth forecast; ORCL reportedly plans thousands of jobs cuts as data centre costs rise.
- **COMING UP: Data:** German Factory Orders (Jan), EZ GDP 3rd Est (Q4), US NFP (Feb), Retail Sales (Jan). **Speakers:** ECB President Lagarde, Cipollone, Schnabel; Fed's Goolsbee, Daly, Collins, Hammack; RBA's Hauser. **Supply:** Australia. **Credit Review:** Fitch on France, DBRS on Greece.
- **NEWSQUAWK NFP PREVIEW:** The February jobs report is expected to show 59k jobs added to the US economy in the month, down from 130k in January but slightly above the 50k breakeven estimate. [Click here for the full report.](#)

MARKET WRAP

US indices were once again sold amid the ever escalating Middle Eastern tensions, albeit did come off lows into settlement amid reports that China is in talks with Iran to allow safe oil and gas passage through Hormuz. Following this, the crude complex pared some of its extensive gains, as did the Dollar, while spot gold and Treasuries both edged off lows. WTI and Brent still saw notable gains on the session amid the aforementioned geopolitical worries and the continued concerns regarding the sharp drawdown in traffic within the Strait of Hormuz. As such, broad trade today was risk-off as participants continue to deal with the impacts of the Middle Eastern war, and no signs of it abating any time soon. While headlines for the conflict are ever-present, ongoing, and fluid, there wasn't too much fundamentally "new" news on Thursday. Spot gold was lower, as mentioned, and was hit by reports that the NBP is said to be weighing gold sales for defence funding. Treasuries were lower as energy prices continue to rise. Back to equities, which were broadly weaker, Energy was unsurprisingly one of the only ones in the green, while Consumer Staples and Materials lagged. Stock-specific highlights included stellar Broadcom earnings, but also Nvidia and AMD seeing weakness on reports that the US drafts a rule requiring licenses for AI chip exports worldwide, and NVDA and AMD shipments to all countries would need US approval. There were a couple bits of US data, but added little new, with attention on US payrolls on Friday.

US

CHALLENGER LAYOFFS: US-based employers announced 48,307 job cuts in February, falling from the 108,435 job cuts in January. Looking at the breakdown, Technology announced 11,039 job cuts, with the report noting Tech is responding to a number of pressures, with AI the big story, but there are also global regulatory concerns, a slowdown in digital advertising driven by tariffs and economic uncertainty, and higher costs. Overall, Andy Challenger, workplace expert and chief revenue officer for Challenger, Gray & Christmas, said, "February's dip is a nice reprieve from the elevated job cut plans to start the year. With US involvement in a growing war in Iran, the end of Q1 may bring more layoff plans as companies tighten belts amid uncertainty and higher costs." Note, traders await the US payrolls report on Friday for the latest indicator into the US labour market.

IMPORT/EXPORT PRICES: Import prices rose 0.2% M/M in January (prev. 0.2%) in line with expectations, while Y/Y fell 0.1% (prev. 0.0%). Weak fuel prices continue to hold down headline import prices; as fuel import prices fell 2.2% in Jan., while nonfuel import prices rose 0.5%. While weak fuel prices weighed on headline import prices, prices for other imported goods continued to rise. Import prices were still down 0.1% Y/Y, but risks are tilted toward higher import prices in 2026 due to higher global oil prices, strong demand for capital goods imports, and past depreciation in the dollar. Nonetheless, Oxford Economics adds that despite that risk, we still expect core inflation to moderate as 2026 unfolds, allowing the Federal Reserve to lower interest rates in June and September. Export prices rose 0.6% M/M in Jan (exp. 0.3%, prev. 0.6%), with Y/Y rising 2.6% from 3.4%.

UNIT LABOUR COST PRELIM (Q4): Unit Labour costs in the nonfarm business sector rose 2.8%, above the expected 2.0%, reversing from the prior 1.8% decline. The print reflected a 5.7% rise in hourly compensation and a 2.8% increase in productivity. Nonfarm business sector labour productivity increased 2.8% as output rose 2.6% and hours worked fell 0.2%. Pantheon Macroeconomics notes that the growth in unit labour costs looks consistent with the 2% inflation target.

JOBLESS CLAIMS: Initial Jobless Claims for the week ending 28th February were unchanged at 213k, marginally below the 215k forecast. The four-week average fell by 4.75k to 215.75k, while the unadjusted claims rose 18.8k to 213k. Seasonal factors expected an 18.9k increase. New York saw a notable increase of 17.4k of the unadjusted increase, while Michigan saw an increase of 4k. The largest drop in unadjusted claims was in Rhode Island (-1.6k), and Oklahoma (-1.4k). Continued Claims, for the preceding week, rose to 1.868m from the prior 1.822m, above the 1.850m forecast. The four-week average was 1.851m, +6.75k, while the unadjusted continued claims rose 70.5k to 2.208m. Seasonal factors expected an increase of 16.4k. The number of weekly initial claims has remained steady in 2026, within a 199-232k range, continuing to show evidence of a low-hire, low-fire economy. The Fed are not expected to resume with rate cuts until the summer, but a sustained increase in the price of oil following the Iran war may push expectations back, barring a substantial weakening in the labour market, which has stabilised recently. Pantheon Macroeconomics warn that "Past experience suggests the blizzard which battered the north east between February 24 and 26 will lift claims over the next two weeks. But permanent layoffs look set to remain low over the coming months."

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 16 TICKS LOWER AT 112-10

T-notes lower as energy prices continue to rise whilst eyes turn to NFP on Friday. At settlement, 2-year +3.1bps at 3.574%, 3-year +4.4bps at 3.591%, 5-year +4.7bps at 3.716%, 7-year +4.7bps at 3.910%, 10-year +4.3bps at 4.125%, 20-year +3.9bps at 4.706%, 30-year +2.2bps at 4.739%.

THE DAY: T-notes pushed lower across the curve on Thursday with inflationary fears continuing to rise following the increase in energy prices. The move may have also been dragged lower by European assets, with European nat gas prices continuing to rise with markets reassessing ECB rate expectations - there is now a 75% probability of a hike from the ECB by year-end vs 25% on Tuesday. There is also concerns that the Fed may hold off from the resumption of rate hikes if energy prices continue to linger with price affects filtering through to consumer prices, particularly if supply chains are disrupted. Rabo make the argument that under Fed Chair Powell, the Fed will stick to a wait-and-see approach, which means more data is needed and makes a rate cut in March or April highly unlikely. However, under Warsh, the scenario may be different. Rabo suggests Warsh may try break the FOMC's indecision and push for rate cuts at his first meeting in June, arguing the Fed should look through temporary effects of energy prices on inflation. Elsewhere, data today saw initial jobless claims unchanged W/W while continued claims rose. Challenger Layoffs dropped to 48k from 108k, while the RevelioLabs NFP report saw a decline of 16.7k jobs vs the Revelio report in January, which saw a -13.3k drop. Import prices were in line at 0.2%, while export prices rose 0.6%, matching the upwardly revised pace in January (initially 0.3%). Unit Labour Costs were hot while productivity also came in above expectations, but cooled from the prior pace. The data had little impact on T-notes with focus on geopolitics, but attention turns to the NFP report due Friday, particularly to see if the strength seen in January holds, which will help shape Fed rate cut expectations. [For a full preview, please click here.](#)

SUPPLY

Notes

- US to sell USD 58bln of 3-year notes, USD 29bln of 10-year notes and USD 22bln of 30-year bonds on March 12th; all to settle on March 16th

Bills

- US sold 4-wk bills at a high-rate of 3.640%, B/C 2.89x; sold USD 8-wk bills at a high-rate of 3.630%, B/C 3.21x
- US to sell USD 89bln of 13-week bills and USD 77bln of 26-week bills on March 9th; to sell USD 90bln of 6-week bills on March 10th; All to settle March 12th.

STIRS/OPERATIONS

- NY Fed RRP op demand at 2.79bln (prev. 0.88bln) across 5 counterparties (prev. 8) on March 5th
- SOFR at 3.67% (prev. 3.70%), volumes at USD 3.292tln (prev. USD 3.31tln) on March 4th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 106bln (prev. USD 101bln) on March 4th
- Treasury Buyback (Liquidity Support, 10- to 20-year, Max 2bln): Accepts 2.0bln of USD 17.844bln offered, accepts 2 of 37 eligible issues

CRUDE

WTI (J6) SETTLED USD 6.35 HIGHER AT 81.01/BBL; BRENT (K6) SETTLED USD 4.01 HIGHER AT USD 85.41/BBL

The crude complex, soared amid the ongoing and ever-escalating Middle Eastern war. WTI and Brent surged on Thursday to hit highs of USD 81.64/bbl and 85, respectively, against earlier lows of USD 74.97/bbl and 81.50, with WTI now c. USD 13.50/bbl higher from last Friday's close. Regarding the Middle East, while updates are ever-present and the situation is ever-evolving, a lot of focus continues to reside on the Strait of Hormuz and the flow of oil, given how critical it is to world supply. On that footing, Israel's representative to the UN said they will sink Iranian ships in the Strait of Hormuz, and give them a few more days, it will be much harder for Iran to disrupt vessels coming through the Strait of Hormuz. For oil markets, as much as 20mln BPD of oil supply is at risk due to the ongoing blockage of the Strait of Hormuz, and ING notes that Saudi Arabia and the UAE have the ability to divert up to 5mln BPD via pipeline to avoid it, but still leaves 15mln bbls at risk. Ahead, all attention resides on the Middle East, but the latest US jobs report will be watched on Friday for the latest gauge for the health of the US labour market.

EQUITIES

CLOSES: SPX -0.56% at 6,831, NDX -0.29% at 25,020, DJI -1.61% at 47,955, RUT -1.91% at 2,586

SECTORS: Consumer Staples -2.43%, Materials -2.27%, Industrials -2.21%, Health -1.98%, Real Estate -1.01%, Utilities -0.76%, Communication Services -0.65%, Financials -0.49%, Consumer Discretionary +0.26%, Technology +0.39%, Energy +0.59%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.46% at 5,785, Dax 40 -1.78% at 23,774, FTSE 100 -1.45% at 10,414, CAC 40 -1.49% at 8,046, FTSE MIB -1.61% at 44,609, IBEX 35 -1.38% at 17,245, PSI +0.01% at 8,932, SMI -1.48% at 13,311, AEX -0.45% at 996.

STOCK SPECIFICS:

- **Broadcom (AVGO):** EPS, rev. beat, to buyback shares for \$10bln & strong next Q outlook
- **Nvidia (NVDA):** Halted prod. of China-bound H200 AI chips & reallocated manufacturing capacity at TSMC to its next-gen Vera Rubin hardware.
- **Berkshire Hathaway (BRK.B):** Begins repurchasing shares & CEO Greg Abel buys \$15mln in stock.

- **The Trade Desk (TTD):** OpenAI had early talks with Trade Desk to sell ads.
- **Iren (IREN):** Up to \$6bln "at-the-market" equity share sell prog.; announced agreement to buy >50k NVDA B300 GPUs to expand AI Cloud capacity.
- **Morgan Stanley (MS):** Laying off 2.5k people, with layoffs tied to shifting business priorities & individual job performance
- Bear Cave negative on **Serve Robotics (SERV).**
- US drafts a rule requiring licenses for AI chip exports worldwide; **Nvidia (NVDA)** and **AMD (AMD)** shipments to all countries would need US approval.
- **Oracle (ORCL)** reportedly plans thousands of jobs cuts as data centre costs rise and Cloud unit pauses job hirings, according to Bloomberg.
- Iran targeted **Microsoft (MSFT)** data centres in drone strikes, FT reports.
- **OpenAI** unveils new financial-services tools, rivalling anthropic OpenAI; releases GPT-5.4 model to field more Office tasks.

FX

The Dollar haven bid resumed on Thursday as oil prices surged to new highs as markets get anxious as the weekend approaches with no solution to the Middle East conflict in sight. US data was a non-event as more attacks on energy facilities, continued conflict, and a vacant Strait of Hormuz remain the main focus. Late in the afternoon, more traction was on Iran-China, whereby Reuters reported that China is in talk with Iran to allow safe oil and gas passage through the Hormuz, an update that follows reports yesterday that Iran has said that only Chinese vessels will be allowed to pass through the Strait of Hormuz. This resulted in risk-on appetite across markets, leaving USD strength easing and as such equities and precious metals coming off lows. Recapping US data, initial claims signalled no imminent concerns whilst continuing claims remained within YTD ranges; Unit Labour Costs bounced above expectations in Q4, export prices came in hot, while import prices met forecasts; Challenger Job Cuts eased in February. DXY hit highs of 99.41 before trimming to around 99.05.

AUD and **NZD** were sold as geopolitical risks, weaker metal prices, and China's cut to 2026 GDP growth left little enthusiasm for the high-beta FX. **GBP** relatively outperformed in the G10 space. ING noted that GBP outperformance vs EUR comes as asset managers unwind long EUR positions and markets push back on near-term BoE cuts. Cable bounced off lows of 1.3298 to ~1.3368 while AUD/USD hit as low as 0.6974

EUR/USD remained modestly weighed by geopolitical/energy concerns, but with participants increasing bets for an ECB rate hike by year end to 75%, weakness was limited.

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