

### Stocks flat despite crude upside while yields rise

- **SNAPSHOT:** Equities flat/down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW:** IEA members agree to 400mln barrel release; US CPI meets expectations in February, PCE components come in hot; FBI reportedly warned police departments in California that Iran wants to retaliate for American attacks; US Interior Secretary Burgum said we will see US oil companies announce that they have increased production in response to price signals; US 10yr auction shows improvement from recent auctions but still weak vs averages; ECB's Kazimir says a rate hike on Iran may be closer than thought; US is to announce new section 301 trade probes on Wednesday; ORCL earnings beat
- **COMING UP:** **Data:** Swedish CPI Final (Feb), Canadian Trade Balance (Jan), US Trade Balance (Jan), Initial Jobless Claims, Housing Starts, Atlanta Fed GDP. **Events:** IEA OMR, CBRT Policy Announcement. **Speakers:** BoE's Bailey; Fed's Bowman. **Supply:** Italy, UK, US. **Earnings:** Adobe.

### MARKET WRAP

Stocks were flat/down on Wednesday as rising oil prices limited any rebound from Tuesday's late-staged selloff. The IEA confirmed it is to release 400mln bbls of oil into the market, but the timing depends on each country, while there is still plenty of uncertainty about the Strait of Hormuz, with Trump attempting to get shippers to sail the Strait again, but he is being met with resistance due to safety concerns, particularly amid reports of mines being placed there. There had also been reports suggesting Iran aspired to attack California with drones in response to the war, which also briefly hit sentiment and lifted oil prices. The move higher in crude saw yields move higher across the curve while there was likely dealer concession taking place ahead of the 10-year auction this afternoon, following the weak 3-year supply on Tuesday. Meanwhile, the US CPI data, although in line with expectations, saw the PCE components lean hot - also adding to downward pressure in Treasuries. In FX, the Dollar was bid as yields moved higher while the Euro was in focus after ECB's Kazimir touted a sooner than expected rate hike, but not at the next meeting. AUD outperformed on more hawkish RBA bets with Westpac now expecting an RBA hike in March. Gold prices were marginally lower, while silver lagged, with bitcoin rising back above USD 70k.

### US

**US CPI (FEB):** Headline inflation rose 0.267% M/M, in line with the 0.3% consensus and up from the prior 0.171%. The annual rate remained at 2.4% Y/Y, in line with expectations. Core inflation rose 0.216% M/M, in line with the 0.2% forecast, and cooler than the prior 0.295%. The annual rate rose at a rate of 2.5% Y/Y, in line with expectations and matching the prior reading. Core goods prices were little changed (0.08% vs 0.04%), while core services cooled to 0.27% M/M from 0.39% - a welcome sign for those at the Fed concerned about this area of pricing. Super core rose to 2.74% Y/Y from 2.67%. The data continues to show inflation is sticky around these levels, though ahead, analysts see potential upside risks amid the Middle East conflict, the rising oil prices and the risks of severe supply chain disruptions at the Strait of Hormuz. Meanwhile, WSJ's Fedwatcher Timiraos highlighted that the very favourable data imputation in the October report, due to the government shutdown, unwinds after March. Pantheon Macroeconomics noted that CPI components feeding through to the core PCE deflator were hot and it expects the core PCE inflation at 0.4% M/M in February, after rising 0.4% in January (January PCE is due Friday). Overall, the report is unlikely to change the Fed's stance for now, as policymakers prefer to wait and see the impact of the war in the Middle East and tend to look through one-off energy price rises. Nonetheless, Pantheon wrote that "the Fed's rules of thumb imply that the 30% increase in oil prices since February will lift the core CPI by just 0.15ppts".

### FIXED INCOME

#### T-NOTE FUTURES (M6) SETTLED 15 TICKS LOWER AT 111-31+

**Yields rise across the curve amid rising oil prices, likely dealer concession and hot leaning PCE components of the CPI report.** At settlement, 2-year +4.4bps at 3.636% 3-year +4.1bps at 3.654%, 5-year +4.2bps at 3.782%, 7-year +4.6bps at 3.982%, 10-year +5.4bps at 4.210%, 20-year +7.1bps at 4.824%, 30-year +6.7bps at 4.854%.

**THE DAY:** T-notes were lower across the curve with the curve bear steepening with yields higher by 6-9bps. Oil prices were rising once again, keeping inflation fears at the front of mind. Oil prices moved higher despite the confirmation of the IEA releasing 400mln bbls of oil into the market. However, given the large weakness on Tuesday was due to building expectations of this outcome, this was seemingly a "sell the rumour, buy the news" play. Aside from oil action, there was perhaps some dealer concession taking place ahead of the 10-year auction following the dismal 3-year offering on Tuesday. The 10-year auction saw better demand than the 3-year, but it was not as strong as recent averages (more below). US data also was a driver of UST price action, although the CPI report largely came in line with expectations, analysts had been pointing to the hot-leaning PCE components. Corporate issuance also continued to filter through with Salesforce (CRM) confirming its 8-part Dollar issuance (USD 25bln), with seven companies looking to sell debt today. Attention on Thursday turns to the 30-year bond auction and US Jobless Claims data, while geopolitics and crude price action remain in focus.

### SUPPLY

## Notes

The US sold USD 39bln of 10-year notes at a high yield of 4.217%, a higher yield than the prior 4.177%, tailing the when issued by 0.7bps - an improvement from the prior 1.4bps tail but not as strong as the six auction average of 0.3bps. The bid-to-cover ratio rose to 2.45x from 2.39x, but not as strongly as the 2.48x average. The breakdown saw a notable increase in indirect demand to 74.5% from 64.5%, above the 69.3% average, but direct demand, similar to the 3-year on Tuesday, saw a notable drop to 12.8% from 22.1%, sitting below the 20.3% six-auction average. This left dealers with an above-average take-down of 12.7%, but lower than the prior 13.4%. Overall, an improvement from the prior 10-year and stronger than the 3-year seen on Tuesday, but not as strong as the average 10-year auction. US to sell USD 22bln of 30-year bonds on March 12th; all to settle on March 16th

## Bills

- US sold 17-week bills at a high rate of 3.600%, B/C 3.19x

## STIRS/OPERATIONS

- Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 1.7bps (prev. 1.7bps), June 7.5bps (prev. 9.8bps), December 30.6bps (prev. 39bps).
- NY Fed RRP op demand at 0.55bln (prev. 0.28bln) across 4 counterparties (prev. 4) on March 11th
- SOFR at 3.64% (prev. 3.65%), volumes at USD 3.2tln (prev. USD 3.173tln) on March 10th
- EFR at 3.64% (prev. 3.64%), volumes at USD 104bln (prev. USD 99bln) on March 10th

## CRUDE

**WTI (J6) SETTLED USD 3.80 HIGHER AT 87.25/BBL; BRENT (K6) SETTLED USD 4.18 HIGHER AT USD 91.98/BBL**

**The crude complex saw gains, as Strait of Hormuz mines and IEA recommendation dominated Wednesday's tape.** In the European morning, price action was dictated by updates from the UKMTO, who declared three incidents, which gradually sent WTI and Brent to intraday highs. Thereafter, benchmarks pared off highs as participants awaited details from the IEA recommendation, which was largely in line with expectations; members agreed to a 400mln barrel release, although details around the release are light, with BiroI stating more information in "due course" and the timeframe will be appropriate to each member country. As the IEA concluded its press conference, and alongside an Axios piece, oil once again moved higher and provided support to the close to see oil settle just below the session peaks. Regarding the Axios article, citing a Trump phone call, he gave the familiar line that the war will end "soon" because there is "practically nothing left to target", although the bullishness for oil potentially came at Axios added officials preparing for at least two more weeks of strikes. Mines in the Strait of Hormuz remain in focus, and Trump doesn't think Iran has laid any, but separate reports suggest Iran has a laid or dozen (or a few dozen) so far, while the JMIC said they cannot confirm whether there are mines there or not. Crude also saw a leg higher on reports in ABC that the FBI had intel that Iran aspired to attack California with drones in response to the war. For the record, WTI traded between USD 81.79-88.99/bbl and Brent USD 86.24-93.15/bbl.

## EQUITIES

**CLOSES:** SPX -0.08% at 6,776, NDX +0.03% at 49,965, DJI -0.61% at 47,417, RUT -0.20% at 2,543

**SECTORS:** Consumer Staples -1.29%, Real Estate -1.12%, Financials -0.83%, Utilities -0.81%, Materials -0.33%, Industrials -0.27%, Consumer Discretionary -0.27%, Health -0.20%, Communication Services +0.01%, Technology +0.35%, Energy +2.48%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.70% at 5,796, Dax 40 -1.59% at 23,588, FTSE 100 -0.56% at 10,354, CAC 40 -0.19% at 8,042, FTSE MIB -0.95% at 44,773, IBEX 35 -0.53% at 17,352, PSI +0.58% at 9,076, SMI -0.61% at 12,976, AEX +0.05% at 1,003

## EARNINGS:

### STOCK SPECIFICS:

- **Oracle (ORCL):** EPS, rev. & cloud rev. beat w/ stellar next Q profit guidance & raised FY top line outlook.
- **UniFirst (UNF)** to be acquired by **Cintas (CTAS)** for \$310/shr in cash & stock; UNF closed Tues. at 257.91.
- **AeroVironment (AVAV):** Profit & rev. light.
- **Nvidia (NVDA)** narrowed its CoWoP PCB partners to three amid tightening advanced packaging capacity.
- **Texas Instruments (TXN)** is reportedly preparing to raise prices on a range of semiconductor products from April 2026
- **JPMorgan (JPM)** has marked down certain loans held by private credit groups & is tightening lending to the sector.
- Wolfe Research raised **Micron (MU)** PT to \$500 & reiterated 'Outperform' rating.
- **Campbell's (CPB):** Top, bottom line missed & cut FY outlook.
- **Uber (UBER)** partners with **Amazon's (AMZN)** Zoox to offer Robotaxi rides.
- **Nvidia (NVDA)** to invest USD 2bln in **Nebius (NBIS)**, partnering to scale full-stack AI cloud. **SLB (SLB)** cuts Q1 outlook due to the Middle East conflict.
- **Stryker (SYK)** the subject of a cyber attack, WSJ reports, the incident may be linked to Iran.
- **Papa John's (PZZA)** reportedly draws a takeover bid from Irth Capital and reportedly offers USD 47/shr, WSJ reports.
- **Intel's (INTC)** 10% stake sale to the US must be voided, according to a lawsuit.

## FX

**The dollar** was firmer against most major peers as the constrained Strait of Hormuz continues to drag on with no end in sight. The IEA announced members agreed to a 400mln barrel emergency release of oil stockpiles, matching the high end of the 300-400mln range provided in recent reports; however, with views growing that the conflict will be longer than originally thought, the IEA's move

is being seen as having a short-lived effect. US yields tracked the move higher in oil prices, which have stayed firm despite the IEA announcement and more remarks from Trump aimed at easing concerns, resulting in the dollar being supported. Money markets pushed back pricing for Fed rate cuts, with the first cut not fully priced until December. Separately, US data did little to change market views, as both headline and core matched expectations, leaving all attention now on the Middle East's conflict impact on consumer prices.

**EUR** was in focus after ECB's Kazimir, who suggested that a rate hike in response to Iran may be closer than thought. Initial modest upside was seen after the remark, but dissipated after he added that there is no reason to move rates at the next meeting. ECB's Villeroy also said he does not expect a rate hike at next week's meeting.

**AUD** was the only G10 FX to strengthen against the dollar as more banks upped hawkish RBA bets. The latest was Westpac and the National Australia Bank, who now expected the RBA to hike rates in March and May, respectively. BofA also sees a hike at next week's meeting. AUD/USD set a peak at 0.7188 before retreating to ~0.7146.

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