

Stocks and bonds gain as eyes look to Fed

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down, Gold down.
- **REAR VIEW:** Trump says Xi meeting looks like it'll happen in 5 weeks; Trump says not ready to leave Iran yet, but will in the near future; US & Israel says Iranian official Larijani dead from strike, but Iran has yet to confirm it; Iraq in contact with Iran to allow some oil tankers through Hormuz; Strong US 20yr auction; US Pending Home Sales top expectations; RBA hikes cash rate as expected; German ZEW Economic Sentiment sinks into negative; AMZN CEO says AI to double AWS sales to \$600B by 2036; QCOM raised dividend & new buyback prog.
- **COMING UP:** **Data:** EZ CPI Final (Feb), US PPI (Feb), New Zealand GDP (Q4). **Event:** BoC, Fed, BCB Policy Announcements. **Speakers:** BoC's Macklem, Rogers; Fed's Powell; Nvidia (NVDA) CEO Huang. **Supply:** Australia, Germany. **Earnings:** Micron, HelloFresh.

MARKET WRAP

US indices were firmer on Tuesday in broader risk-on sentiment, as despite the constant flow of Middle East headlines, there were few escalatory or de-escalatory developments. There have been conflicting reports regarding the health of Iran's Top Security Chief, Larijani, as Israel and the US said he was killed in an airstrike, but Iran has yet to confirm this. In terms of some of the more notable remarks, the EU's Kallas remarked that a model similar to the Black Sea could be used in the Strait of Hormuz, but the question is what neighbouring countries, including Iran, could agree on; and the door is not closed on participation in the Strait. From the US side of things, Trump spoke heavily and did not garner much reaction, but he noted they are not ready to leave Iran yet, although they will leave in the near future, and won't be too long before ships can go through the Strait of Hormuz. Sectors were largely firmer, with only Health and Consumer Staples in the red, while Energy sat atop the pile. WTI and Brent saw gains, retracing some of Monday's losses, while Treasuries were firmer across the curve with the 20yr auction coming in strong. Precious metals were weaker, with spot silver underperforming its peer, while the Dollar Index saw losses, to the benefit of most G10s. AUD outperformed after the RBA hiked rates overnight, as widely anticipated, with Bullock's press conference also deemed hawkish as participants debated whether they will raise rates for the third time in May. There was no tier 1 US data, although pending home sales impressed with the US PPI, FOMC and SEPS, the upcoming highlights on Wednesday.

US

PENDING HOME SALES: Pending home sales for February rose 1.8% M/M from January's decline of 0.8%, and above the expected -0.5%. Gains occurred in the Midwest, South and West, but declined in the Northeast. NAR Chief Economist Lawrence Yun writes that improved affordability seems to have led to a climb in pending contracts, but regions like the NW continued to be held back by the combination of higher home prices and a shortage of supply. Yun warns, "conditions could reverse if higher oil prices lead to an uptick in mortgage rates." He further added, "For first-time homebuyers, purchasing a home is not a snap decision. It takes time to build credit, save for a down payment, and fulfill existing rental lease agreements. Still, there is sizable pent-up demand that could be released into the market."

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 3+ TICKS HIGHER AT 112-00

Yields continue to pare back recent gains as eyes turn to FOMC on Wednesday. At settlement, 2-year -0.2bps at 3.671%, 3-year -0.8bps at 3.675%, 5-year -1.2bps at 3.786%, 7-year -1.7bps at 3.977%, 10-year -2.2bps at 4.198%, 20-year -2.7bps at 4.819%, 30-year -1.9bps at 4.849%.

THE DAY: T-notes were higher across the curve today with yields lower by 0-3bps across the curve. The move lower in yields came despite further upside in oil prices and a lack of fresh tier 1 data. The data today saw the weekly US ADP Employment Change at 9k from 15.5k, while the NY Fed Services Business Activity declined. Pending Home Sales rose M/M in February. There was little fresh driving price action today, and seemingly just a further unwind of recent price action and perhaps still supported by some of the sell side commentary, about risks being tilted to the downside for yields. Meanwhile, although focus remains on the Middle East, attention will be on the FOMC Rate decision and summary of economic projections tomorrow. Before that, the February US PPI will be released, albeit it will still not incorporate any impacts from the war. Nonetheless, it will be a gauge into the February PCE report due April 9th. The 20-year auction was strong however, echoing the strength in the 30-year last week while overnight also saw a strong JGB 20-year auction.

SUPPLY

Notes

- Overall, a very strong 20-year bond offering. The USD 13bln 20-year reopening was sold at a high yield of 4.817%, stopping through the when issued by 0.7bps, a notable improvement when compared to the prior 2bps tail and six auction average of coming in on the screws. The bid-to-cover was also solid, rising to 2.76x from 2.36x, and above the average 2.63x. The

strong demand was led by a jump in indirect bidders to 69.2% from 55.2%, above the 62.1% average. Direct demand fell to 21.6% from 27.2%, below the 27% average. However, dealers were only left with 9.2% of the auction, well below the prior 17.6% and a touch beneath the 10.9% average. The strong 20-year auction was likely supported by a combination of factors. The offering came off the back of a very weak February auction, while yields were higher this time around, providing a more attractive entry point for investors. Reopenings in the 20-year sector have also tended to perform well, as highlighted by BMO Capital ahead of the sale. The strength further mirrors demand seen in last week's 30-year auction, in contrast to the softer 3-year, suggesting investors are favouring duration over the front end. It also follows the strong 20-year JGB auction overnight. In addition, recent sell-side commentary pointing to lower yields ahead may have encouraged participants to lock in the higher yield on offer. US to sell USD 19bln of 10-year TIPS on March 19th; all to settle March 31st

Bills

- US sold 6-wk bills at a high-rate of 3.635%, B/C 3.02x; sold 1-yr bills at a high rate of 3.485%, B/C 3.43x

STIRS/OPERATIONS

- Fed Rate Cut Pricing: March 0bps (prev. 0bps), April 0bps (prev. 0bps), June 2.7bps (prev. 3.9bps), December 24.6bps (prev. 24.1bps).
- NY Fed RRP op demand at 0.80bln (prev. 0.58bln) across 5 counterparties (prev. 9) on March 17th
- SOFR at 3.70% (prev. 3.65%), volumes at USD 3.178tln (prev. USD 3.164tln) on March 16th
- EFR at 3.64% (prev. 3.64%), volumes at USD 88bln (prev. USD 92bln) on March 16th

CRUDE

WTI (J6) SETTLED USD 2.71 HIGHER AT USD 96.21/BBL; BRENT (K6) SETTLED USD 3.21 HIGHER AT USD 103.42/BBL

The crude complex was firmer, reversing some of Monday's losses, all while the Middle East war dominates, there has been no further major escalation. Of course, headlines remain exceedingly busy, but there was actually not too much new on Tuesday, though there have been conflicting reports regarding the health of Iran's Top Security Chief, Larijani. Israel says he was killed in an airstrike, but Iran has yet to confirm this. In terms of market-moving headlines, crude saw downside as EU's Kallas remarked a model similar to the Black Sea could be used in the Strait of Hormuz, but the question is what neighbouring countries, including Iran, could agree on; the door is not closed on the participation in the Strait. From the US side of things, Trump spoke heavily and did not garner much reaction, but he noted they are not ready to leave Iran yet, although will leave in the near future, and won't be too long before ships can go through the Strait of Hormuz. He once again issued his dissatisfaction with NATO allies. WTI traded between USD 92.88-97.65/bbl and Brent USD 100.86-104.98, respectively, as the latter closed above USD 100/bbl for the fourth consecutive day. Heading into settlement, benchmarks saw a slight boost, albeit well within session ranges, as Iran's parliament speaker Qalibaf said the Strait of Hormuz situation won't return to its pre-war status. After-hours we get the weekly private inventory figures, whereby current expectations are (bbls): Crude +0.4mln, Distillates -1.5mln, Gasoline -1.6mln.

EQUITIES

CLOSES: SPX +0.25% at 6,716, NDX +0.51% at 24,780, DJI +0.10% at 46,994, RUT +0.67% at 2,520

SECTORS: Health -0.92%, Consumer Staples -0.48%, Utilities -0.26%, Materials +0.17%, Real Estate +0.20%, Technology +0.21%, Industrials +0.25%, Financials +0.51%, Communication Services +0.67%, Consumer Discretionary +1.00%, Energy +1.02%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.50% at 5,768, Dax 40 +0.67% at 23,721, FTSE 100 +0.83% at 10,404, CAC 40 +0.49% at 7,974, FTSE MIB +1.22% at 44,888, IBEX 35 +0.92% at 17,247, PSI +0.50% at 9,175, SMI +0.50% at 12,959, AEX +0.50% at 1,013

STOCK SPECIFICS:

- **Nvidia (NVDA):** Post CEO Huang's keynote address at GTC; sees \$1tn Blackwell & Rubin sales by 2027.
- Victory Capital submits revised bid for **Janus Henderson (JHG)** which amounts to \$56.84/shr for JHG shares.
- **Delta Airlines (DAL)** lifted revenue outlook on demand momentum.
- **United Airlines (UAL)** CEO said remains solidly on the path to low double digit margins and a prolonged fuel spike has the potential to actually accelerate some of the industry restructuring that moves them into mid-double digit range.
- **JetBlue Airways (JBLU)** expects stronger Q1 travel demand vs. prior expected.
- **Steel Dynamics (STLD)** cuts Q1 profit guidance.
- **Nebius (NBIS)** to raise USD 3.75bln in convertible loan offering.
- **Lensar (LNSR)** and Alcon agreed to terminate their previously announced merger agreement.
- Morgan Stanley said default rates in private credit could rise to 8% as AI disruption continues to pressure software sector.
- **Qualcomm (QCOM)** boosts quarterly cash dividend and announces new USD 20bln stock repurchase authorisation.
- **New Fortress Energy (NFE)** signed restructuring support agreement, Bloomberg reports.
- **Nvidia (NVDA)** plans to use 50% of free cash for investor returns; will shift to returns when funded investment commitments; CFO sees shift to buybacks and dividends in H2.
- **Amazon (AMZN)** CEO says AI to double AWS sales to USD 600bln by 2036; previously estimated at USD 300bln.

FX

The Dollar continued to trim last week's gains as risk-on entered global equities amid oil prices starting a modest bounce after yesterday's weakness. Energy and geopolitical headlines dominated the session, with updates bringing neither escalations nor

easing of tensions. Attacks continue, Iran remains firm on restricting the Strait of Hormuz to its enemies, and Trump shows no imminent sign of walking away, as he cited "a couple weeks". Other updates included US Pending Home Sales topping expectations, ADP weekly easing from the prior, while the 20yr bond auction came in strong. On Wednesday, focus will be on the Fed, where expectations are for a hold as money market pricing for the first 25bps rate cut has been pushed back to December amid the surge in oil prices over the last month. [Click here for the Newsquawk FOMC Preview.](#)

AUD outperformed despite initial downticks on the "dovish" framing of the RBA announcement, while a hawkish response from Governor Bullock in the press conference afterwards supported further strength. The RBA hiked the Cash Rate by 25bps as expected to 4.1%, but in a 5-4 vote split. Later, Bullock stated the discussion over the decision was about the timing, not the direction of policy and the hike (March vs May).

EUR, GBP, and CHF all saw strengthening on Tuesday, while **JPY** and **NZD** were flat, and **CAD** weakened modestly. Currency-specific news was generally light in the G10 space. For EUR, the German ZEW Economic Sentiment Index saw its third-largest monthly decline ever in March, but its downside impact on EUR/USD was limited and brief. EUR/USD sits around session highs of 1.1547.

On Wednesday, **CAD** is in focus amid the BoC, which is expected to hold rates at 2.25%, as seen by money markets and a Reuters poll of economists. In the past two months, cooling in inflation and losses in employment have reduced bets for a return to hikes by year end. [Click here for the full BoC Newsquawk Preview.](#)

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