newsquawk

US Market Wrap - 18th March 2026

Dollar gains as oil ascends higher while Powell leans hawkish

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW**: Fed holds rates as expected, Miran sole dissenter; Powell leans hawkish in presser; Hot US PPI; Iran's South Pars gas field was attacked, to retaliate on several energy facilities across the Gulf; QatarEnergy confirms Ras Laffan Industrial City has been subject to extensive damage from attacks; Iran confirms Security Chief Larijani was killed; BoC holds rates as expected; EIA crude stocks unexpectedly build; Multiple Chinese companies said to have received approval to buy NVDA H200 AI chips.
- **COMING UP**: **Data:** Australian Jobs Report (Feb), UK Jobs/Average Earnings (Jan), US Initial Jobless Claims (Mar/14), Atlanta Fed GDP, New Zealand Trade Balance (Feb). **Event:** Riksbank, SNB, BoE, ECB, BoJ Policy Announcements. **Speakers:** RBNZ's Richardson; BoJ's Ueda; SNB's Schlegel; Riskbank's Thedeen; ECB's Lagarde. **Supply:** Spain, France, US.. **Earnings:** FedEx, Alibaba.

MARKET WRAP

Stocks were pressured while yields rose in response to further upside in oil prices in response to an Israeli attack on the South Pars gas facility, the largest in the world. Oil gave back some of its gains as the EU's Kallas and the Iranian Foreign Minister spoke, but that swiftly pared as Qatar announced the Ras Laffan Industrial complex was attacked with extensive damage. Meanwhile, Israel targeted Iranian navy ships in the Caspian Sea. These reports took oil prices higher post-settlement, supporting the dollar, weighing on stocks and boosting yields. Also contributing to the moves was Fed Chair Powell. The Fed left rates on hold as expected in an 11-1 vote split, while dot plots were largely unchanged, with little reaction seen. However, alongside the aforementioned updates, Powell noted how the Fed will not look through energy-induced inflation lightly, while stating that rate hikes in the future were discussed, but caveated that it is not the base case of the vast majority of the Fed. The geopolitical escalations and hawkish-leaning Powell supported the Dollar, while stocks and bonds moved lower, all while oil accelerated with Brent breaching USD 110/bbl at pixel time. Elsewhere, US PPI data was hot, and the BoC left rates on hold as expected. Amid the stronger USD on the above themes, precious metals were weighed, with gold falling below USD 5k/oz to ~ USD 4,835 and silver to around USD 76/oz.

FED REVIEW

STATEMENT: The FOMC maintained rates at 3.50-3.75%, with no change to the forward-guidance sentence on considering "the extent and timing of additional adjustments" or to its commitment to maximum employment and 2% inflation. On the vote, only Miran dissented in favour of lower rates. Some had expected him to be joined by Waller again, while others had suggested Bowman could also join the dissenters in calling for a rate cut. The March statement left the economic assessment broadly unchanged, except that "the unemployment rate has shown some signs of stabilisation" was replaced with "the unemployment rate has been little changed in recent months". However, "economic activity has been expanding at a solid pace", "job gains have remained low", and "inflation remains somewhat elevated" were unchanged. In its risk assessment, January's reference that "uncertainty about the economic outlook remains elevated" was retained, while March added that "the implications of developments in the Middle East for the US economy are uncertain." Balance-sheet and implementation guidance were also unchanged.

SEP: The Fed raised its near-term and medium-term growth forecasts, lifted its inflation projections and only modestly softened its labour-market view. GDP was revised up to 2.4% (prev. 2.3%) for 2026, 2.3% (prev. 2.0%) for 2027 and 2.1% (prev. 1.9%) for 2028. Long-term growth was revised up to 2.0% from 1.8%. PCE and core PCE were both revised higher, with the biggest change in 2026, when both were raised to 2.7% from 2.4% and 2.5%, respectively. The unemployment projection was unchanged for 2026 at 4.4%, but was nudged up to 4.3% in 2027 from 4.2%. The median rates path was unchanged through 2028, though the longer-run fed funds rate edged up to 3.1% from 3.0%.

POWELL PRESSER: Fed Chair Powell's press conference leaned hawkish, despite the SEP median dots remaining unchanged. His main concern was clearly inflation persistence rather than growth weakness. He repeatedly stressed the need to see further progress in goods disinflation, flagged frustration over sticky non-housing services and made clear that, if inflation progress does not resume, cuts will not follow. He also sounded wary of fresh upside inflation risks from tariffs, which he continues to see playing out by mid-year, as well as from oil and the Middle East. The key point was that energy can be looked through only if inflation expectations remain anchored, but it would not be looked through lightly. Powell said a number of officials had noted that short-term inflation expectations had risen, while long-term inflation expectations were "solid", adding that the Fed was strongly committed to keeping inflation expectations anchored around target. On rates, Powell kept optionality but did not open the door to near-term easing. He said policy was in a good place, noting it was around the high end of neutral, or only modestly restrictive, suggesting the hurdle for cutting remained evidence-based rather than pre-emptive. He also pointed to a meaningful shift within the Committee towards fewer cuts and said a hike was discussed at the meeting, but stressed that the "vast majority" did not see that as the base case. Finally, Powell said the labour market was being watched closely, particularly weak private payroll growth, but stopped short of suggesting employment risks now dominate the Fed's policy balance.

FED CHAIR JOB: Powell said that if a successor is not confirmed before his term as Chair ends, he would remain in place as Fed Chair "Pro Tem". On his role beyond that, he said he has no intention of leaving the Board of Governors until the DoJ investigation is over. And beyond that point, he said he has not yet decided whether he would stay on as a Governor once the probe is resolved.

US

PPI: Headline PPI rose 0.7% M/M, above the 0.3% forecast and matching the highest analyst estimate, accelerating from the prior 0.5%. This saw the Y/Y accelerate to 3.4% from the 2.9% prior and consensus, matching the highest analyst forecast. The core M/M rose 0.5%, cooling from the prior 0.8%, while the Y/Y rose 3.9%, accelerating from the 3.6% prior and above the 3.7% forecast. The super core (ex food, energy and trade), rose 0.5% M/M, also above the 0.3% forecast and prior, while the Y/Y rose 3.5%, above the 3.3% forecast and 3.4% prior. Within the report, the PCE components leaned slightly hotter than the January report, with portfolio management fees cooling, air passenger transport rising marginally, and physician care easing. Home health and hospice care, and outpatient and inpatient care accelerated. Oxford Economics highlight that the increase in food and energy prices pushed the headline to its highest level since February 2025, and there are upside risks ahead as the spike in oil prices means food and energy goods, along with transportation services, will likely see larger price increases in the next PPI report. Oxford Economics' PCE tracking nowcast "points to a 0.4% rise in both headline and core prices. This will keep headline PCE inflation steady at 2.8% and help core inflation inch lower to 3.0% from 3.1% in January".

BOC

BOC: The BoC left rates on hold as expected at 2.25%, although it did remove the line from January that the BoC "judges the current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook". The BoC did note that growth risks are tilted to the downside, and inflation risks have risen due to energy prices, noting that the increased energy prices will push up total inflation in the coming months. It also expects growth to be weaker than what was anticipated at the January meeting. The Central Bank confirms it is too early to assess the impact of the conflict, but it remains prepared to respond as needed. The BoC may have removed the language about the current policy being appropriate due to the large amounts of uncertainty amid the conflict and trade environment, with the USMCA also up for review. From Governor Macklem, he noted that the governing Council will look through the war's immediate impact on inflation, but if energy prices stay high, the BoC will not let their effects broaden and become persistent inflation. He added that they will make decisions one meeting at a time, and he does not think there will be a rapid pass-through of higher energy prices. Now, money market pricing sees 36bps of hikes by year-end (prev. 32bps before the meeting), with the first hike in October (prev. December). IGN writes that given uncertainty over how long the situation will last and the continued focus on trade, "we see little prospect of a near-term rate move from the BoC".

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 14+ TICKS LOWER AT 111-17+

Yields are higher on escalating geopolitics, and as Fed Chair Powell says, rate hikes were discussed. 2-year +8.2bps at 3.760%, 3-year +8.6bps at 3.765%, 5-year +8.1bps at 3.869%, 7-year +7.4bps at 4.053%, 10-year +6.1bps at 4.261%, 20-year +4.9bps at 4.864%, 30-year +4.0bps at 4.883%.

THE DAY: T-notes saw two-way trade but sold off in the US session as oil prices surged after Israel attacked the South Pars gas field in Iran, the largest gas field in the world, reigniting the inflationary concerns seen in recent weeks. Meanwhile, the US PPI data came in hotter than expected, keeping T-notes pressured ahead of the Fed. The Fed ultimately left rates unchanged in an 11-1 vote split, with only Miran opting to cut rates by 25bps. The median dot plots were largely unchanged, apart from a slight move higher in the long-run dot. Inflation and growth forecasts were raised while unemployment was unchanged, apart from a revision higher to 2027. Some pressure in T-notes was seen throughout Powell's press conference, where he said the Fed will not look through energy price spikes lightly, while also revealing that rate hikes were discussed at today's meeting, but it is not the base case for the vast majority. These comments saw yields move higher, but also supporting the move was the post-settlement gains in oil after Qatar announced Iran struck the Ras Laffan Industrial complex and extensive damage was caused.

SUPPLY

Notes

- US to sell USD 19bln of 10-year TIPS on March 19th; all to settle March 31st

Bills

- US sold 17-week bills at a high rate of 3.610%, B/C 3.05x

STIRS/OPERATIONS

- Fed Rate Cut Pricing: April +2.3bps (prev. +1.3bps), June +1.1bps (prev. -2.2bps), July -3.5bps (prev. -6.2bps), December -15.4bps (prev. -19.4bps); Priors are pre-FOMC.
- NY Fed RRP op demand at USD 0.698bln (prev. 0.797bln) across 6 counterparties (prev. 5)
- SOFR at 3.65% (prev. 3.70%), volumes at USD 3.146tln (prev. USD 3.178tln) on March 17th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 93bln (prev. USD 88bln) on March 17th

CRUDE

WTI (K6) SETTLED USD 0.07 LOWER AT USD 95.46/BBL; BRENT (K6) SETTLED USD 3.96 HIGHER AT USD 107.38/BBL

Crude was mixed as attacks on Iran's energy facilities left concerns elevated over disruption to supply. WTI and Brent found their lows in the European morning, with the attack of Iran's South Pars gas field and Asaluyeh oil facility helping prices reverse and move rapidly in the green. Tensions grew after reports said Iran would hit enemy sites that were previously thought to be safe, issuing evacuation warnings for several energy facilities across the Gulf. Later, Axios reported that an Israeli official said the strikes on Iran's energy sites were aimed at signalling to Iran that if it continues to disrupt oil supply through the Strait of Hormuz, there could be an escalation in targeting of its energy facilities. Brent notably outperformed WTI on the day, but with both coming under pressure after reports that Iran's Foreign Minister spoke with EU's Kallas; where they discussed the regional situation and the Strait of Hormuz. WTI ended in the red, albeit was notably off the USD 91.45bbl lows. Around WTI settlement, QatarEnergy confirmed that the Ras laffan Industrial City has been subjected to missile attacks, with extensive damage caused. WTI and Brent were lifted on the news, further paring the downside seen in response to the earlier meeting between Iran's FM and EU's Kallas. Elsewhere, no reaction was seen in response to the EIA weekly inventory report. Data was as follows: Crude 6.155mln (exp. -0.58mln), Gasoline -5.436mln (exp. -1.4mln), Distillate -2.527mln (exp. -1.5mln). WTI and Brent traded between USD 91.45-98.67bbl and 100.34-109.95, respectively. No reaction was seen to the Fed holding rates as expected.

EQUITIES

CLOSES: SPX -1.36% at 6,625, NDX -1.43% at 24,425, DJI -1.63% at 46,225, RUT -1.64% at 2,479

SECTORS: Consumer Staples -2.44%, Consumer Discretionary -2.32%, Materials -2.25%, Health -1.61%, Real Estate -1.61%, Technology -1.24%, Financials -1.18%, Communication Services -1.12%, Utilities -0.79%, Industrials -0.77%, Energy -0.16%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.54% at 5,738, Dax 40 -0.88% at 23,513, FTSE 100 -0.98% at 10,301, CAC 40 -0.06% at 7,970, FTSE MIB -0.37% at 44,721, IBEX 35 +0.20% at 17,282, PSI -0.44% at 9,135, SMI -1.60% at 12,756, AEX -1.27% at 1,000

STOCK SPECIFICS

- **Nvidia (NVDA):** CEO said the company has received orders from China for H200 processors.
- **General Mills (GIS):** Q profit missed.
- **Lululemon (LULU):** Reported soft guidance.
- **Macy's (M):** Q metrics beat
- **Rocket Lab (RKLB):** Filed up to $1B ATM offering.
- **Block (XYZ):** Upgraded at Rothschild & Co Redburn to 'Neutral' from 'Sell'.
- **Coinbase (COIN)** is vying for a coveted deal with Cloudflare (NET) to launch a stablecoin that could be at the center of agent-based traffic, The Information reports.

FX

The Dollar traded firmer on Wednesday, supported by Fed Chair Powell leaning hawkish, further energy disruption in the Middle East and a hot US PPI report. Starting off, Israel's attacks on Iran's South Pars gas field and Asaluyeh oil facility left crude prices rallying, with Brent nearing USD 110/bbl. Meanwhile, PPI was hot on all measures, adding to already existing inflationary concerns, given the report was before the surge in oil prices in March and components which feed into PCE leaned slightly hot. In the afternoon, the Fed held rates as expected, with only Governor Miran dissenting for a rate cut. The statement pointed out uncertainty surrounding the economic impacts from the Middle East situation, with dollar strength picking up in the press conference. Specifically, Powell said he won't approach the question of looking through oil prices lightly and pointed out the vast majority of participants do not see a hike as the next base case (1 does). Meanwhile, the main changes in the SEPs saw 2026, 27, and 28 GDP revised up, as well as core and headline PCE for 2026. DXY climbed back above 100 to around 100.14 from earlier 99.465 lows.

USD/CAD showed little reaction towards the BoC's decision to hold rates as forecasted. Moves in the currency pair were more of a function of US and geopolitical dynamics. The BoC removed the line that the current policy rate is about the right level to keep inflation close to 2% if the economy evolves as expected. This is likely due to the increased downside risks to growth and upside risks to inflation, the central bank pointed out, clouding the policy outlook in the year ahead.

Thursday is a big day for G10 central banks, with the ECB, SNB, BoE, and Riksbank widely expected to hold. Policymakers are expected to stress data dependence and a wait-and-see stance as elevated energy prices persist into the third week of the conflict at their respective rate announcements. Early Friday, the BoJ are expected to hold amid a troubling situation with USD/JPY nearing 160 with no near-term solution in sight to combat higher energy prices.

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