US Market Wrap - 20th March 2026

Stocks hit on geopolitics and hawkish rate expectations

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW**: US reportedly making preparations for potential ground troops in Iran; Iran said to stick to hardline position on Strait of Hormuz, unwilling to discuss Hormuz while under attack; Trump Administration is reportedly considering plans to occupy or blockade Iran's Kharg Island to pressure Iran to reopen the Strait of Hormuz; Saudi officials reportedly see the base case for oil to rise to USD 180/bbl if the disruptions persist until late April; Fed's Bowman sees three rate cuts for 2026; Fed's Waller cites uncertainty on the economy for opting to hold rates this week; Naftogaz says Russia attacked oil and gas facilities in Ukraine's Poltava and Sumy region.
- **COMING UP**: **Data:** ECB Wage Tracker (Q1), EU Consumer Confidence Flash (Mar), US Chicago Fed National Activity Index (Feb), Atlanta Fed GDP, Australian Flash PMIs (Mar), Japanese CPI (Feb). **Speakers:** ECB's Cipollone, Lane. **Supply:** EU
- **WEEK IN FOCUS:** Highlights include Japanese CPI, UK Inflation, UK Retail Sales and Flash PMIs. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES:** PDD, CTAS, PAYX, JEF, CCL. Click here for the full report.

MARKET WRAP

Stocks were slammed on Friday as geopolitics continues to dominate, while a heavy week of central bank activity marked a hawkish shift due to the US/Iran war. The downside saw the Russell fall 10% from peaks, officially entering correction territory. Reports had suggested that US President Trump is considering plans to occupy Kharg Island to pressure Iran to reopen the Strait of Hormuz, but reports stated that Iran is maintaining its hard line on Hormuz. The US is also sending thousands of troops to the Middle East, and CBS suggested the US is preparing for a ground invasion into Iran, but no final decision has been made. The escalating tensions saw oil prices rally, in turn seeing yields surge in the US and Europe with money markets pricing in more hawkish global central bank activity, with rate cut bets turning to rate hike bets. Fed speak saw Waller voice inflation concerns from the War, while Bowman said she pencilled in three rate cuts in 2026. In the UK, 10-year Gilt yields hit the highest level since 2008, while Bund yields hit the highest level since 2011. In FX, the CAD and USD outperformed on energy prices and haven demand, respectively. Meanwhile, AUD, JPY and NZD underperformed with Antipodes hit by risk sentiment while Yen was hit by surging US yields. Gold and Silver also plummeted on the hawkish central bank shifts seen this week, while Bitcoin was slightly lower, but not to the same extent as stocks and metals. Shortly before the close, Trump issued remarks, saying we can have dialogue with Iran, but don't want a ceasefire.

FED

WALLER (dovish): Governor Waller took on board the risks the Middle-East conflict poses, walking back his calls for more imminent rate cuts. He said he thought he'd dissent after the last jobs report at this week's meeting, but the Iran conflict has changed things. He notes that if oil stays high for months, at some point it will bleed into core inflation, with a high and persistent oil shock not having a transitory impact on inflation, which the Fed cannot look through. He believes this caution is warranted, wants to wait and see how this evolves before deciding on rate cuts for later this year and how the economy changes. On that, he would advocate for cuts again late in the year if the labour market is weak. Waller doesn't think there is a need to consider rate hikes, and markets have not shown any unanchoring of inflation expectations. Investors understand inflation will drop as tariffs roll off. Meanwhile, Waller expects labour force growth to be close to zero, which changes the breakeven level of job growth. Separately, he sees no reason to make bank reserves scarce just to reduce the balance sheet.

BOWMAN (voter, dovish): Said she has pencilled in three interest rate cuts for 2026; a more dovish outlook on the rate path this year than the Fed Median SEP of one 25bps cut. Bowman says she is still concerned about the labour market. Regarding Iran, she said it is too early to say what the Iran war means for the Fed. On banking, she noted that the new bank rule proposals have broad support and hopes the changes will pull more activity back into the banking sector.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 23 TICKS LOWER AT 110-16

T-notes hit on hawkish rate expectations and ongoing geopolitics. At settlement, 2-year +9.0bps at 3.885%, 3-year +11.4bps at 3.906%, 5-year +12.7bps at 4.008%, 7-year +14.1bps at 4.198%, 10-year +13.9bps at 4.388%, 20-year +15.6bps at 4.989%, 30-year +11.8bps at 4.959%.

THE DAY: T-notes were slammed across the curve on Friday with the market still digesting some of the hawkish communications at G7 central banks this week. Meanwhile, futures gave up the gains seen post-Netanyahu on Thursday, with tensions rising once again on reports that the Trump admin is sending more troops to Iran while also considering occupying Kharg Island to force Iran to open the Strait of Hormuz. Meanwhile, Bloomberg reported Iran is said to stick to a hardline position on the Strait of Hormuz, and it is unwilling to discuss Hormuz while under attack. Meanwhile, Fed speak resumed with Bowman revealing she pencilled in three 25bps rate cuts for 2025, while Waller sounded more hawkish than his usual dovish self. He warned that if oil stays high for months, at some point it will bleed into core inflation, with a high and persistent oil shock not having a transitory impact on inflation, which the Fed cannot look through. ECB speakers also leaned hawkish, with ECB's Nagel and Muller warning hikes may be needed in response to the energy shock. It is worth noting that US and European yields were also rallying, with the UK 10-year yield hitting the highest level since 2008 while the market prices in three 25bps rate hikes from the BoE. Fed pricing implies a c. 50% probability of one rate hike by October this year, but pricing may be distorted by the sharp moves in front-end yields recently. Since the Fed, Morgan Stanley, Goldman and Barclays have pushed back their Fed rate cut calls to September from June.

SUPPLY

Notes

- US to sell USD 69bln of 2-year notes on Tuesday, March 24th, USD 70bln of 5-year notes on Wednesday, March 25th and USD 44bln of 7-year notes on Thursday, March 26th; all to settle March 31st
- US to sell USD 28bln reopened 2-year FRN on March 25th; to settle March 27th.

Bills

- US to sell USD 77bln of 26-week bills and USD 89bln of 13-week bills on March 23rd; to sell USD 80bln of 6-week bills on March 24th; all to settle March 26th

STIRS/OPERATIONS

- Fed Money Market Pricing (implied bps): April 5.2bps (prev. +2.8bps), June 7.6bps (prev. +1.6bps), July 7.5bps (prev. +0.0bps), December 10.5bps (prev. -7.9bps)
- NY Fed RRP op demand at 0.82bln (prev. 0.64bln) across 5 counterparties (prev. 5) on March 20th
- SOFR at 3.62% (prev. 3.62%), volumes at USD 3.121tln (prev. USD 3.092tln) on March 19th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 103bln (prev. USD 93bln) on March 19th

CRUDE

WTI (K6) SETTLED USD 2.68 HIGHER AT 98.23/BBL; BRENT (K6) SETTLED USD 3.54 HIGHER AT 112.19/BBL

Crude prices were firmer on Friday, paring the Netanyahu-induced downside on Thursday. Tensions were rising again after reports from Axios suggested that the Trump Administration is considering plans to occupy or blockade Iran's Kharg Island to pressure Iran to reopen the Strait of Hormuz. However, Bloomberg later reported that Iran is sticking to its hardline position on the Strait and it is unwilling to discuss Hormuz whilst under attack. On the supply of oil, the IEA head warned it could take six months to restore oil and gas flows from the Gulf, noting politicians and markets were underestimating the scale of the disruption. The US is also sending thousands more troops to the Middle East. Commentary from Saudi officials also caught attention, noting they see the base case for oil to rise to USD 180/bbl if the disruptions persist until late April. Meanwhile, Fitch said oil prices could average USD 120bbl if the Hormuz is closed for six months. A six-month closure is the White House's most severe scenario, and by no means a base case. WTI and Brent had cooled off peaks heading into settlement, seemingly around reports the UK has allowed the US to utilize its bases for defence. However, selling calmed amid reports Iraq has declared a force majeure on all oilfields developed by foreign oil companies, before reversing the move on reports in CBS that Trump is preparing for potential use of ground troops in Iran. WTI and Brent traded between USD 92-47-98.75/bbl and USD 105.05-113.11/bbl.

EQUITIES

CLOSES: SPX -1.51% at 6,506, NDX -1.88% at 23,898, DJI -0.96% at 45,578, RUT -2.25% at 2,438

SECTORS: Utilities -4.11%, Real Estate -3.16%, Technology -2.20%, Consumer Discretionary -1.86%, Materials -1.53%, Communication Services -1.51%, Industrials -1.50%, Health -0.88%, Consumer Staples -0.87%, Energy +0.03%, Financials +0.20%.

EUROPEAN CLOSES: Euro Stoxx 50 -2.14% at 5,493, Dax 40 -2.23% at 22,343, FTSE 100 -1.57% at 9,906, CAC 40 -1.82% at 7,666, FTSE MIB -1.94% at 42,854, IBEX 35 -1.28% at 16,689, PSI -2.13% at 8,756, SMI -1.22% at 12,326, AEX -1.64% at 962.

STOCK SPECIFICS

FedEx (FDX): Topped earnings expectations and raised outlook. **Super Micro Computer (SMCI):** US probe into workers regarding NVIDIA chips allegedly illegally diverted to China. **Nexstar Media Group (NXST) / Tegna (TGNA):** DOJ clears the Nexstar acquisition of Tegna. **Planet Labs (PL):** Earnings beat with strong outlook. **Unilever (UL) / McCormick & Company (MKC):** Unilever in talks to separate its food business and combine it with McCormick in an all-stock deal. **Arm Holdings (ARM):** Double upgraded at HSBC. **Chipotle Mexican Grill (CMG):** Upgraded at Mizuho to 'Outperform' from 'Neutral'. **Figs (FIGS):** Upgraded at Oppenheimer to 'Outperform' from 'Perform'.

FX

The **Dollar** was firmer as the selloff in US and EU fixed income favoured the USD's haven status. Markets continue to grapple with a reality that may involve a more prolonged disruption to oil flows through the Strait of Hormuz as yields surge, rate cut bets turn into rate hike bets, and fears over demand destruction grow. The main updates moving markets were an Axios report that the Trump admin is reportedly considering plans to occupy or blockade Iran's Kharg Island to pressure Iran to reopen the Strait of Hormuz. Later, risk-off was solidified after reports Iran said to stick to a hardline position on the Strait of Hormuz, with officials unwilling to discuss Hormuz while under attack. Exacerbating the move was CBS's report that the US is reportedly making preparations for potential ground troops in Iran. This leaves geopolitics as the dominant factor next week as more US troops and carriers are set to arrive. Despite DXY gains today, the index remains lower on the week, at 99.65

The notable rise in European government bond yields and UK Gilts left participants preferring to take safety in the dollar. Gilts' 10-year yield hit its highest level since 2008, and Bunds yield hit levels not seen since 2011. Also flagging concerns for said FX, Italy's 5-year CDS and the UK's are at their highest levels since October; and France's is now the highest since November. Cable trimmed WTD gains, now back down to 1.3325; EUR/GBP rose to ~0.86670, erasing losses seen last week.

CAD was unsurprisingly the best G10 performer as its energy edge over peers adds support to USD/CAD amid the oil shock. USD/CAD hovers around 1.3726