US Market Wrap - 26th March 2026

Stocks fall and oil gains as fate of US/Iran 'negotiations' remains uncertain

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW**: Trump says taking control of Iran's oil is an option; Trump says don't know if we will be able to do a deal with Iran; Reports say that Iran has sent its response to US 15-point plan, awaiting US response; US President Trump says Iran better get serious soon, before it is too late; US Pentagon reportedly prepares for massive "final blow" of Iran war; Turkish oil tanker hit by a drone in the Black Sea near Istanbul; Trump says NATO nations have done absolutely nothing to help with Iran; US initial claims match expectations, Continuing Claims fall more than expected; Norges Bank holds rates as expected; Surprise Banxico cut; US 7yr note auction sees weak demand.
- **COMING UP**: **Data:** UK Retail Sales (Feb), Spanish CPI Prelim. (Mar), University of Michigan Consumer Sentiment Final (Mar). **Events:** ECB Consumer Inflation Expectations. **Speakers:** Fed's Barkin, Daly, Paulson; ECB's Schnabel. **Supply:** Australia, Italy. **Credit Ratings:** Fitch Ratings on Switzerland; Moody's on Italy, Spain; Scope Ratings on EU.

MARKET WRAP

Another risk-off session with stocks hit and oil rising as hopes dwindle of a near-term agreement between the US and Iran. Iran has reportedly sent its final offer to the US and is awaiting its response, but Iran found the US proposal to be excessive. We are still awaiting the official response from the US, but Trump posted this morning, calling on Iran to get serious after constantly telling the media the two sides are not negotiating. There is a risk that if the US remains silent for too long, markets will assume it is bad news - similar to how the start of this war unfolded after US/Iran discussions at the end of February, particularly as we move into the weekend and enter the fifth day of Trump's 5-day deadline to get a deal, or else strikes on key energy and power infrastructure may resume. We are also cognizant of the US troop activity once they reach Iran, with suggestions that they could be used to occupy one of the Iranian islands, like Kharg Island. The uncertainty and higher oil prices today led to downside in treasuries across the curve, with the weakness felt most in the front-end and belly as higher energy prices lead to added rate hike bets with 15bps of hikes priced by year-end, albeit analysts still look for at least one rate cut. The 7-year auction was weak, as expected, capping off a week of soft auction demand given the recent volatility. In FX, the Dollar continues to outperform while antipodes lagged due to the risk conditions, while weakness in gold prices also hit the Aussie, also in the fallout of the soft inflation numbers earlier in the week. Gold and Silver were hit, as was Bitcoin. Elsewhere, memory stocks continued to get hit following the recent announcement from Google that its TurboQuant algorithm can cut the amount of memory required to run large language models by at least a factor of six.

US

CLAIMS: Initial Jobless Claims rose to 210k from 205k, in line with analyst expectations. The four-week average fell by 0.25k to 210.5k. The unadjusted data declined by 5k while seasonal factors expected a 9k decrease. Continued Claims dropped to 1.819mln from 1.857mln, below the 1.860mln forecast. Summarising the data, Oxford Economics note the data is consistent with while labour market conditions have stabilised and layoffs remain low, the ongoing conflict has made the labour market more vulnerable. It also notes that Continued claims are also heading lower, indicating that while the pace of hiring remains weak, it has not deteriorated. OxEco says downside risk to the labour market leaves the Fed on track to cut rates twice this year, starting in June. Note, consensus does not expect rate cuts to start until Q4.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 23 TICKS LOWER AT 110-05+

T-notes lower as geopolitical uncertainty keeps oil prices higher, seeing participants add to Fed rate hike bets. At settlement, 2-year +10.7bps at 3.994%, 3-year +11.8bps at 4.001%, 5-year +12.6bps at 4.103%, 7-year +10.9bps at 4.260%, 10-year +9.2bps at 4.424%, 20-year +5.9bps at 4.974%, 30-year +3.4bps at 4.936%.

THE DAY:

- USTs were lower across the curve, with the front-end and belly leading the sell-off as elevated oil prices continued to lift inflation expectations and support a more hawkish Fed outlook. Geopolitical uncertainty remains high, with slim hopes for a near-term US/Iran agreement keeping crude prices bid. Iran has responded to the US proposal, describing it as unfair and one-sided, while the US is yet to officially reply. Although President Trump has suggested progress towards a deal, reports indicate Iran views US demands as excessive, maintaining uncertainty and supporting higher yields.
- The move in oil has seen money markets shift towards a more hawkish Fed path, now pricing in around 15bps of hikes by year-end, up from roughly 6bps on Wednesday. However, market pricing remains at odds with economists' expectations. The latest Reuters poll suggests the Fed is likely to remain on hold until September, although 45% of respondents pushed back their rate cut expectations following the March FOMC. Views on the year-end rate remain mixed, with the majority expecting one or two cuts, broadly in line with the FOMC median projection of one cut, though individual member views remain dispersed.

- On the data front, jobless claims were largely in line with expectations. Initial claims rose slightly to 210k from 205k, while continued claims fell to 1.819mln from 1.857mln, below the 1.86mln forecast, indicating the labour market remains relatively resilient.
- Meanwhile, the 7-year auction was soft but had little impact in price action.

SUPPLY

Notes

- Another soft 7-year auction. The US Treasury sold USD 44bln of 7-year notes at a high yield of 4.255%, well above the prior 3.970% and the six-auction average of 3.877%. However, higher yields across the March offerings have not been sufficient to offset elevated volatility, with demand remaining soft across most auctions, particularly at the front-end. The 7-year, sitting in the belly of the curve, has been influenced by the hawkish repricing in Fed expectations following the oil-driven inflation shock tied to the Middle East conflict.
- The auction tailed by 0.8bps, compared to the prior on-the-screws result and the six-auction average tail of 0.4bps. This marks the largest tail since October 2025, and prior to that, the largest since August 2024.
- Similar to the 2- and 5-year auctions earlier in the week, direct demand was weak, suggesting real money accounts remain sidelined amid elevated volatility. Directs fell to 25.03% from 26.0%, below the 28.3% average. Indirect demand — a proxy for foreign participation — declined slightly to 62.56% from 63.6%, but remained above the 60.3% average, indicating foreign demand was broadly stable. Dealers were left with 12.4%, above both the prior 10.4% and the 11.5% average.
- Overall, the March auction cycle has been characterised by weak real money participation and elevated volatility, though demand has shown relative improvement further out the curve, consistent with lower sensitivity to oil-driven inflation dynamics compared to the front-end.

Bills

- US sold 4-week bills at a high rate of 3.620%, B/C 3.03x; Sold 8-week bills at a high rate of 3.630%, B/C 3.14x
- US to sell USD 75bln in 6-week bills, USD 89bln in 13-week bills, USD 77bln in 26-week bills. Settle on 2nd April.

STIRS/OPERATIONS

- **Fed Money Market Pricing (implied bps): April +3.8bps (prev. +3.3bps), June +7.2bps (prev. +5.6bps), July +9.3bps (prev. +5.3bps), December +17.3bps (prev. +6bps)**
- NY Fed RRP op demand at 0.78bln (prev. 1.12bln) across 6 counterparties (prev. 6) on March 25th
- SOFR at 3.64% (prev. 3.63%), volumes at USD 3.063tln (prev. USD 3.014tln) on March 25th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 93bln (prev. USD 96bln) on March 25th
- NY Fed Reserve Management Purchases of T-bills (10-20-year, Max USD 2bln): Accepts USD 2bln of 36bln offers, accepts 5 of 36 eligible securities. Offer-to-Cover 18x

CRUDE

WTI (K6) SETTLED USD 4.16 HIGHER AT USD 94.48/BBL; BRENT (M6) SETTLED USD 4.63 HIGHER AT USD 101.89/BBL

Crude prices rose on Thursday as markets continue to doubt the initial optimism on Monday over a US-Iran resolution, as further updates paint a different picture. An informed source told Tasnim that Iran's response to the US plan was officially sent last night, and the Iranians await a response. Before the article, we heard from US President Trump on Truth Social that Iran "better get serious soon, before it is too late, because once that happens, there is NO TURNING BACK, and it won't be pretty". Demands from both sides seem far apart, with little to suggest the gap will narrow. A senior Iranian official said there is no realistic plan for talks at this moment, diplomacy has not stopped, but if realism prevails within the US, then a way forward could be found (short-lived down-tick on the latter remark). Meanwhile, Iran reportedly views the US proposal as excessive.

Trump's cabinet meeting only increased concerns over the Middle-East conflict, "Do not know if the US is willing to work a deal with Iran". "Don't know if we will be able to do a deal", "don't know yet if Friday deadline for Iran will change".

Meanwhile, it was reported that a Turkish oil tanker was hit by a drone in the Black Sea near Istanbul; reports didn't specify the country behind the strike. WTI and Brent traded within USD 90.71-95.44/bbl and USD 97.69-102.49/bbl, respectively.

EQUITIES

CLOSES: SPX -1.74% at 6,477, NDX -2.38% at 23,589, DJI -1.01% at 45,960, RUT -1.70% at 2,493

SECTORS: Communication Services -3.46%, Technology -2.74%, Industrials -2.32%, Consumer Discretionary -1.87%, Materials -0.66%, Financials -0.57%, Consumer Staples -0.52%, Health -0.34%, Real Estate UNCH, Utilities +0.23%, Energy +1.56%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.53% at 5,563, Dax 40 -1.64% at 22,581, FTSE 100 -1.33% at 9,972, CAC 40 -0.98% at 7,769, FTSE MIB -0.71% at 43,702, IBEX 35 -1.21% at 16,963, PSI -0.19% at 8,997, SMI -0.44% at 12,662, AEX -1.26% at 971

STOCK SPECIFICS

- **Meta Platforms (META), Alphabet (GOOG)** - Meta and Google's YouTube were found negligent by a Los Angeles jury for operating a product that harmed children and teens and failing to warn about those dangers, WSJ reports. The jury awarded USD 3mln to a 20 year old plaintiff, and said the companies should pay another USD 3mln in punitive damages. Both plan to

appeal.
- **Ares Management (ARES):** ARES Strategic Income Fund posted its steepest monthly loss on record in February.
- **JetBlue Airways (JBLU):** Says it is not active in M&A talks.
- **Worthington Steel (WS):** EPS and revenue missed.
- **Marathon Digital Holdings (MARA):** Sold 1.1bln of Bitcoin to repurchase 1bln of convertible senior notes.
- **Navan (NAVN):** Quarterly revenue and revenue outlook beat.
- **MillerKnoll (MLKN):** Earnings and guidance missed.
- **Qualcomm (QCOM):** Downgraded at Bernstein to 'Market Perform' from 'Outperform'.
- **Adobe (ADBE):** Downgraded at William Blair to 'Market Perform' from 'Outperform'.

FX

The Dollar was bid on higher oil prices, and therefore higher yields, with updates once again heading in the opposite direction of the initial optimism sparked from Trump's announcement on Monday. As it stands, reports say that Iran has sent its response to the US plan and awaits the US's response. Meanwhile, US President Trump, throughout the day, did little to ease the market's nerves, "Do not know if the US is willing to work a deal with Iran." Outside of geopolitics, the weekly US claims data didn't signal stress. Initial claims remain at YTD ranges while continuing claims unexpectedly fell, now at the low end of ranges in the last year. DXY now trades at 99.96, where the US evening ahead, focus will also be on a slew of Fed speak (Cook, Miran, Jefferson, and Barr).

G10s were lower against the USD. The broad risk-off sentiment hit Antipodes the hardest, while the JPY relatively outperformed despite the uptick in oil prices. Modest NOK pressure was seen on the Norges Bank decision to hold rates at 4.00% as prior strength left some caught off-guard by no hike. The MPR and accompanying commentary were hawkish, with the Bank noting that "it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings".

USD/MXN moved higher on the surprise Banxico announcement to cut rates by 25bps to 6.75% (exp. 7.00%). Ahead, yet on the evolution of macroeconomic and financial conditions, the Board will evaluate the appropriateness and timing for an additional reference rate cut. (prev. Looking ahead, the Board will evaluate additional reference rate adjustments). USD/MXN rose from 17.831 to around 17.924 at the time of writing.