

### Middle East war rages on as Dollar extends higher, while Yen benefits from jawboning

- **SNAPSHOT:** Equities down, Treasuries up, Crude up, Dollar up, Gold up.
- **REAR VIEW:** Trump threatens Iran with attacks on energy facilities and Kharg Island if they a deal is not reached shortly; Iran's Foreign Ministry says US demands were excessive and unreasonable; Yemen's Houthis join Iran in war against US and Israel; Attacks on energy/metal facilities in Middle East continue as diplomacy yields little progress; Iran approves Hormuz tolls; JPY gains on hawkish BoJ SOO and jawboning from officials; Powell says Fed may look through supply-driven shocks, depending on inflation expectations; Miran reiterates recent commentary.
- **COMING UP: Data:** Japanese Tokyo CPI (Mar), Retail Sales (Feb), Unemployment Rate (Feb), Chinese NBS PMIs (Mar), German Retail Sales (Feb), Import Prices (Feb), Unemployment Rate (Mar), UK GDP Final (Q4), French/Italian/EZ Inflation Prelim. (Mar), Canadian GDP Prelim. (Feb), US JOLTS (Feb), Australian Manufacturing PMI Final (Mar). **Events:** RBA Minutes (Mar). **Speakers:** Fed's Goolsbee, Barr, Bowman. **Supply:** Australia, Japan, Germany. **Earnings:**
- **WEEK AHEAD:** Highlights include US NFP, ISMs and Retail Sales, EZ CPI, RBA Minutes, and BoJ Tankan. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** NKE, MKC, FDS, PVH, CAG. [Click here for the full report.](#)

### MARKET WRAP

It was another risk-off session, with equity futures paring overnight and morning gains. Equities appeared to play catch-up to the move higher in crude, with WTI and Brent both firmer throughout the session, as WTI settled above USD 100/bbl. The key geopolitical developments were the Houthis entering the war for the first time, while US President Trump said talks with Iran were making good progress and he expected a deal to be agreed soon. However, he warned that if no deal is reached, the United States would completely obliterate Iranian energy and power facilities, including Kharg Island. Elevated tensions weighed on sentiment through the day, as equity futures tested the overnight lows before paring some losses into the closing bell while oil settled at highs and post-settlement trade saw further gains for crude benchmarks. The dollar was bid against major currencies, except the yen, which drew support from a hawkish BoJ Summary of Opinions and verbal intervention from officials. T-notes were firmer across the curve, amid quarter-end activity or as participants began to assess the broader economic impact of the war beyond its effect on prices. Meanwhile, Fed Chair Powell said policy is in a good place, that policymakers are not yet facing the question of what action to take, and that the tendency is to look through supply shocks, while remaining attentive to inflation expectations, which are well anchored but being monitored closely. Governor Miran largely reiterated his familiar commentary. On metals, aluminium prices surged to 4yr highs after Iranian airstrikes against two major Middle East producers over the weekend.

### US

**Fed Chair Powell (Chair, Neutral)** said differing views within the FOMC are constructive given the current uncertainty, noting risks to both sides of the Fed's dual mandate. He reiterated that policy is in a good place to "wait and see" as the Fed assesses the economic impact of geopolitical developments and tariffs. He views tariffs as likely a one-time inflation boost of around 0.5–1.0%. While the Fed tends to look through supply shocks, he stressed the importance of monitoring inflation expectations, which remain well anchored, and said the Fed is not yet at the point of deciding its next move. On the outlook, Powell highlighted uncertainty around the size and persistence of the energy shock but maintained optimism over the medium to long term, citing AI-driven productivity gains. When asked about students, he acknowledged that it is currently a challenging time for job creation, particularly for new entrants, but reaffirmed confidence that inflation will return sustainably to target. Regarding private credit, the Fed Chair said he does not see risk of contagion right now but Fed is watching the market very closely.

**Miran (voter, dove dissenter)** said there is no evidence of a wage price spiral, and such an outcome appears extremely unlikely. Inflation expectations have not been affected yet by elevated oil prices. The uber-dove noted the Fed traditionally looks through oil shocks, and would love to hear Powell confirm that the traditional view to the situation applies. On the balance sheet, remarked it is too big and would like to shrink it, and reiterated policy remains restrictive and wants 100bps of rate cuts in 2026.

### FIXED INCOME

#### T-NOTE FUTURES (M6) SETTLED 21 TICKS HIGHER AT 109-24

**T-notes extend Friday's reversal despite gains in oil prices on likely quarter-end activity** . At settlement, 2-year -8.4bps at 3.830%, 3-year -8.2bps at 3.856%, 5-year -8.9bps at 3.979%, 7-year -9.1bps at 4.164%, 10-year -8.4bps at 4.344%, 20-year -7.3bps at 4.920%, 30-year -5.9bps at 4.906%.

#### THE DAY:

**T-notes extended Friday's reversal on Monday, with yields lower across the curve** . The move likely reflects month- and quarter-end positioning following the sustained sell-off seen throughout March amid the surge in oil prices.

Fed Chair Powell spoke for the first time since the March FOMC meeting, largely reiterating his recent messaging. However, markets

focused on his comments suggesting the Fed may look through supply-driven shocks, while remaining attentive to inflation expectations, which he noted remain anchored.

Treasuries also saw intraday volatility following comments from US President Trump, who said the US is engaged in serious talks with Iran while simultaneously warning of significant escalation if a deal is not reached. Initial optimism around negotiations briefly supported risk sentiment, but gains faded as geopolitical risks remained elevated.

More broadly, focus remains on the economic impact of the conflict, with higher oil prices continuing to pose upside risks to inflation. However, recent price action suggests markets may be beginning to shift towards growth concerns, although quarter-end positioning may still be distorting moves. Attention now turns to incoming data, with NFP due Friday likely to provide further direction.

T-notes peaked at 110-31 in the US afternoon, failing to break 111-00 before paring somewhat into settlement. The move lower was partly flow-driven, with a chunky 22k block trade seen at 110-27.

## SUPPLY

### Bills

- US to sell USD 75bln in 6-week bills on 31st March
- US sold 3-month bills at a high rate of 3.620%, B/C 2.66x; Sold six-month bills at high rate of 3.605%, B/C 2.83x

### STIRS/OPERATIONS

- Fed Money Market Pricing (implied bps): April 2.3bps (prev. 2.8bps), June 1.1bps (prev. 3.9bps), July 0.8bps (prev. 4.3bps), December -1bps (prev. 8.1bps)
- NY Fed RRP op demand at 0.75bln (prev. 0.99bln) across 5 counterparties (prev. 5) on March 30th
- SOFR at 3.63% (prev. 3.65%), volumes at USD 3.037tn (prev. USD 3.113tn) on March 27th
- EFR at 3.64% (prev. 3.64%), volumes at USD 105bln (prev. USD 101bln) on March 27th

## CRUDE

**WTI (K6) SETTLED USD 3.24 HIGHER AT 102.88/BBL; BRENT (M6) SETTLED USD 0.21 HIGHER AT 112.78/BBL**

**WTI and Brent saw some diversion at the start of the week, with WTI rising and Brent falling as the conflict widened, including Houthi attacks on Israel.** As has become typical while the Middle East war continues, geopolitical developments drove the market.

Recapping developments, the benchmarks strengthened during the European morning after an Iranian Foreign Ministry spokesperson said Tehran had not held any direct negotiations with the United States, had not taken part in Pakistan-led meetings and viewed U.S. demands as excessive. Meanwhile, Trump threatened to "obliterate" Iran's power plants and oil wells if a deal is not reached "shortly", but added that the United States is in serious discussions to end its military operation in Iran. Secretary of State Rubio also said that if Iran chooses to close the Strait of Hormuz after the military operation ends, it will face dire consequences, and that the strait will reopen one way or another once the military operation in Iran concludes. In a press briefing, Leavitt reiterated the Pentagon's estimate of 4-6 weeks for the Iran war, but, notably, the Wall Street Journal said she did not describe the full reopening of the Strait of Hormuz as a core U.S. objective. Separately, The Times of Israel reported that Israel is shifting to targeting Iran's economy as it enters the "completion phase" of the war, while other reports said Israel had told the U.S. administration that whatever Washington decides on the next phase of the war with Iran would be acceptable to Israel. For the record, WTI traded between USD 99.43-103.86/bbl and Brent between USD 106.10-109.46/bbl.

## EQUITIES

**CLOSES:** SPX -0.39% at 6,344, NDX -0.78% at 22,953, DJI +0.11% at 45,217, RUT -1.51% at 2,413.

**SECTORS:** Financials +1.10%, Utilities +0.66%, Consumer Staples +0.57%, Real Estate +0.38%, Communication Services +0.38%, Health +0.36%, Materials +0.35%, Consumer Discretionary +0.06%, Energy -0.87%, Technology -1.49%, Industrials -1.61%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.70% at 5,544, Dax 40 +1.18% at 22,563, FTSE 100 +1.61% at 10,128, CAC 40 +0.92% at 7,772, FTSE MIB +1.02% at 43,823, IBEX 35 +0.99% at 16,969, PSI +2.11% at 9,070, SMI +0.82% at 12,674, AEX +0.44% at 964.

### STOCK SPECIFICS:

- **Nexstar (NXST):** Judge temporarily paused Nexstar's planned \$6.2bln acquisition of Tegna for 14 days
- **Sysco (SYY):** To acquire Restaurant Depot for USD 29.1bln enterprise value; reaffirmed FY26 guidance.
- **Meta (META):** Morgan Stanley added META to its Top Picks List
- **Alcoa (AA), Century Aluminium (CENX):** Aluminium prices surged to 4yr highs after Iranian airstrikes against two major Middle East producers over the weekend.
- **CrowdStrike Holdings (CRWD):** Upgraded at Wolfe Research to 'Outperform' from 'Peer Perform'.
- **Eli Lilly (LLY):** Enters Insilico drug discovery collab worth \$2.75bln
- **AMD (AMD):** Upgraded at Philips Securities to Buy from Accumulate
- **CrowdStrike Holdings (CRWD):** Upgraded at Wolfe Research to 'Outperform' from 'Peer Perform'
- **Avis Budget Group (CAR):** Entered an equity distribution agreement on 27th March to sell up to 5mln newly issued common shares.
- **Viridian Therapeutics (VRDN):** H.C. Wainwright says that the REVEAL-1 trial dataset fell short of demonstrating IV-like efficacy, with a mixed profile across endpoints and between dosing regimens
- **US Treasury** to review private credit market risks.

## FX

The **dollar** firmed at the start of the week, to the detriment of G10 FX peers ex-JPY, as the greenback drew support from the ongoing Iran war, which saw Iran-backed Houthis enter the conflict for the first time. Meanwhile, US President Trump threatened to "obliterate" Iran's power plants and oil wells if a deal is not reached "shortly", although he added the United States is in serious discussions to end its military operation in Iran. Overall, the dollar was bid as risk sentiment deteriorated after the US cash equity open, with no clear catalyst for the move, although the initial reversal coincided with remarks from Secretary of State Rubio, who said if Iran chooses to close the Strait of Hormuz after the military operation ends, it would face dire consequences. There was no key US data, while Fed Chair Powell said policy is in a good place, that policymakers are not yet facing the question of what action to take, and that the tendency is to look through supply shocks, while remaining attentive to inflation expectations, which are well anchored but being monitored closely. He also said he does not see risk of contagion from private credit yet.

**JPY** was the clear G10 outperformer and the only currency to gain against the dollar, after USD/JPY initially breached 160 earlier in the session to a high of 160.46. The pair then edged lower into the BoJ Summary of Opinions, which was net hawkish and referenced the risk of falling behind the curve, citing wage developments and the geopolitical backdrop, while noting that "the size of the hike" needs to be considered as the Middle East situation unfolds. This pushed USD/JPY lower, before extending its decline amid Japanese verbal intervention, with BoJ Governor Ueda, a government spokesperson and Finance Minister Katayama all issuing remarks, with the latter saying she had told the G7 that Japan is watching FX with a sense of urgency.

Elsewhere, the rest of **G10 FX** weakened, with **GBP** underperforming due to broader dollar strength and risk sentiment rather than currency-specific factors. German preliminary inflation for March came in line with expectations, with the headline Y/Y rate rising to a two-year high amid elevated energy prices driven by the Iran war. The **euro** saw little reaction. Looking ahead to Tuesday, a raft of European data is due alongside Canadian GDP.

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