

Stocks gain despite Trump Iran threats as Tuesday deadline awaits

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down, Gold down
- **REAR VIEW:** Trump issues "final" Iran deadline for 20:00EDT on Tuesday & threatens energy infrastructure, bridges, power plants if no deal; Trump thinks Iran is negotiating in good faith; Iran rejected US ceasefire; Iranian Foreign Ministry said no rational person would agree to the ceasefire; ISM Services missed, prices paid jump & employment plunged.
- **COMING UP: Data:** Global S&P Services/Composite PMIs Final (Mar), Swedish CPI Prelim. (Mar), US ADP Employment Change Weekly, Durable Goods (Feb), RCM/TIPP Economic Optimism Index (Apr), Atlanta Fed GDP **Events:** President Trump's Iran deadline, EIA STEO **Speakers:** Fed's Goolsbee, Jefferson **Supply:** Japan, Germany, US

MARKET WRAP

Stocks returned from the Easter weekend in positive territory, while yields rose and oil firmed. Markets had much to digest after Friday's stronger-than-expected non-farm payrolls report, which helped ease recent labour market concerns. Focus remained on the Middle East, however, with US President Donald Trump giving Iran until Tuesday at 20:00 EDT to reopen the Strait of Hormuz and reach a deal or face US strikes on Iranian energy and power facilities, as well as bridges across the country. War Secretary Hegseth said Monday had seen the highest volume of strikes on Iran so far and that Tuesday would be even larger. Trump said that, if Iran did not meet the deadline, the US would take out Iran within four hours. Despite the threats, markets were more optimistic about the prospects for a deal after Trump said negotiators in Iran wanted to reach one, despite earlier pushback from Iran's foreign ministry. Iran had rejected a 45-day ceasefire proposal from the United States and responded with a 10-point plan, but Trump said that was not good enough. Oil settled higher but well below overnight peaks in volatile trade, and also well above lows seen during the European morning. Treasury yields bear-flattened on higher oil prices and in response to Friday's payrolls report, with the cash market closed that day. US ISM services PMI data disappointed on the headline, but the main takeaway was a surge in the prices paid component and a drop in the employment index. In FX, the yen underperformed as UST yields rose, while the dollar also lagged peers and the Antipodean currencies led gains. Gold fell, silver was flat and bitcoin rose. The focus this week is largely on Trump's deadline and whether some kind of deal can be reached, while FOMC Minutes, US CPI, PCE and Treasury auctions will also be watched.

US

ISM SERVICES PMI: The headline PMI fell to 54.0 from 56.1, below the 55 forecast. The components saw business activity fall to 53.9 from 59.9, although new orders rose to 60.6 from 58.6. When looking at the prices and employment PMIs, both were concerning for the Fed. Prices Paid surged to 70.7 from 63.0 (reminder, March CPI is due on Friday) while the employment PMI dropped to 45.2 (albeit the March NFP was strong). Within the report, it highlighted that the data indicates a 1.9% increase in real GDP on an annualized basis. However, ING suggests it is consistent with a rise of 2.5% when compared with the manufacturing PMI. Also, the ISM Services PMI questions saw companies note how they are purchasing additional inventory to account for geopolitical issues, with oil derivative products being stockpiled in case of an extended conflict or closure of Hormuz.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 2 TICKS HIGHER AT 110-26

Yields firm on return from long-weekend after strong NFP on Friday while oil prices continue to rise amid Iran war . At settlement, 2-year +4.5bps at 3.850%, 3-year +4.2bps at 3.873%, 5-year +3.1bps at 3.981%, 7-year +3.1bps at 4.161%, 10-year +2.4bps at 4.333%, 20-year +1.1bps at 4.896%, 30-year +1.0bps at 4.890%,

THE DAY: T-note futures were little changed from Friday's post-NFP levels, while the curve bear flattened as stronger US data and elevated inflation signals kept yields higher, particularly at the front-end.

On the reopen of cash trade, Friday's NFP report supported the bear flattening, with the US adding 178k jobs in March, well above the 60k forecast and exceeding the most optimistic estimates. The unemployment rate fell to 4.3% from 4.4%, although the participation rate declined to 61.9%. The stronger report helped offset concerns following February's weakness, though volatility in the data this year keeps focus on upcoming releases.

Monday's ISM Services PMI added to the inflation narrative, with the headline falling to 54.0 from 56.1, but prices paid surged to 70.7 from 63.0 while employment dropped sharply to 45.2 from 51.8. The data saw a two-way reaction, but Treasuries ultimately sold off on the strength in the prices component, reinforcing inflation concerns.

Geopolitical developments continued to provide a volatile backdrop. Oil prices remained elevated amid ongoing tensions, with Iran rejecting a US ceasefire proposal while President Trump reiterated a Tuesday 20:00 EDT deadline for action if the Strait of Hormuz is not reopened. However, T-notes were supported as oil prices moved from earlier highs as Trump suggested Iran wants to make a deal, and that Trump himself does not want to bomb Iran's infrastructure.

Overall, higher oil prices, firm inflation signals, and stronger labour data kept upward pressure on yields, particularly at the front-end

of the curve.

Looking ahead, focus remains on geopolitics with Trump's deadline approaching and expectations for further escalation. Alongside this, CPI, PCE, FOMC Minutes, and Treasury supply will be key for direction. Inflation data will be scrutinised for signs of pass-through from the conflict, while auctions will be closely watched after the weak March supply. The MOVE index has moderated from March highs near 115 to around 84, though remains elevated relative to earlier in the year.

SUPPLY

- US to sell 58bln of 3-year notes on April 7th, USD 39bln of 10-year notes on April 8th and USD 22bln of 30-year bonds on April 9th; all to settle April 15th

Bills

- US to sell USD 70bln of 6-week bills on April 7th; to settle April 9th
- US sold 3-month bills at a high rate of 3.635%, B/C 2.58x; sold 6-month bills at a high rate of 3.615%, B/C 3.06x

STIRS/OPERATIONS

- NY Fed RRP op demand at 0.23bln (prev. 0.33bln) across 4 counterparties (prev. 3) on April 6th
- SOFR at 3.66% (prev. 3.65%), volumes at USD 3.251tn (prev. USD 3.265tn) on April 2nd
- EFFR at 3.64% (prev. 3.64%), volumes at USD 106bln (prev. USD 105bln) on April 3rd

CRUDE

WTI (K6) SETTLED USD 0.87 HIGHER AT 112.41; BRENT (M6) SETTLED USD 0.74 HIGHER AT 109.77/BBL

The crude complex firmed as US participants returned from the long weekend to comments by Trump giving Iran a "final" deadline of 20:00 EDT on Tuesday to make a deal. The US president reiterated that deadline on Monday and said that, if there were no deal by then, the United States had plans to decimate Iran's bridges and put every power plant out of business by midnight. He said the combined decimation would happen over a four-hour period, but added that they did not want that to happen. Trump declined to give details of what needed to be in any deal, but said part of it should be free traffic in the Strait. In more optimistic remarks, which prompted benchmarks to trim some gains, he said Iran was negotiating in good faith, that he thought talks were going well, that the other side was an active and willing participant, and that he would like to make a deal. Despite those more positive remarks from Trump, Iran had earlier responded to the US proposal on ending the war by rejecting the ceasefire as they continue to seek a permanent end to the war, a protocol for safe passage through the Strait of Hormuz, reconstruction and the lifting of sanctions. In addition, the Iranian Foreign Ministry demanded an end to the war and said no rational person would agree to the ceasefire. As such, attention now turns to the Tuesday night deadline to see whether it holds and, if there is no deal, whether Trump's threats hold. For the record, WTI (K6) traded between USD 108.89-115.48/bbl and Brent (M6) between USD 106.85-111.89/bbl.

EQUITIES

CLOSES: SPX +0.43% at 6,611, NDX +0.61% at 24,192, DJI +0.35% at 46,669, RUT +0.44% at 2,541

SECTORS: Consumer Discretionary +0.80%, Energy +0.77%, Consumer Staples +0.72%, Financials +0.64%, Communication Services +0.59%, Industrials +0.50%, Technology +0.49%, Real Estate +0.26%, Materials -0.36%, Health -0.38%, Utilities -0.42%.

STOCK SPECIFICS:

- **SanDisk (SNDK) / Micron Technology (MU):** Memory names outperform following a recent sell-off
- **Neurocrine Biosciences (NBIX)** confirmed it is to acquire **Soleno Therapeutics (SLNO)** for USD 53/shr in cash, or USD 2.9bln
- **Netflix (NFLX)** upgraded to 'Buy' from 'Neutral' at Goldman Sachs
- **Dow (DOW)** downgraded to 'Underperform' from 'Neutral' at Bank of America
- **LyondellBasell Industries (LYB)** downgraded to 'Underperform' from 'Neutral' at Bank of America
- **Biogen (BIIB)** expects Q1 2026 results to include an acquired in-process R&D upfront and milestone cost of USD 34mln pre-tax
- **Paramount Skydance (PSKY)** nearing signed equity commitments of about USD 24bln from three sovereign wealth funds led by Saudi Arabia to help finance its USD 81bln takeover of Warner Bros. Discovery; Saudi Arabia's PIF has agreed to provide about USD 10bln.

FX

The dollar was mostly weaker against G10 peers on Easter Monday, with the yen the clear laggard and the only currency to post losses, as USD/JPY hit 159.83. As has been the case for the past month or so, the Middle East war again dominated price action and sentiment at the start of the week. Trump set Iran a final deadline of 20:00 EDT on Tuesday, saying that otherwise they would hit all bridges, energy infrastructure and power plants in Iran, adding that "the entire country can be taken out in one night - and that night might be tomorrow night". Despite the tough rhetoric, risk sentiment improved after Trump said talks were going well and that they wanted to make a deal, even though Iran had earlier rejected that, saying no rational person would agree to the ceasefire. All attention on Tuesday will be on that deadline and whether Trump follows through on his threats if no deal is reached. Elsewhere, ISM Services was the only other notable release and prompted two-way price action in the greenback. The headline index fell by much more than expected, while the inflation gauge of prices paid surged, likely because of geopolitical issues. Business activity for March also fell, rounding off a weak report. Aside from the deadline, this week's U.S. calendar includes FOMC minutes on Wednesday, February PCE on Thursday, CPI on Friday, as well as auctions and Fed speakers.

The antipodeans outperformed in G10 at the start of the week, followed by sterling and the euro, while the Canadian dollar and Swiss franc also firmed against the greenback. Currency-specific newsflow was light, while much of Europe remained out because of Easter market holidays. NZD/USD hit 0.5730 after an earlier low of 0.5681, while AUD/USD topped out at 0.6938, likely supported by the risk tone. Overnight, Australia watchers are awaiting final S&P Global PMIs for March, as well as spending data. Elsewhere, there is a slew of euro zone PMIs, as well as Swedish inflation data.

In **EMFX**, Turkish President Erdogan said an early election or by-election was not on the agenda and that Turkey did not have an issue with energy supply security. Erdogan added that Turkish FX reserves were adequate and strong. In LatAm, BCB President Gabriel Galipolo said the labour market was very tight and inflation expectations remained unanchored. Meanwhile, the Brazilian government announced BRL 330mIn in subsidies for LPG imports, cutting the PIS and COFINS taxes on jet fuel and biodiesel to zero.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com