

Markets chop on geopolitical headlines as Trump 20:00EDT deadline awaits

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude mixed, Dollar down, Gold
- **REAR VIEW:** Pakistan requests Trump to extend Iran deadline for two weeks, Trump response to proposal to come; Senior Iranian official said Tehran positively reviewing Pakistan's request for a two-week ceasefire; Trump said a whole civilization will die tonight, never to be brought back again; does not want that to happen, but it probably will; US-Iran negotiations to reportedly continue until Trump deadline expires; Trump noted if negotiations advance & there is something tangible, might extend the deadline; Iran floats retaliation on US, including Aramco, Yanbu, and Fujairah oil facilities; US strikes Kharg Island, targeting military sites, Investigations show that there are no disruptions in the functioning of oil on Kharg; Iran's UN ambassador says UN Secretary General's personal envoy currently on route to Tehran to pursue consultations; Strong Indirect demand in US 3yr note auction; Samsung Electronics beats on Q1 prelim earnings; AAPL foldable release reportedly remains on track for September debut.
- **COMING UP: Data:** French Trade Balance (Feb), EZ Retail Sales (Feb), PPI (Feb). **Events:** US President Trump's Iran Deadline, RBNZ/RBI Policy Announcement, FOMC Minutes. **Speakers:** RBNZ's Breman; Fed's Daly, Waller; US President Trump. **Supply:** Australia, Germany, US.

MARKET WRAP

Markets were choppy amid broader risk-off sentiment for the majority of the session as participants await US President Trump's 20:00EDT Iran deadline, as his punchy rhetoric continued as he noted "a whole civilization will die tonight, never to be brought back again; does not want that to happen, but it probably will". However, souring risk sentiment reversed into the close due to a Pakistan proposal, which seemed to drive some positive responses (more below). Throughout Tuesday, it was a headline heavy day, as Middle East headlines unsurprisingly drove risk sentiment and market moves, as reporting differed but the most recent update was more positive and saw a reversal in risk sentiment; in response to Pakistan requesting Trump to extend Iran deadline for two weeks, and Iran opening the Strait of Hormuz for a corresponding period of two weeks as goodwill gesture, a Senior Iranian official to Reuters said Tehran is positively reviewing Pakistan's request for a two-week ceasefire, while WH Press Sec noted Trump has been made aware of the Pakistan proposal, and a response will come. As such, and given the latest update, US equity futures closed up/flat, while the crude complex is now in the red at the time of writing, wiping out its entire gain through the day, which was initially amid chatter that Iran/US do not seem much closer to an agreement ahead of the deadline. G10 FX peers, ex-Swissy, are also gaining vs. the Greenback given the latest remarks, although performance was more mixed throughout the day, with the Aussie always outperforming. Precious metals gain, with spot gold at session highs and back above USD 4.7k/oz.

US

DURABLE GOODS: Durable Goods Orders unexpectedly declined again in March, -1.4% (exp. +0.4%, prev. -1.4%). Ex-Transport rose 0.8%, above the expected 0.7% (prev. 0.4%), while ex-defence fell 1.2% (prev. +0.5%). Nondefense capital goods orders excluding aircraft rose 0.6%. Pantheon Macroeconomics writes that the drop in headline orders in February was entirely due to a 37% plunge in the volatile aircraft orders component, reflecting a soft month for Boeing. Ahead, "Mounting consumer headwinds and depressed surveys of capex intentions suggest the goods sector is likely to remain anaemic in the months ahead."

FED'S GOOLSBEE (2027 voter) said rising oil prices is a stagflationary shock. Now in an uncomfortable situation, with no obvious cookbook for Fed. Goolsbee's immediate concern is the stagflationary shock of oil prices before the tariff-price shock has gone away. He views the job market as stable, but not great; Cautious and nervous about the economy. The Chicago Fed President is hoping the impact from oil will prove temporary, and gas at USD 5/gallon would affect the supply chain.

FED'S WILLIAMS (voter) thinks Iran will go directly into headline inflation given energy, and that inflation this year should be around 2.75%. NY Fed President added he is focused on underlying inflation, and that the story on core has not changed that much. Expects underlying inflation to start coming down later this year. Added monopol takes about a year to have its full effect on inflation, so we have to try and think through where inflation and the economy will be later, and expect underlying inflation to start coming down later this year. Ahead, Williams reiterated that monetary policy is well positioned to wait and see, and it is exactly where it needs to be and can be changed if needed. Speaking on the labour market, noted that the situation is complicated, and that it is low hire, low fire. He expects 2-2.5% GDP this year with stable unemployment rate.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 1+ TICK HIGHER AT 110-27

Yield curve steepens despite gains in oil ahead of Trump's deadline. At settlement, 2-year -2.3bps at 3.827%, 3-year -2.7bps at 3.849%, 5-year -1.8bps at 3.967%, 7-year -1.7bps at 4.147%, 10-year -0.8bps at 4.331%, 20-year +1.6bps at 4.914%, 30-year +2.1bps at 4.912%.

THE DAY: The Treasury curve steepened on Tuesday, paring some of the recent flattening, as markets navigated ongoing geopolitical uncertainty and incoming data.

- Focus remained on geopolitics ahead of President Trump's 20:00 EDT deadline on Iran, with mixed reporting around the likelihood of a deal. Officials questioned whether an agreement could be reached in time, while the US and Israel reportedly struck Kharg Island in an effort to bring Iran to the negotiating table. The developments kept oil prices elevated and maintained uncertainty in the rates markets.
- On the data front, the NY Fed Survey of Consumer Expectations showed a rise in short- and medium-term inflation expectations, with 1-year forecasts increasing to 3.4% from 3.0% and 3-year to 3.1% from 3.0%, while 5-year expectations were unchanged at 3.0%. ADP employment improved to 26k from a recent four-week average of 10k, while Durable Goods disappointed on the headline due to transportation, although ex-transport beat. The data contributed to a softer growth backdrop, with the Atlanta Fed GDPNow estimate revised down to 1.3% from 1.6% for Q1.
- The 3-year auction was notably strong, driven by a surge in indirect demand that more than offset weak direct participation, highlighting continued robust foreign demand despite ongoing volatility.
- Looking ahead, focus remains on geopolitics, alongside key Treasury supply with the 10- and 30-year auctions still to come. Inflation data will also be in focus, with CPI and PCE due. WSJ's Timiraos notes headline CPI is expected to rise 0.9% M/M, with the Y/Y rate seen at 3.3% (prev. 2.4%), largely driven by energy prices. Core CPI is seen at 0.27% M/M and 2.7% Y/Y, while core PCE (Feb) is expected at 0.39% M/M and 3.0% Y/Y.

SUPPLY

- The 3-year auction was strong, with a 1.2bps stop-through — the largest since February 2025 — a marked improvement on last month's 1.1bps tail and well above the six-auction average 0.3bps stop-through. The bid-to-cover rose to 2.68x from 2.55x, above the 2.66x average, reinforcing the strong demand. The breakdown was particularly notable. Direct demand fell sharply to 11.9% from 20.7%, the lowest since April 2024 (Trump tariffs), while indirect demand — a proxy for foreign participation — surged to 74.8%, the second highest on record. Dealer take declined to 13.3% from 19.5%, closer to the 12.3% average. The composition suggests domestic real money accounts, including asset managers and money market funds, remain cautious amid ongoing geopolitical uncertainty, while foreign demand remains robust, likely supported by higher yields.
- US to sell USD 39bn of 10-year notes on April 8th and USD 22bn of 30-year bonds on April 9th; all to settle April 15th.

Bills

- US to sell USD 69bn of 17-wk bills on April 8th; USD 75bn of 8-wk bills and USD 80bn of 4-wk bills on April 9th; all to settle April 14th.
- US sold 6-wk bills at high-rate 3.615%, B/C 3.57x.

STIRS/OPERATIONS

- NY Fed RRP op demand at USD 15.345bn (prev. 0.227bn) across 22 counterparties (prev. 4).
- SOFR at 3.65% (prev. 3.66%), volumes at USD 3.217tn (prev. USD 3.251tn) on April 6th.
- EFRF at 3.64% (prev. 3.64%), volumes at USD 103bn (prev. USD 106bn) on April 6th.

CRUDE

WTI (K6) SETTLED USD 0.54 HIGHER AT USD 112.95/BBL; BRENT (M6) SETTLED USD 0.50 LOWER AT USD 109.27/BBL

The crude complex was firmer for the duration of the session, but choppy, amid a heavy headline-driven day as Trump's 20:00EDT awaits. Geopolitics has dominated the tape on Tuesday, as expected, given everyone is counting down until the Trump-imposed deadline to see if a deal has been agreed, or whether the President sticks to his aggressive rhetoric he has threatened. Highlighting this, and giving no indication of a backward step, Trump on Truth today said "a whole civilization will die tonight, never to be brought back again; does not want that to happen, but it probably will". There has been a deluge of reports given the in vogue topic today, from all sides, but the overall consensus seems to be the parties are not close on agreeing a deal, yet. Recapping some of the updates, Axios citing US & Israeli official said progress has been made in the past 24 hours, though reaching a ceasefire deal by Trump's 8pm ET deadline still looks like a long shot, while WSJ reported that even before Iran cut off direct diplomacy with the US, it was sticking to a hard-line position in negotiations and showed no signs of backing down. ABC citing the White House said 'only the President knows'. Meanwhile, Tehran Times clarified an earlier post saying diplomatic and indirect channels of talks with the US are not closed, after initially saying they were, while the likes of NYT said Iran has stopped negotiating with the US and it told Pakistan that it will not continue cease fire talks. Before all this, reports suggested a potential framework for a ceasefire is "closer than ever," and resulted in losses in the complex. Thereafter, upside was then seen on reports that Iran's Kharg Island was attacked, although later reports suggested military sites were targeted. Weekly private inventory data is due after-hours, but will take a back seat as all attention resides around the aforementioned deadline. For the record, WTI traded between USD 111.28-117.63/bbl and Brent USD 107.42-111.80/bbl.

EQUITIES

CLOSES: SPX +0.08% at 6,617, NDX +0.04% at 24,202, DJI -0.18% at 46,584, RUT +0.17% at 2,545

SECTORS: Consumer Staples -1.76%, Consumer Discretionary -0.91%, Materials -0.26%, Industrials -0.21%, Real Estate -0.08%, Financials +0.02%, Health +0.23%, Utilities +0.26%, Technology +0.35%, Energy +0.78%, Communication Services +1.04%.

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 -1.07% at 5,632, Dax 40 -0.99% at 22,938, FTSE 100 -0.84% at 10,349, CAC 40 -0.67% at 7,909, FTSE MIB -0.47% at 45,412, IBEX 35 -0.64% at 17,444, PSI -0.03% at 9,367, SMI -1.27% at 12,817, AEX -0.41% at 972.

STOCK SPECIFICS:

- **Apple's (AAPL)** - Plans foldable release around same time as iPhone 18 Pro, Bloomberg reports; remaining on track for September debut. The report comes despite earlier reporting that the first foldable iPhone is facing setbacks in the engineering test phase that could delay mass prod. & shipments.
- **Arista Networks (ANET)** upgraded at Rosenblatt to 'Buy' from 'Neutral'
- **Arm Holdings (ARM)** downgraded at Morgan Stanley to 'Equal Weight' from 'Overweight'.
- **Broadcom (AVGO)** will produce future versions of Google's AI chips & also expanded its deal with Anthropic
- **Casey's General Stores (CASY)** will replace **Hologic (HOLX)** in the S&P 500, effective BMO on 9th April
- **Intel (INTC)** said it has joined the Terafab project alongside SpaceX, xAI and Tesla (TSLA) to help refactor silicon fab technology.
- Pershing Square proposes USD 64bln merger deal with Universal Music Group.
- Samsung Electronics prelim Q1 op. profit & rev. topped w/ upbeat comms.
- US will raise average Medicare Advantage payments to private insurers by 2.48% in 2027. Of note for Humana (HUM), CVS (CVS), UnitedHealth (UNH), Elevance Health (ELV).
- Pimco weighing USD 14bln debt deal for **Oracle (ORCL)** data center, Bloomberg reports.
- Anthropic rolls out cyber AI models days after source code leak, FT reports. Anthropic has launched a new cybersecurity AI model to a select group of customers, including Amazon, Apple and Microsoft, days after details about the project were leaked online. Its new model Claude Mythos Preview, will be available only to vetted organisations, including Broadcom, Cisco and CrowdStrike.

FX

DXY traded lower despite tensions at highs ahead of Trump's deadline at 8PM EDT for Iran to reopen the Strait of Hormuz. Trump continued to threaten the opposition, "a whole civilisation will die tonight", meanwhile, telling Fox News, if the negotiations advance and there is something tangible, we might extend the deadline. Iran continues to show no characteristic of caving, with WTI rising above USD 115/bbl. In other news, the NY Fed SCE for March unveiled 1- and 3yr inflation expectations ticking higher to 3+%, while the 5yr held at 3.0%. A Dallas Fed research paper finds "Little evidence of higher gasoline prices being passed through to core inflation or long-run inflation expectations becoming unanchored". Fed's Goolsbee, at the Chicago Fed, believes gas at USD 5/gallon would affect the supply chain. In the aftermath of NFP, Auto Sales, and ISM Services, the Atlanta Fed revised down its Q1 real GDP growth forecast to 1.3% from 1.6%.

AUD was the best performer on Tuesday, potentially helped by its lesser exposure than peers towards the Middle-East conflict. **EUR** and **GBP** also saw strength, as risk-taking was present in the FX space in spite of the sour appetite in equities.

SEK was hit by a surprise preliminary deflationary reading in March, printing -0.6% M/M (exp. 0.0%, prev. 0.6%). EUR/SEK breached the March high, peaking at 11.0537.

In **EMFX**, the South Korean FX Chief said they are to deploy bold measures in the FX market, if needed; USD/KRW saw a second consecutive day of losses.

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