

Markets unwound geopolitical risk as ongoing US/Iran talks keep hopes for a deal alive

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down, Gold down.
- **REAR VIEW:** US/Iran talks end with no agreement as US begins own blockade of Strait of Hormuz; Mediators pursue Iran-US deal in back channel diplomacy; US/Iran negotiations ongoing with the aim of reaching an agreement; Progress on talks is being made; GS miss on FICC sales & trading rev.; US existing home sales disappoint.
- **COMING UP:** **Data:** Australian Consumer Confidence (Apr), Chinese Balance of Trade (Mar), Japanese Industrial Production Final (Feb), Swedish CPI Final (Mar), German Wholesale Prices (Mar), Spanish HICP Final (Mar), US NFIB Business Optimism Index (Mar), ADP Weekly Change, PPI (Mar), South Korean Export/Import Prices (Mar). **Events:** IEA OMR (Apr), IMF World Economic Outlook Press Briefing (Apr). **Speakers:** BoE's Mann, Bailey, Greene; ECB's Lane, Cipollone, Lagarde; Fed's Goolsbee, Barr, Paulson, Collins, Barkin; RBNZ's Breman. **Supply:** Japan, Netherlands, Germany. **Earnings:** JPMorgan Chase, BlackRock, Citi, J&J, Wells Fargo, BMW, Kering.
- **WEEK AHEAD:** Highlights include US Earnings Season, US PPI, Chinese GDP, Australian Jobs, UK GDP and ECB Minutes. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season begins with big banks kicking things off. [Click here for the full report.](#)

MARKET WRAP

Markets returned from the weekend in escalation mode after the US and Iran failed to reach an agreement, with equity futures lower, oil surging, and Treasuries under pressure. However, sentiment improved throughout the session on reports that talks remain ongoing and progress is being made, with the possibility of another in-person meeting before the ceasefire expires. Equities pared initial losses, with the Russell outperforming, while the Dow lagged amid weakness in Goldman Sachs (GS) following softer FICC trading revenues. Oil prices settled higher but well off overnight peaks, while Treasuries reversed earlier losses to close firmer. In FX, price action was largely driven by oil, with CAD outperforming and the Yen lagging, while the Dollar weakened, reversing earlier strength. Precious metals were mixed, with gold little changed and silver softer, while Bitcoin posted gains. Overall, the session reflects a shift away from immediate escalation risk as talks kept the prospects for peace alive, unwinding some of the geopolitical risk premium seen overnight. Markets are increasingly focused on the prospect of a negotiated outcome, although remains sensitive to further headline risk.

US

EXISTING HOME SALES: Existing home sales fell 3.6% M/M in March to 3.98mln from 4.09mln, and beneath the expected 4.06mln. Inventory of homes for sale was 1.36mln units or 4.1 months' worth (prev. 3.8 months' worth), while median home price for existing homes rose 1.4% Y/Y to USD 408,800. NAR Chief Economist Dr. Lawrence Yun noted that, "March home sales remained sluggish and below last year's pace, as lower consumer confidence and softer job growth continues to hold back buyers." Yun added, "because inventory remains limited, the median home price rose to a new record high for the month of March."

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 4+ TICKS HIGHER AT 111-07+

Yields reverse initial upside as hopes build for US/Iran de-escalation agreement . At settlement, 2-year -1.8bps at 3.781%, 3-year -2.2bps at 3.800%, 5-year -2.3bps at 3.918%, 7-year -2.3bps at 4.100%, 10-year -1.6bps at 4.301%, 20-year -1.7bps at 4.883%, 30-year -0.8bps at 4.901%.

THE DAY: T-notes initially gapped lower at the reopen as oil prices surged after the US and Iran failed to reach an agreement over the weekend, with the US imposing a blockade in the Strait of Hormuz to restrict Iranian vessels.

However, the initial move reversed as reports suggested negotiations between the US and Iran were still ongoing and that progress was being made. Oil prices subsequently pared gains, finishing higher but well off session highs, while Treasuries rallied, with yields across the curve closing below Friday's levels.

The price action suggests markets are looking through the initial escalation, instead focusing on the potential for a deal to still be reached, with the existing ceasefire framework allowing negotiations to continue.

Looking ahead, the data calendar is light, with PPI the main release which will help shape March PCE expectations. This also marks the final week of Fed speak before the blackout period ahead of the April 29th meeting.

SUPPLY

Bills

- US sold 6-month bills at a high rate of 3.610%, B/C 2.84x; sold 3-month bills at a high rate of 3.62%, B/C 2.77x
- US to sell USD 70bln of 6-wk bills and USD 50bln of 52-week bills on April 14th; all to settle on April 16th

STIRS/OPERATIONS

- Fed Money Market Pricing (D/D): April +1.8bps (prev. +1.8bps), June +1.8bps (prev. +1.8bps), July -0.2bps (prev. +0.8bps), Dec -7bps (prev. -5.3bps)
- NY Fed RRP op demand at 0.23bln (prev. 0.51bln) across 4 counterparties (prev. 5) on April 13th
- SOFR at 3.61% (prev. 3.57%), volumes at USD 3.063tln (prev. USD 3.147tln) on April 10th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 106bln (prev. USD 105bln) on April 10th

CRUDE

WTI (M6) SETTLED USD 2.51 HIGHER AT 99.08/BBL; BRENT (M6) SETTLED USD 4.16 HIGHER AT 99.36/BBL

The crude complex was bid throughout the session, albeit settling around the lows, after US-Iran talks in Pakistan ended without agreement. In response, US President Trump said a US naval operation in the Strait of Hormuz would begin at 10:00 EDT on Monday, something he has since confirmed is under way. In his latest remarks, Trump said Iran wants very badly to make a deal and that he had been called by them this morning, but reiterated that if Iran does not agree to no nuclear weapons, there will be no deal. As expected, there was plenty of geopolitical rhetoric at the start of the week, especially given the lack of a breakthrough over the weekend. Axios, citing sources, reported that the US proposed Iran accept a 20-year moratorium on uranium enrichment during negotiations, but the Iranians countered with a shorter "single-digit" period. It added that the US also asked Iran to remove all highly enriched uranium from the country, but the Iranians said they would instead agree to a "monitored process of down-blending". Multiple reports suggested talks between the US and Iran are continuing even now and that there is progress in trying to reach an agreement. Benchmarks came under pressure after a post on X by a New York Post journalist suggested Iranian officials were still considering the US proposal to end the war, but she later clarified it was not new information and benchmarks pared the weakness. Overall, oil retraced from the highs during the day as hopes build for an agreement while the ceasefire seemingly still holds. Crude still settled firmly in the green however. WTI traded between USD 92.40-96.83/bbl and Brent between USD 98.75-103.87/bbl. Away from geopolitics, OPEC's March MOMR said crude oil production by countries participating in the DoC (OPEC+) fell by 7.70mIn bpd M/M to average about 35.06mIn bpd.

EQUITIES

CLOSES: SPX +1.03% at 6,887, NDX +1.07% at 25,284, DJI +0.63% at 48,219, RUT +1.43% at 2,668.

SECTORS: Financials +1.73%, Technology +1.72%, Consumer Discretionary +0.85%, Communication Services +0.78%, Industrials +0.76%, Real Estate +0.52%, Health +0.46%, Energy +0.33%, Materials +0.22%, Consumer Staples -1.04%, Utilities -1.19%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.35% at 5,906, Dax 40 -0.23% at 23,749, FTSE 100 -0.17% at 10,583, CAC 40 -0.29% at 8,236, FTSE MIB -0.17% at 47,527, IBEX 35 -0.99% at 18,024, PSI -1.04% at 9,360, SMI -0.32% at 13,148, AEX +0.19% at 1,012

STOCK SPECIFICS:

- **Goldman Sachs (GS):** FICC sales & trading rev. light & provision for credit losses rises; note, EPS, rev., NII topped.
- **Leggett & Plat (LEG)** to be acquired by Somnigro (SGI) in an all-stock transaction valued at approx. USD 2.5bln.
- **Telix Pharmaceuticals (TLX)** to co-develop & co-commercialise next-gen radiopharmaceutical therapies with **Regeneron (REGN)**; TLX to receive \$40mIn upfront & up to USD 2.1bln in milestones.
- **ON Semiconductor (ON)** upgraded at BofA to 'Buy' from 'Neutral'
- **Blackstone (BX)** upgraded at Oppenheimer to 'Outperform' from 'Perform'.
- **SanDisk (SNDK)** will join the Nasdaq 100 index, replacing TEAM, effective BMO on 20th April
- **Baker Hughes (BKR)** will sell Waygate Technologies to Hexagon for c. USD 1.45bln.
- Third Point will not pursue a proxy fight at **CoStar Group (CSGP)** & sold its entire stake.
- **Best Buy (BBY)** double downgraded at Goldman Sachs to 'Sell' from 'Buy'.
- **GFL Environment (GFL)** confirmed to buy Secure Waste Infrastructure for more than CAD 6bln, incl. debt.
- Michael Burry said he bought shares of **Adobe (ADBE)**, **Autodesk (ADSK)**, and **Veeva (VEEV)**

FX

In FX, the **Dollar** is broadly weaker as US-Iran talks have seemingly continued despite the initial failure over the weekend. DXY initially started the week firmer as flight to quality arose from failed diplomacy efforts and Trump's plan to blockade the Strait of Hormuz; however, weakness gradually followed on numerous positive headlines. Axios reported that a senior American official said talks between the US and Iran are continuing even now, and there is progress in trying to reach an agreement. Regarding the main sticking point, nuclear, disagreement reportedly remains with the US wanting a longer moratorium on uranium enrichment than the Iranians. Additionally, the US seeks for Iran to remove all highly enriched uranium, while the Iranians instead want a "monitored process of down-blending". Geopolitics was the main focus, though the Goldman Sachs Q1 report kicked off financial earnings, beating on most major metrics.

Antipodes led G10 strength against the dollar, buoying the risk-taking backdrop. NZD continued to price in further hikes, with 82bps priced by year-end; unchanged on the session, though an increase of the previously seen 75bps last week. Yen, unsurprisingly, lagged amid the risk-on mood and higher oil prices, leaving USD/JPY trading at 159.35.

HUF benefited from the election of the opposition Tisza's Magyar. The surprise was the supermajority that Magyar achieved with

138 seats. This environment allows the PM-Elect to fast-track various HUF-positive pledges. EUR/HUF surpassed April 2022 lows, marking a session low of 362.52.

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