

### Risk-on sentiment seen amid greater optimism surrounding US/Iran talks

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down, Gold up
- **REAR VIEW:** US/Iranian negotiation teams reportedly to return to Islamabad for peace talks later this week; Trump tells NY Post talks with Iran could be happening over the next two days in Pakistan; Iran reportedly mulling pausing its Hormuz shipping to avoid derailing talks; US CENTCOM said no ships made it through the US blockade in the first 24 hours; Cooler-than-expected US PPI; BoJ is said to be considering a sharp increase to its price forecast this month; JPM beats on Q1, cuts FY NII outlook; WFC misses on revenue and FY NII view; C beats on earnings.
- **COMING UP:** **Data:** South Korean Unemployment Rate (Mar), French HICP Final (Mar), EZ Industrial Production (Feb), US Export/Import Prices (Mar). **Events:** Fed Beige Book (Apr). **Speakers:** Fed's Barr, Bowman; ECB's Cipollone, Lagarde, Schnabel; BoE's Bailey; SNB's Schlegel; RBA's Hauser; RBNZ's Breman. **Supply:** Australia, Germany. **Earnings:** Morgan Stanley, Bank of America, ASML, Hermes.

### MARKET WRAP

Risk-on trade was seen across markets on Tuesday amid greater optimism regarding US/Iran talks, as TASS said the two countries have shown readiness for further negotiations, and Trump told the NY Post that talks with Iran could be happening over the next two days in Pakistan. As such, US indices posted strong gains, with the NDX outperforming, and most sectors in the green led by Communications, Consumer Discretionary, and Technology. Energy was the clear laggard and hit by the notable weakness in the crude complex, whereby benchmarks saw losses of c. USD 4.30/bbl amid the more encouraging risk environment. The Dollar saw losses, to the benefit of G10 peers, as the Kiwi outperformed and the Yen was buoyed on reports that the BoJ will lift inflation forecasts. Given the aforementioned risk sentiment, precious metals gains, with spot silver surging in excess of 5%. Treasuries were bid on US/Iran hopes as talks look set to resume. On data, the US PPI was softer than anticipated, although key PCE components were firmer. However, the report was viewed as somewhat stale given its March 10th reference period, likely not capturing the full impact of the recent energy price shock, so market reaction was limited. Fed speak via Goolsbee offered little new. Earnings season has begun with mixed results across the Financials space, as missing on NII quarterly figures or guidance is weighing on names, as shown by weakness in JPMorgan and Wells Fargo today.

### US

**PPI:** March PPI rose 0.5% M/M, below the 1.2% forecast and cooling from the prior 0.7%, leaving the Y/Y rate at 4.0%, below the 4.6% forecast but up from the prior 3.4%. Core measures rose 0.1% (forecast 0.6%), slowing from the prior 0.5% pace. Core Y/Y eased to 3.8% from 3.9%, below the 4.2% forecast. The super core measure, excluding food, energy and trade, rose 0.2% M/M (prior 0.5%) and 3.6% Y/Y (prior 3.5%). Meanwhile, the report showed that nearly half of the March increase in the index for final demand goods was due to a 15.7% rise in gasoline prices. The indexes for diesel fuel, jet fuel, home heating oil, meats and primary basic organic chemicals also increased. Pantheon Macroeconomics highlighted that the reference date for the PPI data was March 10, and therefore, near the start of the energy price shock. The desk said April PPI energy prices would rise considerably further. Overall, Pantheon Macroeconomics wrote that the modest rise in March core PPI brought some genuinely good news, suggesting momentum in January and February was partly due to residual seasonality. It also highlighted that retailers' healthy margins suggested tariff pass-through was now complete. Although the report was softer than expected, the components that feed through to PCE accelerated in March, particularly air passenger transport PPI amid rising fuel costs in the face of the US-Iran war. Pantheon Macroeconomics expects that core PCE rose 0.29% M/M and 3.2% Y/Y.

**GOOLSBEE** (2027 voter) said there are circumstances where rates can go up, and circumstances for a hold, or decrease. Goolsbee's concern is how long this is going to last, noting that more rate cuts in 2026 are unlikely without disinflation. If gas gets to USD 5 and stays there for months, inflation expectations could get unanchored, which they have to pay attention towards. He would feel better if core inflation made progress, even if headline inflation was high. The longer it lasts, if inflation stays up, it pushes cuts out of 2026. Despite this, he affirmed they will get inflation to 2%, and expectations are anchored so far. Chicago Fed President added have had good news on housing inflation, and so far, the consumer just keeps chugging along.

### FIXED INCOME

#### T-NOTE FUTURES (M6) SETTLED 9 TICKS HIGHER AT 111-17

**Yields fall on US/Iran hopes as talks look set to resume.** At settlement, 2-year -2.5bps at 3.751%, 3-year -3.2bps at 3.762%, 5-year -3.9bps at 3.871%, 7-year -4.3bps at 4.053%, 10-year -3.7bps at 4.256%, 20-year -3.3bps at 4.844%, 30-year -3.2bps at 4.867%.

**THE DAY:** Treasuries firmed across the curve on Tuesday, with yields moving lower as oil prices extended their decline on expectations of renewed progress in US/Iran talks. President Trump said discussions could resume in the coming days, likely in Islamabad, raising hopes of a potential resolution or at least an extension of the ceasefire set to expire on April 21st. The move in oil helped ease inflation concerns, supporting the bid in Treasuries.

On the data front, US PPI came in softer than expected, although key PCE components were firmer. However, the report was viewed

as somewhat stale given its March 10th reference period, likely not capturing the full impact of the recent energy price shock. As a result, data had a limited influence on price action, with markets remaining focused on geopolitical developments.

Fed commentary was broadly in line with recent messaging. Goolsbee said there were circumstances where rates could be held, cut, or raised. Meanwhile, Treasury Secretary Bessent suggested the Fed should remain patient and wait before cutting rates, marking a shift from the administration's pre-war push for immediate easing.

Overall, the session highlights how markets continue to be driven by developments in energy and geopolitics, with easing oil prices helping to unwind inflation concerns and support Treasuries, while data and Fed commentary remain secondary.

## SUPPLY

### Bills

- US sold 1-year bills at a high rate of 3.560%, B/C 3.21x; sold 6-week bills at a high rate of 3.630%, B/C 3.04x
- US to sell USD 75bln of 8-week bills and USD 80bln of 4-week bills on April 16th; to sell USD 69bln on April 15th; all to settle April 21st

### STIRS/OPERATIONS

- **Fed Money Market Pricing (D/D): April +1.8bps (prev. +1.8bps), June +1.8bps (prev. +1.8bps), July -0.2bps (prev. -0.2bps), Dec -8.6bps (prev. -7bps).**
- NY Fed RRP op demand at USD 0.306bln (prev. 0.227bln) across 13 counterparties (prev. 4)
- SOFR at 3.63% (prev. 3.61%), volumes at USD 3.135tln (prev. USD 3.063tln) on April 13th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 97bln (prev. USD 106bln) on April 13th

## CRUDE

**WTI (M6) SETTLED USD 4.76 LOWER AT 88.19/BBL; BRENT (M6) SETTLED USD 4.57 LOWER AT 94.79/BBL**

The crude complex was weaker amid broader optimism regarding US/Iran talks. Highlighting this, downside was seen on reports that Iran is reportedly mulling pausing its Hormuz shipping to avoid derailing talks, with separate sources noting that the US and Iran have shown readiness for further negotiations. Regarding talks, US President Trump told the NY Post that they could be happening with Iran over the next two days in Pakistan, with the Iranian embassy official in Pakistan earlier adding that the next round could take place this week or early next week. Elsewhere, the IEA noted supply could exceed demand by 410k BPD in 2026 and highlighted that restoring Hormuz flows remains key. As such, benchmarks sold off for the duration of the session to settle at lows with WTI falling from peaks of USD 92.66/bbl to 88.01, with Brent trading between USD 94.42-99.45/bbl. Ahead, private inventory data is after-hours, whereby current expectations are (bbbls): Crude +0.2mln, Distillates -2.4mln, Gasoline -2.1mln.

## EQUITIES

**CLOSES:** SPX +1.17% at 6,967, NDX +1.81% at 25,842, DJI +0.66% at 48,536, RUT +1.29% at 2,705

**SECTORS:** Energy -2.16%, Materials -0.33%, Consumer Staples -0.23%, Utilities +0.18%, Financials +0.20%, Industrials +0.34%, Health +0.50%, Real Estate +0.85%, Technology +1.66%, Consumer Discretionary +2.54%, Communication Services +3.18%.

**EUROPEAN CLOSES:** European Closes: Euro Stoxx 50 +1.32% at 5,983, Dax 40 +1.23% at 24,034, FTSE 100 +0.25% at 10,609, CAC 40 +1.12% at 8,328, FTSE MIB +1.36% at 48,176, IBEX 35 +1.46% at 18,286, PSI +0.03% at 9,362, SMI +0.93% at 13,268, AEX +0.75% at 1,020.

### EARNINGS:

- **Johnson & Johnson (JNJ):** Despite strong report as top & bottom-line surpassed exp., marginally lifted FY rev. view & raised Q div. c. 3%.
- **JPMorgan (JPM):** FY NII guidance fell short; note, EPS, rev., & FICC rev all beat.
- **Wells Fargo (WFC):** Rev, NII, NIM missed.
- **Citigroup (C):** EPS, rev. & NII beat.

### STOCK SPECIFICS:

- **Bloom Energy (BE)** expanded its partnership w/ Oracle to support AI & cloud infrastructure buildout.
- **Lucid (LCID)** to receive new investments from PIF & UBER w/ UBER/LCID expanding robotaxi partnership to at least 35k vehicles.
- **Amazon (AMZN)** confirmed it is to acquire Globalstar (GSAT) for USD 90/shr.
- **United Airlines (UAL)** CEO pitched a possible merger w/ American Airlines (AAL) to senior government officials.
- **Tesla (TSLA)** upgraded at UBS to 'Neutral' from 'Sell'.
- **Microsoft (MSFT)** sharply raised prices across its Surface device lineup amid a memory chip shortage.
- **Nvidia (NVDA)** denied reports that it is in discussions to acquire a PC manufacturer, calling the claims false. Dell (DELL) & HP (HPQ) rallied on Mon. following the initial reports.
- Wolf Research is short **Poet Technologies (POET)**.
- Anthropic is preparing its next flagship model, Claude Opus 4.7, along with a new AI-powered tool for designing websites and presentations, The Information reported. Those new products could be released as soon as this week.

## FX

**DXY** has now mostly pared the strength seen from the Middle-East conflict as a long-term solution found through diplomacy seems increasingly likely. Reports suggest the US-Iran talks could resume this week in Islamabad or early next week, albeit nothing is scheduled yet. The US blockade seemingly pressures Iran both militarily and economically, with no ships making it through, and reports noting that Iran is considering pausing its Hormuz shipping to avoid derailing talks. Elsewhere, US PPI accelerated less than expected in March amid the surge in oil prices, albeit the reference period was March 10th, not incorporating the resilience in oil markets seen since; **DXY** was little moved.

The rally in **AUD** and **NZD** unsurprisingly continued as risk-sentiment across markets. **JPY** also caught a bid, supported by lower US yields, and Bloomberg reports that the BoJ is said to be considering a sharp increase to its price forecast this month, while weighing a possible growth outlook cut due to high oil prices. **USD/JPY** trades around 158.83 from Monday's close of 159.445.

**USD/SGD** was lower on the day, amid a mixed GDP report and the Monetary Authority of Singapore tightening policy as expected by slightly raising the rate of appreciation of the SGD NEER policy band, while it made no change to the width and level the band is centred. **USD/SGD** trades ~1.2712 from 1.2765 seen at the start of the week.

JPMorgan lifted its stance on EMFX back to overweight, saying the "end game" US-Iran war is now emerging. The points analysts cited were 1) US have adhered to the timeline set out at the start of the war 2) US and Iran walked away from escalation 3) A degree of overlap in demands which may allow a deal 4) The failure of weekend talks has not resulted in exchange of strikes 5) Headlines suggest US are pressuring Israel for a Lebanon ceasefire.

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