

Stocks add to gains despite crude gains with eyes on US/Iran talks

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up, Gold flat
- **REAR VIEW:** Trump spoke to Lebanon and Israeli leaders, both agreed to formally begin 10-day ceasefire; Trump said Iran agreed to give them enriched uranium; Gulf and European officials reportedly see US needing 6 months for Iran deal; Iranian armed forces reportedly ready to hit US Warships and sink them; US initial and continued claims lower than expected; Fed's Williams lowered 26 growth view, raises inflation; Fed's Miran sees 3 cuts in 2026 (prev. 4); Chinese GDP Q1 growth prints 5% Y/Y; ECB officials said to be leaning towards an April rate hold; TSM earnings beat and raises rev. guidance
- **COMING UP:** **Data:** Italian Balance of Trade (Feb), Canadian Housing Starts (Mar). **Speakers:** BoE's Breeden, Pill; Fed's Daly, Barkin, Waller. **Supply:** Australia. **Earnings:** State Street. **Credit Review:** Morningstar DBRS reviews credit rating on the EU and Italy.

MARKET WRAP

Stocks extended gains to record levels, with the Nasdaq outperforming. Most sectors ended higher, led by energy, real estate and technology, while healthcare, industrials and consumer discretionary lagged. Energy stocks tracked gains in crude, with oil prices rising despite ongoing optimism about a resolution to the conflict. However, with the Strait of Hormuz still heavily restricted, markets are likely to look for progress beyond ceasefires. Trump boosted hopes of a broader deal with Iran, saying it was prepared to hand over enriched uranium and was offering concessions it had not agreed to before. In response to higher crude prices, UST yields fell across the curve, while US data had little impact. Jobless claims and the Philly Fed index improved, while industrial production disappointed. Fed commentary saw Miran revise his rate cut view to three cuts this year from four, while Williams said policy was in a good place. In FX, the dollar gained alongside oil, while the NZD gave back some of its recent gains, and CAD outperformed on the move in crude. Gold was flat, silver declined, and Bitcoin rose. Regarding earnings, TSMC (TSM, -3.1%) traded lower despite an earnings beat and revenue guidance raise, as the lifted FY26 capex view weighed. Meanwhile, Charles Schwab (SCHW) fell 7.6% after Q1 revenue and NIM missed.

US

WILLIAMS: Fed's Williams (voter) said monetary policy is well positioned. He sees emerging signs of supply chain disruptions and forecasts 2026 growth of 2-2.5% (previously around 2.5%, versus the Fed median of 2.4%). He expects inflation to return to target in 2027, after reaching 2.75-3.00% this year due to energy prices (previously 2.75%; the Fed median sees inflation returning to target in 2028). He said some of the energy shock is now passing through to other prices and expects the impact of tariffs on inflation to wane this year. Williams sees unemployment at 4.25-4.50% (versus the Fed 2026 median projection of 4.4%), noting the labour market is sending mixed signals. He added that commercial real estate has improved more than expected and risks have declined. He said employers are cautious on hiring and that current job market softness is not related to AI. Other key remarks included that private credit does not pose broader financial stability risks, it is not a good time for the Fed to provide firm forward guidance, policy is modestly restrictive, and inflation will be "well above" 3% over the next few months.

MIRAN: Fed's Miran (voter, dove) said that if he were to update his SEP forecast, he would pencil in three rate cuts this year, down from four previously. He said interest rates should be slightly below neutral. He expects core goods inflation to fall in 2026 and to be at target in about a year. He does not see tariffs driving core goods inflation. Miran added that a policy response to an energy shock would require prices to remain elevated for a 12-18 month period. He said the labour market has been cooling for three years and sees no evidence to counteract it. On private credit, he said he has not seen evidence of it posing a systemic risk.

US JOBLESS CLAIMS: Initial jobless claims for the week ending April 11 fell to 207k from 218k, below the 215k consensus. This pushed the four-week average up by 500 to 209,750. Unadjusted claims rose by 12k to 123.8k, while seasonal factors had pointed to an increase of 23.7k. Continuing claims for the preceding week rose to 1.818m from 1.787m, but were below the 1.84m forecast. The decline in initial claims points to a stabilising labour market, suggesting the war has not yet had an impact. Oxford Economics said claims have "see-sawed over the last two weeks due to seasonal factors but remain at levels consistent with a low pace of layoffs".

INDUSTRIAL PRODUCTION: US industrial production rose 0.2% M/M in March, above the 0.1% forecast and in line. On a Y/Y basis, it increased 0.7%, below the 1.8% forecast and down from 1.4% previously. Manufacturing output fell 0.1%, below the +0.1% consensus and down from the prior 0.2% reading. On a Y/Y basis, it rose 0.5%, below the 2.0% forecast and down from 1.3% previously. Capacity utilisation fell to 75.7% from 76.3%, despite expectations for no change. Pantheon Macroeconomics said the data were less downbeat than they first appeared but still marked a mediocre end to Q1, adding that improvements in major manufacturing surveys point to an upturn ahead.

FIXED INCOME

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

Yields rose across the curve as oil prices advanced amid the ongoing blockade of the Strait of Hormuz. At settlement, 2-year

+1.5bps at 3.776%, 3-year +1.4bps at 3.794%, 5-year +1.7bps at 3.911%, 7-year +2.2bps at 4.100%, 10-year +2.8bps at 4.309%, 20-year +3.6bps at 4.908%, 30-year +3.6bps at 4.930%.

THE DAY: T-note weakness tracked gains in crude, with reduced traffic through the Strait of Hormuz continuing to support prices despite signs of progress towards a resolution in the US/Iran conflict. While President Trump suggested further talks could take place as soon as this weekend and struck an optimistic tone, uncertainty around timing and outcomes kept risk premia elevated.

US data had a limited impact on Treasuries. Jobless claims and the Philly Fed survey improved, although the latter showed rising prices alongside softer employment, reinforcing mixed signals.

Fed commentary remained broadly steady. Miran indicated a slightly less dovish outlook by saying he would pencil in three rate cuts for 2026 vs his current dot plot for four rate cuts. Williams said policy is well-positioned, suggesting no urgency to adjust rates.

Looking ahead, focus remains firmly on geopolitics, with a 10-day ceasefire agreed between Israel and Lebanon, although markets remain more sensitive to developments in US/Iran talks. With no major data on Friday, attention turns to Fed speakers (Daly, Barkin and Waller) ahead of the blackout period.

SUPPLY

Notes

- US Treasury to sell USD 13bln of 20-year bonds on April 22nd and USD 26bln of 5-year TIPS on April 23rd; All to settle April 30th

Bills

- US sold 4-week bills at a high rate of 3.595%, B/C 3.12x; sold 8-week bills at a high rate of 3.615%, B/C 3.22x
- US to sell USD 89bln of 13-week bill and USD 77bln of 26-week bills on April 20th and USD 70bln of 6-week bills on April 21st; to settle April 23rd

STIRS/OPERATIONS

- **Fed Money Market Pricing (D/D): April +1.8bps (prev. +1.8bps), June +1.8bps (prev. +1.8bps), July -0.7bps (prev. +0.3bps), Dec -7.8bps (prev. -8.0bps).**
- NY Fed RRP op demand at 0.16bln (prev. 0.22bln) across 5 counterparties (prev. 6) on April 16th
- SOFR at 3.72% (prev. 3.66%), volumes at USD 3.117tln (prev. USD 3.116tln) on April 15th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 83bln (prev. USD 94bln) on April 15th
- Treasury Buyback (Cash mgmt, 1mth - 2year), max USD 15bln: Accepts USD 15bln of 40.033bln offered; Offer to cover 2.67x

CRUDE

WTI (M6) SETTLED USD 3.40 HIGHER AT USD 94.69/BBL; BRENT (M6) SETTLED USD 4.46 HIGHER AT USD 99.39/BBL

Crude prices rose as reduced traffic flow in the Strait of Hormuz provided a floor for the complex, even as other assets priced in the war nearing an end. The ceasefire between Israel and Lebanon, set to take effect today, had little impact on prices as reports over the past couple of days had already pointed to such an outcome. The ceasefire is due to begin at 5 PM EDT for 10 days, Trump said. Gains in the European morning were supported by a Press TV report that a military adviser to the leader of Iran's Islamic Revolution said Iranian armed forces' launchers were ready to hit US warships and sink all of them. Further gains followed a Bloomberg report, citing officials, that Gulf and EU officials saw the US needing six months for an Iran deal. That marked a difference between those officials' views and reality, with current reports suggesting the current two-week ceasefire may be extended by another two weeks, leaving it about five months short of the preference of some Gulf Arab leaders. Later, Trump pared gains, saying Iran had agreed to hand over its enriched uranium and that there had been a lot of agreement on Iran. Confirmation from Iran on the reported uranium concession was still awaited. WTI and Brent hit highs of USD 91.82/bbl and USD 99.80/bbl, respectively.

EQUITIES

CLOSES: SPX +0.26% at 7,041, NDX +0.49% at 26,333, DJI +0.24% at 48,579, RUT +0.22% at 2,720

SECTORS: Health -0.77%, Industrials -0.49%, Consumer Discretionary -0.24%, Financials -0.21%, Consumer Staples +0.34%, Communication Services +0.36%, Materials +0.54%, Utilities +0.67%, Technology +0.78%, Real Estate +1.01%, Energy +1.55%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.04% at 5,938, Dax 40 +0.35% at 24,151, FTSE 100 +0.29% at 10,590, CAC 40 -0.14% at 8,263, FTSE MIB -0.27% at 48,027, IBEX 35 -0.51% at 18,093, PSI -1.21% at 9,233, SMI -0.44% at 13,171, AEX +0.11% at 1,017

STOCK SPECIFICS

- **Taiwan Semiconductor Manufacturing Company (TSM):** Earnings beat; raised FY26 capex view weighs.
- **Charles Schwab Corporation (SCHW):** Revenue and NIM fell short; EPS and total net new assets beat.
- **Abbott Laboratories (ABT):** Profit guidance disappointed.
- **PepsiCo (PEP):** EPS and revenue beat.
- **PPG Industries (PPG):** Q1 EPS view beat; announced global price increases of up to 20% across its products.

- **QuidelOrtho Corporation (QDEL):** Q1 revenue view missed.
- **Flutter Entertainment (FLUT):** Double downgraded at Citi to 'Sell' from 'Buy'.
- **Corning Incorporated (GLW) / Fabrinet (FN):** Both downgraded at JPMorgan amid a more cautious view on optical names.
- **Okta (OKTA):** Upgraded at Raymond James to 'Outperform' from 'Market Perform'.
- **Roblox's (RBLX)** AI assistant gets new agentic tools to plan, build, and test games, Techcrunch reports.

FX

The dollar rebounded on Thursday alongside a recovery in oil prices. Geopolitical updates remained positive. However, with the Strait of Hormuz still largely closed, markets may need a full or substantial reopening before pressure on the dollar resumes. As things stand, talks between the US and Iran have no set date, but Trump said on Thursday that Iran had agreed to hand over enriched uranium. If confirmed by Iran, that would suggest progress on one of the main sticking points in the negotiations. Elsewhere, jobless claims continued to point to a low pace of layoffs. Meanwhile, Fed's Williams slightly lowered his 2026 GDP forecast and raised his inflation forecasts. ING does not see the conditions in place for DXY to return immediately to this year's lows at 96.

NOK and **CAD** were the only G10 currencies to strengthen against the USD, supported by gains in crude. **NZD** and **CHF** lagged.

Australian jobs data failed to offset **AUD** weakness, with the broadly in-line report prompting little hawkish repricing in H1. Citi, after the data, maintained its view for 25bps hikes in both May and June. AUD/USD was trading at levels not seen since June 2022, reaching session highs of 0.7197.

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