

Stocks at record highs and oil dives as Iran reopens Hormuz

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat, Gold up
- **REAR VIEW:** Iranian Foreign Minister says passage for all commercial vehicles via Hormuz is "completely open"; US reportedly considers \$20B cash-for-uranium deal with Iran; Trump says US military blockade of Iran remains in effect; Iran says continuation of US blockade is violation of ceasefire; Fed's Waller could call for holding rates steady, Daly says rates are slightly restrictive; Shipping names express caution over mines in Hormuz; META to lay off more than 10% of workforce in 2026; NFLX guidance underwhelms
- **COMING UP: Data:** Chinese LPR (Apr), German PPI (Mar), Canadian Inflation (Mar), New Zealand NZIER Business Confidence (Q1), New Zealand Inflation (Q1). **Events:** BoC SCE (Apr). **Speakers:** ECB's Lagarde. **Earnings:** Cleveland-Cliffs.
- **WEEK AHEAD:** US-Iran ceasefire expiry, Warsh Hearing, Flash PMIs, US Retail Sales, UK Jobs, Inflation from Japan, UK, NZ and Canada. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings to pick up; TSLA, UNH, ISRG, BA, LRCX, PM, IBM, INTC, AXP, and more due. [Click here for the full report.](#)

MARKET WRAP

Stocks rallied to fresh record highs while oil prices plunged after Iran announced it would reopen the Strait of Hormuz to all commercial traffic. Brent fell below USD 90/bbl, easing supply concerns and driving a broad risk-on move across markets. Despite the positive headline, uncertainty remains around the durability of the development. Shipping firms are cautious resume activity, while mixed messaging from Iranian officials — including apparent surprise from the IRGC — and conflicting reports between the US and Iran continue to cloud the durability of the agreement. While President Trump has struck an optimistic tone, suggesting significant progress in negotiations, Iranian officials have pushed back on key elements, highlighting ongoing disagreement. The decline in oil fed through into rates, with T-notes rallying across the curve as easing inflation pressures supported expectations for rate cuts to resume. In FX, the dollar weakened initially before paring losses amid lingering uncertainty, while Gold was bid alongside the move lower in yields. Fed commentary remained focused on inflation risks. Governor Waller indicated a preference to hold rates in a scenario of higher inflation and weaker growth, while Daly emphasised that the outlook depends on the persistence of elevated energy prices and the conflict. Overall, markets are pricing in a partial unwind of geopolitical risk premia, although ongoing uncertainty around negotiations and enforcement continues to limit conviction. Equity-specific updates saw Meta gain following reports that it's to lay off ~10% of its total workforce in May. Netflix (NFLX) fell 9.8% after its Q2 EPS and FY26 revenue outlooks underwhelmed; co-founder Hastings to leave the board.

FED

Waller said that if war produces high inflation and a weak labour market, it could argue for keeping rates steady. The longer the war remains unresolved, the greater the risks to inflation and jobs, he said. He said high inflation and a weak labour market could pose a challenge for the Fed. Waller expects March headline PCE likely reached 3.5% Y/Y, with the surge in energy prices potentially having a lasting effect on inflation. He said markets appeared to have underestimated the risk of a prolonged conflict. After a series of shocks, it becomes harder to look through the inflation spike. On labour, he said the labour market breakeven rate was now likely around zero and that a period of negative job growth might not signal a recession. Some of the low-hire, low-fire labour market reflects firms dealing with tariffs, and shifts in the labour market make it difficult to analyse. Separately, he does not so far see systemic risks stemming from private credit, adding that private credit is not a large part of financial markets.

Daly (2027 voter) said her outlook depends on how long oil prices remain high and how long the conflict lasts. She said the shock was likely to have a bigger effect on inflation than on growth, and that it was too early to know whether it would prove short-lived or persistent. If it ends soon, the Fed would return to the interest-rate path it was on before, but if it persists, inflationary pressures would last longer. In that case, rates would need to rise if inflation took off, but if it ends, the Fed could cut rates quickly. She also said policymakers could leave rates where they are. She said rates were slightly restrictive, just above the 3% neutral level. She is watching to see whether higher oil prices spill over into other goods and services prices, but said policymakers were currently in a wait-and-see mode and described the current position as "a nice place to be". On the labour market, she said zero job growth might be the new steady state. On productivity, she said growth can help with disinflation, while it is hard to link higher productivity growth to the real neutral rate, though it is something to watch on both sides. Elsewhere, she said commercial real estate was no longer on her list of worries.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 16 TICKS HIGHER AT 111-23

Treasury yields slide after Iran announces opening of Strait of Hormuz, slamming oil prices and boosting dovish rate bets. At settlement, 2-year -7.6bps at 3.704%, 3-year -8.0bps at 3.721%, 5-year -7.9bps at 3.841%, 7-year -7.3bps at 4.032%, 10-year -6.7bps at 4.248%, 20-year -6.3bps at 4.852%, 30-year -5.2bps at 4.883%.

THE DAY: T-notes rallied across the curve on Friday, led by a sharp decline in oil prices after Iran's Foreign Minister announced the Strait of Hormuz had reopened to all commercial shipping. Brent fell below USD 90/bbl, easing inflation expectations and prompting a repricing towards more dovish policy expectations.

Broader sentiment was supported by continued optimism around US/Iran negotiations, with reports suggesting progress towards a potential agreement. However, uncertainty remains, with conflicting signals around the timing of in-person talks and caution from shipping firms despite the reopening of Hormuz. Mixed messaging from Iranian officials also highlights lingering doubts around the durability of the development. Nonetheless, markets interpreted the news as a positive step towards de-escalation, with equities at record highs and crude prices under pressure.

There was no US data on Friday, while Fed commentary reinforced the focus on inflation risks. Governor Waller suggested that even in a scenario of higher inflation and weaker growth, policy may need to remain on hold, indicating a tilt towards inflation concerns. Meanwhile, Daly noted the shock is likely to have a greater impact on inflation than growth, with the outlook dependent on the persistence of elevated energy prices and the length of the conflict.

Looking ahead to next week, focus remains on geopolitics, particularly developments in US/Iran talks and the sustainability of reopened shipping routes through Hormuz. Elsewhere, markets will watch the upcoming Treasury supply, including the 20-year auction and 5-year TIPS, alongside US retail sales.

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 to sell USD 89bln of 13-week bills 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 +0.6bps (prev. +1.8bps), July -2.7bps (prev. -0.7bps), Dec -15.2bps (prev. -7.8bps)**
- NY Fed RRP op demand at 0.14bln (prev. 0.16bln) across 4 counterparties (prev. 5) on April 17th
- SOFR at 3.67% (prev. 3.72%), volumes at USD 3.107tln (prev. USD 3.117tln) on April 16th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 85bln (prev. USD 83bln) on April 16th

CRUDE

WTI (M6) SETTLED USD 10.84 LOWER AT USD 83.85/BBL; BRENT (M6) SETTLED USD 9.01 AT 90.38/BBL

Oil prices tumbled on Friday, weighed by a couple of positive developments. Prices were already moving notably lower through the European morning on light newsflow before extending losses on an Axios report, citing sources, that the US and Iran were negotiating over a three-page plan to end the war, including discussions that the US would release USD 20bln in frozen Iranian funds in return for Iran giving up its stockpile of enriched uranium. Soon after, the downside accelerated after the Iranian foreign minister said, "In line with the ceasefire in Lebanon, the passage for all commercial vessels through the Strait of Hormuz is declared completely open for the remaining period of the ceasefire, on the coordinated route announced by Iran." Further details were later outlined by Fars News, citing a source, with conditions initially announced last week: 1) ships must be commercial and must not be related to hostile countries, 2) ships must pass through Iran's designated ports, likely so they can be tolled, and 3) movement must be coordinated with the IRGC. Commentary and reporting downplayed Araghchi's announcement, noting that several shipowners remain cautious about mines and are refraining from transiting the Strait; Iran has not confirmed any enriched uranium concessions; Tehran says the continued US blockade violates the ceasefire; and a senior Iranian official told Reuters that significant differences remain between Iran and the US. That allowed crude prices to rebound from lows of WTI at USD 78.97/bbl and Brent at USD 86.09/bbl, although trade remained choppy into pre-settlement, with a brief move lower after ship-tracking data showed about 20 ships moving from the Gulf towards the exit via the Strait of Hormuz.

**Commentary: **

- Even if Tehran allows a genuine reopening, only about 25% of Middle East Gulf export capacity would resume within one to two months, beyond that, Kpler said.
- IEA Birol says it will take about two years to recover the energy output lost in the Middle East from the conflict there, via Amena Bakr, citing an interview with the NZZ newspaper.
- Norwegian Shipowners' Association CEO says the situation in the Strait remains unresolved, with a number of outstanding uncertainties and these aspects need to be clarified before any transit can be assessed
- Top Maritime Official says shippers should avoid Hormuz over mines risk, via WSJ.

EQUITIES

CLOSES: SPX +1.20% at 7,126, NDX +1.29% at 26,672, DJI +1.79% at 49,447, RUT +2.11% at 2,777

SECTORS: Energy -2.94%, Utilities -0.42%, Materials +0.48%, Financials +0.75%, Communication Services +0.77%, Consumer Staples +1.32%, Health +1.45%, Real Estate +1.45%, Technology +1.59%, Industrials +1.82%, Consumer Discretionary +1.97%.

EUROPEAN CLOSES: Euro Stoxx 50 +2.17% at 6,062, Dax 40 +2.25% at 24,699, FTSE 100 +0.73% at 10,668, CAC 40 +1.97% at 8,425, FTSE MIB +1.75% at 48,869, IBEX 35 +2.18% at 18,485, PSI -0.51% at 9,185, SMI +1.70% at 13,397, AEX +0.69% at 1,024

STOCK SPECIFICS

- **Netflix (NFLX):** Q2 EPS and FY26 revenue outlooks underwhelmed; co-founder Hastings to leave the board.
- **Truist Financial Corporation (TFC):** Revenue and NIM slightly missed.
- **Alcoa Corporation (AA):** Adjusted EPS and revenue missed.
- **NiSource (NI):** Signed a long-term energy agreement with a Google subsidiary.
- **Autoliv (ALV):** Q1 revenue beat; raised 2026 sales outlook.
- **Fluence Energy (FLNC):** Downgraded at UBS to 'Sell' from 'Neutral'.
- **Meta (META)** expected to carry out first wave of company-wide layoffs on May 20th; expected to impact ~10% of total workforce. Meta is planning additional firm-wide cuts later in 2026.
- **Patrick Industries (PATK)** is said in talks to combine with rival **LCI (LCII)**.
- **Blue Owl's (OWL)** co-CEOs are removing one drag on its stock by revising the terms of personal loans they took out against their shares, WSJ reports, citing sources.

FX

The **DXY** was flat, coming off worst levels seen in response to the Iranian foreign minister's remarks that the Strait of Hormuz was "completely open". However, according to later comments from the foreign ministry spokesperson, the statement on Hormuz did not provide anything new. Nonetheless, optimism extended, with oil prices settling more than USD 9/bbl lower.

Oil moved from lows amid a reluctance among shipping firms to transit the Hormuz amid mine concerns, which likely contributed to the unwind in EUR strength following Araghchi's remarks.

Iranian officials continued to stress that the US blockade violates the ceasefire agreement, while Trump said it would remain in place until a deal is reached. There is currently no set date for a second round of talks, though it is expected either over the weekend or early next week. Meanwhile, JPY strength held, with USD/JPY hitting 157.59 before easing to around 158.48.

The day featured several Fed speakers. Highlights included Daly (2027 voter), who said the Fed funds rate is slightly restrictive, just above a 3% neutral level, and Waller (voter), who said he could support holding rates steady while forecasting March headline PCE at 3.5%

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