

Stocks mixed and oil bid after Iran re-closes Hormuz ahead of touted US/Iran talks

- **SNAPSHOT:** Equities mixed, Treasuries flatten, Crude up, Dollar down, Gold down.
- **REAR VIEW:** Iran re-closes Strait of Hormuz; US/Iran second round talks scheduled for Islamabad, albeit no confirmation of attendance, yet; US reports suggest both sides will be there; Cooler-than-expected Canadian inflation data; ECB President Lagarde said ECB will act as the situation demands
- **COMING UP:** **Data:** German/EZ ZEW Sentiment Index (Apr), UK Jobs Report (Feb), US ADP Employment Change Weekly, US Retail Sales (Mar), US Pending Home Sales (Mar), US Atlanta Fed GDP **Events:** Eurogroup Foreign Affairs Council (Apr); Senate Fed chair confirmation hearing for Kevin Warsh **Speakers:** ECB's de Guindos, Nagel; Fed's Waller **Supply:** UK, Germany **Earnings:** UnitedHealth, GE Aerospace, United Airlines, Thales, Vivendi, ASM International.

MARKET WRAP

Stocks were mixed on Monday as renewed geopolitical tensions weighed on sentiment, after Iran re-closed the Strait of Hormuz. The move pushed oil prices higher at the reopen, while equity and Treasury futures sold off, although these moves pared through the session. Crude ultimately settled firmly higher, albeit off overnight peaks. Focus remains on the outlook for US/Iran talks, with conflicting reports around timing and participation. US media suggest VP Vance, Witkoff and Kushner could meet with the Iranian delegation as soon as Tuesday or Wednesday, while Iranian reports indicate no decision has yet been made. President Trump also signalled he is unlikely to extend the ceasefire or remove the US blockade without a deal, while Iran has pushed for the blockade to be lifted before negotiations resume, underscoring the fluid nature of the situation. The move in oil drove cross-asset price action, with the Treasury curve flattening as higher crude prices lifted inflation expectations. However, the initial gap lower in T-note futures largely reversed as the session progressed. In FX, price action was mixed, with oil-linked currencies such as CAD outperforming, while the dollar and yen lagged. In equities, sector performance was mixed, with Materials outperforming and Communication Services lagging. Precious metals weakened as higher oil prices boosted inflation expectations and reduced the likelihood of near-term Fed easing, while Bitcoin posted gains. Overall, markets are reintroducing a geopolitical risk premium, with oil driving cross-asset moves, although the paring of initial reactions highlights a degree of caution as participants await clearer signals on the path of US/Iran negotiations.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 2 TICKS LOWER AT 111-21

The treasury curve flattened on Monday led by the front-end, in response to firmer oil prices after Iran re-closed the Strait of Hormuz. At settlement, 2-year +1.0bps at 3.716%, 3-year +1.0bps at 3.731%, 5-year +0.5bps at 3.850%, 7-year +0.1bps at 4.035%, 10-year +0.2bps at 4.250%, 20-year -0.5bps at 4.849%, 30-year -0.5bps at 4.880%,

THE DAY: The Treasury curve flattened on Monday, led by the front-end, as oil prices rose following Iran's decision to re-close the Strait of Hormuz. T-note futures gapped lower at the reopen alongside a jump in crude, although both moves pared through the session. Oil remained firmly higher but off its peaks, while Treasuries recovered, with the 10-year future settling little changed on the day.

Focus remains on the outlook for US/Iran negotiations, with mixed reporting around the likelihood of upcoming talks. US media suggest both sides may attend discussions in Islamabad as early as Tuesday or Wednesday, while Iranian officials indicate no decision has yet been made. President Trump has also signalled he will not extend the ceasefire or remove the US blockade without a deal. The current ceasefire is set to expire at 01:00 BST on April 22nd (20:00 ET on April 21st).

There was no US macro data on Monday, and the Fed is now in its blackout period. Attention turns to the hearing for Fed Chair nominee Warsh, whose opening remarks emphasise the importance of Fed independence.

Looking ahead, focus remains on geopolitics, alongside US retail sales, which will be watched for signs of consumer resilience, although higher gasoline prices may distort the headline reading. Treasury supply is also in focus this week, with the 20-year auction and 5-year TIPS due.

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 3-month bills at a high rate of 3.610%, B/C 2.94x; sold 6-month bills at a high rate of 3.590%, B/C 2.89x
- US to sell 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. +0.6bps), July -1.2bps (prev. -2.7bps), Dec -12.7bps (prev. -15.2bps)
- NY Fed RRP op demand at 0.50bln (prev. 0.14bln) across 6 counterparties (prev. 4) on April 20th
- SOFR at 3.65% (prev. 3.67%), volumes at USD 3.042tln (prev. USD 3.107tln) on April 17th
- EFR at 3.64% (prev. 3.64%), volumes at USD 85bln (prev. USD 85bln) on April 17th

CRUDE

WTI (M6) SETTLED USD 5.76 HIGHER AT 89.61/BBL; BRENT (M6) SETTLED USD 5.10 HIGHER AT 95.48/BBL

The crude complex saw strength as Iran reversed its decision to reopen the Strait of Hormuz over the weekend. Meanwhile, the US attacked and seized an Iranian cargo ship on Sunday. Ahead, focus resides on another round of US/Iran talks in Islamabad scheduled for Tuesday or Wednesday, ahead of Wednesday's ceasefire deadline - 01:00 BST on 22 April 2026 (20:00 ET on 21 April). Despite saying that, there have been conflicting reports regarding their participation in them, but the most recent update via WSJ suggested that Iran has told regional mediators that it would send a negotiating team to Islamabad on Tuesday, something a senior Pakistani Government Source echoed in that Pakistan is confident it can get Iran to attend talks. From the US side, ABC, citing US officials, said VP Vance is expected to leave for Pakistan on Tuesday, who added the situation is fluid and plans could change. Note, earlier reports said Iran is not heading to the confab, and Vance had already left. Regarding price action on Monday, WTI and Brent gapped higher at the open to hit peaks of USD 89.60/bbl and 97.50, respectively, following the aforementioned weekend reports and remained firmer for the duration of the session, hitting lows of USD 85.45/bbl and 92.75. For reference, some of the pullback occurred after Trump, according to the NY Post, said Vance and the broader delegation were on the way to Islamabad. As such, eagle eyes will be on the latest newsflow out of the Islamabad talks set for Tuesday

EQUITIES

CLOSES: SPX -0.22% at 7,110, NDX -0.31% at 26,590, DJI -0.01% at 49,443, RUT +0.58% at 2,793.

SECTORS: Materials +0.56%, Financials +0.34%, Real Estate +0.27%, Energy +0.21%, Industrials +0.18%, Technology +0.04%, Consumer Staples -0.22%, Consumer Discretionary -0.65%, Utilities -0.91%, Health -0.93%, Communication Services -1.41%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.28% at 5,980, Dax 40 -1.04% at 24,444, FTSE 100 -0.55% at 10,609, CAC 40 -1.12% at 8,331, FTSE MIB -1.36% at 48,207, IBEX 35 -1.21% at 18,261, PSI -0.08% at 9,178, SMI -1.06% at 13,284, AEX -0.17% at 1,022.

STOCK SPECIFICS:

- **Google (GOOGL)** in talks with **Marvell Technology (MRVL)** to develop two new AI chips.
- **AST SpaceMobile (ASTS):** New Glenn Rocket, launched by Blue Origin on Sun., failed to deploy ASTS Satellite into correct orbit.
- **QXO (QXO)** agreed to acquire **TopBuild (BLD)** in a cash-and-stock deal valued at c. \$17bln w/ each BLD share valued at \$505 (vs. Fri close of \$410.31).
- **Eli Lilly (LLY)** has acquired Kelonia Therapeutics for up to USD 7bln in cash, expected to close H2'26.
- **Ulta Beauty (ULTA)** upgraded at Jefferies.
- **NXP Semiconductors (NXPI)** downgraded at Wells Fargo
- **RTX (RTX)** affirmed FY26 CapEx guidance of USD 3.1bln.

FX

The Dollar saw slight losses on Monday, despite the less positive geopolitical updates over the weekend, although the Greenback pared earlier weakness amid reports that VP Vance is en route to Pakistan. As such, as all focus turns to the scheduled US/Iranian talks in Islamabad on Tuesday or Wednesday, and heading into the second round of talks, there has been conflicting reports surrounding attendance, but the most recent ones do seem to suggest both sides will be present in Islamabad tomorrow. As alluded to, Middle East headlines dominated the tape, especially after Iran reversed its decision to reopen the Strait of Hormuz over the weekend, and also as the US attacked and seized an Iranian cargo ship on Sunday. In the US, there was no tier 1 data or Fed speak, given the latter is on blackout ahead of the latest confab next Wednesday but the Warsh hearing will take place tomorrow. His opening statement largely focused on the importance of Fed independence.

G10 FX was broadly firmer against the Greenback, aside from the Yen, with the Swissy and Loonie the relative outperformers as G10 gains were pretty contained. Currency-specific newsflow was fairly sparse, as CAD was unreactive to the softer-than-expected March inflation data, as Citi continue to call for 50bps of rate cuts in H2 2026 from the BoC. For the Euro watchers, there were a couple of ECB speakers on the wires, as Rehn said there is no set rate path, starting point is reasonably balanced, while President Lagarde noted the ECB will act as the situation demands, and if the conflict resolves quickly, the direct energy price shock could prove to be at the smaller end of expectations – and the economic impact would be contained. Lagarde added the outlook, however, remains fragile and worse paths are still possible.

As mentioned, the Yen was the worst performer, which saw USD/JPY trade between 158.55-159.20, albeit sitting towards the lower end of the range. Over the weekend, Barclays altered its BoJ hike call to June from April, and JPMorgan tweaked its call for the April meeting, suggesting it would be a "hawkish hold". On the geological footing, NHK reported a 7.4 magnitude earthquake off the north-east coast of Japan and a subsequent tsunami warning, though Japanese assets were unaffected.

For the **Brazilian Real** watchers, the latest BCB Economist Poll saw the 2026 Selic rate view rise to 13.00% from 12.5%, with 2027's outlook also rising to 11.0% from 10.50%.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com