

### Markets volatile to prospect of US/Iran talks while Trump extends ceasefire

- **SNAPSHOT:** Equities down, Treasuries flatten, Crude up, Dollar up, Gold down.
- **REAR VIEW:** Trump extends ceasefire but continues Iran blockade; Reports suggest neither Vance or Iran delegation will head to Pakistan for peace talks; Warsh stressed Fed independence & lower balance sheet in Senate hearing; AAPL CEO Cook to step down; AMZN/Anthropic extend partnership; Hotter-than-expected wage UK metrics & much lower-than-anticipated u/e rate; BoJ sources suggest they'll hold rates steady in April; Stellar UNH earnings; Strong US retail sales, but buoyed by gasoline sales; Trump re. tariffs said Switzerland should pay much more, will get that up a little bit.
- **COMING UP:** **Data:** Japanese Balance of Trade (Mar), UK Inflation (Mar), South African Inflation (Mar), EZ Consumer Confidence (Apr) **Events:** CBRT Policy Announcement (Apr), Bank of Indonesia Policy Announcement (Apr) **Speakers:** ECB's Elderson, Lane, Cipollone, Lagarde; BoE's Breeden **Supply:** Australia, Germany, US **Earnings:** Vertiv, Boeing, GE Vernova, AT&T, Tesla, ServiceNow, IBM, L'Oreal, Danone, Accor, Akzo Nobel.

### MARKET WRAP

Stocks were lower while oil prices remained supported amid ongoing uncertainty around US/Iran talks, with both assets paring earlier extremes before renewed late-session volatility. Crude initially eased on reports the US may be willing to lift its blockade, but later rallied after Tasnim reported Iran's decision not to attend talks was final, while AP noted Vice President Vance has called off his planned trip to Pakistan.

Equities followed a similar path, trimming earlier losses before selling into the close as hopes for near-term negotiations faded. Conflicting signals throughout the session underscore the fluid and fragile nature of the situation.

Higher oil prices drove a bear flattening in Treasuries, while the dollar firmed on geopolitical uncertainty, weighing on G10 peers. Gold and silver were softer as yields rose.

Elsewhere, Warsh stressed Fed independence and favoured a smaller balance sheet, while retail sales were strong but boosted by gasoline prices.

Note, after the US cash closed equity futures rallied, crude futures were hit, Dollar was sold, T-notes and gold were bid as Trump extended the ceasefire but continued Iran blockade.

### US

**WARSH:** The Fed Chair nominee Kevin Warsh largely stressed the importance of Fed independence and said several times that he would not let the President dictate his decisions on interest rates. He also denied that Trump had asked him to pre-commit to a rate cut at any particular meeting and said he would never do such a thing. Warsh appeared focused on returning inflation to target, but said the Fed needed a new inflation framework. On monetary policy, he said the interest rate tool was fairer, while stressing that balance sheets should be smaller and should not hold long-term maturities. Warsh also said he did not believe in forward guidance. He is optimistic about the economy's potential, especially in the face of AI. On transparency, Warsh said there was no lack of transparency at present and that more than four FOMC meetings per year was appropriate.

**RETAIL SALES:** Headline retail sales rose 1.7% M/M in March, accelerating from 0.6% previously and topping the 1.4% forecast. The headline was boosted by a hefty 15.5% rise in gasoline sales, accelerating from 1.3% previously, largely due to higher gasoline costs in the wake of the US/Iran conflict. Excluding gas and autos, retail sales rose 0.6%, above the prior 0.4%. The control group rose 0.7%, above both the 0.2% consensus and the prior 0.6%. Overall, it was a strong report, though the headline was largely lifted by the 15.5% rise in gasoline sales. Elsewhere in the report, miscellaneous store retailers were the only sector to post a decline. Meanwhile, other businesses including furniture, electronics, building materials, food and beverage stores, and general merchandise stores accelerated. Motor vehicle and parts dealers, Health and personal care, clothing, sporting goods, non-store retailers, and food services and drinking places cooled from the February report. Summarising the data, Pantheon Macroeconomics highlighted that consumers continued to increase spending on non-fuel products despite the jump in gas prices. However, the desk notes that growth in households' real spending likely slowed to about 1.5% in Q1, below the 2.1% average of the prior four quarters.

### FIXED INCOME

#### T-NOTE FUTURES (M6) SETTLED 11+ TICKS LOWER AT 111-09+

**Yield curve flattens as prospects of US/Iran talks fade ahead of ceasefire deadline** . At settlement, 2-year +5.6bps at 3.783%, 3-year +5.7bps at 3.799%, 5-year +5.4bps at 3.913%, 7-year +4.7bps at 4.094%, 10-year +4.0bps at 4.298%, 20-year +3.0bps at 4.887%, 30-year +1.7bps at 4.904%.

**THE DAY:** T-notes sold off across the curve on Tuesday, with yields rising as oil prices extended gains amid ongoing uncertainty around US/Iran talks and the ceasefire timeline. Front-end underperformance led to a bear flattening, with markets continuing to price in higher inflation risks driven by elevated crude.

Oil prices remained the primary driver, with prices supported by the lack of confirmation on renewed US/Iran negotiations and conflicting reports around the ceasefire expiry — some suggesting it could end tonight, despite Trump's recent comment about it being Wednesday evening, while the White House has not yet confirmed to reporters the exact time amid the confusion.

Reports in late trade from Tasnim noted that Iran will not be attending the talks, while AP reported that VP Vance has also called off the trip, weighing on T-notes in post-settlement trade. The uncertainty has kept a geopolitical risk premium embedded in energy markets, feeding through into rates via inflation expectations.

US data had little impact on price action. Retail sales were strong, although the upside was largely attributed to higher gasoline prices, albeit even excluding gasoline the report was solid.

Fed Chair nominee Warsh's hearing focused heavily on the importance of central bank independence, and largely dismissed reports that Trump asked him to pre-commit to lower rates. On policy, Warsh favoured interest rates as a tool of policy transmission, while striking a hawkish tone on the balance sheet, seemingly favouring a smaller balance sheet and suggesting the Fed should reduce holdings of longer-dated Treasuries.

Overall, the session highlights the continued dominance of energy markets in driving rates, with elevated oil prices keeping upward pressure on yields, particularly at the front-end, as markets await clearer direction on geopolitics. Looking ahead, 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 6-week bills at a high rate of 3.610%, B/C 2.88x
- US to sell USD 69bln of 17-week bills on April 22nd, to sell USD 80bln of 4-week bills and USD 75bln of 8-week bills on April 23rd; to settle April 28th

## STIRS/OPERATIONS

- Fed Money Market Pricing (D/D): April +1.8bps (prev. +1.8bps), June +1.8bps (prev. +0.6bps), July +0.3bps (prev. -1.2bps), Dec -6.8bps (prev. -12.7bps)
- NY Fed RRP op demand at 0.81bln (prev. 0.50bln) across 10 counterparties (prev. 6) on April 21st
- SOFR at 3.63% (prev. 3.65%), volumes at USD 3.01tln (prev. USD 3.042tln) on April 20th
- EFFR at 3.64% (prev. 3.64%), volumes at USD 69bln (prev. USD 85bln) on April 20th

## CRUDE

**WTI (M6) SETTLED USD 2.52 HIGHER AT 92.13/BBL; BRENT (M6) SETTLED USD 3.00 HIGHER AT 98.48/BBL**

The crude complex ended firmer after a choppy trading session amid continued conflicting reports over the likelihood of US-Iran talks in Islamabad. WTI and Brent rose through the US afternoon, after the benchmarks had hovered near session lows, as there was still no confirmation of US-Iran talks. The latest update, which gave oil a further lift and pushed prices to session highs, came from the New York Times, which cited a US official as saying Vice President JD Vance's diplomatic trip to Islamabad had been put on hold after Tehran failed to respond to US negotiating positions. The report added that the diplomatic process was effectively paused, although the trip had not been cancelled. The meeting had been expected on Wednesday, with conflicting reports over the exact timing of the ceasefire's conclusion. Pakistan's information minister said the deadline was 19:50 EDT tonight, while Trump told Bloomberg on Monday it was "Wednesday evening Washington time", and the White House has not answered questions on the issue. Ahead of the deadline, Trump has made clear he does not want to extend the ceasefire, leaving the market focused overnight on any further rhetoric around the talks. For the record, WTI traded between USD 85.50-91.45/bbl and Brent between USD 93.86-99.95/bbl ahead of private inventory data due after-hours.

## EQUITIES

**CLOSES:** SPX -0.63% at 7,064, NDX -0.42% at 26,479, DJI -0.59% at 49,150, RUT -1.01% at 2,765.

**SECTORS:** Energy +1.31%, Technology -0.23%, Consumer Staples -0.47%, Consumer Discretionary -0.49%, Financials -0.63%, Health -1.01%, Materials -1.23%, Communication Services -1.24%, Industrials -1.39%, Utilities -1.75%, Real Estate -1.94%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -1.01% at 5,922, DAX -0.60% at 24,271, FTSE 100 -1.05% at 10,498, CAC 40 -1.14% at 8,236, AEX -0.28% at 1,019, IBEX 35 -0.65% at 18,143, FTSE MIB -0.63% at 47,903, SMI -1.13% at 13,134, PSI -0.45% at 9,136.

### STOCK SPECIFICS:

- **Apple (AAPL)** announces CEO transition, whereby Cook will step down on 1st Sept. Incoming CEO Ternus said AI will create almost unlimited potential, mission will not change under his tenure, and are about to change the world again.
- **Uber (UBER)** disclosed c. 11.5% passive stake in Lucid (LCID).
- **Amazon (AMZN)** expands partnership w/ Anthropic
- **Intel (INTC)** was upgraded at HSBC & BNP Paribas
- **Amazon's (AMZN)** One Medical launches a GLP-1 programme, Axios reports

## EARNINGS:

- **D.R. Horton (DHI):** EPS & rev. beat alongside better than exp. top line guidance
- **3M (MMM):** Reiterated FY outlook, as Q metrics saw profit top w/ rev. in line.
- **GE Aerospace (GE):** Lowers FY26 departures view.
- **UnitedHealth (UNH):** EPS, rev. topped w/ stellar FY profit guidance; Medical care ratio improved.
- **Danaher (DHR):** Top & bottom line surpassed Wall St. exp. alongside lifting FY profit view range.
- **Quest Diagnostics (DGX):** Strong report as Q nos. beat & lifted FY outlook.

## FX

The **Dollar** gained on Tuesday, to the detriment of all G10 FX peers, as geopolitics once again dominated the tape and price action. The focus is on the US and Iran, with the Islamabad talks scheduled for Wednesday, but there has been no official confirmation from either side on attendance. The latest reports suggested Vance had cancelled his trip and that Iran's decision not to attend the talks was final. On the ceasefire, there is no clear end time. Pakistan's information minister said the deadline was 19:50 EDT on Tuesday night, while Trump told Bloomberg on Monday it was "Wednesday evening Washington time". The dollar extended gains into the US cash close on the back of those source reports. Away from geopolitics, US retail sales beat expectations, though the rise was driven by a hefty jump in petrol prices, while pending home sales also impressed. Fed Chair nominee Warsh appeared before the Senate and largely stressed the importance of Fed independence, saying several times he would not let the president dictate his decisions on interest rates.

As mentioned, the **Kiwi** was the clear G10 outperformer for much of the session and was initially the only currency to eke out gains against the greenback. The kiwi was supported after overnight inflation data showed price growth unexpectedly remained above the RBNZ's 1-3% target. NZD/USD traded between 0.5876-5921 and now sits at the lows, having swung into losses on the latest geopolitical reports.

All **G10 FX** currencies weakened against the dollar, with most pairs falling to session lows late in trade as Middle East headlines dominated and appeared to confirm the cancellation of the Islamabad talks. Earlier in the session, reports on the yen suggested the BoJ was overwhelmingly expected to stand pat on rates at its April meeting, with a slew of sources from Reuters, Bloomberg and Nikkei saying so. In the UK, unemployment fell far below expectations, prompting only brief gains in sterling. In Europe, German ZEW data were dismal, although the euro saw little reaction.

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