

Stocks bid on ceasefire extension, but oil climbs as uncertainty remains

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up, Gold up.
- **REAR VIEW:** US President Trump extends Iran ceasefire; Iran seizes and fires on ships; Reports suggest 3-5 day extension, but WH dismissed this; Iran received some sign US is ready to break the blockade; Reports suggested talks could take place on Friday, Iran denied this; Solid 20-year bond auction; Strong BA earnings; T earnings beat.
- **COMING UP:** **Data:** Global Flash PMIs (Apr), UK PSNB (Mar), French Business Confidence (Apr), Mexican Inflation (Apr), Canadian PPI (Mar), US Jobless Claims (Apr/18) **Events:** ECB Wage Tracker **Supply:** US **Earnings:** Blackstone, Freeport-McMoran, American Airlines, Keurig Dr Pepper, Intel, Lockheed Martin, SAP, Safran, Sanofi, Vinci, Orange, STMicroelectronics

MARKET WRAP

Markets were broadly firmer as risk sentiment improved on the extension of the US/Iran ceasefire, although underlying uncertainty kept oil prices supported. Equities were bid, while crude prices also moved higher, highlighting the conflicting forces of easing immediate escalation risk but ongoing disruption in the Strait of Hormuz.

Geopolitical headlines remained mixed. Reports suggested US/Iran talks could resume as soon as Friday, although Iranian press pushed back on this, while uncertainty persists around the duration and credibility of the ceasefire. Continued reports of disruptions in the region, with Iran seizing and firing on ships despite the ceasefire extension, kept a geopolitical risk premium embedded in energy markets.

The move in oil fed through into rates, with the Treasury curve bear flattening as yields rose into the US afternoon. Despite this, precious metals held onto gains, with gold and silver supported even as yields edged higher.

In FX, antipodes outperformed, tracking the positive risk tone, with NZD leading gains amid hawkish RBNZ pricing. The dollar saw modest strength, largely driven by euro weakness after Germany, France, and Italy downgraded growth forecasts in response to the war. The franc also lagged on the improved risk backdrop with equities gaining.

Overall, markets are balancing optimism around a potential de-escalation with lingering uncertainty, leaving oil supported and cross-asset price action somewhat mixed.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED HALF A TICK LOWER AT 111-09

T-notes flatten with front-end yields rising on higher oil prices amid mixed geopolitical reports. At settlement, 2-year +0.9bps at 3.794%, 3-year +0.7bps at 3.808%, 5-year -0.2bps at 3.915%, 7-year -0.4bps at 4.093%, 10-year -0.5bps at 4.294%, 20-year -0.5bps at 4.884%, 30-year -0.4bps at 4.902%.

THE DAY: Treasuries were mixed on the day, with the front-end under pressure as oil prices firmed despite President Trump extending the ceasefire with Iran. T-note futures initially rallied overnight on the extension, but those gains reversed through the US session as geopolitical uncertainty re-emerged.

Oil prices remained supported amid reports of Iran seizing vessels and ships coming under fire, raising doubts over the effectiveness of the ceasefire. There was also conflicting reporting on the duration of the extension, with some suggesting a two-to-five-day window while others indicated it could be indefinite, adding to the uncertainty. On the flipside, reports had suggested that talks could resume in Islamabad on Friday, but this was ultimately denied by Iran.

The move in crude drove a modest flattening in the curve, with shorter maturities leading the sell-off as inflation concerns ticked higher.

Elsewhere, there was no Tier 1 US data, while the Fed remains in blackout ahead of the April 29th meeting. The 20-year bond auction came in stronger than expected but had little impact on price action, with markets remaining firmly focused on geopolitical developments.

SUPPLY

Notes

- Overall, a solid 20-year bond offering. The US Treasury sold USD 13bln at a high yield of 4.883%, above both the prior 4.817% and the six-auction average of 4.723%. The auction stopped through the when issued by 0.9bps, stronger than the prior 0.7bps stop-through and well above the 0.1bps average. The bid-to-cover eased to 2.68x from 2.76x but remained above the 2.63x average. Demand composition showed a modest improvement in directs to 22.9% (prev. 21.6%), though still below the 25.9% average, while indirect demand dipped to 67.4% (prev. 69.2%) but remained comfortably above the 62.9%

average. Dealers were left with 9.7%, broadly in line with the prior and below the 11.2% average. Overall, the auction was stronger than recent averages, though not as firm as the March reopening. The result also contrasts with the recent soft 30-year offering, suggesting demand for duration remains intact. Indirect participation highlights continued strength in foreign demand, while subdued direct bidding suggests real money remains somewhat cautious amid ongoing geopolitical uncertainty.

- 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 sells 17-week bills at a high rate of 3.610%, B/C 3.02x
- US 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 +0.6bps (prev. +1.8bps), July -0.2bps (prev. +0.3bps), Dec -6.6bps (prev. -6.8bps)
- NY Fed RRP op demand at 0.54bln (prev. 0.81bln) across 16 counterparties (prev. 10) on April 22nd
- SOFR at 3.63% (prev. 3.63%), volumes at USD 3.021tn (prev. USD 3.01tn) on April 21st
- EFFR at 3.64% (prev. 3.64%), volumes at USD 85bln (prev. USD 69bln) on April 21st

CRUDE

WTI (M6) SETTLED USD 3.29 HIGHER AT 92.96/BBL; BRENT (M6) SETTLED USD 3.43 HIGHER AT 101.91/BB

The crude complex was firmer on Wednesday amid a raft of Middle East headlines, although that has become the new norm. US-Iran tensions continued to simmer, with growing focus on when the "extended" ceasefire will end, after Israeli media, citing sources, said Washington wanted to reach understandings with Iran by Sunday and that Trump had set this coming Sunday as the deadline. That would fit with the initially reported 3-5 days suggested earlier, but Reuters, citing a source, earlier said Trump had not set a timeline for extending the ceasefire. Before that, WTI and Brent fell to session troughs of USD 87.64/bbl and USD 96.54/bbl, respectively, in the European morning after Tasnim reported that Iran had received "some sign" that the US was ready to break the blockade. However, upside was seen after the IRGC seized two ships in the Strait of Hormuz despite the ceasefire extension, while Iran's chief negotiator Ghalibaf said it was not possible to reopen the Strait given the blatant ceasefire violations, and President Pezeshkian repeated that point, saying Iran had welcomed dialogue and continued to do so, but that breaches of commitments, the blockade and threats were the main obstacles to genuine negotiations. On talks, benchmarks came under pressure after Pakistani sources flagged "good news" as a second round of talks could come as soon as Friday, and Trump told the New York Post "it is possible", but that soon reversed after Tasnim reported that Iran currently had no decision to negotiate with the US on Friday. Away from geopolitics, weekly EIA data showed crude stocks posted a surprise build against last night's draw in the private inventory report, while gasoline and distillate inventories both posted larger-than-expected draws. Overall, crude production fell 11k W/W to 13.585mln.

EQUITIES

- **CLOSES:** SPX +1.05% at 7,138, NDX +1.73% at 26,937, DJI +0.69% at 49,490, RUT +0.74% at 2,785.
- **SECTORS:** Technology +2.31%, Communication Services +1.41%, Energy +1.14%, Consumer Staples +0.56%, Consumer Discretionary +0.44%, Materials +0.33%, Health +0.30%, Utilities -0.16%, Financials -0.17%, Industrials -0.20%, Real Estate -0.69%
- **EUROPEAN CLOSES:** Euro Stoxx 50 -0.49% at 5,901, DAX -0.25% at 24,210, FTSE 100 -0.21% at 10,476, CAC 40 -0.96% at 8,156, AEX +0.22% at 1,021, IBEX 35 -0.75% at 18,006, FTSE MIB -0.25% at 47,785, SMI -0.51% at 13,068, PSI +0.54% at 9,186

STOCK SPECIFICS:

- **Adobe (ADBE):** Announces 25bln buyback
- **Teledyne Technologies (TDY):** EPS and revenue beat and raised FY profit outlook
- **Alibaba Group (BABA):** With Tencent in talks to invest in DeepSeek, The Information reports
- **Philip Morris International (PM):** Top and bottom line surpassed expectations, as did midpoint of FY profit view
- **United Airlines (UAL):** Strong quarterly report, albeit with mixed guidance. Exec says demand environment remains strong, expects it will support double-digit RASM increase in Q2 and FY.
- **Vertiv Holdings (VRT):** EPS light and next-quarter guidance disappointed
- **Otis Worldwide (OTIS):** Revenue beat and raised dividend 5%
- **GE Vernova (GEV):** Top line surpassed expectations and lifted FY revenue guidance
- **Boeing (BA):** Shallower loss per share than expected and less negative FCF than expected
- **Intuitive Surgical (ISRG):** Strong Q1 report
- **Airbnb (ABNB):** Upgraded at Wells Fargo
- **Zscaler (ZS):** Downgraded at Morgan Stanley
- **Alphabet (GOOGL):** Unveils chips for AI training and inference in latest challenge to NVIDIA. Affirms FY CapEx plans.
- US Commerce Secretary Lutnick says US has not yet sold **Nvidia's (NVDA)** chips to China yet.
- **Sportradar (SRAD)** a new short by Muddy Waters.

US FX WRAP

The Dollar Index was firmer as Middle East rhetoric dominated trading. Sentiment initially appeared more encouraging after Tasnim reported that Iran had received "some sign" the US was ready to break the blockade, but that quickly reversed after Iran seized two ships in the Hormuz and said it had no decision to negotiate with the US on Friday, despite Trump telling the New York Post it was "possible" there could be second-round talks on Friday. The latest update, via Fox, said Trump had dismissed reports of a 3-5 day ceasefire as untrue. There was no tier-one data on Wednesday or Fed commentary because of the blackout period ahead of next Wednesday's meeting.

G10 FX was mixed, with the Antipodeans leading gains and the kiwi outperforming its counterpart as it continued to benefit from rate repricing for the RBNZ. Markets expect the OCR to be raised by 85bps by year-end, with the first hike fully priced for July and around a 50/50 chance for the May meeting. Elsewhere for the kiwi, Moody's Ratings changed New Zealand's outlook to negative from stable.

CHF was the G10 laggard, while the **EUR and JPY** also weakened, though not materially, as currency-specific news flow was fairly sparse. For the yen, Japan's balance of trade came in at JPY 667bln (expected JPY 1,106bln, previous JPY 57.3bln), with both imports and exports rising by more than expected. The EUR also weakened. Germany cut its 2026 growth forecast to 0.5% from 1.0%, and its 2027 forecast to 0.9% from 1.3%, and sees inflation at 2.7% in 2026 and 2.8% in 2027. Italy and France also cut their growth forecasts. EU consumer confidence flash for April disappointed, falling further into negative territory. On the central bank front, ECB's Lane said it was too early to assess the duration of the Iran war shock and difficult to know whether it was temporary or something bigger, while Stournaras said the ECB should wait on rate hikes and that the Middle East war should end sooner rather than later.

CAD and GBP were broadly flat, with modest pressure on sterling after the in-line headline print and cooler-than-expected core figures for March, though the move was likely contained at the time by dollar pressure from the earlier Tasnim report and as the key services figure was hotter than expected.

In **EMFX**, the CBRT left rates unchanged at 37%, as expected, and said the tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate and expectations channels. The CBRT added that while indicators pointed to a slowdown in economic activity, potential second-round effects from recent developments on the inflation outlook would be important.

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