

Stocks hit and crude gains in choppy, geopolitics-driven trade

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW:** Israeli press suggests Ghalibaf resigns from negotiations, later denied; Iran sounds air defenses, later revealed as tests; Israel preparing for renewed war this weekend; Reports tout breakthrough announcement regarding US/Iran talks shortly; IRGC lays more mines in Hormuz; Trump to bolster mine removal efforts; Somalia closes Bab-al-Mandab strait to Israeli shipping; Japanese official jawboning; Jobless Claims rise; Strong US Flash PMIs, but with inflation warnings; NOW and IBM earnings disappoints; MBL earnings impress; TSLA sold after CapEx boost and revenue miss; META to lay off 10% of workforce
- **COMING UP:** **Data:** Japanese Inflation (Mar), UK Retail Sales (Mar), German Ifo Survey (Apr), Canadian Retail Sales (Feb), US UoM Survey Final (Apr) **Speakers:** SNB's Schlegel **Supply:** Australia, Italy **Earnings:** Procter & Gamble, Eni **Events:** CBR Policy Announcement (Apr)

MARKET WRAP

Markets traded choppy on Thursday, with early optimism over potential progress in US-Iran talks reversing late in the session on fresh geopolitical headlines. Risk sentiment weakened after reports said Ghalibaf had resigned from negotiations and air defence sirens had sounded in Tehran, although losses later narrowed after those reports were denied. Sectors were mixed, with technology lagging and utilities outperforming. Technology was hit by software stocks after weak earnings from IBM and ServiceNow weighed on the sector, but losses were capped by gains in semiconductors after strong earnings from Mobileye. Meanwhile, Tesla fell after missing revenue expectations and raising capex, while Meta announced 10% layoffs and Microsoft flagged voluntary retirements. In FX, the dollar firmed as sentiment deteriorated, weighing on G10 currencies, with the antipodes underperforming. Yen weakness was limited by early jawboning support. Commodities saw gold and silver fall as yields rose alongside firmer oil prices. Data was secondary, with jobless claims rising and flash PMIs strong but accompanied by hawkish inflation signals.

US

JOBLESS CLAIMS: Initial jobless claims (w/e 18th April) rose to 214k from 207k, above the expected 212k, leaving the 4k average edging slightly higher to 210.75k from 210k. The unadjusted data totaled 205.3k, declining by 9.7k while seasonal factors had expected a decrease of 15,998 W/W. For the unadjusted initial claims, New York (+3,033) and California (+2,211) saw the largest increases, while Pennsylvania (-2,824) and New Jersey (-4,366) recorded the biggest declines. Continuing claims (w/e 11th April) edged up to 1.821m from 1.818m, versus the expected 1.820m. Overall, the Middle East war has made the labour market more vulnerable, but jobless claims remain consistent with stable labour market conditions. However, Oxford Economics said the war's negative spillover effects on the labour market will come with a delay and attributed the slightly higher-than-expected initial claims figure to seasonal noise.

FLASH PMI: Flash PMI data for April showed manufacturing PMI rose to 54.0 from 52.3, beating the 52.5 forecast, while services PMI increased to 51.3 from 49.8, above the 50.1 forecast. This lifted the composite to 52.0 from 50.3. The manufacturing index hit a 47-month high, services a 2-month high and the composite a 3-month high. The report said the results are consistent with the economy struggling to achieve annualised growth above 1%, with the vast services sector acting as the main drag. Commentary on pricing was hawkish. "Not surprisingly, prices are already spiking higher in this environment, and not just for energy but for a wide variety of goods and services. The overall inflation picture is now the most worrying for almost four years."

FIXED INCOME

T-NOTE FUTURES (M6) SETTLE 7+ TICKS LOWER AT 111-01+

T-notes sold off across the curve on Thursday as crude spiked, paring earlier gains and more. At settlement, 2-year +2.1bps at 3.825%, 3-year +2.1bps at 3.841%, 5-year +2.1bps at 3.950%, 7-year +1.9bps at 4.128%, 10-year +2.0bps at 4.325%, 20-year +1.3bps at 4.908%, 30-year +0.8bps at 4.918%.

THE DAY: T-notes gradually firmed through the US morning, supported by downside in crude prices on reports that a breakthrough in US/Iran talks could be announced as soon as today or tomorrow. However, the move reversed sharply in the US afternoon as oil prices surged on geopolitical headlines. Reports suggested Iran Parliament Speaker Ghalibaf had been forced by the IRGC to resign from the negotiating team, while air defence sirens were heard in Tehran, driving crude benchmarks to session highs and Treasuries to session lows.

The moves later pared after Iranian journalists denied the Ghalibaf reports, while the sirens were attributed to air defence tests or responses to small drones. Israel also denied any involvement. Nonetheless, T-notes still settled lower across the curve, with the earlier gains fully reversed as oil-driven inflation concerns re-emerged.

On the data front, jobless claims rose while flash April PMI data came in strong, although accompanied by commentary highlighting softer growth alongside elevated inflation pressures. However, data had little impact on price action, with markets remaining firmly

focused on geopolitics and the implications for energy prices.

Overall, the session highlighted the continued dominance of oil in driving Treasury price action, with intraday volatility reflecting shifting expectations around geopolitical developments and their impact on inflation.

SUPPLY

Notes

- US to sell USD 69bn 2-year notes on April 27th, to sell USD 70bn 5-year notes on April 27th, to sell USD 44bn 7-year on April 28th, to sell USD 30bn 2yr FRN on April 28th
- Overall, a solid 5-year TIPS auction. The US Treasury sold the notes at a high yield of 1.367%, below the prior 1.433% and the six-auction average of 1.626%, coming in roughly in line with the when-issued (1.365%) with a slight 0.2bps tail. This was weaker than the prior 0.7bps stop through but comfortably better than the six-auction average tail of 1.7bps. The bid-to-cover eased to 2.57x from 2.62x but remained above the 2.41x average, signalling decent overall demand. The breakdown showed strength in direct demand, which rose to 26.9% from 21.9% and above the 20.6% average, suggesting solid participation from domestic real money accounts. Indirect demand fell to 64.6% from 72.6% and slightly below the 66.6% average, while dealers were left with 8.5%, above the prior 5.4% but still well below the 12.8% average. Overall, the auction was well absorbed, with strong direct demand offsetting softer indirect participation, pointing to solid domestic demand for inflation protection despite a modest tail.

Bills

- US sold 4-wk bills at high-rate 3.595%, B/C 2.98x; sells 8-wk bills at high-rate 3.605%, B/C 2.91x
- US to sell USD 77bn of 26-week bills and USD 89bn of 13-week bills on April 27th. To sell USD 70bn of 6-week bills on April 28th; all to settle April 30th.

STIRS/OPERATIONS

- Fed Money Market Pricing (D/D): April +1.8bps (prev. +1.8bps), June +1.8bps (prev. +0.6bps), July -0.7bps (prev. -0.2bps), Dec -5.3bps (prev. -6.6bps)
- NY Fed RRP op demand at 0.11bn (prev. 0.54bn) across 7 counterparties (prev. 16) on April 23rd
- SOFR at 3.64% (prev. 3.63%), volumes at USD 2.96tn (prev. USD 3.021tn) on April 22nd
- EFR at 3.64% (prev. 3.64%), volumes at USD 89bn (prev. USD 85bn) on April 22nd
- Treasury Buyback [Liquidity support, 2-3year, max. USD 4bn]: Accepted USD 358mln of 4.747bn offers, Offer to cover 13.26x

CRUDE

WTI (M6) SETTLED USD 2.89 HIGHER AT 95.85/BBL; BRENT (M6) SETTLED USD 3.16 HIGHER AT 105.07/BBL

The crude complex was firmer but settled well off highs after a volatile final 90 minutes of trade. Sharp moves followed reports that Israel was on high alert in anticipation of a possible renewed war this weekend, with oil prices jumped after Israel's N12 News said Iranian parliament speaker Ghalibaf had resigned from the negotiating team following intervention by the IRGC. The move extended, with WTI and Brent hitting highs of USD 98.39/bbl and USD 107.40/bbl, respectively, after further reports of integrated air defence fire activation in parts of Tehran. On this trio of headlines, benchmarks rose by around USD 4.25/bbl. However, a sizeable portion of the gains was later pared as all three reports were at least partly refuted, with Israel denying attacks in Iran, journalists suggesting the Ghalibaf report was false, and the air defence activation being described as a test. Earlier in the session, headlines were also active, with a key development via CCTV citing an Iranian diplomatic source saying preparations for talks between Iran and the US in Pakistan could see a breakthrough "tonight or tomorrow". For the record, WTI hit a low of USD 92.30/bbl and Brent USD 101.25/bbl, as focus turns to further Middle East developments.

EQUITIES

- **CLOSES:** SPX -0.41% at 7,108, NDX -0.57% at 26,783, DJI -0.36% at 49,310, RUT -0.37% at 2,775
- **SECTORS:** Utilities +2.80%, Industrials +1.75%, Consumer Staples +1.73%, Real Estate +1.28%, Energy +0.76%, Health -0.10%, Materials -0.22%, Communication Services -0.38%, Financials -0.79%, Consumer Discretionary -0.93%, Technology -1.47%
- **EUROPEAN CLOSES:** Euro Stoxx 50 -0.32% at 5,887, DAX -0.16% at 24,155, FTSE 100 -0.19% at 10,457, CAC 40 +0.87% at 8,227, AEX -0.70% at 1,014, IBEX 35 -0.67% at 17,886, FTSE MIB +0.26% at 47,907, SMI +1.38% at 13,248, PSI +0.25% at 9,209

STOCK SPECIFICS:

- **Oklo (OKLO):** Partners w/ NVDA to advance nuclear R&D
- **Intel (INTC):** Musk said Tesla plans to use Intel's 14A process
- **Netflix (NFLX):** Authorised buyback of additional \$25bn of shares
- **Lululemon (LULU):** Selected former Nike (NKE) exec Heidi O'Neill as its next CEO
- **Super Micro (SMCI):** Bluefin reports Co. lost \$1.1bn ORCL GB300 contract.
- **Meta (META)** to cut 10% of jobs in an efficiency push, equivalent to 8,000 jobs, according to Bloomberg.
- **Microsoft (MSFT)** reportedly plans first voluntary employee buyout in Cos. history, CNBC reported.

- **Snap (SNAP): Instagram (META)** to launch a new app combining features of Snapchat (SNAP) and BeReal.
- **Regeneron (REGN):** To offer medication at most-favoured nation prices.

EARNINGS:

- **ServiceNow (NOW):** Middle East conflict delayed several large on-premise deal closings & weighed on subscription revenue growth; software names continue to be hit by AI-driven disruption
- **IBM (IBM):** Better-than-exp. results were overshadowed by unchanged FY guidance
- **Tesla (TSLA):** Rev. light & said spending would be higher than prev. guided
- **MobilEye (MBLY):** EPS, rev. topped as did midpoint of FY top line guide & announced \$250mln share buyback
- **Texas Instruments (TXN):** EPS & rev. beat w/ strong next Q outlook
- **Comcast (CMCSA):** Stellar Q numbers
- **CSX (CSX):** Earnings beat, driven by efficiency gains & improved expense mgmt., alongside volume growth & other factors
- **Hasbro (HAS):** Prelim Q1 rev. impressed
- **Roper (ROP):** Top & bottom line beat alongside lifting FY26 profit view
- **Southwest Airlines (LUV):** Q numbers underwhelmed as did guidance, as ME impact weighs
- **Lockheed Martin (LMT):** Weak Q1 metrics & backs FY outlook
- **Honeywell (HON):** Next Q guidance disappointed.

US FX WRAP

The Dollar Index was firmer on Thursday, largely on risk-off flows triggered by punchy geopolitical headlines, although most were at least partly refuted. That pulled moves off their extremes, but still weighed on risk sentiment, which was already under pressure. The three stories were: 1) Israel was on high alert ahead of a possible renewed war this weekend; 2) N12 News said Iranian parliament speaker Ghalibaf had resigned from the negotiating team after intervention by the IRGC; 3) reports said integrated air defence fire had been activated in parts of Tehran. As noted, this sparked significant risk-off trading, but some of the move later reversed as all three reports were at least partly challenged, with Israel denying attacks in Iran, journalists saying the Ghalibaf report was false, and the air defence activation described as a test. Elsewhere on Thursday, initial jobless claims rose, though many cited seasonal factors, while S&P Global flash PMIs were stronger than expected but underscored inflation concerns.

All G10 currencies fell against the greenback, with the kiwi underperforming as it retraced some of its recent gains against the dollar and came under pressure after Australian S&P Global flash PMIs impressed overnight. Japan's data were more mixed, as manufacturing beat expectations but services missed, while USD/JPY edged lower after Finance Minister Katayama said Japan has a "free hand" in conducting intervention and that US and Japanese deputies are in close contact on FX. Canadian PPI was much hotter than expected, with the report saying the closure of the Strait of Hormuz was the main factor affecting price moves across multiple commodities in March.

In Europe, stronger-than-expected UK flash S&P Global PMIs, and internals pointing to marked inflationary pressure, sent gilts lower and lifted sterling. For the Swiss franc, the SNB vice chairman said the SNB has a greater willingness to intervene in the FX market and has observed since the start of the war that the CHF has lost value. EZ flash PMIs were broadly weaker and weighed on the euro; the ECB will welcome the French reading, which said pass-through to prices charged for goods and services was contained. The German and euro zone-wide figures leave the Governing Council in a trickier position, with both pointing to price pressures not seen since the pandemic.

In EMFX, the BRL initially popped on potential capital inflows from the internalisation of EUR 5bln in sovereign issuance, according to reports. However, the strength pared in late session around reports the government is to cut fuel taxes to mitigate impact of rising global prices, potentially raising fiscal concerns in the nation.

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