

Tech underperforms on concerns over AI data centre spend

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW:** Trump admin unlikely to accept Iran's latest plan; UAE to quit OPEC & OPEC+ from May 1st; Trump said Iran informed them they are in a "State of Collapse"; Iran reportedly to send revised plan in the coming days; BoJ holds, as expected, but with 6-3 hawkish vote split & Ueda refusing to give future rate path guidance; Open AI reportedly misses revenue & user targets; US Consumer Confidence unexpectedly improves; US ADP weekly employment little changed; Average US 7yr note auction; SPOT sinks on revenue miss.
- **COMING UP: Data:** Australian Inflation (Mar), Spanish HICP (Apr), German State/Nationwide HICP (Apr), EZ Economic Sentiment (Apr), US Durable Goods (Mar), US Housing Starts (Feb/Mar), Wholesale Inventories (Mar). **Events:** Fed Policy Announcement (Apr), BoC Policy Announcement (Apr), BCB Policy Announcement (Apr). **Speakers:** RBNZ Governor Bremen; BoC's Macklem; Fed Chair Powell. **Supply:** Italy, Germany. **Earnings:** Microsoft, Amazon.com, Meta, Alphabet, Google, Ford, Qualcomm, Carvana, SoFi, Humana, Novartis, Mercedes-Benz, Adidas, Porsche AG.

MARKET WRAP

US indices were lower as risk tone soured, with Technology the clear sectoral laggard as AI-infrastructure exposed names were hit hard after WSJ reported that OpenAI missed targets, which stoked data centre spending concerns. Overall, sectors closed mixed, with Energy the clear gainer, followed by Consumer Staples, as the former was supported by strength in crude benchmarks, given that the lack of progress between the US and Iran outweighed the UAE exiting OPEC and OPEC+. In addition, benchmarks saw further pressure as Trump said Iran has informed them they are in a "State of Collapse", and want them to "Open the Hormuz Strait", ASAP. The Dollar Index was firmer, with CHF, CAD, and NZD underperforming with AUD and EUR the relative outperformers, albeit still lower against the Greenback. The Yen ended the day lower, but only told half the story, as it initially gained as the BoJ kept policy rate unchanged, as expected, but in a 6-3 hawkish vote split, and then the Yen retreated as Ueda was non-committal regarding the timing of the next hike. Precious metals were lower, and Treasuries sold off across the curve, with front-end underperformance as yields rose on the back of firmer oil prices. Ahead, the calendar for the rest of the week is packed with risk events, as Wednesday's highlights include FOMC, the following Chair Powell's presser, and 4 of the Mag-7 reporting (AMZN, META, GOOGL, MSFT).

US

CONSUMER CONFIDENCE: Consumer Confidence rose to 92.8 from 92.2 despite expectations for a decline to 89.5. The increase was supported by the Expectations Index rising 1.2 points to 72.2 and consumers' perceptions of the labour market, both current and expected, as well as income expectations being slightly more optimistic in April, said Chief Economist Peterson at the Conference Board. The Present Situation Index fell 0.3 points to 123.8 amid net views of current business conditions dropping 1.8 ppts to +4.1%. The report noted that the two-week ceasefire announcement and a rebound in stock market indices within the survey-sample period (April 1-22) likely helped ease concerns about financial indicators somewhat in April after spiking in March. Still, consumers remained wary. This likely contributed towards the downticks in Consumers' average and median 12-month inflation expectations, but which continued to be elevated. The percentage of consumers saying interest rates over the next 12 months will be higher on net rose to nearly 50%.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 5+ TICKS LOWER AT 110-27+

Treasuries sold off across the curve on Tuesday, with front-end underperformance as yields rose on the back of firmer oil prices. At settlement, 2-year +4.5bps at 3.844%, 3-year +4.2bps at 3.867%, 5-year +3.3bps at 3.981%, 7-year +2.2bps at 4.156%, 10-year +1.2bps at 4.352%, 20-year +0.4bps at 4.931%, 30-year -0.1bps at 4.944%.

THE DAY: T-notes came under pressure throughout the session, particularly at the front-end, as crude prices rallied on reports that President Trump is unlikely to agree to Iran's latest proposal, reigniting inflation concerns. The sell-off moderated later in the session as oil came off highs following reports the UAE is set to quit OPEC, while Trump also suggested Iran wants the US to reopen the Strait of Hormuz as soon as possible.

Geopolitics remained the primary driver, with fluctuations in crude dictating intraday price action. There was also some spillover pressure from Europe, with Bunds weighed on after reports that Germany plans to boost 2027 borrowing by EUR 98bln versus 2026.

On the data front, consumer confidence declined but by less than expected, while 12-month inflation expectations eased slightly but remained elevated. ADP employment was largely unchanged at 39k, although the report noted a downward revision to hiring momentum into early April. Data once again took a back seat to geopolitical developments and energy-driven inflation dynamics.

Elsewhere, the BoJ left rates unchanged as expected, although a hawkish vote split was offset by Governor Ueda's non-committal stance on the timing of future tightening.

On the supply front, the 7-year auction was broadly in line with recent averages and had little impact on price action.

SUPPLY

Notes

- US sold USD 30bln of 2-year FRNs; High discount margin 0.103% (prev. 0.12%, six-auction average 0.14%)
- Overall, an in-line 7-year auction. The US Treasury sold USD 44bln of notes at a high yield of 4.175%, below the prior 4.255% but above the six-auction average of 3.927%, tailing the when issued (4.170%) by 0.5bps. This was an improvement from the prior 0.8bps tail but slightly softer than the 0.4bps six-auction average. The bid-to-cover rose to 2.51x from 2.43x and above the 2.47x average, suggesting solid overall demand. The breakdown showed a recovery in direct demand to 30.01% from 25.0%, above the 27.2% average, indicating real money participation improved. Indirect demand fell to 58.35% from 62.6% and below the 61.3% average, while dealers were left with 11.64% of the auction, broadly in line with both the prior and the 11.6% average. Overall, the auction was well absorbed and broadly in line with recent averages, with stronger direct demand offsetting softer indirect participation.

Bills

- US sold 6-wk bills at high-rate 3.590%, B/C 3.14x
- US to sell USD 69bln 17-week bills on 29th April; USD 80bln of 4-week and USD 75bln of 8-week bills on 30th April; to settle 5th May

STIRS/OPERATIONS

- NY Fed RRP op demand at 0.64bln (prev. 0.36bln) across 6 counterparties (prev. 5) on April 28th
- SOFR at 3.66% (prev. 3.66%), volumes at USD 3.058tln (prev. USD 3.047tln) on April 27th
- EFR at 3.64% (prev. 3.64%), volumes at USD 85bln (prev. USD 97bln) on April 27th
- US Treasury Buyback [Liquidity Support, 20-30year, max purchase USD 2bln]: Accepted 2bln of 35.562bln offers; accepted 6 issues of 35 eligible

CRUDE

WTI (M6) SETTLES USD 3.56 HIGHER AT 99.93; BRENT (M6) SETTLES USD 3.03 HIGHER AT 111.26/BBL

The crude complex was firmer, as the lack of progress between US-Iran, outweighed the UAE exiting OPEC and OPEC+. On the former, overnight, CNN reported that Trump is not satisfied with the Iranian proposal, adding that he is unlikely to accept it, although the article suggested that the US and Iran are not as far apart as they seem. Following this, risk tone soured, and benchmarks saw strength on reports that Iran's foreign minister is not returning to Pakistan following his visit to Russia. As alluded to above, benchmarks saw pressure on two headlines heading into US equity cash open, with the first being UAE announcing it will quit OPEC and OPEC+, as of the 1st of May, and is to bring additional production to the market, and also as Trump said "Iran has just informed us that they are in a "State of Collapse", they want us to "Open the Hormuz Strait", as soon as possible". Thereafter, which sent WTI and Brent to US session lows, they edged higher into settlement, albeit settling well off highs as traders await private inventory metrics after-hours. For the record, WTI traded between USD 96.24-101.85/bbl and Brent USD 107.81-112.70/bbl.

EQUITIES

CLOSES: SPX -0.49% at 7,139, NDX -1.01% at 27,029, DJI -0.05% at 49,142, RUT -1.15% at 2,756

SECTORS: Technology -1.29%, Materials -1.07%, Industrials -0.88%, Consumer Discretionary -0.68%, Communication Services -0.23%, Utilities +0.13%, Financials +0.14%, Health +0.24%, Consumer Staples +0.99%, Real Estate +1.02%, Energy +1.65%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.46% at 5,835, Dax 40 -0.18% at 24,040, FTSE 100 +0.11% at 10,333, CAC 40 -0.46% at 8,104, FTSE MIB +0.77% at 48,040, IBEX 35 +0.46% at 17,775, PSI +0.95% at 9,265, SMI -0.13% at 13,148, AEX -0.78% at 1,001

STOCK SPECIFICS:

- **OpenAI** misses targets, stoking data centre spending concerns. [Full Newsquawk analysis piece available here.](#)
- **Starboard** delivers letter to Dynatrace (DT) and looks forward to continuing constructive engagement with management and board.
- **Nvidia (NVDA)** launches the Nemotron 3 Nano Omni model, unifying vision, audio and language for up to 9 times more efficient AI agents
- **Amazon (AMZN)** AWS CEO says co. is working hard to add more capacity for OpenAI; AI chip, power, capacity demand is outpacing supply.
- **Ecolab (ECL)** expect all margin expansion to improve in H2 of this year as pricing accelerates. Expects EPS to strengthen in Q3 and Q4.

EARNINGS:

- **American Tower (AMT):** Adj. EBITDA and revenue topped Wall St. expectations.
- **Centene (CNC):** Top and bottom-line surpassed expectations alongside lifting FY guidance.
- **Coca-Cola (KO):** Quarterly report impresses.
- **Corning (GLW):** Next quarterly revenue guidance disappointed.
- **General Motors (GM):** Metrics topped, lifted FY EBIT view with midpoint of profit outlook also impressive.
- **Nucor (NUE):** EPS and revenue topped.
- **Sherwin-Williams (SHW):** EPS and revenue beat

- **Spotify (SPOT):** Revenue light.
- **UPS (UPS):** Q1 metric topped and reaffirmed FY outlook, but shares fell in the aftermath as profit fell ~28% Y/Y.

FX

DXY was marginally firmer as high-beta FX took a step back amid the continued rise in energy prices. Geopolitical updates pointed towards US President Trump being unlikely to accept the latest Iran plan, given its delay on nuclear issues. CNN reports that Iran is expected to submit a revised peace proposal soon in the next few days to end the war. Elsewhere, Fed speakers remain in blackout ahead of the FOMC meeting on Wednesday. The Conference Board's Consumer Confidence reading rose in April, with consumers' outlook for their income prospects becoming slightly more optimistic and their views on the labour market showing moderate improvement. The Fed are expected to hold rates at tomorrow's meeting ([click here for full preview](#)) with volatility after the close expected given 4 of the Mag7 (MSFT, AMZN, META, GOOGL) are to report earnings. DXY hit highs of 98.87 before retreating to ~98.64.

G10FX performance vs USD saw CHF, CAD and NZD underperform. AUD, EUR, and JPY saw relative outperformance, trading flat/slightly weaker at pixel time. Newsflow in the space was centred around the JPY following the BoJ maintaining its short-term interest rate at 0.75% as expected. The decision was met with 3 hawkish dissenters calling for a 25bps hike, citing upward risks to prices, up from 1 seen at the last meeting (Bloomberg sources last week pointed towards "some" dissenting). A stronger day for JPY, limited by Governor Ueda expressing uncertainty over the Middle East and continuing to abstain from giving guidance for a hike at the June meeting. USD/JPY hit lows of 158.96 in the aftermath of the decision, before trimming shortly after to around 159.60.

USD/CAD erased Monday's losses, trading around the 1.3692 highs. On Wednesday, the BoC is expected to keep rates at 2.25%, giving time to further assess the economic impacts from the Middle-East conflict. The MPR will likely incorporate upside revisions to inflation forecasts and downward revisions to growth. [Click here for the BoC Preview.](#)

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