

- Major EZ markers were closed for Labour Day; FTSE 100 posted mild losses.
- Pakistani officials say Iran's latest response to the US terms for a peace deal was delivered to the US officials.
- Crude slipped following reports that Iran delivered its response.

IRAN

- Oil tankers redirected to Iran, with crude cargoes continuing to rise, Tankertracker data shows.
- Iranian state-run IRNA confirms text of proposal was delivered Thursday. Full post: "Iran gave the text of the latest negotiation plan to the Pakistani mediator The Islamic Republic of Iran has delivered the text of its latest negotiation plan to Pakistan on Thursday evening, May 10, as a mediator in negotiations with the United States. Ismail Beqaei, the spokesman of the Ministry of Foreign Affairs, emphasized in a television interview last evening that the end of the war and lasting peace is Tehran's priority in negotiations with the United States."
- Iran delivered on Thursday to the US through the Pakistani mediators its response to the latest US amendments on the agreement to end the war, Axios' Ravid reported citing sources.
- Iran has communicated its latest proposal to Pakistani mediator last night, according to Iranian journalist Massoumi.
- US Treasury Department is intensifying the expansion of the economic wrath campaign against Iran to beyond traditional sanctions, Al Jazeera reported citing Trump admin official.
- BoE Chief Economist Pill (Dissenter, voted to hike 25bps) said there is high uncertainty over how far the energy inflation shock will spread. There is a lot of discussion on the MPC around tightening. Policy should not over react to short-term volatility. Tightening in financial conditions does seem a reasonable response to inflation risk from Iran war. MPC has varied opinions on second-round impacts. MPC does not want to lock itself in on rates, needs to remain flexible. MPC has also stressed it is ready to act if necessary. Choosing to keep rates unchanged is not a passive choice. Main difference between his position and majority of MPC is that he was more concerned about stalling of disinflation before Iran war. As a result, thought they should be acting more promptly in response to new inflation pressure.
- UKMTO said it received a report of an incident 92NM southwest of Yemen's Mukalla; Master of bulk carrier has reported being approached by a skiff with a black hull carrying seven armed persons.
- Iranian Foreign Minister said he spoke with counterparts of Turkey, Egypt, Qatar, Saudi Arabia, Iraq and Azerbaijan. Conveyed latest positions and initiatives of Iran regarding the end of the war and aggression of America/Israel.
- Pakistan expects Iran to present a new proposal to the Trump administration today, Jerusalem Post's Stein reported.
- Iranian Judiciary head said Iran does not accept negotiation based on imposition; adds Iran has never left the negotiating table, Iranian press reported.
- Iranian National Security Commission member Rezei said "we are currently in the second phase of the war with the enemy..the naval blockade is a continuation of the war.. we are not in a ceasefire situation now", Mehr reported. Full post: "Iran cannot be besieged; We have different ways to export and import In a conversation with Mehr, Ebrahim Rezaei said: "The enemy has turned to our naval blockade after failing in the military war and direct confrontation, and we are currently in the second phase of the war with the enemy." In other words, the naval blockade is a continuation of the war that the Americans have started against us. So, we are not in a ceasefire situation now. A member of the National Security Commission of the Majlis, stating that the Americans do not have the operational capacity to blockade Iran by sea, said: "Our only access route for transit is not through the Persian Gulf and the Strait of Hormuz."

EQUITIES

- Eurozone cash and derivatives were closed today in observance of Labour Day .
- The FTSE 100 (-0.5%) is set to finish lower , dragged lower by the likes of NatWest (-4.3%), AstraZeneca (-2.7%) and pressure across the mining names. NWG LN reported strong headline metrics and lifted its income guidance for the year, whilst reaffirming other components. Despite the upbeat Q1, shares found themselves in the red; some analysts pointed towards the 1.4% decline in interest income. AZN LN shares dropped after the US FDA voted against the co's breast cancer drug.
- US equity futures are mixed , with the ES (+0.4%) and NQ (+0.6%) firmer, whilst the RTY lags a touch. Contracts caught a slight bid earlier after an Axios report suggested that Iran delivered on Thursday to the US through the Pakistani mediators its response to the latest US amendments on the agreement to end the war – albeit the moved pared soon after. As for key movers, Apple (+4.3%) gains after it reported an earnings and revenue beat, driven by strong iPhone and services sales, better-than-expected China revenue, upbeat revenue guidance, and signs the company is managing through higher memory costs and supply constraints. Sandisk initially moved lower before reversing, after beating earnings, revenue and guidance. Reports suggested that expectations were already extremely elevated after a huge rise in its shares.

FX

- USD/JPY was in focus on the last session of the week with a 157 pip move from 157.05 to a low of 155.48. USD/JPY quickly pared around half of the move to then trade on either side of the 156.50 mark for most of the session, as participants continue

to price the still low real rates in Japan, and the potential for energy prices to remain high into the weekend, which MUFG says will see USD/JPY rebound quickly.

- Thursday saw strong verbal intervention from Japanese Finance Minister Katayama, then later comments from top FX official Mimura, which pushed the pair lower in excess of 2%. Later in the session on Thursday, Nikkei sources said a Japanese government official confirmed the intervention to Nikkei, but we are still awaiting official confirmation, with Mimura declining to comment on intervention speculation, and figures showing potential FX intervention due late May. Some desks noted the remarks/potential intervention on Thursday may have had a follow-through to the downside in Brent prices as Mimura's "looking at markets on all fronts" could have been viewed as having cross-asset implications. However, there was no significant move in the Brent Jul'26 contract at the time of the JPY move. Though it is impossible without confirmation to say whether intervention occurred in this morning's 150pip+ move, 7:45 am BST (3:45 pm JST) marks the low-liquidity period and the final hour of the Tokyo trading session, a European holiday, and also month-end; a low liquidity environment boosts the effectiveness of intervention.
- **USD benefitted from the JPY reversal**, with the pair around flat into the London-NY handover. DXY, however, is lower by a tenth as energy prices advance lower on the latest geopolitical updates. See *Commodities for more details*.
- Elsewhere, high-beta FX reversed USD-induced losses, with **NZD** set to finish flat against the Buck, **AUD** a touch firmer, while **EUR** and **GBP** the best performers following their respective holds on Thursday.
- **BoJ data for April 30th shows FX intervention of some JPY 5.4tn.**

FIXED INCOME

- **A contained session for fixed income**, given the vast holiday closures.
- No move after a handful of UK data points this morning, where March mortgage data showed some frontloading into the energy shock. Final Manufacturing PMI for April unsurprisingly pointed to price pressures and evidence of frontloading. BoE Chief Economist Pill, the sole hawkish dissenter, said there is a lot of discussion around tightening among the MPC, but acknowledged that the MPC needs to be flexible and not lock itself in on rates.
- **Gilts** in a thin 86.36-72 range, holding above the 85.90 contract low from Thursday.
- **USTs** similarly contained, no move to the dissent texts or a handful of data points. The main point of focus has been geopolitical, as reporting that Iran delivered its response to the US via Pakistan on Thursday, an update that bolstered USTs by just under 10 ticks at the time. As it stands, USTs enter a sparse evening docket flat in narrow 110-16 to 110-25 parameters.

COMMODITIES

- **Crude** - Crude was initially elevated heading into a weekend of geopolitical risk, although it later slipped amid reports that Tehran submitted a new proposal yesterday. Crude slipped to session lows on this. However, the source "added nuclear negotiations will not succeed under these circumstances, and the focus will likely be on ending the war." Nonetheless, Pakistani officials also said Iran's latest response to the US terms for a peace deal was delivered to the US officials, and crude continued to slip, with Brent Jul towards the bottom end of a USD 108.92-112.45/bbl, and WTI Jun sloped to a 102.21-106.65/bbl range.
- **Precious Metals** - Precious metals were initially softer as elevated crude prices weighed on the complex. However, the aforementioned slide in crude helped lift spot gold off intraday lows towards the top end of a USD 4,560-4,635/oz range.
- **Base Metals** - Base metals were mixed, with 3M LME copper flat in a narrow USD 12,954.93-13,121.88/t range, amid limited catalysts due to Chinese market closures and reduced European participation.
- **UK's Unite Union** said workers employed by Bilfinger on North Sea assets operated by Ithca Energy will strike.

EUROPEAN DATA

- **UK Net Lending to Individuals MoM (Mar)** M/M 8B vs. Exp. 5.9B (Prev. 6.8B).
- **UK M4 Money Supply MoM (Mar)** M/M 0.8% vs. Exp. 0.5% (Prev. 0.6%).
- **UK BoE Consumer Credit (Mar)** 1.895B (Prev. 1.935B).
- **UK Mortgage Approvals (Mar)** 63.53K vs. Exp. 60K (Prev. 62.58K).
- **UK Mortgage Lending (Mar)** 6.15B (Prev. 4.84B).
- **UK S&P Global Manufacturing PMI Final (Apr)** 53.7 vs. Exp. 53.6 (Prev. 51.0).
- **UK Nationwide Housing Prices MoM (Apr)** M/M 0.4% vs. Exp. -0.3% (Prev. 0.9%).
- **UK Nationwide Housing Prices YoY (Apr)** Y/Y 3.0% (Prev. 2.2%).
- **Swiss Retail Sales YoY (Mar)** Y/Y 0.5% vs. Exp. 1% (Prev. 0.9%).
- **Swiss Retail Sales MoM (Mar)** M/M 0.2% (Prev. 0.4%).

NOTABLE HEADLINES

- **UK Greater Manchester Mayor Burnham** is exploring a number of ways to get back into the House of Commons, Guido reported citing sources; offering 'job-swaps' to MPs in exchange for them standing down.
- **The relationship between German Chancellor Merz and Vice Chancellor Klingbeil** is strained, Bild reported.

TRADE/TARIFFS

- **Japanese PM Takaichi** said she will be visiting Vietnam and Australia. "Moreover, through these visits to both countries, taking into account the current situation in the Middle East, I will confirm cooperation on strengthening supply chain resilience, including stable energy supply and critical minerals within the Asian region. I believe such initiatives are also important for procuring critical supplies such as crude oil and petroleum products in Japan."

CENTRAL BANKS

- US Senate Banking Committee Chair Scott believes there will be a vote for Kevin Warsh to become Fed Chair in the week of 11th May.
- Fed's Kashkari (2026 voter, Hawkish, statement dissenter) said he urged the Fed to signal hike risks in outlook; warns **Hormuz closure may force Fed rate hikes**. Prior to war had seen inflation likely to decline and warrant another rate cut this year; situation had not changed enough in March to modify the policy statement. A large enough price shock could put inflation expectations at risk, potentially requiring a series of rate increases for the Fed to keep credibility in defending its 2% inflation target.
- Fed's Hammack (2026 voter, Hawk, statement dissenter) said she dissented against keeping an easing bias in the statement, **inflation pressures are broad based and energy is driving up prices**. Fed's clear easing bias is no longer appropriate given the outlook. Economy has been resilient so far in 2026. Sees upside inflation risk, downside job market risk. Uncertainty around economy, Policy path has risen. Wide range of views is the cornerstone of Fed process. Job market is near full employment.
- **Citigroup now** expects the BoJ to deliver its next hike in June (prev. saw July), and sees the BoJ continuing to raise rates roughly every six months thereafter.
- ECB's Makhoul said **without a clear timeline for the Middle East conflict, he is concerned about a higher-for-longer energy price scenario**. Inflation expectations need to be closely monitored for signs of de-anchoring.
- ECB's Kocher said it is **too early to see second round inflation effects**.
- ECB's Nagel said it is **more appropriate for the ECB to respond in June if the outlook does not improve markedly**.
- ECB's Muller said it is **increasingly likely that the ECB needs to raise rates; there are already signs that rising energy prices are being passed on**.
- BoE Chief Economist Pill (Dissenter, voted to hike 25bps) said there is **high uncertainty over how far the energy inflation shock will spread**. There is a lot of discussion on the MPC around tightening. Policy should not over react to short-term volatility. Tightening in financial conditions does seem a reasonable response to inflation risk from Iran war. MPC has varied opinions on second-round impacts. MPC does not want to lock itself in on rates, needs to remain flexible. MPC has also stressed it is ready to act if necessary. Choosing to keep rates unchanged is not a passive choice. Main difference between his position and majority of MPC is that he was more concerned about stalling of disinflation before Iran war. As a result, thought they should be acting more promptly in response to new inflation pressure.
- **BoE MPS (Apr): end-2026 Bank Rate seen at 3.75% (3.25% in Feb. survey)**. 89% of respondents expected a hold in April, 9.8% a 25bps hike to 4.00%. 67% of respondents expected a hold in June, 24.7% a 25bps hike to 4.00%.

US DATA

- US S&P Global Manufacturing PMI Final (Apr) 54.5 vs. Exp. 54.0 (Prev. 52.3).

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