newsquawk

US Market Wrap - 4th May 2026

Stocks hit as oil rallies on escalating geopolitics

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up, Gold down.
- **REAR VIEW**: Iran hits UAE's Fujairah energy facility; Fed's Williams says eventual rate cuts will happen; Trump said the US will guide neutral ships safely out of the Strait of Hormuz; Conflicting reports re. US patrol boat being struck; South Korea cargo ship hit; UAE air defense systems activated; Finance Minister Katayama said they would take firmer steps against speculative FX activity.
- **COMING UP**: **Holiday**: Japan's Children's Day; Chinese Labour Day **Data**: Swiss Inflation (Apr), US Building Permits Final (Mar), Canadian Balance of Trade (Mar), Canadian PMI (Apr), US PMI Final (Apr), US ISM Services (Apr), US JOLTS (Mar), US New Home Sales (Mar), US RCM/TIPP Economic Optimism (May), New Zealand Unemployment Rate (Q1) **Events**: RBA Policy Announcement (May), BCB Minutes (Apr) **Speakers**: RBA's Bullock; ECB's Lagarde, Lane; Fed's Bowman, Barr **Supply**: Germany Earnings: AMD, AMC, Strategy, Tempus AI, Shopify, PayPal, Pfizer, HSBC, Leonardo, Infineon.

MARKET WRAP

Markets traded risk-off on Monday as escalating geopolitical tensions in the Strait of Hormuz and the UAE drove energy prices sharply higher. The move weighed on equities and bonds, while supporting the dollar.

Crude surged on reports of direct conflict between the US and Iran in the Strait, alongside Iranian strikes on the UAE, including the Fujairah energy facility. The escalation lifted inflation expectations, pressuring Treasuries and weighing on broader risk sentiment.

Equities were broadly lower, with all major indices in the red and the Dow underperforming. Sector performance was also weak, with losses across most, although Energy outperformed amid the rally in oil prices. The VIX rose, reflecting the risk-off tone.

In rates, Treasuries sold off across the curve as higher oil prices lifted yields, with the move led by the front-end as inflation expectations repriced.

In FX, the dollar was firmer on safe-haven demand, although gains were choppy following remarks from Fed's Williams, who said that rate cuts are still expected eventually and that he does not currently consider the need for rate hikes. G10 FX broadly weakened against the dollar, with higher beta currencies underperforming.

In commodities, crude benchmarks surged, while gold and silver declined despite the risk-off tone, pressured by higher yields.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 15 TICKS LOWER AT 110-05+

Treasuries sold off across the curve on Monday, with yields rising as geopolitical tensions escalated and oil prices surged . At settlement, 2-year +7.6bps at 3.956%, 3-year +7.5bps at 3.978%, 5-year +7.2bps at 4.086%, 7-year +6.7bps at 4.261%, 10-year +6.6bps at 4.438%, 20-year +6.3bps at 5.017%, 30-year +5.8bps at 5.019%.

THE DAY: T-notes came under pressure throughout the session as crude rallied sharply amid heightened geopolitical tensions in the Middle East. Reports suggested US and Iran exchanged fire on vessels in the Strait of Hormuz, while Iran launched a wave of missiles and drones targeting the UAE, including the Fujairah energy facility. The escalation drove energy prices higher, lifting inflation expectations and weighing on Treasuries across the curve. On the Fed, Williams noted he still expects rate cuts eventually and does not currently see a need to consider hikes, although his comments had little impact on Treasury price action, the dollar saw a bout of brief selling. Attention also turned to the Treasury's latest financing estimates, which showed an upward revision to borrowing needs. The Treasury now expects to borrow USD 189bln in Q2 (vs prev. USD 109bln), while maintaining an end-June cash balance target of USD 900bln. For Q3, borrowing is projected at USD 671bln, with an end-September cash balance of USD 950bln. The Treasury also confirmed it borrowed USD 577bln in Q1, with an end-quarter cash balance of USD 893bln.

SUPPLY

Bills

- US sold 3-month bills at a high rate of 3.610%, B/C 2.76x; sold 6-month bills at high rate 3.610%, B/C 2.79x
- US to sell USD 75bln of 6-week bills on May 5th; all to settle on May 7th

STIRS/OPERATIONS

- Fed Pricing: June +1.1bps (prev. -0.4bps), July -0.7bps (prev. -1.2bps), Sept +0.3bps (prev. -2.3bps), Dec +8.7bps (prev. +0.7bps)
- NY Fed RRP op demand at 0.62bln (prev. 0.61bln) across 11 counterparties (prev. 5) on May 4th
- SOFR at 3.64% (prev. 3.66%), volumes at USD 3.15tln (prev. USD 3.275tln) on May 1st

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CRUDE

WTI (N6) SETTLED USD 4.97 HIGHER AT 101.51/BBL; BRENT (N6) SETTLED USD 6.27 HIGHER AT 114.44/BBL

The crude complex was firmer, as US/Iran tensions once again ramped up in a day dominated by Middle East headlines . Over the weekend, US President Trump said the US will guide neutral ships safely out of the Strait of Hormuz, and then conflicting reports followed in early morning trade. Numerous outlets said two missiles hit a US patrol boat, after earlier warnings were disregarded, but senior US officials and CENTCOM denied these reports, which saw two-way action across markets. Initially, risk off trade was seen, but reversed on the denials. Since then, benchmarks have risen since the US cash open to see WTI and Brent hit peaks of USD 101.59/bbl and 115.30/bbl, respectively, as UAE air defense systems have reportedly responded to six separate missile threats, and UAE's Fujairah port had a massive fire after being struck. Following these headlines, a source reportedly told CNN's reporter in Dubai that they expect US/Israeli strikes on Iran within the next 24 hours, and UAE Foreign Ministry stated it reserves full and legitimate right to respond to Iranian attacks. Further escalating the war, a South Korean cargo ship was hit in the Strait, which saw Trump request for the nation to join the mission. Note, we are yet to hear from the US President regarding UAE, so await any further remarks. Even more on this front, Iran said it had no plans to target UAE, but later followed up with, via an Iran military source, if the Emiratis become Israel's playthings and make mistakes, they will learn a lesson that they will never forget, adding if UAE takes an unwise action, all its interests will become Iran's target, and no point of the UAE's facilities will be safe. As such, participants await any further updates, escalation, or de-escalations overnight, with US' Caine and Hegseth to give a press briefing tomorrow.

EQUITIES

CLOSES: SPX -0.41% at 7,201, NDX -0.21% at 27,652, DJI -1.13% at 48,942, RUT -0.60% at 2,796

SECTORS: Technology +2.46%, Consumer Discretionary +1.36%, Communication Services +0.88%, Materials +0.62%, Utilities +0.16%, Energy -0.24%, Real Estate -0.38%, Consumer Staples -0.42%, Financials -0.64%, Industrials -0.89%, Health -1.37%.

EUROPEAN CLOSES: Euro Stoxx 50 -2.44% at 5,988, Dax 40 -2.42% at 24,672, CAC 40 -2.17% at 8,394, FTSE MIB -1.97% at 46,280, IBEX 35 -2.62% at 17,879, PSI -0.04% at 9,272, SMI -1.42% at 13,816, AEX -1.06% at 1,016.

STOCK SPECIFICS:

- **Amazon (AMZN)** opening its global logistics network to all businesses through Amazon Supply Chain Services. Of note for **FedEx (FDX) and UPS (UPS).**
- **AMD (AMD)** downgraded at HSBC to 'Hold' from 'Buy'.
- **Apple (AAPL)** Mac supply reportedly constrained by TSM 3nm capacity.
- **Berkshire Hathaway (BRK.B):** Revenue rose and net earnings more than doubled
- **GameStop (GME)** made an offer to buy **eBay (EBAY)** for c. USD 56bln, or USD 125/shr in cash & stock; EBAY closed Fri. at 104.07. Later, GME CEO said he has not had conversations with EBAY.
- **Norwegian Cruise Line (NCLH):** Revenue light with dismal FY profit guidance and said it is experiencing headwinds regarding the Middle East.
- **O-I Glass (OI)** upgraded at Wells Fargo.
- **Spirit Aviation (FLYYQ)** ceased operations.

FX

The Dollar largely gained vs. G10 FX peers, albeit not seeing extensive gains against any particular currency as escalating geopolitics dominated the tape. As such, and amid risk off trade, the Greenback benefitted from the seemingly worsening US/Iran relations. Over the weekend, Trump said the US will guide neutral ships safely out of the Strait of Hormuz, but on Monday there were numerous reports of fire, with UAE defense system activated on six different occasions. Highlighting the range of attacks, a South Korea cargo ship was struck in Hormuz, while UAE's Fujairah port caught fire. As such, attention will be on any rhetoric, from either side, to see what transpires next. Away from the Middle East, Fed's Williams (voter) noted monpol remains well positioned for uncertain economy, and the job market break even might range between zero and 50k jobs per month now. The influential Williams later added longer-term outlook still suggests eventual rate cuts will happen and does not see need to start weighing Fed interest rate hike. Ahead, US non-farm payrolls report is the highlight on Friday.

JPY was the relative outperformer, albeit only flat, which once again only told half the story as USD/JPY traded between 155.69 and 157.30, with intervention once again touted, after a sharp move in overnight trade. In addition, Japanese Finance Minister Katayama remarked they would take firmer steps against speculative FX activity, under the remit of the 2025 US agreement

G10 FX newsflow was sparse elsewhere, as focus resided around the Middle East picture, although there were a few central bank speakers. From Europe, ECB's Muller said ECB rate is at more-or-less neutral level and allows time to wait, while Kazimir noted policy tightening in June is all but inevitable, and Nagel remarked that a June rate hike may be warranted if the inflation outlook does not improve significantly. Out of the Antipodeans, whereby Aussie was the G10 laggard, RBNZ Board Member Gai said supply shocks such as the Hormuz situation have raised the neutral rate. Ahead, RBA is overnight whereby the central bank is expected is expected to deliver a third consecutive rate hike, as a recent Reuters poll showed 30 out of 33 economists expect the RBA to hike the Cash Rate by 25bps to 4.35%, while only three economists forecast rates to be kept unchanged at the current 4.10% level.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

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