newsquawk

US Market Wrap - 5th May 2026

Stocks gain, and oil slides as ceasefire remains in place

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar down, Gold up
- **REAR VIEW**: US/Israel have list of Iranian energy targets they could strike if needed, but Trump does not favour return to full-scale conflict; Hegseth said ceasefire remains in place; Caine added recent Iran action does not justify major military response; US balance of trade deficit widens; ISM Services PMI misses; JOLTS decline M/M; New Home sales beat; PYPL beats but stock slumps on commentary
- **COMING UP**: **Holiday:** Japan's Constitution Memorial Day. **Data:** South Korean Inflation Rate (Apr), Chinese RatingDog PMI (Apr), Swedish Inflation Prelim. (Apr), EU PMI Final (Apr), Italian Retail Sales (Mar), EZ PPI (Mar), Canadian Ivey PMI (Apr), US ADP Employment (Apr), US Treasury Refunding Announcement. **Events:** ECB Wage Tracker (May); NBP Policy Announcement; US Treasury Press Conference Webcast. **Speakers:** ECB's Lane, Cipollone, Musalem; Fed's Goolsbee; BoC's Macklem & Rogers. **Supply:** Australia, UK, Germany. **Earnings:** Arm, AppLovin, Snap, Whirlpool, Walt Disney, Kraft Heinz, Uber, CVS.

MARKET WRAP

Markets traded risk-on on Tuesday as oil prices declined and there was somewhat of an unwind of the increased geopolitical tensions on Monday. The US stated that the ceasefire with Iran remains in place, despite the Iranian activity towards the UAE yesterday. General Caine noted recent actions remain below the threshold for a resumption of major military operations, helping to ease risk sentiment and weigh on crude. That said, contingency risks remain, with reports suggesting the US and Israel have identified Iranian energy infrastructure targets should hostilities resume, although President Trump signalled he does not favour a return to full-scale conflict.

Equities were broadly higher, with gains across all major indices and sector strength led by Technology and Materials, while the VIX declined.

In rates, Treasuries were bid as oil prices fell, with yields lower across the curve, led by the long-end.

In FX, price action was volatile. JPY lagged without a clear catalyst, while Antipodes outperformed on the risk tone, with AUD supported after the RBA delivered a 25bps hike alongside a relatively hawkish statement, although Governor Bullock's "wait-and-see" remarks saw markets pare near-term tightening expectations.

On the data front, releases were mixed and largely secondary to geopolitics. JOLTS pointed to a gradual cooling in labour demand, while ISM Services PMI missed expectations with elevated prices and employment still in contraction. Elsewhere, the US trade deficit widened more than expected, and new home sales surprised to the upside.

US

ISM SERVICES PMI: ISM Services PMI fell to 53.6 in April from 54.0, a bigger decline than the expected 53.8. Employment rose to 48.0 (exp. 48.3, prev. 45.2), while prices stayed at 70.7, below the forecast of 73.7. Business activity rose to 55.9 (prev. 53.9), but new orders slipped to 53.5 (exp. 57.3, prev. 60.6). Supplier deliveries and new export orders increased M/M, while inventories and backlog of orders declined, though all remained above 50. The report said there were other signs of economic strength, with exports and imports expanding for two straight months for the first time since September/October 2024. Commentary focused mainly on the impact of and adjustments to the Iran war, and the expected flow-through of higher oil prices. Oxford Economics said the slight decline in the headline was consistent with moderate economic growth in the coming quarter, as mentions of fuel surcharges and uncertainty related to the war rose. OxEco expects the economy to hold up, but sees some of the energy price shock feeding through to core inflation over the coming quarters, keeping core PCE inflation close to 3% for most of the year.

JOLTS: US job openings fell to 6.866mln in March from 6.922mln in February, broadly in line with the 6.87mln forecast. The vacancy rate eased to 4.1% from 4.2%, while the quits rate ticked up to 2.0% from 1.9%. Overall, the report points to a still-gradual cooling in labour demand rather than a sharp deterioration. This should be a welcome backdrop for the Fed, allowing it to remain focused on inflation without immediate pressure from the labour side of its mandate. However, risks remain tilted to a softer labour market ahead, with doves placing greater weight on forward-looking indicators. Pantheon Macroeconomics notes that "unofficial indicators suggest labour demand is still fading, perhaps at a faster rate since the conflict in the Middle East began," citing declines in Indeed and LinkUp job postings. Attention now turns to Friday's NFP report for a more timely read on labour market conditions after a mixed start to the year, with Pantheon suggesting March strength may prove to be a temporary blip.

NEW HOME SALES: New Home Sales rose 7.4% to 682k above the expected 668k. Pantheon Macroeconomics notes that the three-month average of new home sales still slipped back in March to its lowest level since late 2022. The seasonally-adjusted estimate of new houses for sale at the end of March 2026 was 481k, -0.4% M/M, -4.6% Y/Y. This represents a supply of 8.5 months at the current sales rate, -6.6% M/M, -7.6% Y/Y. The median sales price of new houses sold in March 2026 was USD 387,400, -5.3% M/M, -6.2% Y/Y. Pantheon says that the weak labour market, depressed confidence, and still high mortgage rates will probably continue to hold back sales in the near term.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLE 5+ TICKS HIGHER AT 110-11

Treasuries were bid across the curve on Tuesday, with yields declining as oil prices fell . At settlement, 2-year -0.8bps at 3.938%, 3-year -0.7bps at 3.964%, 5-year -0.7bps at 4.072%, 7-year -0.9bps at 4.244%, 10-year -1.8bps at 4.414%, 20-year -3.1bps at 4.982%, 30-year -3.2bps at 4.981%.

THE DAY: T-notes saw choppy trade but ultimately firmed, tracking weakness in crude as markets pared some of the escalation narrative seen on Monday. The US stated that the ceasefire with Iran remains in place, despite reports of further Iranian activity towards the UAE, albeit at a reduced scale compared to prior sessions. General Caine noted that recent actions remain below the threshold for a resumption of major military operations, helping to ease geopolitical risk and weigh on oil prices. However, reports do note that if operations were to resume, the US and Israel have a list of Iranian energy facilities they could target. Although US President Trump reportedly signalled he does not want to resume a full-scale conflict with Iran.

On the data front, releases were mixed. JOLTS job openings declined M/M but not materially, while the quits rate ticked higher, the vacancy rate edged lower, and the hire rate improved—pointing to a gradual cooling rather than a sharp deterioration in labour demand. ISM Services PMI slightly missed expectations and declined from the prior, with prices remaining elevated. The employment component improved but remained in contractionary territory.

Data triggered some intraday volatility, with Treasuries initially rallying before paring gains on headlines of renewed Iranian activity. However, T-notes stabilised into the close, ultimately settling firmer across the curve.

Overall, price action remained driven by geopolitics and oil, with softer crude supporting Treasuries. Attention remains on developments in the Middle East, alongside labour market data later in the week, with the NFP report due Friday.

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: Dec +7.9bps (prev. +8.7bps)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 111bln (prev. USD 115bln) on May 4th
- SOFR at 3.63% (prev. 3.64%), volumes at USD 3.113tln (prev. USD 3.15tln) on May 4th
- NY Fed RRP op demand at 1.12bln (prev. 0.62bln) across 6 counterparties (prev. 11) on May 5th

CRUDE

WTI (N6) SETTLES USD 3.44 LOWER AT 98.07/BBL; BRENT (N6) SETTLES USD 4.57 LOWER AT 109.87/BBL

The crude complex was lower, as Middle East headlines dominated the tape . There was plenty of newsflow through the day, with the highlight being the the US seemingly trying to play down the recent Iranian attacks. Trump remarked that Iran knows what not to do, and when asked what would violate the ceasefire, said "you'll find out", but that the US does not want to go and kill people. In addition, General Caine, on Iranian attacks, said they have all been below the threshold of restarting major combat operations at this point, while Hegseth stressed the ceasefire still stands. Despite saying that from the US, Israel reportedly conveyed a message to Washington that the security and military leadership wants to resume attacks on Iran, and Israel believes that negotiations with Iran are a waste of time. As such, attention resides on any further escalation or descalation. Regarding the Iranian Proposal, the US is yet to formally confirm it has replied to Tehran, however, Trump reportedly told Kan News that the proposal was unacceptable to him. On the day, WTI and Brent was pretty choppy through the European morning to hit highs of USD 100.92/bbl and 114.44/bbl, respectively, before gradually grinding lower through the US afternoon to see WTI hit a trough of USD 97.33/bbl and Brent USD 109.60/bbl. After-hours, attention is on weekly private inventory data. On the supply side, Russia's Kirishi oil refinery has halted oil processing following Ukrainian drone attacks, according to reports, citing sources.

EQUITIES

CLOSES: SPX +0.81% at 7,259, NDX +1.31% at 28,015, DJI +0.73% at 49,298, RUT +1.75% at 2,854

SECTORS: Materials +1.67%, Technology +1.63%, Industrials +0.86%, Consumer Staples +0.51%, Health +0.38%, Communication Services +0.30%, Consumer Discretionary +0.30%, Energy +0.14%, Real Estate +0.11%, Utilities +0.01%, Financials +0.01%

EUROPEAN CLOSES: Euro Stoxx 50 +1.83% at 5,869, Dax 40 +1.67% at 24,392, FTSE 100 -1.40% at 10,219, CAC 40 +1.08% at 8,062, FTSE MIB +2.27% at 48,558, IBEX 35 +1.80% at 17,668, PSI -0.04% at 9,165, SMI +0.43% at 13,059, AEX +0.95% at 1,015

STOCK SPECIFICS:

- **Apple (AAPL)** has held exploratory talks with Intel (INTC) and Samsung Electronics about producing main processors for its devices.
- **Meta (META)** working on a financing package of c. USD 13bln for an El Paso data center.
- **Coinbase (COIN)** to reduce the size of Co. by ~14%.

EARNINGS:

- **Paramount Skydance (PSKY):** Revenue topped with better-than-expected FY top line guidance
- **Pinterest (PINS):** EPS, revenue beat with stronger-than-expected guidance, higher user monetisation and AI-driven ad platform improvement
- **Archer-Daniels-Midland (ADM):** Top, bottom line surpassed Wall St. expected and raised FY26 profit view.
- **Pfizer (PFE):** EPS, revenue beat and reaffirmed FY outlook
- **PayPal (PYPL):** Q1 metrics topped expectations. QTD online branded checkout trends are at the low end of co.'s FY outlook and are reflected in Q2 guidance
- **Shopify (SHOP):** Operating profit fell short.
- **TransDigm (TDG):** Stellar report; Q1 numbers beat with strong FY outlook.
- US President Trump reportedly pressures FDA commissioner to approve flavoured vapes **(PM, MO),** via WSJ.
- **Memory**: US working to address the global memory chip shortage through a supply chain coalition with allies in Asia, Europe and the Middle East, a State Department official told Nikkei Asia.
- **ServiceNow (NOW)** expands partnership with **Nvidia (NVDA)**.

FX

The **Dollar** was mostly weaker vs. G10 FX as US data and Middle East dominated the tape. The US is seemingly trying to play down the recent Iranian attacks, with General Caine saying they have all been below the threshold of restarting major combat operations at this point, while Hegseth stressed the ceasefire still stands. On the data footing, ISM Services declined more than expected, while prices remain unchanged, against an expected rise. JOLTS surprisingly fell, Balance of trade was a deeper deficit than Wall St. consensus, and new home sales jumped. There was no Fed speak on Tuesday ahead of QRA, ADP (Wed) and NFP on Friday.

JPY was the clear G10 laggard, and only one seeing losses against the Greenback as USD/JPY retreated from earlier lows seen in the week. USD/JPY traded between 157.08-89, with sharp two-way moves seen, with no clear explanation for either direction.

Antipodeans were the outperformers, and came after RBA overnight. Recapping, the central bank hiked rates by 25bps, as expected, whilst the accompanying statement was net-hawkish. However, markets began to price out the chance of a near-term hike, with Governor Bullock suggesting the policy can allow them to wait and see. As such, market pricing currently assigns a 70% chance of a hike in August, whilst fully pricing in a move in September. Note, the Aussie initially jumped on the announcement, before reversing soon after; the Aussie then clambered out of the red as the risk-tone gradually improved.

GBP, CHF, EUR, and CAD all saw slight gains in light currency-specific newsflow, although there were a couple of central bank speakers. ECB's Villeroy said the central bank will raise rates if second-round effects are seen, and not seeing sufficient signs yet to raise rates. For the Swissy, SNB's Martin remarked that the SNB has a greater willingness to intervene on FX.