

Oil gains as Trump weighs next options, while Semis lead Tech higher

- **SNAPSHOT:** Equities up, Treasuries down, Crude up, Dollar up, Gold up.
- **REAR VIEW:** Trump rejected Iran's response, calling it "totally unacceptable"; Trump meeting his national security team to discuss the way forward in the Iran war, including possibly resuming military action; UK PM Starmer under intense pressure; Iran has deployed deep-roaming submarines in the Strait of Hormuz; Weak 3yr auction.
- **COMING UP: Data:** German HICP Final (Apr), ZEW (May), US Inflation (Apr), ADP Employment Change Weekly **Events:** BoJ SOO (Apr), EIA STEO (May), EU Informal Meeting of Energy Ministers (May 12-13) **Speakers:** RBNZ's Bremen; BoC's Macklem; ECB's Elderson; Fed's Williams, Goolsbee **Supply:** Japan, Netherlands, UK, Germany, US **Earnings:** Under Armour.

MARKET WRAP

Stocks were firmer on Monday, albeit off highs, with gains led by further upside in semiconductor names; SOXX +2%. Energy outperformed alongside higher crude prices, while Materials benefited from strength in metal prices.

Oil prices rose after US President Trump rejected Iran's response to the latest US proposal to end the war, calling it "totally unacceptable". Geopolitical tensions remain elevated, with reports stating Trump is set to meet with his national security team to discuss next steps regarding Iran, including the potential resumption of military operations. Meanwhile, Iran warned it is prepared to respond to any aggression and remains open to "all options".

The upside in crude and elevated geopolitical risk premium weighed on Treasuries, pushing yields higher across the curve in a bear flattening move as front-end yields led the rise on firmer inflation expectations. Gold and silver both rallied despite the rise in US yields, with silver notably outperforming.

In FX, G10 trade was mixed. Traditional havens such as the JPY and CHF lagged amid the rise in Treasury yields, while AUD outperformed on stronger equities and metal prices. CAD was also supported by firmer crude prices. Sterling was little changed, although over 80 MPs are reportedly calling for PM Starmer's resignation following Labour's poor local election performance last week.

Attention now turns to whether Trump decides to resume military action against Iran following the latest deadlock in negotiations, although some reports suggest any decision may wait until after his return from China later this week. Elsewhere, focus this week also falls on US CPI, PPI and Retail Sales, alongside the 10- and 30-year Treasury auctions.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 11 TICKS LOWER AT 110-13

T-notes were lower across the curve on Monday, with the front-end underperforming as oil prices rallied after President Trump rejected Iran's response to the US proposal. At settlement, 2-year +5.6bps at 3.945%, 3-year +5.4bps at 3.968%, 5-year +5.8bps at 4.064%, 7-year +5.2bps at 4.233%, 10-year +4.8bps at 4.408%, 20-year +4.4bps at 4.972%, 30-year +4.2bps at 4.982%.

THE DAY: There was no major US data or Fed speak, with market focus remaining firmly on geopolitics. The key development over the weekend was President Trump rejecting Iran's response to the latest US proposal aimed at ending the war.

The news lifted crude prices, weighing on Treasuries and pushing yields higher across the curve, particularly in the front-end as rising energy prices boosted inflation expectations and drove a bear flattening move.

Treasuries settled near session lows despite volatile crude price action throughout the day. Reports noted Trump is set to meet with his national security team to discuss the next steps regarding Iran, including the potential resumption of military operations. Meanwhile, Iran warned it is prepared to respond to any aggression and remains open to "all options", keeping geopolitical tensions elevated.

Away from geopolitics, the US [Treasury's 3-year note auction was weak](#), ahead of the 10-year and 30-year supply on Tuesday and Wednesday, respectively. Attention this week also turns to key inflation data, with US CPI on Tuesday ([preview here](#)) and PPI due before Retail Sales on Thursday.

SUPPLY

Notes

- [US sold USD 58bn of 3-year notes; Tail 0.6bps](#)
- US to sell USD 58bn of 3-year notes on 11th May, USD 42bn of 10-year notes on 12th May and USD 25bn of 30-year bonds on 13th May

Bills

- US sold 3-month bills at high-rate 3.610%, B/C 2.86x; sold 6-month bills at high-rate 3.615%, B/C 2.91x
- US to sell USD 80bln of 6-week bills and USD 50bln of 52-week bills on May 12th; all to settle May 14th

STIRS/OPERATIONS

- Fed Pricing: Dec +6.1bps (prev. +2.9bps)
- EFFR at 3.63% (prev. 3.63%), volumes at USD 123bln (prev. USD 119bln) on May 8th
- SOFR at 3.60% (prev. 3.60%), volumes at USD 3.087tln (prev. USD 3.106tln) on May 8th
- NY Fed RRP op demand at 1.13bln (prev. 0.79bln) across 7 counterparties (prev. 5) on May 11th

CRUDE

WTI (M6) SETTLED USD 2.65 HIGHER AT 98.07/BBL; BRENT (N6) SETTLED USD 2.92 HIGHER AT 104.21/BBL

The crude complex was firmer to start the week, albeit settled off highs, as Trump called Iran's response to the peace plan "totally unacceptable". The main weekend update came as the US President responded to the Iran peace proposal, with further updates coming through the day on Monday. On that, Trump is meeting with his national security team today to discuss the way forward in the Iran war, including possibly resuming military action, after negotiations with the country deadlocked on Sunday, three US officials said via Axios. Within these source reports, they added Trump is leaning toward taking some form of military action against Iran to increase pressure on the regime and force concessions on its nuclear program. Regarding a possible timeline, Trump is expected to leave for China on Wednesday and return Friday, and two officials said they don't think Trump would order military action against Iran before he returns from China. Note, these sources came after Trump said the ceasefire is unbelievably weak and is on life support. Elsewhere, and from Iran, it has reportedly deployed deep-roaming submarines in the Strait of Hormuz, while Iran's Ghalibaf said their armed forces are ready to respond in a lesson-based manner to any aggression, and are open to all options. WTI traded between USD 96.13-100.37/bbl and Brent USD 102.81-105.99/bbl.

EQUITIES

CLOSES: SPX +0.18% at 7,412, NDX +0.29% at 29,321, DJI +0.19% at 49,704, RUT +0.39% at 2,872.

SECTORS: Energy +2.62%, Materials +1.43%, Industrials +1.01%, Technology +0.98%, Utilities +0.97%, Real Estate +0.34%, Financials -0.19%, Health -0.40%, Consumer Discretionary -0.66%, Consumer Staples -0.76%, Communication Services -2.34%.

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:

- **Emerald Holding (EEX)** reportedly to be acquired by Apollo (APO) for approx. USD 1bln & shareholders to receive USD 5.03/shr; closed Fri. at USD 4.57/shr.
- **Dell (DELL)** downgraded at UBS.
- **Lumentum (LITE)** will join the Nasdaq 100, effective May 18th.
- **Sony (SONY) & TSMC (TSM)** signed MOU for next-gen image sensor JV in Japan.
- SK Hynix is reportedly conducting R&D on 2.5D packaging technology with **Intel (INTC)**.
- **Sofi Technologies (SOFI)** agrees on a deal to take over most of PrimaryBid, via Sky News.

EARNINGS:

- **Circle Internet (CRCL):** EPS & adj. EBITDA beat; revenue miss.
- **Mosaic (MOS):** Profit light
- **Constellation Energy (CEG):** EPS & rev. beat.
- **Fox Corp (FOXA):** EPS, rev. & adj. EBITDA topped Wall St. exp.
- **Monday.com (MNDY):** Stellar Q report & said launch of its AI platform helped its rev. grow 24% Y/Y.

FX

The Dollar Index was mixed against G10 peers to start the week, as Middle East rhetoric largely dominated trade dynamics. Over the weekend, Trump labelled Iran's peace plan as totally unacceptable, and the major update on Monday, via Axios citing US officials, is that Trump is meeting with his national security team today to discuss the way forward in the Iran war, including possibly resuming military action, after negotiations with the country deadlocked on Sunday. The sources did add, Trump is expected to leave for China on Wednesday and return Friday, and they don't think he would order military action against Iran before he returns from China. On US-China relations, the President once again reiterated today they [Trump/Xi] have a great relationship, and they will discuss Iran. There was no Fed speak or tier 1 data, as participants await CPI and PPI on Tuesday and Wednesday, respectively.

As alluded to above, **G10s** moved at the whim of energy, with the gains in the crude complex supporting the Loonie. Haven FX, JPY and CHF, were the G10 laggards and saw losses vs. the Buck, given their net-importer of energy statuses.

Currency-specific newsflow was fairly sparse to begin the week, although the Pound had plenty of political turmoil to digest. Overall, the **GBP** was flat, and traded between 1.3547-1.3653. In the UK morning, Cable edged lower as markets reacted to a lackluster PM Starmer address. In brief, Starmer's speech left Labour MPs unsatisfied, which led to Labour backbencher West to form a letter to gather support for a scheduled exit for the PM, and has since gained more support. The main point of concern for this latest move is whether Burnham will be an MP before the leadership challenge is called. As it stands, over 80 MPs are calling on Starmer to resign while The Times has reported that MPs pivotal in selecting Labour's next leader will tomorrow call on ministers to

ditch the existing fiscal rules and increase taxes on wealth as part of a radical overhaul of the party's economic strategy.

Elsewhere, modest downside was seen in **EUR/NOK** following the Norwegian inflation metrics, as core inflation rose, despite the headline Y/Y coming in slightly cooler than the prior. For EMs, South African President Ramaphosa remarked he is not stepping down.

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