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US Market Wrap - 12th May 2026

Stocks swing as energy prices climb and tech sees profit taking

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude up, Dollar up, Gold flat
- **REAR VIEW:** Hotter-than-expected US CPI; Fed's Goolsbee remains concerned on services inflation; US releases another 53.3mln barrels from SPR; Iran will not enter second round of talks with US until its five preconditions are met; Iranian Parliamentary spokesperson says "One of Iran's options in the event of another attack could be 90% enrichment"; Saudi Arabia reportedly carried out unpublicised retaliatory strikes on Iran during the war; UK PM Starmer reportedly tells Cabinet that he will not be setting out a timetable for departure; Average US 10yr note auction; Negative commentary on QCOM.
- **COMING UP: Data:** Swedish Inflation Final (Apr), French Inflation Final (Apr), EZ Employment Change (Q1), Industrial Production (Mar), GDP 2nd Estimate (Q1), US PPI (Apr). **Events:** BoC Minutes (Apr), IEA OMR (May), OPEC MOMR (May), Riksbank Minutes (May). **Speakers:** BoE's Mann; Fed's Collins, Kashkari; ECB's Lane, Lagarde. **Supply:** Australia, Italy, Germany, and the US. **Earnings:** Cisco Systems, Alibaba, Siemens, Deutsche Telekom, Allianz, E.On, Merck, RWE.

MARKET WRAP

Stocks were mixed on Tuesday, with the Nasdaq and Russell underperforming while the S&P 500 closed flat and the Dow closed slightly firmer. Sector performance was also mixed, with Health Care, Consumer Staples and Energy outperforming, while Technology, Consumer Discretionary and Industrials lagged. Tech weighed on the broader market as semiconductor names saw profit taking after recent outperformance, although equities did pare the majority of losses into the close as chip stocks bounced from intraday lows without a clear driver.

The geopolitical backdrop remained tense, with markets continuing to focus on the risk of renewed conflict in the Middle East after President Trump described the ceasefire as "very weak". Tuesday's developments included reports that Iran had targeted Kuwait, drawing strong condemnation from the UAE, while additional reports suggested Saudi Arabia had struck Iran during the early stages of the conflict. Meanwhile, Iran reiterated it would not return to negotiations unless five conditions are met, including an end to the war, sanctions relief, the release of frozen funds, compensation, and the recognition of Iranian sovereignty over Hormuz.

The elevated geopolitical risk premium pushed crude prices higher, weighing on Treasuries and lifting yields across the curve. Meanwhile, the April CPI report came in hotter than expected, particularly across the core metrics, while services inflation accelerated further. The data saw markets increase Fed tightening expectations, with traders pricing around a 43% probability of a rate hike this year.

In FX, the Dollar remained firm amid higher Treasury yields and elevated energy prices. Sterling lagged on continued political pressure surrounding UK PM Starmer, while petro-sensitive currencies like CAD found some support from the rise in crude prices, and AUD was supported by the afternoon equity turnaround.

US

US CPI: Headline CPI rose 0.6% M/M in April, in line with expectations and easing from the prior 0.9% pace. However, the Y/Y rate accelerated to 3.8% from 3.3%, above the 3.7% forecast. Within the report, the energy index rose 3.8% in April, accounting for more than 40% of the monthly increase in headline CPI. The underlying inflation details were firmer. Core CPI rose 0.4% M/M (0.376% unrounded), above both the 0.3% forecast and the prior 0.2%, while the Y/Y rate accelerated to 2.8% from 2.6%, also topping expectations of 2.7%. Core services inflation picked up to 0.5% M/M and 3.3% Y/Y, while supercore inflation accelerated to 3.4%, reinforcing concerns that underlying price pressures remain sticky beyond the energy shock. The hotter core metrics are likely to concern Fed officials, particularly given the acceleration in services inflation. Fed's Goolsbee (2027 voter) noted the report was worse than expected, highlighting services as the most concerning component. Officials had previously expected tariff-related inflation effects to gradually roll off over the next two quarters, but persistent services inflation alongside elevated energy prices tied to the ongoing US/Iran conflict could delay any return to Fed easing. Attention now also turns to the expected nomination of Kevin Warsh as Fed Chair on Wednesday, ahead of the June meeting, after he was confirmed by the US Senate to be Federal Reserve Governor today. Warsh is widely viewed as more dovish and forward-looking than Powell, although his recent Senate testimony pushed back against perceptions he would support politically driven rate cuts, stressing he would not pre-commit to policy decisions.

Fed's Goolsbee (2027 voter) said CPI report showed "not much that's good". He added that the April CPI report was worse than expected, and the worst part is the services inflation. This isn't the first time the Chicago Fed President has shown concern over services inflation, reiterating that inflation is going the wrong way, not just in oil-related and tariff-related things. Goolsbee, however, remains optimistic that rates can come down a fair amount, but need progress on inflation. He noted that the labour market is stable, but not good. Separately, he said the interconnection of private credit with conventional institutions is not as big as the connections in the 2007-2009 financial crisis.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 12 TICKS LOWER AT 110-01

T-notes settled lower across the curve on Tuesday as oil prices extended gains amid ongoing geopolitical tensions and a hotter-than-expected CPI report added to inflation concerns. At settlement, 2-year +4.3bps at 3.994%, 3-year +4.8bps at 4.026%, 5-year +5.1bps at 4.124%, 7-year +5.2bps at 4.292%, 10-year +5.1bps at 4.463%, 20-year +5.1bps at 5.027%, 30-year +4.8bps at 5.032%.

THE DAY: T-notes remained under pressure throughout the session as energy prices continued to rise. The geopolitical backdrop was largely unchanged from Monday, with markets still focused on the risk of renewed conflict in the Middle East after President Trump described the ceasefire as "very weak". The main development on Tuesday was reports that Iran had targeted Kuwait, a move strongly condemned by the UAE, keeping regional tensions elevated.

The rise in energy prices pushed yields higher across the curve in a bear steepening move as front-end yields led amid firmer inflation expectations. Meanwhile, the April CPI report came in hotter than expected, particularly across the core metrics, while services inflation also accelerated. The data saw markets increase Fed tightening expectations, with traders pricing around a 43% probability of a rate hike this year.

The CPI release triggered two-way trade in Treasuries, with T-notes initially rallying before quickly reversing lower ahead of the 10-year auction, which ultimately came in broadly in line with recent averages.

SUPPLY

Notes

- [US sold USD 42bln of 10-year notes; Tail 0.4bps.](#)
- US to sell USD 25bln of 30-year bonds on 13th May

Bills

- US sold 6-week bills at a high rate of 3.615%, B/C 2.80x; sold 1-year bills at a high rate of 3.650%, B/C 3.41x
- US to sell USD 95bln of 8-week bills (prev. 85bln) and USD 100bln of 4-week bills (prev. 90bln) on May 14th; to sell USD 69bln of 17-week bills (prev. 69bln) on May 13th; all to settle May 19th

STIRS/OPERATIONS

- **Fed Pricing: 10.7bps (prev. Dec +6.1bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 114bln (prev. USD 123bln) on May 11th
- SOFR at 3.60% (prev. 3.60%), volumes at USD 3.09tln (prev. USD 3.087tln) on May 11th
- NY Fed RRP op demand at 1.20bln (prev. 1.13bln) across 7 counterparties (prev. 7) on May 12th

CRUDE

WTI (M6) SETTLED USD 4.11 HIGHER AT USD 102.18/BBL; BRENT (N6) SETTLED 3.56 HIGHER AT USD 107.77/BBL

The crude complex was firmer, and ground higher through the duration of the session, as US/Iran tensions show no signs of abating. Middle East headlines were still in plentiful supply on Tuesday, but not as many market-moving headlines as Trump is set to head to China on Wednesday. As a reminder, source reports on Monday suggested Trump is weighing up possibly resuming military action, but sources added they don't think he would order any before he returns from China.

In terms of today's updates, which garnered slight upside, Iranian Parliamentary spokesperson said, "One of Iran's options in the event of another attack could be 90% enrichment. We will review it in the parliament", and also reports from the Israeli army of interception of a drone in the skies over Eilat launched from the eastern direction, which is the first time air defenses intercept a drone in the Eilat region since the ceasefire of the Iran war. Elsewhere, Trump gave his usual rhetoric and reiterated that the ceasefire remains "on life support". Lastly on the Middle Eastern footing, a source familiar with negotiations, confirmed the top directives for the Iranian negotiating team included the condition of five points before starting negotiations on the nuclear file, which were: 1) Ending the war on all fronts; 2) Lifting all sanctions; 3) Releasing frozen funds; 4) Compensation for damages and losses resulting from the war; 5) Recognizing Iran's right of sovereignty over the Strait of Hormuz - something which US, and Trump, is unlikely to accept.

Shortly before settlement, oil prices rose on reports that Saudi Arabia reportedly carried out unpublicised retaliatory strikes on Iran during the war, according to Reuters, citing sources; attacks were carried out in late March.

EIA STEO: 2026 world oil demand 104.2mIn bpd (prev. 104.6mIn BPD), 2027 world oil demand 105.6mIn BPD (prev. 106.2mIn bpd).

WTI traded between USD 98.00-102.66/bbl and Brent USD 104.23-108.45/bbl, ahead of private inventory metrics after-hours, whereby current expectations are (bbls): Crude -2.3mIn, Distillates -1.3mIn, Gasoline -2.5mIn.

EQUITIES

CLOSES: SPX -0.16% at 7,401, NDX -0.87% at 29,065, DJI +0.11% at 49,766, RUT -0.97% at 2,842.

SECTORS: Consumer Discretionary -1.06%, Technology -0.99%, Industrials -0.40%, Materials -0.15%, Communication Services +0.09%, Utilities +0.10%, Real Estate +0.10%, Energy +0.71%, Financials +0.72%, Consumer Staples +1.56%, Health +1.93%.

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 -1.41% at 5,813, Dax 40 -1.54% at 23,975, FTSE 100 -0.04% at 10,265, CAC 40 -0.95% at 7,980, FTSE MIB -1.36% at 48,991, IBEX 35 -1.56% at 17,574, PSI -1.26% at 9,050, SMI +0.14% at 13,120, AEX -1.55% at 999

STOCK SPECIFICS:

- **Affirm (AFRM)** works with **Google (GOOGL)** to make AI shopping payments clear and simple; Affirm's pay-over-time options will be integrated into the Gemini app and Google Search, including AI Mode, through Google Pay.
- **eBay (EBAY)** rejected the unsolicited proposal from GameStop (GME); board concluded that proposal is neither credible nor attractive.
- **GitLab (GTLB)** to restructure over the coming weeks & intends to reduce the number of countries it serves by up to 30%.
- Key Context's Tae Kim said **Qualcomm (QCOM)** is the problem child of the current chip rally;... "I'm extremely bearish"
- **Klarna (KLAR)** flexible payments is coming to Google (GOOGL) search and the Gemini app within Google Play.
- **Lowe's (LOW)** upgraded at Citi to 'Buy' from 'Neutral'.
- Nelson Peltz in talks to raise funds for **Wendy's (WEN)** go-private bid.
- OpenAI to save USD 97bln through 2030 in latest **Microsoft (MSFT)** deal.
- **Brown-Forman (BF.B)** rejects all-cash takeover from Sazerac, WSJ reports, citing sources.
- **Microsoft (MSFT)** has reportedly recouped over double its USD 13bln OpenAI investment in revenue, via The Information.
- **Blue Owl (OWL)** has seen inflows at its flagship credit investment fund for retail investors all but dry up, underscoring the challenges facing the group at the centre of doubts over private credit, via FT.
- People familiar with **GameStop (GME)** CEO Cohen's thinking say he is still intent on going after **eBay (EBAY)** and will keep pressing his bid, Semafor reports.
- **Google (GOOGL)** and SpaceX reportedly in talks to launch data centers in orbit, WSJ reports citing sources.

EARNINGS:

- **Hims & Hers Health (HIMS)**: Surprise loss per share and revenue light.
- **On Holding (ONON)**: Profit and revenue missed.
- **Under Armour (UAA)**: Deeper loss per share than expected.
- **ZoomInfo Tech (GTM)**: Disappointing FY revenue guidance.

FX

USD saw broad-based strength as higher oil prices (due to a lack of US-Iran progress) and a hotter-than-expected CPI report. April CPI was largely higher than expected, with Core M/M accelerating to 0.4% from 0.2%, Headline Inflation Y/Y to 3.8% from 3.3%, while Headline M/M eased to 0.6% from 0.9% as expected. Services and supercore inflation proved sticky, all accelerating M/M with Fed's Goolsbee once again expressing concern over the former, likely foreshadowing the focus from future Fed speeches, namely, concerns shifting back towards inflation as labour growth has shown stabilisation in the last couple of months. Meanwhile, higher US yields on rising oil prices gave USD a boost, as now Iran has set its own preconditions to entertain a second round of talks, some of which the US is reportedly against, i.e. "compensation for damages caused by the war". DXY hit highs of 98.46 before retreating to around 98.27.

GBP underperformed in G10 FX as it digested domestic politics. In brief, PM Starmer told his Cabinet that he intends to remain in leadership and will not schedule an exit – a move which essentially invites a leadership challenge. There are a few key factors that markets will eye, but perhaps most pertinent are: a) Burnham announcing his intention to become an MP, or b) Streeting starting a leadership challenge. Cable now trades at the bottom end of a 1.3500-1.3614 range. Sell-side analysts are broadly in consensus on the dire situation in the UK political landscape; Mohit Kumar of Jefferies suggests that any replacement to Starmer "would likely be left-leaning and be negative for the long end of the curve and the currency". As such, the bank maintains its short-sterling position.

CAD & NOK outperformed major peers, supported by the backdrop of higher energy prices. Meanwhile, the Yen was subject to a bout of strength in the early European session, but has since come off the 157.308 lows seen at the time. No official confirmation was given behind the move, leaving speculation over intervention/rate check at play. USD/JPY rose back to ~157.60 ahead of APAC trade.

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