

newsquawk

US Market Wrap - 13th May 2026

Tech strength leads equities higher as Trump/Xi summit awaits

- **SNAPSHOT:** Equities up, Treasuries mixed, Crude down, Dollar up, Gold down
- **REAR VIEW:** Hotter-than-expected US PPI; Fed's Kashkari said inflation too high, labour market is "lukewarm"; Fed's Collins says policy well positioned & possible Fed will need to hike rates; US & China are reportedly said to be weighing tariff cuts on USD 30bln of imports; NVDA CEO joins Trump in visit to China; BofA hikes MU PT; US Senate confirms Kevin Warsh as Fed Chair; UK PM Starmer pressure intensifies; EIA crude stocks draw more than expected; Weak US 30yr bond auction.

MARKET WRAP

US indices closed with an upward bias as the Nasdaq 100 outperformed, buoyed by strength in Mag-7 (ex-MSFT), with NVDA and MU being particularly fruitful. Nvidia CEO has joined Trump on his trip to China, while Micron saw a chunky BofA PT lift. Focus resides around the Trump/Xi summit, as well as the Middle East, albeit there was nothing incrementally new, especially given that Trump is in China. Although VP Vance, on Iran talks, thinks they are making progress, and focused on a diplomatic pathway for now. US PPI garnered a hawkish reaction, as it was much hotter than expected across the board, which saw US indices and Treasuries fall, while the Dollar rose as it showed signs of broader price pressures beyond energy. Kiwi was the G10 FX laggard, and hit on higher than anticipated inflation expectations, following on from the recent poor GDP print - raising stagflationary concerns. While in Europe, the focus resides around the UK and PM Starmer's future, as he continues to be under significant pressure. The crude complex saw losses in choppy trade, in light headline newsflow, while precious metals were divergent - spot gold sits in the red and silver in the green. Sectors are predominantly firmer, with Communications and Tech sitting atop the pile, with Utilities and Financials at the bottom. Back to Treasuries, which saw choppy trade, as the initial leg lower on PPI was offset by lower crude prices. On the Fed footing, Collins hopes the economy will allow for more rate cuts later this year, but it's possible the Fed will need to hike interest rates to cool inflation pressures.

US

US PPI (April): US PPI came in significantly hotter than expected. Headline producer prices rose 1.4% M/M, above both the 0.5% forecast and prior print, while the Y/Y rate accelerated to 6.0% from 4.0%, topping the 4.9% consensus. Although headline measures can be heavily influenced by swings in energy prices, the underlying details also pointed to broader inflation pressures.

Nearly 60% of the April increase in final demand prices was attributed to a 1.2% rise in final demand services, reinforcing the hot services inflation seen in Tuesday's CPI report and suggesting price pressures are becoming more widespread.

Core measures excluding food and energy were also firm, confirming sticky underlying inflation. Core PPI rose 1.0% M/M (exp. 0.3%, prev. 0.1%), while the Y/Y rate accelerated to 5.2% from 3.8%, above the 4.3% forecast. Meanwhile, the supercore measure ex food, energy and trade rose 0.6% M/M (exp. 0.3%, prev. 0.2%), with the Y/Y rate climbing to 4.4% from 3.6%.

The PPI components feeding into PCE were mixed. Portfolio management prices declined, while air passenger transportation prices cooled from the prior pace. Healthcare-related measures were broadly stable, with outpatient hospital care slowing while nursing home care accelerated.

The hotter-than-expected PPI report, alongside signs of broader inflation pressures beyond energy alone, strengthens the case for Fed hawks and reinforces the Fed's ability to focus more heavily on inflation risks rather than labour market weakness, particularly as recent employment data continues to point to a relatively stable jobs market.

Oxford Economics noted that higher energy costs are beginning to bleed into broader goods and services categories, including transportation, which should keep producer price inflation elevated in the months ahead. The consultancy also highlighted AI-related demand and DRAM shortages as drivers of elevated electronic component prices. OxEco currently tracks April headline PCE at 0.4% M/M and 3.8% Y/Y — the hottest since May 2023 — while core PCE is seen at 0.3% M/M.

Fed's Collins (2028 voter): Expects Fed will need to keep restrictive policy for some time but hopes economy will allow for more rate cuts later this year, but it is possible Fed will need to hike interest rates to cool inflation pressures. The Boston Fed President added Right now, Fed policy is "well positioned" to deal with risks. Re. inflation, she is most worried about the outlook right now, and it will not abate this year, but it could cool in 2027. Collins echoed familiar rhetoric that it is critical inflation expectations stay anchored. Collins further noted that top of mind to understand what's happening with private credit, and in markets, anything that expands rapidly gets Fed attention, while many key economic indicators are very volatile right now.

Fed's Kashkari (2026 voter): Inflation is too high, and huge question mark about how long the Hormuz Strait will be closed, and that will have a big effect on inflation. Minneapolis Fed President said he is not surprised by the headline inflation rise, and what matters is how persistent the strict closure is. Speaking on the new Fed Chair, Kashkari noted they have a lot of influence and will have to persuade other policymakers.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 1 TICKER LOWER 110-00

T-notes saw choppy trade on Wednesday, with hotter-than-expected PPI data initially weighing on Treasuries before lower crude prices helped support the market later in the session. At settlement, 2-year -1.5bps at 3.979%, 3-year -1.0bps at 4.017%, 5-year -0.7bps at 4.119%, 7-year -0.5bps at 4.287%, 10-year +1.0bps at 4.473%, 20-year +1.3bps at 5.036%, 30-year +1.6bps at 5.043%.

THE DAY: T-notes were little changed overall, although there was notable volatility following the US PPI report. The data came in hotter than expected across the board and reinforced Tuesday's CPI release, particularly with another firm services inflation print, adding to concerns that inflation pressures are becoming more broad-based beyond just higher energy prices.

Treasuries initially sold off in response to the data, although the move quickly pared before pressure resumed later in the session, briefly taking the 10-year future below the 110-00 level.

However, softer crude prices helped lift Treasuries from session lows, with energy markets continuing to play a key role in driving rates price action.

The geopolitical backdrop was somewhat calmer, with President Trump arriving in Beijing for the US/China summit, seemingly delaying any major decisions regarding Iran until after the visit concludes.

Away from inflation data and geopolitics, the 30-year bond auction was also in focus and came in on the soft side despite attractive outright yields and a lower volatility backdrop, suggesting long-end demand remains cautious amid persistent inflation concerns.

SUPPLY

Notes

- US sold USD 25bln of 30-year bonds.

Bills

- US sold 17-week bills at a high rate of 3.615%, B/C 3.20x
- US to sell USD 95bln of 8-week bills (prev. 85bln) and USD 100bln of 4-week bills (prev. 90bln) on May 14th; all to settle May 19th

STIRS/OPERATIONS

- **Fed Pricing: Dec 10.2bps (prev. Dec 10.7bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 118bln (prev. USD 114bln) on May 12th
- SOFR at 3.60% (prev. 3.60%), volumes at USD 3.097tln (prev. USD 3.09tln) on May 12th
- NY Fed rrp op demand at USD 3.609bln (prev. 0.110bln) across 5 counterparties (prev. 1)

CRUDE

WTI (M6) SETTLED USD 1.16 LOWER AT USD 101.02/BBL; BRENT (N6) SETTLED USD 2.14 LOWER AT USD 105.63/BBL

The crude complex ended the day in the red in choppy trade. Focus resides around the Trump/Xi summit, as well as geopolitics, albeit there was nothing incrementally new on that footing as many await Trump's return from China. 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, while Israeli sources added that readiness will be raised upon the end of Trump's visit. As mentioned above, there was little market-moving headline newsflow, but the US President coursed his usual tone, noting Iran must "make a deal or be decimated", while Tehran outlined strict preconditions for talks.

On the supply/demand side of things, IEA OMR forecasts world oil supply to fall by 3.9mln BPD in 2026, assuming Strait of Hormuz flows gradually resume from June (prev. forecast 1.5mln BPD fall), and sees total world oil supply 1.78mln BPD lower than demand in 2026 (prev. 0.41mln BPD higher). Meanwhile, OPEC MOMR was somewhat outdated given the US-Iran war in addition to the UAE's exit from the group, which occurred on May 1st, and thus is not captured in the April release.

In the weekly EIA data, which garnered little reaction, crude and gasoline saw a greater-than-expected draw, while distillates saw a surprise build, albeit only a small one. Crude production rose 137k W/W to 13.71mln.

EQUITIES

CLOSES: SPX +0.58% at 7,444, NDX +1.04% at 29,367, DJI -0.14% at 49,698, RUT +0.04% at 2,844

SECTORS: Utilities -1.26%, Financials -1.07%, Real Estate -0.90%, Industrials -0.43%, Materials UNCH, Energy +0.16%, Consumer Staples +0.29%, Health +0.63%, Consumer Discretionary +0.75%, Technology +0.98%, Communication Services +2.65%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.02% at 5,868, Dax 40 +0.61% at 24,102, FTSE 100 +0.58% at 10,325, CAC 40 +0.35% at 8,008, FTSE MIB +1.00% at 49,481, IBEX 35 +0.46% at 17,655, PSI +0.24% at 9,072, SMI +0.71% at 13,213, AEX +1.07% at 1,010

STOCK SPECIFICS:

- **Nvidia (NVDA):** CEO Huang joins Trump's China trip, igniting hopes for an H200 deal.
- **Micron (MU):** BofA raised its PT on Co. to \$950 (prev. \$500).
- **Alibaba (BABA):** Rev. way light.
- **Nextpower (NXT):** EPS & rev. topped alongside raising FY top-line guidance.

- **Nebius (NBIS)**: Adj. EBITDA & rev. beat.
- **EchoStar (SATS)**: FCC approved Cos. \$40bln sale of wireless spectrum to T & SpaceX.
- **Wix (WIX)**: Top & bottom line disappointed.
- More activist investors, including Irenic Capital, have taken stakes in **HP (HPE)**, Semafor reports citing sources; Irenic have discussed its holdings and frustration with execs.
- FTC reportedly files a suit over alleged **Shutterstock (SSTK)** misleading subscription plans.
- **Rivian (RIVN)** CEO's robotics spinoff raises USD 400mln, WSJ reports.
- **Paypal (PYPL)** partners with Anthropic to close the AI Gap for small businesses.

FX

USD was supported on Thursday due to another hot inflation report. PPI accelerated more notably than CPI. A hawkish reaction was seen across markets as both headline and core PPI readings saw striking accelerations. Particularly, the 1.4% increase in April from March's +0.5%, and most worryingly, that 60% of the rise can be attributed to a 1.2% advance in the index for final demand services (higher energy prices, not the no.1 force). On the other hand, components that feed into PCE were more mixed, showing no clear signal. Collecting the CPI & PPI reports, Oxford Economics estimates that the yearly headline PCE Y/Y figures would hit 3.8% Y/Y, the highest reading since May 2023. Elsewhere, geopolitics had little bearing on USD price action. Updates were generally light as markets await the outcome of the Trump-Xi meeting on trade, Taiwan, and Iran. DXY rose for the second consecutive day to a high of 98.598.

NZD lagged following inflation expectations data coming in above the RBNZ's midpoint forecast. In combination with slowing GDP growth, stagflation concerns weighed on the Kiwi, which saw lows of 0.5920. As a result, Aussie was the preferred currency in the region, and AUD/USD was modestly firmer at ~0.7260.

BRL saw notable weakness after The Intercept Brasil linked presidential candidate Bolsonaro to Daniel Vorcaro, the former chief executive of Banco Master, who was at the centre of a fraud investigation. The update has sparked fresh concerns behind Bolsonaro's challenge to the throne against President Lula in the upcoming October election. USD/BRL remains around the highs of 5.0032 from the session start of 4.8903.

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