

### Tech sends equities higher as Trump/Xi summit appears constructive

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude up, Dollar up, Gold down.
- **REAR VIEW:** Trump/Xi sees constructive tone; Saudi Arabia floats Middle Eastern non-aggression pact with Iran; Jobless claims tick higher, but echo a consistent labour market; Import/export prices jump; In line retail sales but stronger internals; Hawkish comments from BoJ's Masu; Solid UK GDP report; UK PM Starmer pressure intensifies as Streeting resigns; NVDA reportedly to sell H200 chips to Chinese firms, but Bessent pushes back; Stellar CSCO earnings.
- **COMING UP:** **Data:** Japanese PPI (Apr), Italian HICP Final (Apr), Canadian Wholesale Sales (Mar), US Industrial Production (Apr) **Events:** Trump-Xi Summit (14th-15th May) **Speakers:** Fed's Barr **Supply:** Australia **Credit Ratings:** Fitch on Germany; S&P on Italy; Morningstar DBRS on Portugal and the UK; Scope Ratings on Poland

### MARKET WRAP

Stocks continued to rally on Thursday, with Technology once again leading the gains. Nvidia (NVDA) supported sentiment after the US and China announced the company would be allowed to resume chip sales to China, sending shares more than 4% higher. Elsewhere, Cisco (CSCO) surged following earnings and a restructuring announcement, while Cerbras (CBRS) nearly doubled from its IPO price, reinforcing ongoing optimism surrounding AI demand.

Focus remained on the US/China summit, which appeared constructive overall. Agreements involving Nvidia and Boeing (BA) were announced, although the reported Boeing jet order fell short of the previously touted 500 aircraft figure. Treasury Secretary Bessent also remarked that "soybeans are all taken care of", weighing on soybean futures.

Oil prices settled only modestly firmer despite ongoing geopolitical uncertainty. Headlines surrounding the Middle East eased somewhat during Trump's China visit, although reports continue to suggest the administration is discussing the possibility of renewed military action against Iran amid the deadlock in negotiations. Markets still expect any major decision to likely come after Trump returns from China later this week.

In FX, the Dollar outperformed after US data continued to point towards resilient consumer demand and labour market conditions despite another round of firm inflation-related data, including hotter import and export prices. Sterling lagged as political pressure mounted on UK PM Starmer following Streeting's resignation and reports that Burnham may seek a return to parliament. Meanwhile, the Yen strengthened overnight after BoJ's Masu called for higher rates "as soon as possible", while another bout of sharp Yen strength later in the session briefly reignited intervention speculation before quickly paring.

Treasuries saw relatively muted trade overall, although the curve flattened modestly as front-end yields edged higher while the long-end outperformed slightly.

Gold and silver prices declined as the stronger Dollar and persistent inflation pressures reinforced expectations that the Fed may need to maintain a hawkish policy stance for longer.

### US

**RETAIL SALES:** Headline retail sales rose 0.5% in April, in line with expectations and easing from the prior 1.7% pace. Core retail sales ex autos increased 0.7%, above the 0.6% forecast but cooling from the prior 1.9%, while the ex autos and gas measure rose 0.5% after a 0.6% increase previously. Within the report, spending gains were led by electronics and appliance stores (+1.4%) alongside nonstore retailers (+1.1%). Meanwhile, gasoline station sales rose a further 2.8% after surging 13.7% in March, reflecting the impact of higher fuel prices amid the ongoing US/Iran conflict. On the downside, furniture store sales fell 2.0% while clothing store sales declined 1.5%. The closely watched control group rose 0.5%, cooling from the prior 0.7% pace but still pointing to resilient underlying consumer demand. Although activity moderated from March's strong pace, the report suggests consumers continue to spend despite higher gasoline prices, with both the core measures and control group remaining in positive territory. Summarising the release, Oxford Economics highlighted that the underlying details of the report remained firm, while upward revisions now leave real consumer spending tracking close to 2% annualised growth in H1, which the consultancy described as "unspectacular, but solid". However, the desk warned that support from higher tax refunds is beginning to fade, while elevated gasoline prices are likely to weigh on spending momentum in the months ahead.

**JOBLESS CLAIMS:** Initial jobless claims (w/e May 9th) rose to 211k from 199k, and above the expected 205k, breaking slightly back out of the c. 200k range, which left the 4-wk average claims edging marginally higher to 203.75k from 203k. Continuing claims (w/e May 2nd) lifted to 1.782m from 1.758m, but shy of the forecasted jump to 1.790m. For the headline, the unadjusted metrics printed 191k, with the seasonal factors forecasting a marginal rise of 199 (0.1%) W/W. Looking at the breakdown, for the unadjusted metrics, Florida (+2,395), Texas (+2,007), and Kentucky (+1,744) were the biggest gainers, while California (-872) and Michigan (-701) were the biggest decliners. Overall, the claims report is largely consistent with other labour market data showing a stable-to-improving job market, with not much follow through from the Iranian conflict, yet. Oxford Economics notes, "we can't say for certain, but the closure of Spirit Airlines may have boosted claims, with Florida seeing the largest increase in unadjusted terms."

**IMPORT/EXPORT PRICES:** Import prices rose 1.9% M/M in April, above both the 1.0% forecast and the prior 0.8% increase. The

upside was driven by higher fuel and nonfuel import prices. Fuel import prices surged 16.3%, accelerating from the prior 10.0% rise and marking the largest monthly increase since March 2022 following Russia's invasion of Ukraine. Excluding fuel, nonfuel import prices rose 0.8%, accelerating from the prior 0.2% pace. Higher prices for capital goods, industrial supplies, consumer goods ex autos, and foods and beverages more than offset weakness in automotive vehicles and parts. Export prices also came in firm, rising 3.3% in April as both agricultural and nonagricultural export prices accelerated. Agricultural export prices rose 1.6% M/M from 0.6% previously, while nonagricultural export prices increased 3.4% from 1.6%, reflecting broader commodity and goods price strength. The hotter import price data adds to the run of firm April inflation readings amid the ongoing US/Iran conflict and reinforces concerns that higher energy costs are beginning to feed through into broader sectors of the economy. Oxford Economics noted that risks remain tilted towards higher import prices into 2026 due to elevated global oil prices and strong demand for AI-related capital goods imports.

## FIXED INCOME

### T-NOTE FUTURES (M6) SETTLED 3+ TICKS HIGHER AT 110-03+

T-notes saw relatively muted trade on Thursday, although the curve flattened modestly as front-end yields edged higher while the long-end outperformed slightly. At settlement, 2-year +2.1bps at 3.998%, 3-year +2.0bps at 4.037%, 5-year +1.4bps at 4.128%, 7-year +0.7bps at 4.290%, 10-year -0.2bps at 4.465%, 20-year -0.9bps at 5.016%, 30-year -1.5bps at 5.019%.

**THE DAY:** Oil prices were ultimately little changed on Thursday, with focus largely on the US/China summit. Neither side commented significantly on Iran or Taiwan, although President Trump said both countries agreed the Strait of Hormuz must remain open and reiterated that Iran can never obtain a nuclear weapon.

The summit itself appeared constructive, with the US and China reaching several agreements involving Nvidia (NVDA) and Boeing (BA), while Treasury Secretary Bessent remarked that "soybeans are all taken care of".

On geopolitics, reports continued to suggest the Trump administration is discussing options for military escalation to break the deadlock in Iran talks, with markets still expecting any major decision to potentially come after Trump's return from China. Meanwhile, Pakistan reportedly remains optimistic regarding negotiations, while Saudi Arabia floated the possibility of a non-aggression pact with Iran and the Gulf states, which helped weigh modestly on crude prices.

US data continued to point towards sticky inflation but resilient underlying activity. Import and export prices both rose above expectations, reinforcing concerns that higher energy costs are feeding through into broader parts of the economy. However, jobless claims remained stable at 205k, signalling continued labour market resilience, while retail sales showed little sign of disruption despite elevated gasoline prices.

Overall, while inflation pressures continue to broaden, the consumer and labour market still appear resilient, supporting the view that the Fed can maintain its focus on inflation risks rather than downside growth concerns for now.

## SUPPLY

### Notes

- US to sell USD 16bln of 20-year bonds on May 20th; to settle June 1st; to sell USD 19bln of 10-year TIPS; to settle May 29th

### Bills

- US sold 8-wk bills at high-rate 3.610%, B/C 2.72x
- US to sell USD 89bln of 13-week bills (prev. 89bln) and USD 77bln of 26-week bills (prev. 77bln) on May 18th.
- US to sell USD 85bln of 6-week bills on May 19th (prev. 80bln)

## STIRS/OPERATIONS

- Fed Pricing: Dec 11.9bps (prev. Dec 10.2bps)
- EFR at 3.63% (prev. 3.63%), volumes at USD 123bln (prev. USD 118bln) on May 13th
- SOFR at 3.59% (prev. 3.60%), volumes at USD 3.119tln (prev. USD 3.097tln) on May 13th
- NY Fed RRP op demand at 2.03bln (prev. 3.61bln) across 8 counterparties (prev. 5) on May 14th

## CRUDE

### WTI (M6) SETTLED USD 0.15 HIGHER AT 101.17/BBL; BRENT (N6) SETTLED USD 0.09 HIGHER AT 105.72/BBL

The crude complex was mildly firmer on Thursday, albeit choppy, and in tight ranges relative to recent intraday moves. There was little market-moving Middle East headlines today, amid the Trump/Xi summit and players awaiting the former to return home, although benchmarks did see some pressure after FT reported that Saudi Arabia floats Middle Eastern non-aggression pact with Iran. Elsewhere, focus was on US/China, whereby reports initially suggested Trump avoided mentioning Iran entirely, but the US President later said Xi has offered to help on Iran, and that Xi wants to see Hormuz open. Trump added that Xi said he will not give military equipment to Iran. Moreover, reports suggested Washington informed Tel Aviv of the possibility that Trump might order strikes inside Iran, and echoed earlier reports from Axios which reported that Trump's team is now discussing options for military escalation to break the deadlock. Axios added, US officials don't expect Trump to take any dramatic steps during his trip to China but think he could make his next move immediately afterwards, so focus shall be on that once he returns. WTI traded between USD 95.12-98.13/bbl and Brent USD 103.88-107.13/bbl.

## EQUITIES

**CLOSES:** SPX +0.76% at 7,501, NDX +0.73% at 29,580, DJI +0.75% at 50,063, RUT +0.67% at 2,863

**SECTORS:** Technology +1.85%, Energy +0.77%, Utilities +0.55%, Financials +0.54%, Consumer Staples +0.50%, Industrials +0.50%, Health -0.06%, Communication Services -0.21%, Consumer Discretionary -0.31%, Real Estate -0.59%, Materials -0.79%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +1.12% at 5,927, Dax 40 +1.31% at 24,453, FTSE 100 +0.46% at 10,373, CAC 40 +0.93% at 8,082, FTSE MIB +1.15% at 50,050, IBEX 35 +0.87% at 17,809, PSI +0.57% at 9,124, SMI +0.71% at 13,213, AEX +1.13% at 1,022

- **Nvidia (NVDA)** CEO Huang said China meetings were "excellent" & US reportedly approved ~10 Chinese firms to buy H200 chips, but Bessent later said "would be news to him"
- **Cisco (CSCO):** EPS & rev. beat, issued stronger-than-exp. guidance, highlighted surging AI infrastructure orders despite announcing job cuts.
- **Whirlpool (WHR)** downgraded at Goldman Sachs to 'Neutral' from 'Buy'.
- **Take-Two Interactive (TTWO)** GTA 6 pre-order emails have reportedly been sent out to some with a pre-order window between May 18th-21st.
- **Fiserv (FISV)** to develop first-party agents with OpenAI on the Agentos platform
- **Klarna (KLAR):** Rev. & GMV topped.
- US President Trump says Chinese President Xi has agreed to buy 200 **Boeing (BA)** jets, less than the 500-jet order, Bloomberg reported in early March, that was close to being reached ahead of Trump-Xi summit.
- **CSX (CSX)** commenced USD 5bn stock buyback programme.
- OpenAI is reportedly working with a law firm to prepare actions against **Apple (AAPL)**, according to Bloomberg.
- **Cerebras Systems (CBRS)** shares open at USD 350 in Nasdaq debut vs USD 185 IPO price.

## FX

**The Dollar** was firmer, to the detriment of G10 FX peers, following a constructive Trump/Xi summit, whereby the overall tone was positive, as well nothing too incrementally new on Iran. On that footing, reports suggested Washington informed Tel Aviv of the possibility that Trump might order strikes inside Iran, and echoed earlier reports from Axios which reported that Trump's team is now discussing options for military escalation to break the deadlock. However, no one expects any dramatic action until Trump returns from China. Regarding data, initial jobless claims rose, but still indicating a stable-to-improving job market, while import/export prices jumped, showing more signs energy costs are feeding through to other parts of the economy. Retail sales headline M/M was in line, although Oxford Economics highlights that the details were stronger and upward revisions to past months mean real consumer spending is now tracking close to 2% annualized in H1, which is unspectacular, but solid.

As mentioned, **G10 FX** was lower across the board vs. the **Buck**, with the **Pound** the clear laggard and weighed on by UK political turmoil surrounding PM Starmer. The main point today was the potential leadership challenger, Streetering, resigning from his post as Health Secretary. If Streetering does launch a contest, PM Starmer has made clear he will challenge it. In addition, Andy Burnham confirmed he'll try to run for Parliament after Labour MP Simons said he'll resign to make way for him, and BBC understands Starmer will not seek to block Burnham from becoming the Labour candidate in Makerfield. Elsewhere in the UK, and despite being overlooked, there was a stellar UK GDP report.

All others saw similar weakness, although **USD/JPY** noticed a sharp drop from 158.15 to 157.25 just after the US cash open, which swiftly reversed, as some touted potential intervention or rate check. Overnight, the Yen saw strength amid hawkish remarks from BoJ's Masu, who said the central bank needed to raise rates "at the earliest stage possible". Masu, at the last BoJ confab, was not one of the three hawkish dissenters, meaning the vote split could theoretically be 5-4 should former dissenters maintain their votes.

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