

Markets chop to geopolitics while Trump holds off on immediate Iran attack

- **SNAPSHOT:** Equities mixed, Treasuries steepen, Crude choppy, Dollar down, Gold up
- **REAR VIEW:** Trump instructed Hegseth to hold off on the Iran attack that was planned for tomorrow; White House believes updated Iran proposal is not a meaningful improvement & insufficient for a deal; US official tells CNBC the Iranian state media report that US agreed to lift oil sanctions while talks are ongoing are false; Trump warns clock is ticking for Iran; White House believes Iran reports fundamental differences between the Iranian and American texts still remain; Kevin Warsh to be sworn in as next Fed Chair on Friday; UK's Burnham fully rules out changing Chancellor Reeves' fiscal rules if he becomes PM; NEE to acquire D; Berkshire exits UNH.
- **COMING UP: Data:** Japanese GDP (Q1), UK Jobs Report (Mar/Apr), Average Earnings (Mar), US ADP Employment Change Weekly, Canadian CPI (Apr). **Events:** RBA Minutes (Apr). **Speakers:** RBA's Hunter; BoE's Breeden; ECB's Lane; Fed's Waller. **Supply:** The UK, Germany. **Earnings:** Home Depot.
- **WEEK AHEAD:** Highlights include NVDA earnings, FOMC Minutes, UK, Canadian, Japanese and NZ inflation. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Tech behemoth NVDA the highlight. [Click here for the full report.](#)

MARKET WRAP

Markets saw choppy trade on Monday as geopolitical headlines dominated price action, with stocks ultimately finishing mixed by the close.

The key development came late in the session after President Trump announced he had called off a planned attack on Iran following requests from Saudi Arabia, the UAE and Qatar.

The Truth Social post sent equities and Treasuries higher while crude prices sharply reversed lower, unwinding much of the afternoon strength. Trump said Gulf allies had urged the US to delay military action as "serious negotiations" are now underway and expressed confidence that a deal acceptable to the US could still be reached, including guarantees preventing Iran from obtaining nuclear weapons.

Nonetheless, Trump added that officials remain prepared for a large-scale assault at a moment's notice should negotiations fail, keeping geopolitical uncertainty elevated.

In FX, Sterling outperformed and pared some of the politically driven weakness seen recently after Bloomberg reported that Greater Manchester Mayor Burnham — a potential successor to PM Starmer — had fully ruled out changing Chancellor Reeves' fiscal rules if he were to become Prime Minister. Meanwhile, the Yen and Dollar lagged in volatile trade, with much of the Dollar weakness emerging following Trump's post.

Gold and silver prices were firmer amid ongoing geopolitical uncertainty, while the late decline in the Dollar also offered support to precious metals.

US

NAHB: The US NAHB housing market index rose to 37 from 34, and above the expected 35. In the details, all three subcomponents rose three points with current sales conditions at 40 (prev. 37), sales expectations in the next six months at 45 (prev. 42), and traffic of prospective buyers printing 25 (prev. 22). Overall, Oxford Economics notes the NAHB homebuilder sentiment index improved in May but remains at a level consistent with weak housing market activity. Homebuilders became less pessimistic about home sales six months from now, but OxEco thinks that builders will need to work off more of their unsold inventory before we see a notable pickup in single-family housing starts.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 5 TICKS LOWER AT 109-00+

T-notes saw choppy trade amid mixed geopolitics but rally ahead of settlement as Trump holds off on Iran attack for now . At settlement, 2-year -0.8bps at 4.071%, 3-year -0.1bps at 4.143%, 5-year -0.7bps at 4.260%, 7-year +0.2bps at 4.431%, 10-year +0.6bps at 4.603%, 20-year +0.5bps at 5.146%, 30-year +1.2bps at 5.134%,

THE DAY: Treasuries saw choppy trade on Monday as T-notes continued to track swings in crude prices, with the curve steepening modestly. With no tier one US data or Fed speakers on the docket, focus remained firmly on developments in the Middle East.

T-notes gapped lower at the Sunday reopen after oil prices jumped following comments from President Trump over the weekend, warning that "the clock is ticking" for Iran. The move weighed on Treasuries in overnight trade.

However, T-notes reversed through the European morning as crude prices pared from highs, with Treasuries hitting session peaks

as oil touched lows. The pressure in crude followed reports from Tasnim suggesting the US had agreed in a new draft text to lift Iranian oil sanctions during negotiations. Al Arabiya also reported that Iran had withdrawn its demand for compensation and agreed to a long-term nuclear freeze rather than a full dismantling of its nuclear programme.

However, reports also suggested fundamental differences between the sides still remain, while the US said Iran's updated proposal was insufficient to end the war. US officials also denied reports regarding sanctions relief, while President Trump said he was not open to concessions for Tehran following its latest response. The pushback saw oil prices gradually rebound through the US session, pulling T-notes off earlier highs. Further pressure emerged ahead of settlement after Israeli media, citing a US source, reported that a resumption of strikes against Iran was viewed as a matter of when rather than if, helping crude prices extend gains into the close.

However, T-notes rallied around settlement after President Trump posted on Truth Social that he had called off a planned attack on Iran following requests from Saudi Arabia, the UAE and Qatar. The headlines sent crude prices sharply lower, reversing much of the afternoon strength. Trump said Gulf allies had urged the US to delay military action as "serious negotiations" are now underway and expressed confidence that a deal acceptable to the US could still be reached, including guarantees preventing Iran from obtaining nuclear weapons. Nonetheless, Trump added that officials have been instructed to remain prepared for a large-scale assault at a moment's notice should negotiations fail.

Elsewhere, UK political developments also remained in focus. A spokesperson for Manchester Mayor Andy Burnham fully ruled out changing Chancellor Reeves' fiscal rules should Burnham become Prime Minister, helping support Gilts after uncertainty over the weekend regarding his fiscal stance.

Looking ahead, the focus this week remains firmly on geopolitics but the 20-year Treasury auction and FOMC Minutes will also be key events for rate markets.

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 3-month bills at a high rate of 3.600%, B/C 3.17x; Sold 6-month bills at a high rate of 3.615%, B/C 3.07x
- US to sell USD 85bln of 6-week bills on May 19th (prev. 80bln)

STIRS/OPERATIONS

- **Fed Pricing: Dec 16.3bps (prev. 16.5bps)**
- EFRR at 3.63% (prev. 3.63%), volumes at USD 123bln (prev. USD 120bln) on May 15th
- SOFR at 3.55% (prev. 3.56%), volumes at USD 3.157tn (prev. USD 3.115tn) on May 15th
- NY Fed RRP op demand at 7.19bln (prev. 0.65bln) across 21 counterparties (prev. 5) on May 18th
- NY Fed T-Bill Purchases (1-4 month): Accepts USD 6.58bln of USD 41.18bln offered; Offer-to-cover 6.26x

CRUDE

WTI (N6) SETTLED USD 3.36 HIGHER AT 104.38/BBL; BRENT (N6) SETTLED USD 2.84 HIGHER AT 112.10/BBL

The crude complex was firmer to start the week, and saw choppy trade in mixed Middle East reporting . In the European morning, W and Brent hit lows of USD 98.60/bbl and USD 106.87/bbl, respectively, after a couple of positive US/Iran updates. Firstly, Tasnim sources reported that, unlike their previous texts, the Americans have agreed in the new text to lift Iran's oil sanctions during the negotiation period, while Al Arabiya reported Iran has agreed to a long-term nuclear freeze instead of a complete dismantling, and working on a condition transfer of enriched uranium to Russia instead of the US. However, after benchmarks printed these troughs, it has been one-way traffic higher since, to pare all losses, and more, to settle around highs. Behind the move, were a couple of reports pushing back on the earlier constructive rhetoric we had. Al Jazeera, citing a source, said Iran has days, not weeks, to offer progress to the US to break the deadlock, and Trump is losing patience with the progress of talks, while Tasnim noted fundamental differences between the Iranian and American texts still remain. Continuing to add to the moves, a senior US official and a source briefed on the issue told Axios that Iran has given an updated proposal for a deal to end the war, but the White House believes it is not a meaningful improvement and is insufficient for a deal. Into the settlement, which spurred benchmarks to peaks, Israel press, citing a US source, said that an additional American strike on Iran "is not a question of whether but of when". As such, traders await any further update and the next risk catalyst.

(20:20BST/15:20EDT) NOTE

After the settlement, US President Trump posted on Truth Social that he has called off the planned attack on Iran tomorrow following requests from Saudi Arabia, UAE and Qatar. The news saw oil prices tumble, wiping out the majority of the gains seen this afternoon. Trump said that the Middle Eastern allies asked him to hold off on attacks as serious negotiations are now taking place, and that they believe a deal will be made, one that is acceptable to the US. Trump said the deal will include no nuclear weapons for Iran. Although he has called off the attack for now, Trump added he has instructed officials to be prepared to go ahead with a full, large-scale assault on Iran at a moment's notice, in the event that an acceptable deal is not reached.

EQUITIES

CLOSES: SPX -0.08% at 7,403, NDX -0.45% at 26,091, DJI +0.32% at 49,686, RUT -0.61% at 2,776.

SECTORS: Energy +1.81%, Consumer Staples +1.34%, Financials +1.21%, Real Estate +1.14%, Health +0.42%, Communication

Services +0.24%, Utilities +0.05%, Materials -0.14%, Consumer Discretionary -0.20%, Industrials -0.42%, Technology -0.97%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.58% at 5,857, Dax 40 +1.24% at 24,248, FTSE 100 +1.26% at 10,324, CAC 40 +0.44% at 7,987, FTSE MIB -0.91% at 48,669, IBEX 35 +0.75% at 17,755, PSI +1.21% at 9,143, SMI +0.29% at 13,258, AEX +0.52% at 1,016.

STOCK SPECIFICS:

- **Regeneron (REGN)** melanoma combo fails Phase 3 primary endpoint.
- **Ford (F)** plans to launch seven new vehicle models in Europe by 2029.
- **NextEra Energy (NEE)** is discussing a mostly stock deal for Dominion Energy (D) that would value the Co. at about USD 76/shr, or around USD 66bln.
- Publicis agreed to buy **LiveRamp (RAMP)** in an all-cash USD 2.2bln deal.
- BofA reinstated coverage of ServiceNow (NOW) with a 'Buy' rating and a PT of USD 130.
- In latest 13-F filing, **Berkshire (BRK.B)** exits UnitedHealth (UNH) position.
- In latest 13-F filing, Elliott builds **Bio-Rad (BIO)** stake.
- **Dell (DELL)** said it added 1,000 customers for AI servers in Q1, its target is traditional corporate clients' now has 5,000 clients for AI server with **Nvidia (NVDA)** chips.
- **Meta (META)** to layoff 10% of global workforce on May 20th in three batches globally, and tells employees 'many leaders will announce org changes'; to move 7k people to new initiatives related to AI workflows and eliminate managerial roles.
- **Nvidia (NVDA)** CEO Huang reiterates demand for memory is outpacing capacity. China has to decide how much to protect the market; It is up to China to decide on AI chips; Looks forward to China being a more open market. Did not discuss H200 chips with Chinese officials (echoes what Trump said).

FX

The Dollar Index was weaker to start the week, to the benefit of all G10 peers as the Middle East dominated the tape, and led the way for sentiment throughout. The most recent, and arguably most important, just came from US President Trump on Truth supported risk-on trade, seeing the Dollar plummet and stocks reverse afternoon losses. Recapping, the President said he has instructed Hegseth to hold off on the Iran attack that was initially planned for tomorrow after Saudi, the UAE and Qatar requested him to do so as serious talks are now taking place. Trump added that he instructed them to be prepared to go forward with a full, large-scale assault of Iran on a moment's notice, in the event an acceptable deal is not reached. Whilst that was the big mover on Monday amongst other geopolitical headlines, it was a day that lacked tier 1 US data or Fed speak. On the latter, Kevin Warsh is to be sworn in as the next Fed Chair on Friday.

Ex-JPY, **G10s** were firmer vs. the Buck, and benefited from the aforementioned weakness and risk tone, as opposed to anything currency specific. However, for the Pound, focus continues to surround the political picture and PM Starmer's future. Meanwhile, the potential challenger Andy Burnham fully ruled out changing Chancellor Reeves' fiscal rules if he becomes PM. Reminder, at the weekend his team had left it open whether he might change them in future, but tonight his spokesperson told Bloomberg he is explicitly ruling out any changes to the existing fiscal rules. Crucially, Burnham is now also ruling out exempting defence spending from the fiscal rules to spend more on the military.

As mentioned, **JPY** was flat with USD/JPY trading between 158.61-159.08 as participants remain wary of possible intervention. On that, Finance Minister Katayama remarked that they are seeing speculative moves in the financial market and need to closely monitor the financial markets. The Finance Minister gave no comment on whether Japan intervened in the FX market, but added will take appropriate action against Forex volatility.

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