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US Market Wrap - 19th May 2026

Risk off seen as US/Iran seem no closer on a deal

- **SNAPSHOT:** Equities down, Treasuries down, Crude down, Dollar up, Gold down.
- **REAR VIEW:** Trump said may have to give Iran another hit but not sure yet; Trump on timeline for Iran, said 2-3 days, maybe till early next week; WSJ reports that mediators see little progress in US/Iran talks; UK u/e rate unexpectedly ticks higher; Softer-than-expected Canadian inflation; Japanese Finance Minister Katayama ready to take decisive action on FX; Google unveils Gemini Omni AI model for video generation and editing. - **COMING UP:** **Data:** Chinese LPR (May), German PPI (Apr), UK Inflation Report (Apr), EU Inflation Final (Apr), New Zealand Trade Balance (Apr). **Events:** FOMC Minutes (Apr), BoJ Bond Market Survey (May). **Speakers:** US President Trump; Fed's Paulson, Barr; BoE's Bailey, Breeden, Dhingra, Mann. **Supply:** Japan, Germany, US. **Earnings:** Nvidia, Target, Intuit.

MARKET WRAP

US indices ended the day in the red, amid broader risk-off sentiment, although sectors closed more mixed. Sentiment was soured through the duration of Tuesday, but extended further after WSJ reported that mediators see little progress in Iran-US talks, and Iran's position to end the war hasn't changed much from earlier iterations that failed to yield progress towards a deal. Following this, the Dollar continued its ascent higher, to the detriment of G10 FX peers, as Antipodeans lagged on the aforementioned risk but also the selling of precious metals. Spot silver saw greater losses than its counterpart. CAD was the relative outperformer, and more-or-less flat vs. the Greenback, despite cooler-than-expected inflation metrics. The Treasury selloff continued as inflation concerns worsen, as the Middle-East conflict drags on. The crude complex was choppy, amid pretty tight ranges by recent standards, but rose to highs on a couple of WSJ reports into settlement. There was no tier 1 US data or Fed speak, as attention turns to FOMC Minutes and Nvidia earnings on Wednesday.

US

PENDING HOME SALES: Pending home sales rose 1.4% M/M in April (exp. 1.3%, prev. 1.5%), with M/M sales rising in the Northeast, Midwest and West, but declining in the South. NAR Chief Economist Dr. Lawrence Yun said that "buyers are coming out with cautious optimism despite increasing economic uncertainty and a slight rise in mortgage rates". Despite the positive numbers Yun stressed, "Unless supply meaningfully increases, home price growth could outpace wage growth and further erode the homeownership rate. All efforts need to be focused on boosting housing supply."

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 10 TICKS LOWER AT 108-22+

Treasury selloff continues amid the worsening of inflation concerns as Middle-East conflict drags on. At settlement, 2-year +7.2bps at 4.118%, 3-year +8.1bps at 4.201%, 5-year +8.9bps at 4.326%, 7-year +9.2bps at 4.499%, 10-year +8.2bps at 4.667%, 20-year +6.3bps at 5.196%, 30-year +5.3bps at 5.177%.

THE DAY: Yields rose across the curve on Tuesday, with moves led by the front-end and belly as firmer oil prices rebuilt inflation concerns.

Energy markets continued to dictate rates price action as geopolitical uncertainty remained elevated despite President Trump holding off on a planned strike against Iran that was reportedly due to take place today. Trump has continued to leave the door open for renewed military action should negotiations fail, warning of "another big hit" if Iran does not agree to a deal. As such, markets likely need to see clearer signs of tangible diplomatic progress before oil prices — and in turn yields — can sustainably move lower.

Elsewhere, Fed speak was limited, although President Trump appeared to soften his rhetoric around Fed policy and incoming Chair nominee Warsh. Asked about the recent hawkish repricing in rates markets and whether he expects Warsh to deliver cuts, Trump said he would let Warsh "do what he wants" and that he believes he will "do a good job".

Globally, Canadian inflation data came in softer than expected, contrasting with the recent run of firm US inflation reports. In Japan, Treasury Secretary Bessent spoke with BoJ Governor Ueda and said that excess FX volatility is undesirable, while Japanese Finance Minister Katayama warned authorities remain ready to take decisive FX action, helping support the Yen. Meanwhile, UK labour market data came in soft, while reports suggested Labour's Burnham would not commit to maintaining existing manifesto tax pledges and had opened the door to future tax increases if he were to become Prime Minister, lending some support to Gilts.

Looking ahead, geopolitics remains the dominant focus for rates markets, although this week's 20-year Treasury auction and FOMC Minutes will also be key.

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 on 21st May; to settle May 29th

Bills

- US sold 6-week bills at a high rate of 3.580%, B/C 3.01
- US to sell USD 95bln of 8-week bills and USD 100bln of 4-week bills on May 21st; to sell USD 69bln of 17-week bills on May 20th; all to settle May 26th

STIRS/OPERATIONS

- **Fed Pricing: Dec 21.4bps (prev. 16.3bps)**
- EFRR at 3.63% (prev. 3.63%), volumes at USD 118bln (prev. USD 123bln) on May 18th
- SOFR at 3.53% (prev. 3.55%), volumes at USD 3.159tln (prev. USD 3.157tln) on May 18th
- NY Fed RRP op demand at USD 12.9bln (prev. 7.193bln) across 22 counterparties (prev. 21)

CRUDE

WTI (N6) SETTLED USD 0.23 LOWER AT USD 104.15/BBL; BRENT (N6) SETTLED USD 0.82 LOWER AT USD 111.28/BBL

The crude complex was choppy, but settled more-or-less flat as two WSJ pieces into settlement sent benchmarks back to highs. The second piece, pushed back on any developments, as WSJ reported that mediators see little progress in Iran-US talks, and that Iran's position in talks hasn't changed much from earlier iterations that failed to yield progress towards a deal. WSJ sources echoed Trump, that the US/Israel had been preparing to carry out new attacks on Iran within days, some even said strikes could still happen as early as next week. In addition to this piece, WSJ said that the US seized an Iran-linked ship in the Indian Ocean overnight, marking at least the third time they have seized an oil tanker in connection with its crackdown on Iran-linked shadow-fleet vessels.

Prior to these late bursts of headlines, there was headline-heavy geopolitical trade, but not enough to change the dynamic. The key market update came after settlement on Monday evening, whereby Trump said that he had called off the planned attack on Iran on Tuesday following requests from Saudi Arabia, UAE and Qatar. Back to Tuesday, benchmarks saw upside in early European afternoon trade after an explosion was heard on Qeshm Island, which was later reported to be caused by the neutralisation of unexploded munitions. Elsewhere, Middle East headlines were consistent, but nothing too incrementally new, as desks await the next escalation or de-escalation. To be aware of, Trump said he may have to give Iran another hit, but not sure yet, Iran is begging to make a deal, and "you'll know very soon if we have to make another big hit". On timeline for Iran, says 2-3 days, maybe till early next week. VP Vance later reiterated similar comments, saying he just spoke with Trump, and Iran has two options, either reach an agreement or resume the war, and they've made a lot of progress. As such, WTI and Brent settled pretty flat but traded within pretty contained ranges, given recent standards. Ahead, participants await the weekly private inventory data.

EQUITIES

CLOSES: SPX -0.67% at 7,354, NDX -0.61% at 28,819, DJI -0.65% at 49,369, RUT -1.01% at 2,747

SECTORS: Materials -2.27%, Communication Services -1.58%, Consumer Discretionary -1.32%, Financials -1.23%, Industrials -1.17%, Technology -0.71%, Consumer Staples +0.40%, Real Estate +0.50%, Utilities +0.99%, Energy +1.05%, Health +1.09%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.07% at 5,853, Dax 40 +0.49% at 24,428, FTSE 100 +0.07% at 10,331, CAC 40 -0.07% at 7,982, FTSE MIB -0.65% at 48,355, IBEX 35 -0.48% at 17,670, PSI +0.19% at 9,160, SMI +0.94% at 13,365, AEX +0.31% at 1,019

STOCK SPECIFICS:

- **Blackstone (BX) and Google (GOOGL)** plan to create a US AI cloud Co. using Google's specialised chips. CoreWeave said Blackstone (BX)/Google (GOOGL) TPU cloud deal viewed as yet another demand signal, not a competitive disruption to Co.; customers explicitly asking for Nvidia (NVDA) GPUs, not TPUs.
- **Akamai (AKAM)** will offer USD 1.3bln of 0% convertible senior notes due 2030 & USD 1.3bln due 2032.
- **Analog Devices (ADI)** in advanced talks to acquire Empower Semiconductor for USD 1.5bln in cash.
- **Home Depot (HD):** Top & bottom line beat but SSS missed; Backed FY guidance.
- **StubHub Holdings (STUB)** upgraded at Guggenheim.
- **Google (GOOGL)** CEO at I/O: Now process 3.2 quadrillion tokens per month; AI overviews has 2.5bln monthly users, AI mode at 1bln, and Gemini has 900mln monthly users; Unveils Gemini Omni AI model for video generation and editing. Debuts Gemini 3.5 model family, beginning with Gemini 3.5 flash.

FX

USD was firmer against major peers as global government bond yields continued to march higher despite crude prices settling modestly lower. The market is warming up to the notion that even if a resolution was found imminently, many hurdles remain to get Hormuz flows back to pre-war levels. Aside from the better-than-expected growth in US Pending Home Sales, focus was on geopolitical developments, which saw Trump give a 2-3 day time on Iran, or "maybe till early next week". Meanwhile, the WSJ reminded markets via sources that Iran's position in talks with the US to end the war hasn't changed much from earlier iterations that failed to yield progress towards a deal, a prospect that counters optimism that a deal is on the horizon. DXY nears session highs of 99.43. Attention will remain on an escalation/de-escalation in the Middle East, whilst Nvidia earnings on Wednesday are the main scheduled event this week.

Yen strength failed to hold following jawboning from the Finance Minister Katayama, who said ready to take decisive action on FX.

USD/JPY was modestly firmer within a range of 158.65-159.25. Note, USD/JPY saw a sharp decline from 159.125 to 158.65, with no clear headline driver.

Antipodes underperformed amid the risk-averse environment and weakness in the metals space. Meanwhile, **CAD** saw relative outperformance despite a softer-than-expected inflation report, as resilient oil prices helped the growth outlook. USD/CAD peaked at 1.3774 before trimming to ~1.3750.

Cable was weaker on Tuesday, primarily on the stronger USD, with markets largely looking through the uptick in the UK unemployment rate to 5.0% (exp. 4.9%, prev. 4.9%), especially the HMRC -100k employment change (exp. -26k) in April, which the ONS said is "likely to be revised when more data are received next month".

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