

newsquawk

US Market Wrap - 20th May 2026

Stocks gain and crude falls on end of war hopes

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down, Gold up
- **REAR VIEW:** US President Trump says US is in the final stages of talks with Iran; Pakistani Army Chief may visit Iran tomorrow to announce achievement of final draft of agreement text; Hawkish FOMC Minutes; EIA crude stocks draw more than expected; Fed's Paulson says inflation is too high and rate cuts may only happen after inflation is controlled; Softer-than-expected UK CPI; Average US 20yr bond auction; TGT CEO maintains cautious outlook; Samsung Electronics labour union postpones strike; OpenAI reportedly aiming to IPO as early as September.
- **COMING UP: Data:** Global S&P PMIs Flash (May), Japanese Trade Balance (Apr), Australian Employment Report (Apr), US Initial Jobless Claims (May/16), EU Consumer Confidence Flash (May). **Events:** Banxico Minutes (May). **Speakers:** BoJ's Koeda; BoE's Taylor, Bailey; ECB's Elderson; Fed's Barkin. **Supply:** Spain, France, the UK. **Earnings:** Walmart, Deere.

MARKET WRAP

US stocks closed higher on Wednesday as markets grew increasingly optimistic that the Middle East conflict may be approaching its final stages. President Trump said talks with Iran are in their final stages, while Al Hadath reported that the Pakistani Army Chief may visit Iran tomorrow to announce a final draft agreement, with the next round of negotiations expected to take place in Islamabad after the Hajj season (25th–30th May).

Oil prices extended losses following the headlines, with WTI and Brent both falling by around USD 6/bbl. The decline in crude supported Treasuries and weighed on the Dollar against major peers.

Energy was the worst-performing sector amid the sharp downside in oil, while Consumer Discretionary, Technology and Materials outperformed. Airlines were among the biggest gainers in the S&P 500 as lower fuel costs boosted sentiment (JETS +6.6%). Semiconductor (SMH +3.8%, SOXX +4.7%) and memory names (DRAM +3.5%) rallied ahead of Nvidia earnings, with many sell-side firms expecting a beat-and-raise quarter.

Elsewhere, the FOMC Minutes leaned hawkish, with the majority viewing hikes as likely warranted should inflation remain persistent, although markets largely looked through the release. In supply, the US 20-year bond auction was broadly average and generated little market reaction.

In FX, Antipodes outperformed while the Dollar lagged alongside lower oil prices and firmer Treasuries. Sterling also strengthened despite softer-than-expected UK CPI data as it benefitted from the risk environment and Dollar weakness. Precious metals benefited from the weaker Dollar backdrop.

Looking ahead, focus remains firmly on Iran after reports suggested Tehran is reviewing a text sent by the US, following Iran's own 14-point proposal delivered three days ago.

US

FOMC MINUTES: The April FOMC Minutes leaned notably hawkish, although much of the tone was already signalled by recent Fed commentary and Powell's latest press conference. The key takeaway was the growing support within the Committee for shifting away from an easing bias and the increasing willingness among officials to consider further tightening if inflation remains persistent. A majority of participants said additional policy firming would likely become appropriate should inflation continue to run above the Fed's 2% target, while many participants said they would have preferred removing the easing bias language from the statement altogether. Policymakers also noted that elevated inflation and uncertainty surrounding the Middle East conflict could require rates to remain restrictive for longer than previously anticipated. Only several suggested it would likely be appropriate to lower rates once there are clear indications that disinflation is firmly back on track or if solid signs emerge of greater labour market weakness. Regarding inflation, participants warned that sustained high energy prices combined with tariffs could risk broader inflation pressures becoming embedded, although most still viewed longer-term inflation expectations as stable. On the labour market, most officials viewed conditions as stabilising, citing unemployment, hiring and layoff data, although some noted signs of underlying softness. Overall, the Minutes reinforced the Fed's growing focus on upside inflation risks over downside labour market concerns.

FED'S PAULSON (2026 VOTER, DOVISH): inflation remains too high, and that rate cuts are likely only appropriate once inflation is brought back under control, while reiterating that current policy is in an appropriate place. She added that it is healthy for markets to consider the possibility of an extended hold or even further hikes if inflation risks persist. Elsewhere, Paulson described the labour market as stable while noting consumption is slowing but remains resilient. The Philadelphia Fed President also warned that hikes may need to be considered if growth rises above potential or additional inflation risks emerge, while stressing that risks to both inflation and the broader outlook remain "super-elevated".

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 22+ TICKS HIGHER AT 109-13

T-notes were firmer on Wednesday, with yields lower across the curve as oil prices tumbled. At settlement, 2-year -7.8bps at 4.044%, 3-year -9.3bps at 4.111%, 5-year -10.2bps at 4.226%, 7-year -10.5bps at 4.392%, 10-year -9.9bps at 4.568%, 20-year -8.1bps at 5.120%, 30-year -7.2bps at 5.111%.

THE DAY: The decline in oil prices and, in turn, rise in yields continued to be driven by geopolitical headlines. After some of the more pessimistic rhetoric yesterday following the WSJ reporting, sentiment reversed through Wednesday's session.

Reports suggested the Pakistani Army Chief may visit Iran tomorrow to announce a finalised draft agreement between the US and Iran, with work underway on the remaining details.

President Trump later said the two sides are in the final stages of negotiations, noting Iran wants to make a deal, although he reiterated his usual caveats that the US "may have to hit Iran harder, maybe not".

Nonetheless, some press reports suggested gaps between the two sides still remain, keeping geopolitical uncertainty elevated despite the improvement in sentiment.

Elsewhere, there was no major US data release, although the FOMC Minutes leaned hawkish while the 20-year bond auction was broadly average (more below). The Minutes revealed that "many" policymakers would have preferred to remove the easing bias from the statement, while the "majority" viewed hikes as likely warranted should inflation remain persistent. Only several participants said it would likely become appropriate to lower rates if clearer signs emerge that disinflation is resuming or if the labour market weakens materially.

Despite the hawkish tone within the Minutes, markets saw little reaction as geopolitics and oil prices continued to dominate Treasury trade. Powell had also already alluded to much of the Committee's thinking during his post-meeting press conference.

SUPPLY

Notes

- [US sold USD 16bln of 20-year bonds](#)
- US to sell USD 19bln of 10-year TIPS on 21st May; to settle May 29th

Bills

- US sold 17-wk bills at high-rate 3.590%, B/C 3.34x
- US to sell USD 95bln of 8-week bills and USD 100bln of 4-week bills on May 21st;
- US to sell USD 25bln 27-day cash management bills on May 21st; to settle May 22nd

STIRS/OPERATIONS

- Fed Pricing: Dec 21.4bps (prev. 16.3bps)
- EFFR at 3.62% (prev. 3.63%), volumes at USD 119bln (prev. USD 118bln) on May 19th
- SOFR at 3.51% (prev. 3.53%), volumes at USD 3.111tln (prev. USD 3.159tln) on May 19th
- NY Fed RRP op demand at 24.87bln (prev. 12.91bln) across 16 counterparties (prev. 22) on May 20th
- 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 5.89 LOWER AT USD 98.26/BBL; BRENT (N6) SETTLED USD 6.26 LOWER AT USD 105.02/BBL

The crude complex tumbled on Wednesday, amid a couple of constructive US/Iran remarks. Firstly, and starting the tumble lower, was Al Hadath reporting that the Pakistani Army Chief may visit Iran tomorrow to announce achievement of final draft of agreement text, and the next round of negotiations will be held in Islamabad after the Hajj season (25-30th May), and sources added work is underway in earnest to put the finishing touches on the text of an agreement between Washington and Tehran. Following this, and aiding the downside even further, was US President Trump stating the US is in the final stages of talks with Iran, and will see what happens. As such, these reports saw WTI and Brent tumble, and hit lows of USD 96.94/bbl and 103.24/bbl, respectively, with a focus on any further remarks. Prior to these remarks, crude already traded on a softer footing, with price action edging lower amid a lack of fresh catalysts. Shortly ahead of settlement, a source close to the negotiating team said that after sending Iran's 14-point text three days ago, the Americans have once again given Iran a text through a Pakistani mediator, which Iran is currently still reviewing, Tasnim reported.

In the weekly EIA data, crude saw a much greater draw than expected, albeit not as deep as the private inventory numbers last night. Distillates saw a surprise build, and gasoline a smaller-than-anticipated draw.

EQUITIES

CLOSES: SPX +1.08% at 7,433, NDX +1.66% at 29,298, DJI +1.31% at 50,014, RUT +2.56% at 2,817

SECTORS: Consumer Discretionary +2.50%, Technology +1.87%, Materials +1.39%, Industrials +1.20%, Real Estate +1.15%, Financials +1.07%, Utilities +0.40%, Communication Services +0.16%, Health -0.07%, Consumer Staples -0.97%, Energy -2.59%

EUROPEAN CLOSES: Euro Stoxx 50 +2.09% at 5,975, Dax 40 +1.36% at 24,732, FTSE 100 +0.99% at 10,432, CAC 40 +1.70% at 8,117, FTSE MIB +1.71% at 49,182, IBEX 35 +2.04% at 18,031, PSI +0.96% at 9,248, SMI +0.39% at 13,417, AEX +1.46% at 1,034

STOCK SPECIFICS:

- **Samsung Electronics'** labour union has postponed strikes, union to hold a vote on a tentative pay plan. Vote to take place between the 23rd and 28th of May.
- **Micron (MU)** at a conference said its financial outlook has strengthened since last earnings call & on track for another substantial record FCF in Q3.
- **Nvidia (NVDA):** Earnings AMC; China last week banned NVDA RTX 5090D V2 imports.
- **Roblox (RBLX):** Authorised share buyback of up to \$3bln.
- **Toll Brothers (TOL):** Profit & rev. beat.
- **Lowe's (LOW):** Midpoint FY guidance light.
- **Analog Devices (ADI):** Confirmed that it has agreed to acquire Empower Semiconductor for \$1.5bln in cash; note, strong Q metrics & guidance.
- **TJX Companies (TJX):** EPS, rev. & comp. sales topped.
- **Etsy (ETSY):** Upgraded at Arete to 'Buy' from 'Neutral'.
- **Cigna (CI):** Downgraded at Deutsche Bank to 'Hold' from 'Buy'.
- **Target (TGT):** Solid Q report, but tone of comments in conference call was cautious.
- **ASML (ASML)** CEO sees tight supply in booming chip market as AI demand soars, according to Reuters.
- **OpenAI** reportedly preparing to file for an IPO very soon, according to WSJ citing sources; FT reports with a potential valuation of over USD 1tn.
- **Meta (META)** CEO told employees he does not expect more company wide-layoffs this year, via internal memo.

FX

USD was broadly weaker against G10 peers following a drop in oil prices on a couple of developments. Trump said the US is in the final stages of talks with Iran, and Al Hadath reported that the Pakistani Army Chief may visit Iran tomorrow to announce the achievement of the final draft of the agreement text. Oil prices settled around USD 6/bbl lower, allowing US Treasuries to erase losses seen on Tuesday, acting as a drag on USD. Elsewhere, the FOMC Minutes had a hawkish element, yet a fleeting impact on the USD. The two main takeaways were that many policymakers preferred to remove the easing bias from the policy statement (some non-voters also dissented), and the majority of participants saw a hike likely warranted if inflation persists. Next up is the AI theme, as to whether Nvidia earnings confirm the strong capex forecasts in 2026.

Antipodes outperformed as risk sentiment shifted towards optimism on hopes of a US-Iran resolution. CAD and NOK lagged their peers on strength against the US as the slump in oil prices pressured growth prospects.

GBP was firmer on the day as lower energy prices and hopes of continued diplomacy regarding the Middle East offset the lower-than-expected UK CPI reading for April. CPI slowed to 2.8% from 3.3% in March and below the consensus of 3.0%. ONS said, "The annual cost of both raw materials and goods leaving factories continued to rise, driven again by higher crude oil and petrol prices." Cable erased weakness seen on Tuesday, reaching a new WTD high of 1.3464.

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