

newsquawk

US Market Wrap - 21st May 2026

Markets chop driven by geopolitical swings

- **SNAPSHOT:** Equities up, Treasuries flatten, Crude down, Dollar flat, Gold flat
- **REAR VIEW:** Reports claim that the final draft of US-Iran agreement has been reached with mediation of Pakistan, but gets ultimately denied; Trump says US will get Iran's Uranium, Iran says otherwise; Mixed reporting over whether Pakistan Army Chief to visit Tehran; Rubio says some progress has been made in talks with Iran; NVDA slips despite earnings & guidance beat; Initial & continuing claims little changed; Philly Fed turns negative; S&P Flash PMI mixed; Aussie employment unexpectedly turns negative, u/e rate rises; Dismal French Flash PMI; US awards quantum-related names IBM and GFS.
- **COMING UP: Data:** Japanese CPI (Apr), German GfK Consumer Confidence (Jun), GDP Final (Q1), Ifo Business Climate (May), UK Retail Sales (Apr), PSNB (Apr), Canadian Retail Sales (Mar), University of Michigan Consumer Sentiment Final (May). **Events:** BoC SLOS (May), Kevin Warsh Confirmation as Fed Chair. **Speakers:** ECB's Lane; Fed's Waller. **Credit Ratings:** Scope Ratings on China; Moody's on Hungary, Portugal, the UK; S&P on Norway.

MARKET WRAP

It was another choppy session dominated by contradictory geopolitical headlines surrounding the Middle East conflict. Ultimately, stocks closed higher, Treasury yields were predominantly lower, crude settled down from earlier highs, and the Dollar finished little changed. Cross-asset price action largely tracked swings in oil prices as markets reacted to shifting headlines around US-Iran negotiations.

Reports circulated that a final draft US-Iran agreement had been reached through Pakistani mediation and could be announced within hours, with Iranian media citing Al Arabiya TV. However, Al Arabiya later denied the report shortly before the closing bell. Meanwhile, there were several conflicting reports surrounding Iran's enriched uranium, including whether it would remain in Iran or be transferred abroad.

According to Reuters and Politico, the two key sticking points remain Iran's nuclear programme and reopening the Strait of Hormuz. The Pakistani Army Chief is no longer expected to travel to Tehran tonight, while Reuters reported that no deal has yet been reached, although negotiations have narrowed the gaps between both sides.

US data and Fed commentary once again generated little market reaction, with geopolitics and crude price swings continuing to dominate broader macro trade.

Nvidia traded lower by 1.8% despite a beat on Q1 earnings and Q2 revenue outlook. Semiconductors, however, finished the session higher (SMH +0.6%) as optimistic sentiment remained; Arm surged once again (ARM +16.2%) after more positive sell-side commentary.

Markets now await further clarity on negotiations to determine whether the recent de-escalation optimism can be sustained.

US

JOBLESS CLAIMS: Initial Jobless Claims remained low and stable in the week ending May 16th, falling marginally to 209k from 211k and below the 210k consensus. The four-week average declined to 202.5k from 204k. Continuing Claims rose slightly to 1.782m from 1.776m, although still below the 1.79m forecast, while the four-week average eased to 1.773m from 1.78m. The unadjusted data totalled 185.6k, down 5.8k W/W, versus seasonal factors that anticipated a 3.4k decline. Within the state breakdown, Florida (-2.1k) and California (-1.1k) accounted for much of the decline, while Ohio (+800) and Missouri (+500) saw modest increases. Oxford Economics writes that "perhaps the most notable thing about claims data right now is how unremarkable they are", highlighting that claims have remained in a narrow range for more than three months and have recently tracked below recent years despite conflict-related headwinds, elevated inflation and trade uncertainty. The consultancy added that "the labor market isn't booming, but employers remain reluctant to reduce headcount." Overall, the continued stability in claims data supports the Fed's view that labour market conditions remain broadly resilient, allowing policymakers to maintain a greater focus on upside inflation risks.

BUILDING PERMITS/HOUSING STARTS: Building permits rose 5.8% in April to 1.442m (exp. 1.40m, prev. 1.363m), while housing starts fell 2.8% to 1.465m (exp. 1.41m, prev. 1.502m), a smaller drop than expected as a jump in multifamily starts drove the upside surprise. Oxford Economics said housing starts would need homebuilders to reduce their existing inventory of completed homes for sale to improve on a sustained basis. OxEco noted mortgage rates had risen back to late-March levels, which should weigh on new home sales in the months ahead.

PHILLY FED: Manufacturing activity weakened overall. The survey's indicators for general activity (-0.4 from 26.7), new orders (-1.7 from +33) and shipments (4.9 from 34.0) all fell sharply in May. The employment index ticked up to -2.8 from -5.1, continuing to point to overall declines in employment. Both price indexes declined this month but remained elevated. Prices paid fell to 47.9 from 59.3, while prices received fell to 26.3 from 33.5. Firms continued to expect overall growth over the next six months, and most future indicators rose this month from already elevated readings, with the headline outlook rising to 53.2 from 40.8. Overall, the report showed slower activity in May, but firms were optimistic about the outlook. Employment improved marginally but remained

negative, while prices eased but stayed positive.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 5+ TICKS LOWER AT 108-18

T-notes saw choppy trade on Thursday, with rates continuing to track the volatile crude price action. At settlement, 2-year +1.5bps at 4.072%, 3-year +0.7bps at 4.132%, 5-year -0.7bps at 4.237%, 7-year -1.0bps at 4.399%, 10-year -1.7bps at 4.568%, 20-year -3.3bps at 5.099%, 30-year -2.9bps at 5.093%.

THE DAY: Crude and yields fell early morning on reports that Pakistan's Army Chief will travel to Tehran tonight as part of mediation efforts.

However, these moves did reverse after reports suggested Iran's Supreme Leader ordered enriched Uranium to stay in Iran, supporting both crude and yields. Nonetheless, this report was subsequently denied by Al Jazeera, citing Iran, and Fox, citing the US. Trump stated that the US will get Iran's Uranium, but Al Hadath took us back to where we began, noting the final decision from Iran's supreme leader is to not hand over enriched Uranium.

Yields hit lows after ILNA Telegram's account posted Al Arabiya TV with details of a final draft agreement between the US and Iran has been reached, seeing crude prices plummet with the report noting it is expected to be announced within the next few hours.

The reality is, there have been plenty of contradictory reports, and it remains to be seen whether a deal is really that close. Al Jazeera cites two sources, one saying negotiators are very close, but another said it is too early to say whether a serious, final agreement is in reach. Politico says there are still two major sticking points: 1) no nuclear weapons, and 2) opening the Strait of Hormuz. Al Hadath also reported that the Pakistani Army Chief will not travel to Tehran tonight. However, Al Jazeera says there is intense mediation activity, and they know the Pakistani Interior Minister is in Tehran. The Guardian also reported that Pakistan and Qatar have been pushing hard this week for a peace deal.

Data saw a limited reaction again. Continued claims remained low and stable, Housing starts and building permits saw a slight beat, with the Philly Fed showing weak current activity, but with firms optimistic about the outlook.

Fed speakers saw Barkin say policy is well-positioned, but he is not leaning towards overly focusing on risks to inflation or employment. Goolbsee, meanwhile, put more emphasis on the Fed's inflation problem, and less on employment.

SUPPLY

Notes

- [US sold USD 19bln of 10-year TIPS; Tails 1.9bps](#)
- US to sell USD 69bln of 2-yr notes on May 26th, USD 28bln of reopened 2yr FRN and USD 70bln of 5-yr notes on May 27th, and USD 44bln of 7-yr notes on May 28th; all to settle on June 1st

Bills

- US sold 4-week bills at high rate of 3.610%, B/C 2.60x; sold 8-week bills at a high rate 3.600%, B/C 2.77x
- US to sell USD 25bln 27-day cash management bills on May 21st; to settle May 22nd
- US to sell USD 85bln of 6-week bills, USD 77bln of 26-week bills, and USD 89bln of 13-wk bills on May 26th, all to settle May 28th.

STIRS/OPERATIONS

- **Fed Pricing: Dec 19.9bps (prev. 21.4bps)**
- EFR at 3.62% (prev. 3.62%), volumes at USD 119bln (prev. USD 119bln) on May 20th
- SOFR at 3.50% (prev. 3.51%), volumes at USD 3.082tln (prev. USD 3.111tln) on May 20th
- NY Fed RRP op demand at 3.28bln (prev. 24.87bln) across 9 counterparties (prev. 16) on May 21st
- Treasury buyback (5-7 year, liquidity support, max USD 4bln): Accepts USD 300mln of 3.71bln offered; offer-to-cover 12.4x.

CRUDE

WTI (N6) SETTLED USD 1.91 LOWER AT USD 96.35/BBL; BRETT (N6) SETTLED USD 2.44 LOWER AT 102.58/BBL

The crude complex saw losses on Thursday as optimism over an end to the Middle-East conflict grew. Initial upside was unwound on ILNA reports, citing Al Arabiya TV that claims the final draft of the US-Iran agreement has been reached with mediation of Pakistan, expected to be announced within the next few hours (points listed below). The reporting followed US Secretary of State Rubio comments, who said Pakistanis will travel to Iran today; Rubio noted, let's see if we can get a deal, and there are some signs some progress has been made in the talks, but don't want to be too optimistic, and we'll see where things head in the coming days. Before the above stories, the key reports were conflicting headlines around Iranian enriched uranium; Reuters initially reported that Supreme Leader Khamenei ordered enriched uranium to stay in Iran, suggesting a hardening of stance on nuclear stockpile. However, the White House later pushed back on this pushing back on this, as did Iran, with a senior Iranian official denying the news to Al Jazeera. Before settlement, Al Hadath reported that a high-level source familiar with the matter: The Iranian Supreme Leader's final decision is not to hand over the enriched uranium to Washington. Regarding Trump on the matter, he said that the US will get Iran's Uranium will likely destroy it - leaving the Uranium topic rather up in the air. WTI traded between USD 95.76-102.66/bbl and Brent USD 102.17-109.30/bbl.

ILNA reported draft US-Iran agreement, citing Al Arabiya TV:

1. ○ This draft includes an immediate and comprehensive ceasefire on all fronts.
2. ○ The Parties mutually undertake to refrain from targeting infrastructure.
3. ○ Freedom of navigation in the Persian Gulf and the Strait of Hormuz is guaranteed under a joint monitoring mechanism.
4. ○ Sanctions will be gradually lifted in exchange for Iran's compliance with the terms of the deal.
5. ○ Negotiations on outstanding issues shall begin within a maximum of seven days.

EQUITIES

CLOSES: SPX +0.17% at 7,446, NDX +0.20% at 29,357, DJI +0.55% at 50,291, RUT +0.93% at 2,843

SECTORS: Consumer Staples -1.63%, Energy -1.01%, Industrials -0.12%, Communication Services +0.01%, Real Estate +0.12%, Financials +0.21%, Technology +0.28%, Health +0.64%, Materials +0.73%, Consumer Discretionary +0.77%, Utilities +1.03%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.20% at 5,964, Dax 40 -0.33% at 24,657, FTSE 100 +0.11% at 10,443, CAC 40 -0.39% at 8,086, FTSE MIB -0.03% at 49,169, IBEX 35 -0.42% at 17,975, PSI -0.22% at 9,228, SMI +0.35% at 13,446, AEX +0.12% at 1,035.

STOCK SPECIFICS:

- **Nvidia (NVDA):** Usual beat & raised guidance, but shares weighed on amid lofty investor expectations
- **Samsung Electronics'** largest union suspended a planned strike after reaching a tentative pay agreement
- US reportedly set to award quantum computing firms \$2bn and take equity stakes, WSJ reports; IBM set to receive \$1bn, GFS \$375mln; Other Cos. incl. QBTS, RGTI, INFQ
- **Walmart (WMT):** Next Q EPS guidance light
- **Ralph Lauren (RL):** Rev. beat & approves 10% dividend increase.
- **Elf Beauty (ELF):** Top and bottom line topped expectations; to reverse some tariff-driven price increases amid consumer pressure.
- **Applied Digital (APLD):** Signed a 15-year lease agreement with the same US-based hyperscaler from its Delta Forge 1 project for its new Polaris Forge 3 AI campus
- **Occidental Petroleum (OXY):** Upgraded at Goldman Sachs to 'Neutral' from 'Sell'.
- **Spotify (SPOT)** said it now has 761mln MAUs and nearly 300mln subscribers, with the paying subscriber base described as more than double any other music service and driving almost two-thirds of all premium music streams on the platform. Spotify announced a deal with **Universal Music Group (UMG)** for licensing agreements for fan-made covers and remixes.
- The White House has cancelled its planned ceremony for President Trump to sign a new executive order on AI and cybersecurity, per a note seen by Axios.

FX

DXY was little changed as geopolitical reporting was rampant, sending mixed signals on the progress of talks. The main move in FX was USD weakness on reports that a final draft of the US-Iran agreement has been reached with the mediation of Pakistan. That said, the moves were offset by other reports that the Pakistani army chief will not travel to Tehran tonight, a prospect, if realised, would diminish the chances of an imminent agreement being announced. Conflicting reports were seen on Iran's stance on enriched uranium being transferred out of the country. Ultimately, events over the day were taken as a positive with crude settling ~USD 2/bbl lower. USD strength was initially present on the Reuters report that Iranian Supreme Leader Khamenei ordered enriched uranium to stay in Iran; however, as oil faded due to claims of a US-Iran agreement, the dollar joined in the downside. In other news, initial and continuing claims were little changed from the prior week, Philly Fed Mfg showed an unexpected negative reading, and S&P Flash PMIs were mixed (mfg beat, svs miss); little reaction was seen to any of the data. DXY traded between 99.06-99.52

EUR was modestly weaker after dismal French PMIs. EUR/USD saw a move c.24 pips lower on the French figure, which marked the steepest contraction since late 2020, though pared some downside as German/EZ figures were not as bad as feared according to the indications from France. EUR/USD now trades around 1.1620, well off the 1.1576 lows, supported by USD weakness on said themes. ING earlier wrote, "The pair likely requires a persistent stream of positive Middle East headlines to stay supported".

AUD/USD traded flat with upside limited after soft PMI and Labour market data. Employment showed a surprise contraction on the headline, and an uptick in the Unemployment Rate. In response, NAB later announced that it pushed back its next RBA rate hike forecast to August from June.

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