US Market Wrap - 26th May 2026

AI trade lifts Nasdaq 100 above 30k; Oil chops on mixed US-Iran developments

- **SNAPSHOT**: Equities up, Treasuries up, Crude mixed, Dollar up, Gold flat
- **REAR VIEW**: US forces conducted self-defence strikes in southern Iran on Monday; Iran's IRGC says Iran has the right to respond to respond to any US ceasefire breach; Rubio said Iran negotiations will take a few days; Iranian media reports that Iran's blocked resources the last major disagreement between Iran and the United States over starting negotiations; UKMTO said it received a report of an incident 60 nautical miles off Oman's Muscat; Average US 2yr note auction; US Consumer Confidence drops in May; MU PT raised at UBS.
- **COMING UP**: **Data:** Australian CPI (Apr), US ADP Employment Change Weekly. **Events:** RBNZ Policy Announcement (May). **Speakers:** BoJ's Ueda; RBNZ's Breman; Fed's Kashkari, Logan, Cook. **Supply:** Japan, UK, Germany, US. **Earnings:** PDD, Marvell, HP, Salesforce.

MARKET WRAP

Stocks gained on Tuesday, helped by broad buying across sectors (RSP +0.5%) and particularly gains in AI-related stocks. Micron (MU +19.4%) drove the bulk of SPX's gains (contributed ~19 points to SPX's 46-point gain) as the rally in semiconductors and memory names showed no sign of stopping; UBS upped its MU PT to USD 1,625 (prev. 535), citing long-term memory supply agreements. Energy stocks underperformed on the drop in oil futures WTD, a function of the US and Iran nearing a finalisation of an agreement, with reports suggesting Iran's blocked resources are the main sticking point left unresolved. Energy prices bounced off Monday's lows as Iran looks to respond to the US attacks, in which the US said it conducted self-defence strikes in southern Iran. Staples were a sea of red, as appetite for the defensive sector remains subdued in the aftermath of cautious Q2 commentary seen in Walmart and Target earnings last week. Yields on global government bonds followed the move lower in energy prices, with money market pricing walking back its short-lived expectation for a 25bps Fed rate hike by year's end on hawkish commentary from the Fed's Waller seen last Friday. Amid the easing in global yields, the dollar, alongside mixed signals out of the Middle East, was broadly firmer against peers. NZD was the worst G10 performer ahead of the RBNZ rate decision overnight, which is expected to see the OCR held at 2.25%. Precious metals were more mixed amid the stronger USD; gold was flattish; silver, platinum, and palladium all gained. Outside of geopolitics, updates had a limited impact on intraday movement. CB's Consumer Confidence saw a drop in May as inflation impacts from the Middle East continue to act as a drag; meanwhile, an average US 2yr note auction was met with a muted reaction.

US

CONSUMER CONFIDENCE: The Conference Board's gauge of US consumer confidence eased to 93.1 in May (exp. 92), down from an upwardly revised 93.8 in April. The Expectations index rose to 74.4 from 71.9, the Present Situation eased to 121.2 from 123; jobs are 'hard to get' fell to 18.6% from 19.8%, and the labour market differential fell by 0.6 points to 6.9. Pantheon Macroeconomics said the data was subpar, noting that while expectations recovered to a five-month high, the labour market picture deteriorated, with the share of households finding jobs plentiful falling to its lowest since February 2021, which PM says points to a renewed rise in unemployment ahead. The consultancy anticipates that Y/Y consumption growth is slowing modestly in Q2, and on inflation, says that a weakening labour market will limit the pass-through of elevated expectations into wages and prices.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLE 18+ TICKS HIGHER AT 109-26+

T-Notes bid as progress towards finalisation of US-Iran agreement sees oil prices drop at the start the week. At settlement, 2-year -7.4bps at 4.049%, 3-year -7.3bps at 4.098%, 5-year -7.2bps at 4.186%, 7-year -7.0bps at 4.329%, 10-year -6.0bps at 4.496%, 20-year -4.4bps at 5.029%, 30-year -3.5bps at 5.028%.

THE DAY: T-notes returned from a long weekend in green territory, with gains driven by geopolitical optimism, amid perceived progress in talks between the US and Iran, with US Secretary of State Rubio saying negotiations could take a few days, although the announcement of a finalisation of an agreement has been repeatedly pushed back. A larger decline in oil prices was offset by the resumption of strikes in the Middle East, in which the US said it conducted self-defence measures in Southern Iran late Monday. Iran's aerospace chief has reportedly warned of a "decisive response" to US truce violations.

US consumer confidence fell in May to 93.1 (exp. 92, prev. revised higher to 93.8). The intensification of the Middle East's inflationary impacts weighed on consumer sentiment, the report said.

In supply, the US sold USD 68bln of 2yr notes, which saw an average outcome. A tail of 0.0bps was seen (avg 0.2bps) with dealers' bid proportion at 12.3%, slightly up from 11.9%, yet remains beneath the 12.8% average. T-notes saw a muted reaction on the auction and the CB's consumer confidence report. ZN M6 traded between 109-17 to 110-00.

SUPPLY

- US to sell USD 69bln 17wk bills on May 27th, USD 85bln 4wk bills on May 28th, and USD 80bln 8wk bills on May 28th; all to settle on June 2nd

- US sell 3-month Bills at a High Rate of 3.595%, B/C 3.08x; sells 6-month Bills at a High Rate of 3.65%, B/C 2.77x

STIRS/OPERATIONS

- **Fed Pricing: Dec 17.6bps (prev. 26.2bps)**
- EFFR at 3.62% (prev. 3.62%), volumes at USD 121bln (prev. USD 120bln) on May 22nd
- SOFR at 3.55% (prev. 3.51%), volumes at USD 3.078tln (prev. USD 3.077tln) on May 22nd
- NY Fed RRP op demand at 1.787bln (prev. 0.965bln) across 6 counterparties (prev. 5) on May 26th

CRUDE

WTI (N6) SETTLES USD 2.71 LOWER AT USD 93.89/BBL; BRENT (Q6) SETTLES USD 3.25 HIGHER AT 96.67

Oil prices were mixed (WTI didn't have a settlement price yesterday, due to market holidays), amid limited progress on the US-Iran front; Fars reported today that the last major disagreement between both sides over starting negotiations relates to the method of access to Iran's blocked resources. As it stands, US senior Officials have said no funds will be released until enriched uranium is handed over. Tuesday trade saw oil come off Monday's lows in response to US forces conducting self-defence strikes in southern Iran on Monday. In response, Iran's Foreign Ministry says the US has violated the ceasefire in the Hormozgan area, adding that Iran will respond, stoking crude prices higher. Focus continues to be on any updates/orders from the Iranian Supreme Leader and updates on which side is willing to move first to enact the agreement, an obstacle that has seen no progress as of yet. WTI and Brent traded between 89.41-94.70/bbl and 94.36-97.81/bbl, respectively.

EQUITIES

CLOSES: SPX +0.61% at 7,519, NDX +1.76% at 30,001, DJI -0.23% at 50,467, RUT +1.79% at 2,921

SECTORS: Energy -2.80%, Consumer Staples -1.74%, Health -1.02%, Financials -0.15%, Utilities -0.03%, Consumer Discretionary +0.13%, Real Estate +0.39%, Communication Services +0.86%, Materials +1.35%, Industrials +1.48%, Technology +1.69%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.21% at 6,063, Dax 40 -0.84% at 25,180, FTSE 100 +0.26% at 10,493, CAC 40 -1.03% at 8,173, FTSE MIB -0.60% at 49,922, IBEX 35 -0.47% at 18,300, PSI -0.31% at 9,196, SMI +0.22% at 13,533, AEX -1.05% at 1,042.

STOCK SPECIFICS

- **Elbit Systems (ESLT):** Earnings beat; won $1.4B EU defence contract.
- **Oklo (OKLO):** Selected by the DOE for advanced negotiations under the Surplus Plutonium Utilization Program.
- **Ferrari (RACE):** Unveiled Luce, its first five-seat, four-door fully electric vehicle, priced at $640K.
- **Modine Manufacturing (MOD)**: Signed a long-term agreement to supply more than $4B of Airedale cooling products.
- **AutoZone (AZO):** Revenue missed.
- **Joyy (JOYY):** Revenue & guidance beat.
- **Cognex (CGNX)**: Upgraded at JPMorgan to 'Overweight' from 'Neutral'.
- **Intuitive Machines (LUNR):** Cantor Fitzgerald remains bullish on LUNR following its reaffirmed FY26 revenue guidance.
- **Micron (MU)** PT raised to USD 1,625 (prev. 535) at UBS.
- **Qualcomm (QCOM)** struck an AI chip deal with ByteDance, Bloomberg reports.

FX

USD: The Dollar Index traded firmer, with the tone of trading being dictated by incoming geopolitical headlines. The DXY gapped lower at the open and has been drifting higher through the session, seeing strength after Iran called the US's overnight attacks a violation of the ceasefire, and warned that it would respond and would not hesitate in defending itself. ING said the Greenback may not sell off much on any Middle East de-escalation, as markets begin casting their attention towards the economic fallout, activity and inflation; April PCE data due this week will be key, and comes amid the doves all but vanishing from the FOMC after Miran's departure, and Waller's hawkish pivot last week. Other analysts have warned that the annual rate of PCE inflation is likely to rise to the hottest reading since 2022 on Thursday.

EUR: The Euro was an early beneficiary of the USD weakness, further buttressed by hawkish commentary from the ECB's Schnabel, who said the ECB should lift rates in June, arguing that the size and persistence of the current shock meant "looking through" was no longer an option, even if the Middle East conflict was resolved quickly. The EUR, however, tilted into negative territory amid some geopolitical caution that lent strength to the Buck during periods of the day. Elsewhere, the ECB's Sleijpen said the central bank is somewhere between baseline and adverse scenario, and it will do everything in its power to tame inflation.

JPY: The yen weakened to above 159.00 vs the USD, briefly topping last week's peak of 159.35, after US attacks on Iran prompted risk-off, resulting in USD upside. BoJ's Deputy Governor Himino said Iran developments should influence rate-hike timing, and maintaining market confidence requires adjusting monetary easing appropriately as government bond yields rise. Analysts said his remarks are another sign that members are preparing to tighten policy, despite PM Takaichi expressing hopes for a steady policy. Money markets are assigning a probability near 80% for a June rate rise.

NZD: The Kiwi softened ahead of the overnight RBNZ policy announcement. The central bank is expected to hold the OCR at 2.25%, with all 23 economists surveyed by Bloomberg expecting no change. Inflation remains above the RBNZ's 1–3% target range, and economists have recently highlighted further risks from higher energy prices and a weak economic recovery, which could lead to rate hikes down the line.

HUF: Hungary's central bank held rates at 6.25%, in line with the consensus view; Governor Varga said that a cut was discussed, but rates were ultimately held in a split decision, as improved inflation and market conditions widened scope for easing. Analysts said the decision and press conference were a strong sign the central bank will lift rates in June, as money markets had expected, but some of the dovish aspects of the announcement (the vote split, and discussion on rate cuts) could open the door to easing later this year.