newsquawk

US Market Wrap - 2nd June 2026

Crude gains on reports US/Iran talks are halted despite Trump's denial

- **SNAPSHOT**: Equities up, Treasuries flatten, Crude up, Dollar flat, Gold flat
- **REAR VIEW**: Fars reports talks between US and Iran have halted, but Trump says this is fake news; Above-expected JOLTS; Israel and Lebanon not yet able to reach agreement on ceasefire, but aim is for an agreement tomorrow; Fed's Hammack said Fed may need to act soon if inflation trends do not cool; USD/JPY tests 160; EU headline inflation in line; STMicroelectronics and Microchip raised data center revenue guidance; GOOGL to raise $80bln for AI spending; NVDA CEO stated MRVL will be the next $1tln company; Stellar HPE earnings; US proposes 25% tariffs on Brazil
- **COMING UP**: **Data**: Global Final PMIs (May), Australian GDP (Q1), EU PPI (Apr), US ADP Employment Change (May), ISM Services PMI (May), Factory Orders (Apr) **Events**: Fed Beige Book **Speakers**: BoJ’s Ueda; ECB’s Elderson, Cipollone; Fed's Goolsbee, Barr, Logan **Supply**: Australia, UK **Earnings**: Broadcom, CrowdStrike.

MARKET WRAP

US equities closed higher on Tuesday, with the Russell 2000 outperforming as it rebounded from Monday's losses, while the S&P 500 and Nasdaq also posted modest gains. Sector performance was broadly positive, with Utilities and Energy leading the advance. Communication Services was the clear laggard, weighed down by Alphabet (GOOGL, -4%) after it announced plans to raise USD 80bln for AI infrastructure. Elsewhere, Marvell (MRVL) surged after Nvidia CEO Huang suggested it could become the next trillion-dollar company, while Hewlett Packard Enterprise (HPE) rallied following a strong earnings report.

Crude prices moved higher amid mixed geopolitical reporting. The headline that appeared to drive the session came from Fars News, which reported that communications between Iran and the US aimed at reaching an initial memorandum of understanding had been suspended for several days. However, later reporting was more constructive, with a senior Iranian political source telling Amwaj Media that communications via intermediaries had not ceased. President Trump later echoed that view, dismissing reports of a breakdown in talks as "fake news".

Treasuries flattened as higher oil prices weighed on the front-end, while stronger-than-expected JOLTS data only briefly supported higher yields before the move faded. The Dollar was mixed against G10 peers. The Australian Dollar outperformed, supported by higher metals prices, while the Yen lagged as USD/JPY reached 159.99, edging ever closer to levels markets associate with potential intervention. ING analysts note the intervention threshold may now be higher than the 160.60 area seen in April, potentially closer to 162-163, although they still view intervention risks as underpriced.

On the data front, JOLTS job openings surged to 7.618mln from 6.866mln, well above the 6.82mln forecast. Fed's Hammack also reinforced a hawkish tone, saying it remains reasonable to keep rates steady given uncertainty, but warning the Fed may need to act "soon" if inflation does not continue to cool.

Looking ahead, the main focus for markets remains Friday's US nonfarm payrolls report.

US

FED'S HAMMACK (2026 voter, hawk): The Cleveland Fed president, one of the dissenters who voted to remove the easing bias from the Fed's statement, said that it is reasonable to keep rates steady for now, given uncertainties. Hammack added that the Fed may need to act soon if inflation trends do not cool. She warned that there are risks to waiting for signs that high inflation is becoming embedded in the economy, and her main concern is a growing risk of persistent inflation pressures. We are not yet seeing signs that inflation expectations are rising. She is also worried that monetary policy may not be tight enough to lower inflation. Hammack continues to put her focus on the inflation side of the mandate, noting she is firmly committed to getting inflation back to the 2% target. She added that the economy is facing a broadening array of factors that are driving up inflation, noting how sharp energy shocks are hard for monetary policy to deal with. On the labour market, she said data points to stability and that the unemployment rate is around full employment levels.

JOLTS: Job openings surged to 7.618mln in April from 6.866mln, well above the 6.82mln forecast and the highest level in two years. The vacancy rate rose to 4.6% from 4.2%, while the quits rate eased to 1.9% from 2.0%. Despite the strong headline, Oxford Economics cautions that the report likely overstates labour market strength as the increase in openings did not translate into a higher hiring rate. The consultancy notes that much of the increase was concentrated in a single sector, professional and business services. Oxford writes that "for now, the labour market remains mostly stable", noting that with both the quits rate and layoff rate edging lower, neither employees nor employers appear in a hurry to make major moves. The desk notes that overall, the report points to a labour market that remains stable rather than one that is reaccelerating sharply.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 3 TICKS HIGHER AT 109-22+

T-notes flatten as rising oil prices drive Treasury trade, with above-expected JOLTS data only briefly adding to yield upside . At settlement, 2-year +1.2bps at 4.045%, 3-year +1.3bps at 4.093%, 5-year +0.7bps at 4.174%, 7-year +0.6bps at 4.307%, 10-year unchanged at 4.453%, 20-year -0.6bps at 4.966%, 30-year -0.4bps at 4.967%.

THE DAY: T-notes saw two-way trade on Tuesday, with gradual gains overnight and through the European morning before reversing in the US session. The curve flattened as front-end yields rose around 1bp while 20- and 30-year yields edged lower.

The primary driver of Treasury price action remains crude oil. Energy prices caught a bid after Fars News reported that the US and Iran had halted communications via mediators. The move higher in crude supported yields, although session highs in rates were briefly seen following the US JOLTS report. JOLTS job openings surprised to the upside, although analysts at Oxford Economics argued the strength likely overstates underlying labour market conditions, noting the increase was concentrated in a single sector and did not translate into stronger hiring. The consultancy ultimately views the report as consistent with a labour market that remains stable rather than one that is reaccelerating.

The initial data-induced sell-off quickly pared before yields gradually moved higher again alongside crude prices through the remainder of the session. Oil gains held despite President Trump dismissing reports that communications with Iran had ceased, labelling the reports as "fake news". Meanwhile, attention remains on Israel-Hezbollah negotiations in Washington, where key differences remain unresolved. Reports suggest the US is seeking a comprehensive ceasefire by the conclusion of tomorrow's round of talks.

Aside from geopolitics, focus now turns to Friday's May nonfarm payrolls report.

STIRS/OPERATIONS

- Fed Pricing: Dec 17.5bps (prev. 17.9bps)
- EFFR at 3.62% (prev. 3.62%), volumes at USD 123bln (prev. USD 109bln) on June 1st
- SOFR at 3.65% (prev. 3.63%), volumes at USD 3.224tln (prev. USD 3.201tln) on June 1st
- NY Fed RRP op demand at 2.50bln (prev. 1.30bln) across 32 counterparties (prev. 5) on June 2nd

CRUDE

WTI (N6) SETTLED USD 1.60 HIGHER AT 93.76/BBL; BRENT (Q6) SETTLED USD 1.02 HIGHER AT 96.00/BBL

The crude complex settled with gains and continually edged higher throughout the duration of the US session. While Middle East headlines were conflicting, and many of the more recent ones seem of a more positive nature, the headline which sparked the initial strength in oil was a Fars report. It stated that informed sources said that the exchange of messages between Iran and the US, aimed at achieving what has been described as an initial MoU between Tehran and Washington, has been halted for at least several days. Since then, despite WTI and Brent hitting fresh highs, US Secretary of State Rubio said they are in talks with Iran, and that the "war in Iran is over". Meanwhile, Amwaj Media citing a senior Iranian political source, said there has not been any halt in communication with the US via intermediaries, and that movement on multiple parallel yet interconnected tracks suggests they may be on the cusp of something. Trump soon echoed this, adding that reports that Iran and the US stopped speaking a few days ago are false, and conversations have been going on continuously, but one way or another, Iran needs to make a deal.

Away from US/Iran but still on the Middle East footing, Israeli Broadcasting Authority, citing sources, said negotiations between Israel and Lebanon are progressing well, while AFP reported that Hezbollah will not accept a "partial ceasefire" deal with Israel. In more recent commentary, Sky News Arabia remarked that the Israel/Lebanon delegations have not yet been able to reach decisive points regarding the ceasefire issue, but the US seeks to reach a comprehensive ceasefire at the end of tomorrow's round of negotiations.

On the supply front, Iraq plans to increase crude oil exports via pipelines from 220k BPD to 770k BPD in two phases over two and a half months, and plans to raise crude oil exports by truck to neighbouring countries to 420k BPD in three phases.

Ahead, private inventory metrics are due after-hours, with focus, as always, on any further geopolitical updates ahead of the main macro event this week being US NFP on Friday. On Tuesday, WTI traded between USD 90.12-94.00/bbl and Brent USD 92.83-96.28/bbl.

EQUITIES

CLOSES: SPX +0.13% at 7,610, NDX +0.48% at 30,661, DJI +0.45% at 51,313, RUT +0.90% at 2,932.

SECTORS: Utilities +1.93%, Materials +1.16%, Industrials +1.00%, Energy +0.99%, Technology +0.92%, Real Estate +0.42%, Financials +0.04%, Consumer Staples -0.10%, Consumer Discretionary -0.71%, Health -0.99%, Communication Services -2.61%

EUROPEAN CLOSES: Euro Stoxx 50 +1.17% at 6,106, DAX +0.48% at 25,124, FTSE 100 +0.33% at 10,374, CAC 40 +0.77% at 8,209, AEX +1.26% at 1,049, IBEX 35 +0.48% at 18,272, FTSE MIB +1.61% at 50,579, SMI +0.00% at 13,306, PSI -0.03% at 8,958.

STOCK SPECIFICS:

- **Nvidia (NVDA)** CEO Huang says it has capacity to supply robust AI growth despite constraints.
- **Hewlett Packard Enterprise (HPE)**: EPS, rev. beat, lifted next Q/FY profit view & highlighted strong server demand tied to AI infrastructure growth
- **Microchip Technology (MCHP)**: Expects data centre solutions business to grow c. 65% to ~ USD 500mln in CY26.
- **STMicroelectronics (STM)**: '26 data centre rev. now exp. at ~$1bln (prev. 500mln+) & said it could double in '27
- **Marvell Technology (MRVL)**: At Computex conference, Nvidia chief Huang reportedly said next tln-dollar Co. will be Marvell
- **Alphabet (GOOGL)** plans to raise $80bln for AI goals & Berkshire to invest $10bln

- **Signet Jewelers (SIG)**: EPS beat
- **Dollar General (DG)**: Bottom line topped & lifted FY26 profit view
- **Microsoft (MSFT) and Nvidia (NVDA)** partner on Unified Stack for Agentic AI.

FX

The Dollar saw mixed performance vs. G10 peers, whereby the DXY traded within a pretty narrow range as ING writes that the 99.0-99.50 range remains the ‘comfort zone’ for now. Adding that it embeds lower oil prices but also reflects the broadly stronger macro backing for the dollar. In ING's view, the latter factor could be reinforced by this week’s US data calendar. In terms of broader moves, geopolitics remains front and centre for now, with the main US data event on Friday: US NFP. On the labour market, JOLTs Job Openings for April surged to 7.618mln, against the expected 6.82mln, and prior 6.866mln. Within the report, quits rate dipped to 1.9% (prev. 2.0%), and vacancy rate 4.6% (prev. 4.1%, rev. 4.2%). Regarding the Fed, hawkish 2026 voter Hammack remarked it is reasonable to keep rates steady for now given the uncertainties, and that the Fed may need to act ‘soon’ if inflation trends don’t cool.

AUD outperformed, followed by the **Pound**, while the **Yen** lagged and USD/JPY topped out at 159.99, a whisker away from the round 160 level everyone is watching for potential intervention. On that, ING quipped that the risk of new intervention does look a bit underpriced, and that markets may be assuming the BoJ will wait to see whether a 16th June hike can cap USD/JPY. But, they added that the new bar may be set well above the 160.60 level where they intervened in April, perhaps 162-163. On that front, Finance Minister Katayama was on the wires overnight, where she said that they are “closely coordinating with the US on FX”.

On the two outperformers, while newsflow was fairly sparse, the Aussie was seemingly buoyed by metals prices and an encouraging performance from China overnight. Note, RBA's Harper said persistent inflation is a genuine concern, and market measures of inflation have gone up, which is a worry. Cable traded between a tight 1.3446-82, albeit with a couple of BoE speakers. Governor Bailey said policymakers are facing a trade-off between growth and inflation, while Greene noted the case for hiking rates grows as the conflict continues, with monetary policy tightening over the next few weeks or months potentially necessary.

EUR was flat and saw limited reaction to the as-expected EZ CPI, whereby core Y/Y topped expectations alongside a jump in the Services figure. The euro was little moved by the report, given that it plays in favour of a hike in June, which was already near enough fully priced in pre-release. CHF saw marginal pressure, and within tight ranges, although SNB Chairman remarked real overvaluation of the Swiss Franc is clearly lower than the nominal overvaluation, and that the central bank has raised readiness to intervene to deal with an overvaluation pressure due to the Middle East escalation.

For the **Brazilian** watchers, USTR proposed to impose tariffs of 25% on all imports from Brazil, except for goods that are subject to Section 232 national security tariffs. Finally, the Polish Zloty was unmoved by the NBP keeping rates unchanged at 3.75%, as expected.