newsquawk

US Market Wrap - 5th June 2026

Stocks hit as tech rout deepens with Dollar bid on stellar US jobs report

- **SNAPSHOT**: Equities down, Treasuries down, Crude down, Dollar up, Gold down
- **REAR VIEW**: Stellar US and Canadian job reports; Axios reports gaps between US/Iran are narrow; Frozen Iranian funds are sticking point; Meta mulling tens of billions of stock sales; Mixed reports about transferring Iran Uranium to a third country; Hammack said it is reasonable to keep rates steady for now; US, Mexico and Canada poised to miss July 1 USMCA renewal deadline
- **WEEK IN FOCUS**: Highlights include US CPI, OPEC, AAPL WWDC, BoC, ECB, UK GDP and Chinese inflation. To download the report, please click here

MARKET WRAP

US indices were hit hard on Friday, with the Nasdaq-100 the clear laggard, falling more than 4% as technology stocks remained under pressure. Broadcom (AVGO) extended losses following its earnings report earlier in the week, while additional weakness came after the FT reported that Meta (META) is considering raising tens of billions of dollars through a stock offering. As a result, Technology was the clear sectoral laggard, followed by Consumer Discretionary and Communication Services.

However, the main macro driver of the session was the stronger-than-expected US jobs report, which set the tone for trading throughout the day and reinforced expectations that the Federal Reserve may need to maintain a restrictive policy stance for longer. Nonfarm payrolls rose by 172k in May, well above the 85k consensus forecast, while April was revised higher to 179k from the initially reported 115k. The report prompted a hawkish repricing in rates markets, with traders now fully pricing a 25bp Fed rate hike by year-end, compared with around 16bps of tightening priced before the release. As a reminder, the Fed enters its blackout period this evening ahead of the June 17th meeting.

The stronger labour market data drove broad Dollar strength, weighing on most G10 currencies. The Antipodes underperformed amid both the stronger Dollar and weaker risk sentiment, while the Canadian Dollar was among the outperformers following its own strong employment report.

Treasuries bear flattened in response to the payrolls data as traders boosted Fed hike expectations, while precious metals came under notable pressure from the combination of higher yields and a stronger Dollar.

Meanwhile, crude prices softened amid the absence of any fresh escalation between the US and Iran heading into the weekend. Negotiations remain ongoing, with reports continuing to point to disagreements over key issues, although Axios suggested the remaining gaps between the two sides are narrowing.

US

US NFP (FRI): The US payrolls report for May was notably stronger than expected, with non-farm payrolls rising by 172k (exp. 85k), above the top end of the consensus range. April's figure was revised up to 179k from 115k, while March was revised up by 29k to 214k. This left the two-month net revisions +93k (prev. -16k). The unemployment rate was unchanged at 4.3%, in line with expectations, while the participation rate also held steady at 61.8%. Looking at the breakdown, private payrolls surged 120k (exp. 85k, prev. 177k), Government rose 52k (prev. 2k), and manufacturing was little changed at 7k (exp. 2k prev. 0k). Leisure and hospitality added 70k jobs in May, well above the average monthly gain of 14,000 over the prior 12 months, likely due to the World Cup. Earnings metrics were in line with St. consensus, M/M at +0.3% (prev. +0.2%) and Y/Y at 3.4% (prev. 3.6%). For the Fed, the report is unlikely to materially alter expectations for the 17th of June meeting, where policymakers are widely expected to leave rates unchanged. However, it strengthens the case that the next move in rates would be higher rather than lower. That shift has already been reflected in money market pricing, with markets now pricing in a 25bps rate increase by year-end, compared with 16bps before the data. The Fed has remained more focused on inflation risks than labour market weakness, particularly given the resilience of employment conditions, and this report is likely to reinforce that view. The 17th of June meeting will also be Kevin Warsh's first as Fed chair following his appointment by Trump, who has repeatedly expressed a preference for lower interest rates.

HAMMACK (voter): It is reasonable to keep rates steady for now, but if recent trends continue it could be appropriate to act against high inflation. Hammack added, while she never makes too much of any one data point, today's jobs report reaffirms that the labour market appears to be roughly in balance, and u/e rate remaining stable at 4.3% is right around her definition of full employment. The Cleveland Fed President noted, by contrast, inflation is telling a different story... it is high, moving higher, and believe persistently high inflation is the bigger concern. Ahead, Hammack noted for today, it's reasonable to keep rates steady given the uncertainties around the economic outlook. But if recent trends continue, it may soon be appropriate to act.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLED 16+ TICKS LOWER AT 109-02+

T-notes bear flatten on stellar US jobs report as traders boost Fed rate hike bets. At settlement, 2-year +11.7bps at 4.162%, 3-year +11.4bps at 4.213%, 5-year +9.5bps at 4.281%, 7-year +8.2bps at 4.409%, 10-year +6.7bps at 4.542%, 20-year +4.5bps at

5.026%, 30-year +3.0bps at 5.008%.

THE DAY: T-notes were sold across the curve on Friday, with the front-end leading the move lower and the yield curve bear flattening. The rise in yields came despite softer oil prices, with the primary driver of the session being the US nonfarm payrolls report—a welcome change after Treasury markets have spent much of the recent months taking direction from energy prices.

The US economy added 172k jobs in May, comfortably above the 85k consensus expectation. April payrolls were revised higher to 179k from 115k, while March was revised up by 28k to 214k. The report reinforces the Fed's recent assessment that labour market conditions have stabilised. Some may argue the 70k gain in leisure and hospitality employment was boosted by World Cup-related hiring, but even excluding that component the report still points to a healthy jobs market. The unemployment rate was unchanged at 4.3%, providing further evidence of labour market resilience.

The data supports the view held by many FOMC participants that inflation remains the more pressing challenge. Money markets are now fully pricing one 25bp rate hike in 2026, compared with around 16bps of tightening priced before the report. By October, markets are assigning a roughly 64% probability of a 25bp hike.The combination of resilient labour market data and recent upside inflation surprises strengthens the case for removing the easing bias at the next FOMC meeting, which will be the first chaired by Warsh, with Powell remaining on the Board of Governors.

Elsewhere, the geopolitical backdrop was more constructive. Axios reported that only narrow gaps remain between the US and Iran, while mixed reporting continued regarding the transfer of Iran's enriched uranium and the status of frozen Iranian funds. The more optimistic tone helped crude prices settle lower.

Risk sentiment remained weak overall, however, with equities extending losses following Broadcom's (AVGO) disappointing earnings earlier in the week. The Nasdaq fell more than 4% on Friday, while reports also suggested Meta (META) may be considering a sizable equity issuance following Alphabet's (GOOGL) recent capital raise.

Looking ahead, focus turns to next week's CPI and PPI reports, which will help determine whether higher energy costs are feeding through more broadly into the economy and further shape the Fed's reaction function. Treasury supply will also remain in focus.

SUPPLY

Notes

- US Treasury to sell USD 58bln of 3-year notes on June 9th, USD 39bln of 10-year notes on June 10th and USD 22bln of 30-year bonds on June 11th

Bills

- US to sell USD 65bln of 6-week bills on June 9th
- US to sell USD 89bln of 13-week bills and 77bln of 26-week bills on June 8th
- US to sell USD 590bln of 52-week bills on June 9th.

STIRS/OPERATIONS

- Fed Pricing: 27.5bps (prev. Dec 16.3bps)
- EFFR at 3.62% (prev. 3.62%), volumes at USD 121bln (prev. USD 119bln) on June 4th
- SOFR at 3.62% (prev. 3.61%), volumes at USD 3.147tln (prev. USD 3.098tln) on June 4th
- NY Fed RRP op demand at 0.76bln (prev. 1.12bln) across 5 counterparties (prev. 18) on June 5th

CRUDE

WTI (N6) SETTLED USD 2.50 LOWER AT 90.54/BBL; BRENT (Q6) SETTLED USD 1.94 LOWER AT 93.09/BBL

The crude complex was lower to end the week, as there was no new escalation between US/Iran heading into the weekend. Middle Eastern updates were actually fairly sparse, with not too much new, although desks continued to note the differences between the two nations, amid conflicting reports. Iranian press said that Iran has informed Pakistan of its acceptance of transferring part of its uranium to a third country that agrees to it, but Tehran later denied these claims. Al Hadath added the main gap in the negotiations is the release of frozen Iranian funds. America still refuses Iran's request to release frozen funds, while Iran has reportedly demanded the release of at least 50% as soon as an interim agreement is signed with the US. Axios highlighted how US is waiting for the Iranian response still, but sources suggest gaps are relatively narrow.

Elsewhere, US Energy Secretary Wright said US is to add 40mln bbls to SPR after Iran conflict is over, while in the weekly Baker Hughes rig count, oil rose 2 to 431, Nat gas fell 1 to 124, leaving the total up 1 to 563. WTI traded between USD 89.68-93.63/bbl and Brent USD 92.67-95.60/BBL.

EQUITIES

CLOSES: SPX -2.64% at 7,384, NDX -4.77% at 28,958, DJI -1.35% at 50,872, RUT -3.47% at 2,834

SECTORS: Consumer Staples +1.64%, Utilities +0.80%, Real Estate +0.69%, Health +0.65%, Financials +0.13%, Industrials -1.10%, Communication Services -1.65%, Energy -1.77%, Materials -2.04%, Consumer Discretionary -2.43%, Technology -5.78%

EUROPEAN CLOSES: Euro Stoxx 50 -0.76% at 6,057, DAX -0.75% at 24,759, FTSE 100 +0.07% at 10,368, CAC 40 -0.32% at 8,218, AEX -0.55% at 1,041, IBEX 35 +0.38% at 18,345, FTSE MIB -0.56% at 49,893, SMI +0.35% at 13,388, PSI +0.13% at 8,932.

STOCK SPECIFICS:

- **Meta (META)** is considering raising tens of billions of dollars in a stock offering as it seeks new sources of capital to fund Mark Zuckerberg’s vast ambitions in AI, following the launch of Google’s record USD 85bln share deal this week, reports FT.
- SpaceX enters a Cloud service agreement with **Google (GOOGL)**, the deal includes 110,000 Nvidia (NVDA) GPUs, CPUs, and memory
- US states are preparing a lawsuit to block **Paramount's (PSKY)** acquisition of **Warner Bros (WBD)**, according to source reports
- **Tesla (TSLA)** is pushing a planned public demo for its long-awaited next gen Roadster to August or later, The Information reports
- **JPMorgan (JPM)** CEO Dimon reportedly on the prowl to further expand the nation’s largest bank – possibly by snapping up a wealth-management firm or a private credit business, via NY Post citing bankers
- **Boeing (BA)** CEO says it will begin building new 737 Max airplanes on July 6th at a final assembly line it’s opening north of Seattle, via CNBC
- **Alphabet (GOOGL)**: Google Cloud has reportedly quietly cut staff
- **Tesla (TSLA)**: Upgraded at JPMorgan
- **Broadcom (AVGO)**: Weakness continues following losses of 12.6% on Thursday after a disappointing earnings report
- **Lululemon Athletica (LULU)**: Cut FY guidance alongside downbeat commentary
- **G-III Apparel Group (GIII)**: Shallower loss per share than expected, revenue beat and raised FY profit view
- **The Cooper Companies (COO)**: EPS and revenue topped
- **Unity Software (U)**: Upgraded to 'Outperform' at Edgewater Research

FX

The Dollar was firmer on Friday, and supported by the strong US jobs report, which bolstered the likelihood of Federal Reserve rate hikes this year, with now 25bps priced in by year-end vs. 16bps pre-data. Looking at the data, the headline surged to 172k from 179k (revised from initial 115k), way above the expected 85k and outside the top end of the forecast range. In addition, the Fed goes on blackout this evening ahead of the June 17th confab.

G10 FX saw weakness against the Dollar, given the Greenback's strength, as opposed to anything currency-specific. Antipodeans were the underperformers, and saw a double whammy from risk-off sentiment, given the extensive losses seen in US indices. Swissy was one of the next worst performers, and also pared back some of Thursday's outperformance. For the Pound, BoE's Dhingra remarked it is very hard to say what her future rate decisions will be, it depends on energy prices.

JPY and CAD were the two relative G10 outperformers, albeit still seeing slight losses vs. the Buck. The Loonie was supported by a stellar domestic jobs report of its own, whereby the Canadian economy added 87.8k jobs in May, far above the expected 10k and April's loss of 17.7k jobs. On the trade footing, US, Mexico, and Canada are reportedly poised to miss July 1st USMCA renewal deadline. USD/JPY hovered around 160, and continues to trade off its own intervention worries, and post US jobs report, the Yen saw a sharp bout of strength, and although the move swiftly pared, it prompting some intervention and/or rate-check speculation. Overnight, PM Takaichi said there are pros and cons to a weak Yen, adds investment strategy will help maintain trust in the yen and her economic policy is aimed at boosting Japan's economic capability, not at FX manipulation.

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