US Market Wrap - 10th June 2026

Stocks slide as tech tumbles and oil gains as Middle-East tensions boil

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar mixed, Gold down
- **REAR VIEW:** Softer-than-expected monthly Core CPI, headline M/M in line, yearly gauges rise as expected; US and Iran trade blows after US helicopter was downed; Trump said Iran has taken too long to negotiate a deal, now they will have to pay the price; Trump said will hit Iran very hard today; Trump said not looking to renew USMCA; Strong indirect demand on 10yr note auction, weak direct demand; BoC hold rates as expected; Hotter-than-expected Chinese & Japanese PPI, Norway Core CPI comes in hot; Crude stocks draw for seventh consecutive week; TSMC revenue rises in May
- **COMING UP:** Data: Swedish CPIF Final (May), US PPI (May), Jobless Claims (May/30). Events: ECB Policy Announcement (Jun), CBRT Policy Announcement (Jun), OPEC MOMR (Jun). Speakers: ECB President Lagarde. Supply: UK, Italy, US. Earnings: Adobe

MARKET WRAP

Stocks were sold on Wednesday as weakness in the technology sector extended following the recent AI-driven rally. Several desks have warned throughout the week that positioning remains stretched, with Citi highlighting elevated bullish Nasdaq positioning and associated downside risks, while Bank of America called on investors to take profits. Goldman Sachs also noted that retail trading activity and options pricing continue to imply elevated expectations, while institutional investors have become increasingly concerned about the pace of the rally and the market becoming "one big trade" centred around AI.

Industrials, Materials and Technology were the worst-performing sectors, with many of the AI beneficiaries extending recent losses. Broadcom (AVGO) and Nvidia (NVDA) both came under renewed pressure, while the Memory ETF (DRAM) fell a further 4% and the Semiconductor ETF (SOXX) declined by around 3.5%. Outside of equities, precious metals were also heavily sold, with gold falling back below USD 4,100/oz.

The geopolitical backdrop remains fluid. Crude prices settled higher after the US and Iran exchanged strikes overnight, while President Trump warned that Iran would "pay the price" for taking too long to negotiate and stated the US would strike Iran again tonight, keeping geopolitical risks elevated and supporting energy markets.

Meanwhile, the US CPI report was largely in line with expectations. Core CPI M/M came in softer than forecasted, although some of the underlying details, including core services and supercore inflation on a Y/Y basis, accelerated. The report did little to alter Fed pricing following last Friday's strong nonfarm payrolls report, but it continues to support the case for a prolonged period of restrictive policy and keeps the risk of further tightening on the table should inflation remain persistent and the labour market stable.

Treasuries were also pressured, particularly at the long end of the curve, resulting in a bear steepening move. The USD 39bln 10-year note auction was strong overall, although the strength was driven overwhelmingly by indirect demand while domestic participation was notably weak. Attention now turns to Thursday's 30-year bond auction to gauge whether a similar demand dynamic emerges further out the curve.

In FX, the Dollar was mixed against major peers. The Canadian Dollar outperformed, largely supported by higher crude prices rather than the Bank of Canada's widely expected policy decision, while the Australian Dollar lagged amid the weakness in equities and metals.

US

US CPI: Headline CPI rose 0.5% M/M in May, in line with analyst expectations and cooling from the prior 0.6%, while the Y/Y rate accelerated to 4.2% from 3.8%, matching forecasts. The core metrics were softer than expected, with core CPI rising 0.2% M/M, down from 0.4% in April and below the 0.3% forecast, while the Y/Y rate accelerated to 2.9% from 2.8%, in line with expectations. The softer monthly core reading is a welcome sign for policymakers and suggests underlying inflation pressures may not be accelerating further despite elevated energy prices. However, inflation remains well above the Fed's 2% target and, alongside a labour market that continues to appear resilient, is unlikely to materially alter the recent hawkish shift in policy expectations. Within the report, core goods prices declined on the month, while the Y/Y pace was little changed. Core services inflation eased on a monthly basis but accelerated Y/Y, while supercore inflation also cooled slightly M/M but accelerated on an annual basis. The continued firmness in services and supercore inflation is likely to remain a concern for policymakers, although some of that pressure may be offset by easing goods prices as tariff-related effects continue to unwind. Looking ahead, Oxford Economics writes that with gasoline prices falling sharply so far in June, May may prove to be the peak for headline CPI. However, the consultancy expects inflation to decline only gradually, keeping the Fed on hold for much of the year. The desk notes that its preliminary estimate for May PCE points to a similar headline reading but a firmer core measure, partly reflecting a rise in portfolio management fees.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 2+ TICKS LOWER AT 109-04+

T-notes bear steepen, led by the long end, while T-notes chop around CPI. At settlement, 2-year +0.2bps at 4.124%, 3-year +1.0bps at 4.180%, 5-year +1.4bps at 4.260%, 7-year +1.9bps at 4.397%, 10-year +2.2bps at 4.540%, 20-year +2.3bps at 5.036%, 30-year +2.7bps at 5.024%.

THE DAY: Treasuries were lower across the curve on Wednesday, with weakness led by the long end, resulting in a bear steepening move. The rise in yields largely tracked higher oil prices after President Trump warned that Iran would "pay the price" for taking too long to negotiate a deal, while fresh military exchanges between the US and Iran overnight kept geopolitical tensions elevated. The US responded to the downing of an Apache helicopter by striking military and radar sites in Iran, while Iran subsequently launched attacks against US military bases across the Middle East. Trump also said will hit Iran hard again today, while Iranian officials reiterated they would respond to any further US action.

Aside from geopolitics, the May CPI report was the key economic release. Headline and annual inflation measures largely accelerated in line with expectations, while the core monthly reading came in softer than forecast. Treasuries saw a brief two-way reaction to the data before ultimately returning to trade in line with developments in the energy market. The softer monthly core reading was a welcome sign and suggests underlying inflation pressures may not be accelerating materially despite elevated energy prices. However, inflation remains well above the Fed's target and, alongside a labour market that continues to appear resilient, is unlikely to materially alter the recent hawkish shift in policy expectations.

Elsewhere, the USD 39bln 10-year note auction was strong overall, stopping through by 0.1bps and posting a stronger-than-average bid-to-cover ratio. However, the strength was driven overwhelmingly by indirect demand, which surged well above recent averages, while direct demand fell sharply and remained well below recent norms. Despite the strong headline result, the long end of the Treasury curve remained under some pressure following the auction.

Attention now turns to Thursday's 30-year bond auction, which will provide a clearer test of demand for duration. While the strong 10-year result highlights robust foreign participation at current yield levels, the combination of elevated volatility, a weak 30-year JGB auction overnight, and continued geopolitical uncertainty suggests the long end could still face some challenges. That said, the improvement from yesterday's softer 3-year auction to today's strong 10-year offering may indicate investors are becoming more comfortable extending duration, particularly with both CPI and PPI in the rear-view mirror by the time of the 30-year sale.

SUPPLY

Notes

- US sold USD 39bln of 10-year notes; Stop through 0.1bps.
- US to sell USD 22bln of 30-year bonds on June 11th

Bills

- US sold 17-wk bills at high-rate 3.665%, B/C 2.88x
- US to sell USD 70bln of 4-wk bills and USD 75bln of 8-wk bills on June 11th.

STIRS/OPERATIONS

- **Fed Pricing: 24.9bps (prev. Dec 25.1bps)**
- EFFR at 3.62% (prev. 3.62%), volumes at USD 106bln (prev. USD 108bln) on June 9th
- SOFR at 3.60% (prev. 3.63%), volumes at USD 3.063tln (prev. USD 3.115tln) on June 9th
- NY Fed RRP op demand at 0.39bln (prev. 0.58bln) across 4 counterparties (prev. 13) on June 10th

CRUDE

WTI (M6) SETTLED USD 1.83 HIGHER AT USD 90.03/BBL; BRENT (Q6) SETTLED USD 1.65 HIGHER AT 93.10/BBL

The crude complex was firmer and supported by the ever-increasing US/Iran tensions. Overnight, the US launched fresh strikes on Iran in response to the downing of an Apache helicopter, and Iran responded with attacks on US bases in Bahrain, Kuwait and Jordan. Even further heightening these risks, Trump on Truth said Iran has taken too long to negotiate a deal, and now they will have to pay the price. Later on in the session, benchmarks spiked to session highs after further punchy rhetoric from the US President, who said they will be attacking Iran hard and have the right to resume attacks and will hit Iran hard again today. As such, participants will be looking to see what is next and if and when any further attacks are. Trump also suggested Iran should sign the deal, and it's a good deal. Following this, and in response to Trump’s latest threat, Tasnim reported that Iran has repeatedly warned that any aggression will be responded to in the most severe and decisive manner. Lastly, Trump, again on Truth, said a secret mission to support oil tankers initiated last month has resulted in over 100mln bbls of oil making its way through the Strait of Hormuz and into the open market.

Away from the Middle East, the weekly EIA data saw a larger-than-expected crude draw, in-fitting with the private figures, whole gasoline saw a surprise build, albeit small, and gasoline a shallower-than-anticipated draw. Overall, crude production was up 93k W/W to 13.799mln.

WTI traded between USD 87.39-91.84/bbl and Brent USD 90.77-94.65/bbl.

EQUITIES

CLOSES: SPX -1.62% at 7,267, NDX -1.98% at 28,508, DJI -1.87% at 49,924, RUT -1.10% at 2,835

SECTORS: Industrials -3.41%, Materials -2.45%, Technology -2.34%, Consumer Discretionary -2.23%, Communication Services -1.65%, Health -1.15%, Financials -0.50%, Utilities -0.01%, Real Estate +0.02%, Energy +1.46%, Consumer Staples +1.69%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.62% at 6,012, Dax 40 -0.88% at 24,218, FTSE 100 +0.27% at 10,255, CAC 40 -0.51% at 8,162, FTSE MIB -0.46% at 50,029, IBEX 35 -0.18% at 18,143, PSI -0.06% at 8,897, SMI +0.80% at 13,463, AEX +0.48% at 1,052

STOCK SPECIFICS:

- **Super Micro Computer (SMCI)** launched USD 7bln equity raise.
- **Cracker Barrel (CBRL)** raised its FY rev. & adj. EBITDA outlook.
- **Amazon (AMZN)** expanded its LTL freight offering to all destinations in the US. Of note for Old Dominion (ODFL), Saia (SAIA), XPO (XPO) and ArcBest (ARCB).
- **Nike (NKE)** downgraded at RBC to 'Sector Perform' from 'Outperform'.
- **Illumina (ILMN)** upgraded at JPMorgan to 'Overweight' from 'Neutral'.
- **Summit Therapeutics (SMMT)** commenced an underwritten public offering of USD 500mln of common stock, with all shares offered by the company.
- **Walmart (WMT)** said advertising is now about a USD 6bln business, with Walmart Connect referenced as growing c. 40%.
- **OpenAI** reportedly prepares a new AI model and expects to go public within the next year, according to The Information.
- **Visa (V)** teams up with OpenAI to let AI agents make purchases online, according to Bloomberg.

FX

Dollar performance was mixed against major peers following a series of inflation figures across multiple economies. In the US, inflation was somewhat welcomed, with the core monthly figure slightly softer than expected, headline M/M in line, and the yearly figures printed in line. The report had little influence on money market pricing and will likely ease any further hawkish shift for now from Fed officials, but some may be concerned about elevated services inflation. PPI on Thursday could resume the transition to a more hawkish policy view from the FOMC next week if it comes in hot and shifts PCE expectations. Across other countries (Japan, China, Norway), inflation figures tilted above expectations, signalling the upside pressure the Middle East conflict is having on inflation despite the oil decline in late May. Progress between the US and Iran has stalled as strikes between the two have resumed after the Iranians downed a US helicopter earlier in the week. Trump has cited the attack on the US helicopter and Iran taking too long to negotiate a deal behind his decision to hit Iran very hard at some point today. The Iranians have repeatedly said that any aggression will be responded to in the most severe and decisive manner. After the US close, attention will be on the AI trade, with Oracle set to report earnings, giving a glimpse of the AI buildout story. Attention stays on the geopolitical front for any escalation in any attacks, namely, whether it shifts towards energy facilities or senior officials.

CAD and **EUR** were flattish against the buck on Wednesday, **GBP** and **JPY** were marginally weaker, and AUD lagged. For CAD, the expected BoC decision to hold rates at 2.25% had little bearing on price action. The release and accompanying remarks from Macklem/Rogers were rinse and repeat from April, with current policy appropriate for a patient approach in a soft labour market environment, combined with a clouded inflation outlook, which poses risks of becoming persistent. BoC money market pricing was little changed in the aftermath, currently pricing ~37bps of tightening by year-end.

For EUR, the main event is on Thursday, where the ECB is expected to hike by 25bps, taking the Deposit Rate to 2.25%, justified by the assessment that the ECB is past the March baseline and is closer to the adverse scenario. Attention will also be on language regarding a July move. Click here for the EBC Newsquawk Preview.