

Stocks rally and crude plummets as US/Iran agree on MoU

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar down, Gold up
- **REAR VIEW:** US and Iran agree on MoU, albeit with some contradicting reports around Lebanon; NVDA to raise USD 25bln from bond offering; NY Fed Survey disappoints, NAHB falls more than expected, US IP misses forecasts; Fitch affirms China at A; FOX to acquire ROKU
- **COMING UP: Data:** Chinese Unemployment Rate (May), Retail Sales (May), Industrial Production (May), Italian Inflation Final (May), EU/German ZEW (Jun), US ADP Weekly, Import/Export Prices (May), Housing Starts (May), Atlanta Fed GDP (Q2)
Events: RBA Policy Announcement, BoJ Policy Announcement. **Speakers:** RBA's Bullock; BoJ's Uchida; ECB's Lane. **Supply:** UK, Germany, US
- **WEEK AHEAD:** Highlights include Fed, BoJ, RBA, BoE, SNB, US Retail Sales, Japan CPI, UK Inflation and UK Jobs. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** PGR, ACN, KR the highlights in an otherwise thin docket. [Click here for the full report.](#)

MARKET WRAP

US indices closed the first session of the week firmly in the green, albeit slightly off intraday highs, as risk sentiment took its cue from the US and Iran reaching a peace agreement that is expected to be formally signed in Switzerland on Friday. While full details of the agreement have yet to be released, reports suggest the US will lift its naval blockade while Iran will reopen the Strait of Hormuz.

The positive developments surrounding the US-Iran agreement drove a broad risk-on move across asset classes. Crude prices suffered hefty losses as traders removed much of the geopolitical risk premium embedded during the conflict, while the Dollar weakened against most major peers. Currency-specific newsflow was relatively sparse, although the Swiss Franc also found support after voters rejected a proposal to cap the country's population at 10mln, avoiding a potential source of tension with the EU.

Precious metals were firmer, while Treasuries also gained, with the front end outperforming as lower oil prices helped ease inflation concerns. However, Treasury gains were pared throughout the session, with Nvidia's (NVDA) USD 25bln bond offering weighing on the market after the deal was upsized from an initially proposed USD 20bln following roughly USD 85bln of investor demand.

Sector performance reflected the improved risk backdrop. Technology, Communication Services, and Consumer Discretionary led the gains, while Energy was the clear laggard amid the sharp decline in oil prices.

On the data front, the NY Fed Empire Manufacturing survey, Industrial Production, and the NAHB Housing Market Index all came in softer than expected, although the releases generated little market reaction.

Attention now turns to Wednesday's FOMC decision. Rates are widely expected to remain unchanged, but focus will centre on Chair Warsh's first press conference as Fed Chair. Markets will also closely watch whether the Committee removes its easing bias from the statement, revises inflation forecasts higher, lowers unemployment projections, and delivers a more hawkish set of dot plots.

US

NY FED SURVEY: Business activity in New York State increased modestly in June, with the headline general business conditions index falling to 5.7 from 19.6, below the 13.20 forecast, which Pantheon Macroeconomics says "bolsters the case for thinking the manufacturing cycle is beginning to turn down". New orders eased to 3.5 from 22.7, and shipments slowed to 8.6 from 18.9, while unfilled orders edged up to 5.0 from 4.9. Delivery times continued to lengthen, albeit at a slower pace, with the index falling to 11.9 from 20.4, while supply availability worsened further to -13.9 from -10.7. Employment metrics were mixed, with the number of employees index rising to 9.6 from 8.3, although the average workweek index eased to 5.1 from 11.5. Price pressures remained elevated, with prices paid little changed at 61.0 (prev. 62.6) and prices received at 31.4 (prev. 31.8). Pantheon Macroeconomics writes that "The prices received index was essentially unchanged in June, consistent with prices for CPI core goods, excluding used autos, rising at a near-4% annualized pace over coming months. But with energy prices down decisively over the last month, the pace of price rises looks set to moderate soon, enabling the FOMC to look through the current momentum." Looking ahead, firms remained fairly optimistic, although the future business conditions index slipped to 30.1 from 33.5. Expectations for new orders and shipments improved to 32.5 (prev. 30.1) and 32.2 (prev. 26.6), respectively, while firms also anticipated stronger inventories, longer delivery times, and continued employment growth. Future prices paid eased to 59.4 from 62.1, but future prices received rose sharply to 51.6 from 43.6, the highest since 2022.

INDUSTRIAL PRODUCTION: US industrial production rose 0.1% M/M in May (exp. 0.2%, prev. 0.7%), while manufacturing output was unchanged (prev. 0.6%), indicating activity grew at a slower pace than expected. However, both series saw sizeable upward revisions to prior months, with industrial production revised up by a net 0.4ppts and manufacturing by 0.5ppts. Mining output rose 1.3%, offsetting a 0.4% decline in utilities production, while capacity utilisation edged up to 76.2% from 76.1%, in line with expectations. On an annual basis, industrial production accelerated to 1.7% Y/Y from 1.4%, while manufacturing production rose

1.4% Y/Y from 1.3%. Within manufacturing, durable goods output increased 0.8%, led by gains in wood products, nonmetallic minerals, primary metals and motor vehicles, although this was offset by a 0.9% decline in nondurable goods production. High-tech manufacturing remained a key source of strength, with computer and electronic products output rising 0.9% M/M and 10.3% Y/Y. The Fed release noted business equipment output rose 0.6%, construction supplies increased 1.1%, and materials production gained 0.3%. Pantheon Macroeconomics notes that strength in computers and electronics is continuing to support overall manufacturing output, likely reflecting the benefits of earlier CHIPS Act-related investment, but argues that recent production gains have also been supported by precautionary inventory-building amid supply chain concerns. Pantheon expects production growth to soften in the months ahead as inventory accumulation fades and higher manufactured goods prices weigh on demand.

NAHB: The NAHB Housing Market Index moved lower in June to 35 despite expectations to remain at 37. The drop came from current sales conditions falling two points to 38. Meanwhile, sales expectations in the next six months and the traffic of prospective buyers both held steady at 45 and 25, respectively. 35% of builders cut prices in June (prev. 32.0%) at an average price reduction of 6% in June (prev. 6.0%). The use of sales incentives was 62% (prev. 61%), marking the 15th consecutive month of being over 60%. Oxford Economics writes that "soft homebuilder sentiment is consistent with our view that housing starts will mostly move sideways for the next couple of quarters before starting to edge up slightly around year-end." The firm needs to see builders work off more of their unsold inventory before we see a notable pickup in single-family housing starts.

FIXED INCOME

T-NOTE FUTURES (M6) SETTLE 4+ TICKS HIGHER AT 109-21

Yield curve bull steepens as front-end outperforms on lower oil prices following US-Iran MoU. At settlement, 2-year -2.7bps at 4.060%, 3-year -3.2bps at 4.104%, 5-year -3.0bps at 4.181%, 7-year -2.5bps at 4.315%, 10-year -1.8bps at 4.465%, 20-year -1.1bps at 4.969%, 30-year -0.4bps at 4.967%.

THE DAY: Treasuries bull steepened on Monday amid a sharp decline in crude prices after the US and Iran officially agreed to end the conflict, remove the US naval blockade, and reopen the Strait of Hormuz.

An official signing ceremony is expected to take place in Switzerland on Friday, although the memorandum of understanding has already been signed virtually by US VP Vance, President Trump, and Iranian Parliamentary Speaker Ghalibaf. The agreement helped send crude prices sharply lower, with markets beginning to remove some of the geopolitical risk premium that had been embedded in energy markets.

However, details surrounding the agreement remain somewhat unclear. Reports have differed on whether the memorandum includes Lebanon, with Israel stating its forces will not withdraw from southern Lebanon at this stage. Trump said the agreement includes a ceasefire on all fronts, while a senior US official suggested the deal does not require an Israeli withdrawal, although Israel retains the right to defend itself. Meanwhile, Iranian news agency Fars denied reports that Lebanon had been excluded from the agreement.

Officials have also suggested the Strait of Hormuz could reopen quickly, although shipping companies appear cautious about returning immediately. As a result, markets continue to assess whether oil prices can remain materially lower if the resumption of energy flows proves slower than expected. Ongoing nuclear negotiations with Iran and uncertainty surrounding the Israel-Lebanon situation also continue to cloud the outlook.

Treasuries initially rallied at the reopen, tracking the sharp decline in crude prices, but gradually pared those gains throughout the session to settle modestly firmer, with the front-end continuing to outperform. The price action suggests investors remain somewhat cautious about fully unwinding inflation risk premia until there is greater clarity surrounding energy markets and the broader regional outlook.

Also contributing to the paring of Treasury gains was Nvidia's (NVDA) USD 25bn bond offering, upsized from an initially proposed USD 20bn after attracting roughly USD 85bn of demand. Nvidia is issuing debt across maturities ranging from 2 years to 30 years, with reports suggesting the 10-year tranche will price around 75bps above comparable Treasuries. The sizeable corporate supply added some pressure to the Treasury market.

On the data front, the NY Fed Empire Manufacturing survey, Industrial Production, and the NAHB Housing Market Index all came in softer than expected, although the releases generated little market reaction. Attention now turns to Wednesday's FOMC decision, where rates are widely expected to remain unchanged. Focus will centre on whether the Committee removes its easing bias from the statement, potential upward revisions to inflation forecasts, lower unemployment projections, and a more hawkish set of dot plots. However, the key event risk will likely be Chair Warsh's press conference, where investors will be looking for greater clarity on his policy views and any potential changes he may seek to implement at the Federal Reserve.

SUPPLY

Notes

- US Treasury to sell USD 13bn of 20-year bonds on June 16th, to settle June 22nd; to sell USD 24bn of 5-year TIPS on June 18th, to settle June 30th

Bills

- US sold 3-month bills at a high rate of 3.64%, B/C 2.47x; sold 6-month bills at a high rate of 3.680%, B/C 2.76x.
- US to sell USD 65bn of 6-week bills on June 16th, to settle on June 18th

STIRS/OPERATIONS

- Fed Pricing: 18.7bps (prev. Dec 24bps)

- EFR at 3.62% (prev. 3.62%), volumes at USD 110bln (prev. USD 106bln) on June 12th
- SOFR at 3.65% (prev. 3.60%), volumes at USD 3.059tln (prev. USD 3.061tln) on June 12th
- NY Fed RRP op demand at 0.58bln (prev. 0.45bln) across 8 counterparties (prev. 6) on June 15th

CRUDE

WTI (N6) SETTLES USD 4.13 LOWER AT 80.75/BBL; BRENT (Q6) SETTLES USD 4.16 LOWER AT 83.17/BBL

The crude complex saw steep losses as over the weekend the US and Iran reached a framework peace agreement. While the full document itself hasn't been released yet, officials have been revealing some details, but there are some discrepancies. Nonetheless, the MoU has been signed virtually by US President Trump, VP Vance and Iran Parliamentary Speaker Ghalbaf, but an official signing will take place in Switzerland on Friday. Trump made it clear on the announcement that the US will lift its naval blockade, whilst the Iranians will reopen the Strait of Hormuz. As such, WTI and Brent gapped lower at the open and continued to trundle lower to troughs of USD 79.70/bbl and 82.40, respectively, amid the positive Middle East developments. Whilst there were still some discrepancies in reporting from the two sides, participants await both countries signing on the dotted line and full details, which will slowly bring oil flows back to pre-war levels, albeit not immediately. Away from the Middle East, traders also await the FOMC on Wednesday and Chair Warsh's first policy meeting.

EQUITIES

CLOSES: SPX +1.65% at 7,554, NDX +3.06% at 30,544, DJI +0.92% at 51,676, RUT +0.72% at 2,965

SECTORS: Technology +3.39%, Communication Services +2.42%, Consumer Discretionary +1.91%, Industrials +1.36%, Materials +0.84%, Utilities +0.47%, Financials +0.35%, Consumer Staples -0.53%, Health -0.70%, Real Estate -0.90%, Energy -3.58%

EUROPEAN CLOSES: Euro Stoxx 50 +0.82% at 6,238, Dax 40 +1.09% at 24,903, FTSE 100 -0.39% at 10,431, CAC 40 +0.40% at 8,384, FTSE MIB +0.66% at 51,836, IBEX 35 +1.43% at 19,032, PSI -0.52% at 9,046, SMI +0.11% at 13,723, AEX -0.52% at 1,076.

STOCK SPECIFICS:

- Elon Musk said on Sunday that **SpaceX (SPCX)** could bring in USD 1tln in revenue by 2030.
- Kazakhstan and Firebird signed a USD 10bln AI project deal with **Nvidia (NVDA)** chips; NVDA plans to raise USD 25bln from a high-grade bond sale.
- **TripAdvisor (TRIP)** to sell TheFork to **American Express (AXP)** for USD 700mln in cash.
- **Fox Corp (FOXA)** agreed to acquire **Roku (ROKU)** for USD 160/shr in cash & stock.
- US DoJ approves **Paramount's (PSKY)** USD 111bln takeover of **Warner Bros Discovery (WBD)**.
- **Woodside Energy (WDS)** said no discussions are being held and denies proposals involving **Exxon Mobil (XOM)**.
- **Ferrari (RACE)** upgraded at Morgan Stanley to 'Overweight' from 'Equal Weight'.
- **Datadog (DDOG)** upgraded at Truist to 'Buy' from 'Hold'.
- **Broadcom (AVGO)** reportedly backs a USD 35bln AI chip order to boost demand, with plans to finance over 20 gigawatts of compute capacity, potentially impacting credit through chip lease financial backstop, reports The Information.

FX

The Dollar was weaker on Monday as positive developments in the Middle East improved risk sentiment after the US and Iran reached a framework peace agreement that is expected to be formally signed in Switzerland on Friday. While full details have yet to be released, reports suggest the US will lift its naval blockade while Iran will reopen the Strait of Hormuz. As expected, developments surrounding the US-Iran agreement dominated FX trade and broader market sentiment, with participants also beginning to look ahead to Wednesday's FOMC decision. While rates are widely expected to remain unchanged, attention will focus on Chair Warsh's first meeting as Fed Chair, with some desks expecting the Committee to remove the easing bias from its policy statement.

Elsewhere, the NY Fed Empire Manufacturing survey disappointed, with the headline index falling to 5.7 from 19.6, well below the 13.2 consensus. The underlying details were mixed, with new orders and shipments declining sharply while prices paid eased.

G10 currencies broadly advanced against the Dollar on the improved risk backdrop. The Yen pared earlier gains ahead of the Bank of Japan decision overnight. While a Reuters survey showed 66 of 70 economists expect the BoJ to raise rates to 1.0% this month, market participants remain focused on the accompanying guidance and the pace of any further policy normalisation. Money markets currently imply around a 90% probability of a rate increase.

The **commodity-linked** currencies underperformed, with CAD and NOK among the laggards as crude prices tumbled following the US-Iran agreement.

In contrast, **AUD, CHF, EUR and GBP** were among the strongest performers. The Aussie was supported by the broader risk-on backdrop ahead of the RBA decision overnight, where policymakers are expected to leave rates unchanged. The Pound was also supported by the risk tone ahead of key risk events this week. UK CPI is due on Wednesday, ahead of Thursday's BoE confab, and the Makerfield by-election results Thursday evening. The Swissy was supported after the nation voted to reject a proposal to cap its population at 10mln, avoiding issues with the EU while the Dollar weakness also supported.

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