

SNAPSHOT

STOCKS			
S&P 500	-1.2%	Nasdaq Comp.	-1.4%
DJIA	-1.0%	Russell 2000	-0.7%
ES Jun'26	-1.0%	RTY Jun'26	-0.4%
NQ Jun'26	-0.5%	YM Jun'26	-0.8%
FX			
DX	+0.8% (100.38)	EUR/USD	-0.9%
USD/JPY	+0.2%	GBP/USD	-1.0%
BONDS			
US T-Note Sep'26	-19 ticks	10yr Bund Sep'26	-18 ticks
US 10yr Yield	4.49%	German 10yr Yield	2.93%
ENERGY & METALS			
WTI Jul'26	-0.5%	Brent Aug'26	-0.4%
Spot Gold	-1.7%	LME Copper	+0.4%
CRYPTO			
Bitcoin	-2.2%	Ethereum	-2.7%

As of 21:50BST/16:50EDT

LOOKING AHEAD

- Highlights include New Zealand GDP, Thailand Trade Data, Supply from Australia.
- [Click for the Newsquawk Week Ahead.](#)

FOMC

- Fed kept rates on hold as expected at 3.50-3.75%, while it removed forward guidance completely with the rate decision and statement approved in a 12-0 vote, and it stated that the committee will deliver price stability. The committee reaffirmed its policy of maintaining ample reserves in the banking system and said economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Fed stated that job gains have kept pace with the workforce, and the unemployment rate has changed little, as well as noted that inflation remains elevated relative to the Committee's 2% goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy, adding that the Committee will deliver price stability. **The SEPs showed the Federal Funds Rate for 2026 is seen at 3.8% (exp. 3.625%, prev. 3.4%), 2027 at 3.6% (exp. 3.375%, prev. 3.1%), 2028 at 3.4% (exp. 3.125%, prev. 3.1%), and Longer run at 3.1% (exp. 3.125%, prev. 3.1%).**
- Fed Chair Warsh said the goal is to get monetary policy right, and that the committee will deliver price stability, while he said inflation is well ahead of 2% and that persistently high prices are a burden. He also commented that the statement was absent of forward guidance as it is not well suited to the current policy state and announced a task force on five points for review, in which the task force will be supported by Fed staff and will ultimately propose the next steps. The points for review include: Communication: expects to propose changes, including to SEPs. Balance Sheet: to review the benefits and risks of an ample reserve regime, and its composition. Use of data sources: to consider new data sources and methodological changes. Productivity and Jobs: will survey the reach of AI and other general-purpose tech. Fed's inflation frameworks: will examine drivers of inflation.
- Fed Chair Warsh said in the (Q&A) that the timeline of task force reviews will depend on which topic, and he expects to begin work in the next couple of weeks, and hopes to be concluded by year-end on all points. Warsh said regarding the inflation

framework review that the 2% goal is the Fed's long-term goal objective, and he sees no reason until they reach the 2% goal to revisit that goal. Warsh said they have the capability and commitment to deliver price stability and 2% goal, and stressed the Fed will deliver on 2% inflation goal, as well as reiterated they have dropped forward guidance and cannot give forward guidance on what they will do next.

- Fed Chair Warsh responded that it is uneven, perhaps due to different transmission mechanisms, when asked about how restrictive policy is, and stated policy appears restrictive from the housing market, but not financial markets and that it is hard to say policy is restrictive anywhere but in housing. Warsh said he thinks colleagues understand the world is changing quickly, and did not feel bound by their dots, while he did not hear a lot of conviction on dot plots, when asked about the dot plot. Warsh also said he did not submit a dot as he does not see it as helpful on how to conduct policy, but stated he is pretty open-minded. Warsh said that they made changes, with more expected to come, and therefore those future changes would be worthy of press conferences, while he also commented that commitment to deliver on inflation is strong and unanimous. Furthermore, when asked about whether a rate cut was discussed, he said there was one proposal on the table, but very little discussion on it, as well as stated there was no discussion on any other proposals and that none of the 19 at the table felt a need to tighten today.

IRAN CONFLICT

- US President Trump said the Iran MoU is not final (in reference to the 60-day negotiating period) and they will strike again if he does not like what he sees, while he said the MoU does not include immediate sanctions relief, but will talk about this later.
- US President Trump reiterated that the Iran deal will open Hormuz and that Iran cannot have a nuclear weapon, while he also reiterated that if the Iran deal is not done in 60 days, they will go back to bombing and stated they do not want to bomb Iran again, but might have to.
- US President Trump said it is a guarantee that they will sign the deal with Iran and it will be signed shortly, tomorrow or the day after, while he sent a copy to Israel, who have been a good partner, and thinks they can do better with respect to Hezbollah. Trump said technical discussion on nuclear stockpiles will begin immediately and the US is not giving Iran money, as well as noted that traffic through the Strait of Hormuz has already increased substantially and energy flow will resume through Hormuz in the coming days. Furthermore, Trump reiterated they will probably go back to bombing them if Iran does not honour the agreement, and stated that some things are not mentioned in the deal, but are understood, while a nuclear weapon is the most important clause.
- US President Trump said regarding Iran that the deal is a wall to a nuclear weapon, and he expects Friday's signing to take place, but added "you never know", while he also stated that the MoU is very strong and pretty detailed.
- US President Trump said the Iran deal will be signed over the next 48 hours and that Iran is signing in final form, but not yet determined, and will leave the US military in the Gulf for "a while". Trump also stated that if other countries have ballistic missiles, it's a little bit unfair for Iran to have none, and he noted that nuclear dust is less important than non-proliferation.
- US senior official, reading out the formal text of the Iran MoU, said Iran will cease efforts to disrupt traffic through the Strait of Hormuz and is committing to destroy its enriched uranium stockpile, at a minimum through downblending, with details on implementation to be discussed. The official said the sequencing of agreed steps will be a key topic in forthcoming talks, while discussions on funding for Iranian proxies will follow the nuclear issue. The meeting in Switzerland this weekend will be "critical" in determining how negotiations advance, and both sides will take confidence-building measures to assess whether a deal can be achieved. The official also said that Israeli PM Netanyahu has not requested a copy of the MoU, the US has maintained constant contact with Israel, and while the MoU has been signed, either side can walk away until a binding agreement is reached. If a final deal is achieved and "the Iranians behave," sanctions relief could be permitted; however, if negotiations fail, President Trump is not afraid to use the tools at his disposal.
- US, Iran, and the mediators are discussing holding the signing of the MoU, currently scheduled for Friday, as early as Wednesday, according to Axios reports citing sources. If that happens, the MoU would be signed electronically, the parts of the deal concerning the Strait of Hormuz would go into effect, and the US might finally release the text of the agreement. Furthermore, a source said the discussions around accelerating the timetable were intended to open the Strait of Hormuz sooner than Friday, as both parties were in agreement on that issue, while another factor could be the political pressure on the White House to release the text of the MoU.
- A proposal has been raised to electronically sign the Iran-US memorandum of understanding before the trip to Geneva, with the aim of accelerating the transition to the implementation phase and avoiding delays in future negotiations. Under the proposal, the MoU text would be signed electronically before the parties depart for Geneva, allowing the Geneva meetings to focus on technical details and specialised issues related to the 60-day period following the understanding, according to Fars.
- Iran Nuances cited sources stating that Iran and the US may sign the MOU at a high political level remotely, which is under active consideration. However, Iran Nuances later stated that it DID NOT intend to suggest that Iran's Parliament Speaker Ghalibaf and US Vice President Vance will not convene in Switzerland on Friday. Furthermore, an IRNA stated that the news about the cancellation of the Iranian delegation's trip to Switzerland, which was published in cyberspace and some news channels, is false and that no change has been made in the Geneva talks schedule as of the time of this report.
- Iran's National Security and Foreign Policy Committee spokesperson Rezaei described the US-Iran agreement as "unbalanced" and said that all the red lines of the Islamic Republic were not observed. Furthermore, he said the war is not over and should not assume that the situation is out of the state of confrontation, while he added they are in a full-fledged hybrid war, and must seize the opportunity created to become stronger.
- Member of the media team of the Iranian nuclear negotiating team said the continuation of the negotiations is dependent on the release of USD 12bln in frozen assets, and that they have provided guarantees for all of this, according to SNN.
- Hezbollah chief said the ceiling to be reached in negotiations with Israel is a situation of reciprocal security, while they reject pilot zones agreed in US-brokered talks between Lebanon and Israel.

- IDF said four soldiers were wounded in southern Lebanon by an explosive drone attack.

US TRADE

- **US stocks** were pressured as a broad-based hawkish reaction was seen across markets, given a much more hawkish than anticipated Federal Reserve decision in which the Fed kept rates unchanged at 3.50%-3.75%, as expected, removed forward guidance, added emphasis on reaching the inflation target, and provided a hawkish dot plot. As such, US indices saw losses with all sectors in the red, while Treasuries were sold and precious metals suffered extensive losses, with spot silver underperforming. The dollar saw significant strength post-Fed, to the detriment of G10 FX peers, with high-beta FX lagging ahead of a few central bank decisions on Thursday, namely SNB, BoE, and Norges.
- **SPX** -1.21% at 7,420, **NDX** -0.99% at 29,671, **DJI** -0.97% at 51,498, **RUT** -0.72% at 2,918.
- [Click here for a detailed summary.](#)

TARIFFS/TRADE

- US President Trump said regarding Chinese cars that the US doesn't have problems Europe has, while he also stated that the US would do better without the USMCA agreement and would rather leave the USMCA unsigned.
- US President Trump said they are very close to a deal with India on trade and will visit in the future.

NOTABLE HEADLINES

- US President Trump said it is alright that the Fed held rates, "whatever", and that it could happen regarding the possibility of the Fed raising rates.
- Atlanta Fed GDPnow (Q2): 3.0% (prev. 2.8%)

DATA RECAP

- US Retail Sales MoM (May) M/M 0.9% vs. Exp. 0.5% (Prev. 0.5%)
- US Retail Sales Control Group MoM (May) M/M 0.7% vs. Exp. 0.4% (Prev. 0.5%)
- US Pending Home Sales YY (May) 4.8% (Prev. 3.2%)
- US Business Inventories MM (Apr) 0.5% vs. Exp. 0.5% (Prev. 0.9%)
- US Retail Inventories Ex Autos MM (Apr) 0.6% vs. Exp. 0.6% (Prev. 0.4%)
- US Pending Home Sales MM (May) 3.8% vs. Exp. 1.3% (Prev. 1.4%)

FX

- **USD** saw strength in response to the FOMC statement and dot plots, which saw 9 members see at least one hike by year's end. The Fed held rates, as expected, and delivered a completely new statement in Warsh's inaugural meeting as the Chair. Whilst the statement omitted forward guidance, markets felt the outlook was provided through the dot plots, namely, many members seeing hikes this year and rates remaining higher from current levels through 2027. A prompt hawkish reaction was seen across markets, furthered by the language addition within the statement that "The Committee will deliver price stability", whilst mentions on the labour part of the mandate were limited, showing a heavy inflation tone skew. Warsh maintained this throughout his press conference and refrained from the dovish image some had anticipated, and in particular, he mentioned productivity growth, but did not try to argue that AI productivity growth would enable potential cuts. Warsh doesn't believe they have a cruel choice between full employment and stable prices, suggesting he potentially views employment as stable at current levels, with the Fed's current fight solely on inflation. DXY rallied to 100.57 from the 99.65 seen before the rate announcement. As it stands, money markets have returned to fully pricing in one 25bps rate hike by year's end.
- **EUR** retreated in the aftermath of the FOMC which dragged the single currency briefly to sub-1.1500 territory
- **GBP** was pressured with the currency not helped by softer-than-expected inflation, while participants look ahead to UK jobs and wages data, the BoE policy meeting and the Makerfield by-election, which could pave the way for Burnham's return to parliament and PM Starmer's ousting.
- **JPY** gave up ground as the dollar strengthened post-FOMC, although price action remained contained within the key 160.00 handle.
- **Swedish Riksbank Policy Announcement (Jun) 1.75% vs. Exp. 1.75% (Prev. 1.75%), while it stated that the probability of a hike in 2026 has increased relative to the March assessment.**

FIXED INCOME

- **T-notes** declined and the curve bear flattened following a hawkish FOMC and hawkish first press conference by Fed Chair Warsh.

COMMODITIES

- **Oil prices** were choppy, but ultimately settled higher amid plentiful Middle East reporting, although participants await the formal signing on Friday. On that, there were conflicting reports regarding the US/Iran in Switzerland on Friday, as Iran Nuances, citing sources, said that Iran and the US may sign the MoU at a high political level remotely and is now under active consideration. However, many outlets following this said that the news about the cancellation of the Iranian delegation's trip to Switzerland is false, and no change has been made in the Geneva talks schedule as of the time of writing.

- US EIA Crude Oil Stocks Change (Jun/12) -8.262M vs. Exp. -4.5M (Prev. -7.228M)
- IEA OMR (Jun) sees world oil demand falling by 1.1mln BPD in 2026 on the Iran war (prev. forecast 420k BPD fall) and sees total world oil supply 920k BPD lower than demand in 2026 (prev. forecast 1.7mln BPD lower), while supply is to fall by 3.9mln BPD in 2026 (prev. forecast 3.9mln BPD fall).
- Iraq's Southern Crude output rises by ~500,000 bpd to 1.5mln bpd as more tankers reach export terminals, according to reports, citing a document and three oil officials. Iraq increased Rumaila Oilfield output by 300k bpd, reaching 650k bpd as export operations recover.
- Russia is to import gasoline by sea to alleviate the shortage, according to sources. It was separately reported that Russia's standard for gasoline exchange sales will be reduced to 10% for 3 months to provide for the agricultural sector and socially significant consumers, according to Interfax, citing sources.

GEOPOLITICAL

RUSSIA-UKRAINE

- US President Trump said he has had very good talks with Russian President Putin and Ukrainian President Zelensky, while he will look at helping Ukraine with missiles and is looking at Russia sanctions on oil, with sanctions to be dependent on the price of oil. Trump also said that he thinks Putin and Zelensky want to do something on the war, as well as stated that Russia is losing more soldiers than Ukraine, and that he spoke to Putin on Sunday
- US President Trump said regarding Russia and China's nuclear weapons, that they ought to make a deal, and that either Russia or China is willing to make a deal.
- European Council President Costa's office had "brief" diplomatic contacts with the Kremlin to open channels of communication, as Europe debates whether to talk to Russia about ending the Ukraine war, although nothing was discussed in substance.

ASIA-PAC

NOTABLE HEADLINES

- Japanese PM Takaichi said at the G7 that there will be cooperation on the joint stockpiling of critical minerals.
- Japan's ruling party senior leaders said to have proposed cutting the consumption tax on food to 1% from April 2027 for a two-year period.

EU/UK

NOTABLE HEADLINES

- UK's Burnham is having regular calls with Ed Miliband, as Westminster is embroiled in speculation over who Burnham would choose as his chancellor if he becomes PM, while several allies of Burnham told POLITICO that he and Miliband are speaking regularly in one-to-one phone calls about policy, making Miliband a big voice on what comes next.
- UK's Burnham's campaign has been forced to talk ministers out of resigning as early as this weekend to avoid PM Starmer's government descending into chaos amid fallout from the Makerfield by-election, according to The Guardian.
- ECB's Sleijpen said market expectations point to a declining path for oil prices, but uncertainty remains, and on monetary policy, the key issue is the risk of second-round effects, while a repeat of 2022's inflation problems appears less likely, but cannot be excluded. ECB's Sleijpen said that based on current analysis, a further ECB hike to 2.5% would leave policy rates still within the neutral range. ECB Wage Tracker: 2026 Quarterly +2.604% (prev. +2.597% Y/Y); Annual +2.281% (prev. +3.193%).

DATA RECAP

- UK Inflation Rate YY (May) 2.8% vs. Exp. 3% (Prev. 2.8%); Services 3.7% (exp. 3.7%, prev. 3.2%)
- UK Core Inflation Rate YY (May) 2.6% vs. Exp. 2.7% (Prev. 2.5%, Low. 2.6%, High. 3.0%)
- EU Inflation Rate YoY Final (May) Y/Y 3.2% vs. Exp. 3.2% (Prev. 3%, Low. 3.2%, High. 3.2%)
- EU Core Inflation Rate YoY Final (May) Y/Y 2.6% vs. Exp. 2.5% (Prev. 2.2%)

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