

AI optimism sees stocks erase losses on hawkish Fed

- **SNAPSHOT:** Equities up, Treasuries up, Crude mixed, Dollar up, Gold down
- **REAR VIEW:** Channel 14 reports Trump said US would back Israel if it attacks Iran; Kuwait begins boosting oil output to above 2mln BPD in a week; SNB, Norges Bank, and BoE all hold rates as expected; AMZN reportedly in talks to sell NVDA rival chips to other companies; Strong US 5yr TIPS auction; Trump said AAPL has agreed to work with INTC on chips in US; AAPL CEO Cook said it plans to raise prices due to the memory chip crunch.
- **COMING UP:** **Desk remains open as usual.** **Holidays:** US Juneteenth, Hong Kong Tuen Ng Festival. **Data:** Japanese Inflation (May), German PPI (May), UK Retail Sales (May), PSNB (May), Canadian Retail Sales (Apr). **Speakers:** ECB's Lane, Cipollone, Elderson. **Supply:** Australia.

MARKET WRAP

US indices saw gains on Thursday, with the tech-heavy Nasdaq 100 outperforming amid broad-based strength in semiconductors and memory names due to two bullish stories: 1) Trump said Apple has agreed to work with Intel to design and build its chips in America, and 2) Apple CEO Cook said it plans to raise prices due to the memory chip crunch. As expected, it meant Technology was the clear outperforming sector, followed by Consumer Discretionary and Communication Services. Nonetheless, sectors were overall mixed, with Energy and Health the laggards. Energy saw 1.7% losses despite crude prices settling flattish. Middle East newsflow was actually fairly sparse, as participants await the formal signing of the US/Iran MoU on Friday in Geneva, which will bring its own headline risk. The Dollar continued on its ascent seen after the hawkish FOMC on Wednesday, to the detriment of all G10 FX peers, with the Swissy and Yen the underperformers. USD/JPY reached a peak of 161.81, with focus on 161.95 and the round 162 to the upside, as participants will be on intervention watch. On that footing, USD/JPY moved sharply lower from 161.80 to c. 160.90 with around 30 minutes left of cash trade on no headline driver. Precious metals saw weakness as spot silver underperformed its counterpart. Treasuries reversed some of Wednesday's post-FOMC losses on Thursday. It was also quad witching today, which likely accounts for some of the choppy trade, ahead of the US market holiday on Friday. Regarding US data, muted reactions were seen; initial claims were little changed, continued claims rose above expectations, and the Philly Fed beat.

US

PHILLY FED: Philly Fed manufacturing index rose to 10.3 in June from -0.4 in May, above the expected 10.0. Employment and new orders jumped to 7.9 (prev. -2.8) and 27.3 (prev. -1.7), respectively, while capex also lifted to 41.2 from 30.90. Inflationary gauge of prices paid rose to 53.2 from 47.9, but prices received moved down. The shipment index moved higher. The future general business activity diffusion index declined to 50.2 from 53.2 in May. 61.4% of the respondents expect an increase in general business activity, and 11.2% expect a decrease over the next six months. On balance, the firms continued to indicate overall increases in prices. The survey's broad indicators for future activity continued to suggest expectations for growth over the next six months.

JOBLESS CLAIMS: Initial jobless claims (w/e June 13th) fell to 226k from the prior week's revised 230k, beneath the expected 232k and within the forecast range; this left the 4-wk average rising to 223.25k from the prior week's revised 219.25k. Continuing claims (w/e June 6th) rose to 1.810mln from the prior week's revised 1.786mln, above the forecasted 1.800mln. In the unadjusted numbers, initial claims totalled 219,509 (-4.1% W/W), and the seasonal factors expected a decrease of 5,753 (-2.5%). Looking at the state breakdown, for the unadjusted metrics, the largest increases were seen in Pennsylvania (+3,734), Oregon (+1,904), Minnesota (+1,480), and Kentucky (+1,427), while the biggest declines were in Illinois (-2,116), South Carolina (-1,952), Puerto Rico (-1,700), New York (-1,377), and Georgia (-1,323). With the recent upside in claims, Pantheon Macroeconomics suggests that leading indicators point to a further rise ahead, albeit the consultancy highlights that current levels are still better than the year-ago levels.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 2 TICKS HIGHER AT 109-20

T-notes reversed some of Wednesday's post-FOMC losses on Thursday. At settlement, 2-year -0.5bps at 4.181%, 3-year -2.4bps at 4.191%, 5-year -3.3bps at 4.231%, 7-year -3.5bps at 4.338%, 10-year -3.0bps at 4.457%, 20-year -3.2bps at 4.918%, 30-year -2.4bps at 4.905%.

THE DAY: Treasury yields moved lower across the curve on Thursday as markets pared some of the hawkish Fed repricing seen following Wednesday's FOMC decision and Chair Warsh's first press conference. T-notes gradually rallied overnight before seeing some profit-taking in the European morning. However, gains resumed once US participants arrived, with the rally largely tracking continued weakness in the crude complex.

Oil prices came under further pressure after the US and Iran officially signed their agreement, while additional downside was seen on reports, later confirmed, that Kuwait had begun increasing oil production more quickly than previously expected. Kuwait said output had already risen above 2mln BPD and that all force majeure declarations had been lifted immediately, adding to expectations that global energy supplies could normalise faster than anticipated. That said, energy prices rallied ahead of and after

settlement, partially supported by reports that Trump said the US would back Israel if it attacks Iran, Channel 14 reported.

Economic data once again generated little market reaction. Initial jobless claims were broadly in line with expectations, although Pantheon Macroeconomics continues to expect claims to drift higher in the months ahead. Meanwhile, the Philadelphia Fed Manufacturing Survey beat expectations on the headline, although both prices paid and employment accelerated within the report.

Elsewhere, reports suggested SpaceX is preparing a bond offering of at least USD 20bln. However, unlike the recent Nvidia transaction, the reports had little discernible impact on Treasury trading, with the direction of oil prices remaining the dominant driver of market sentiment.

SUPPLY

Notes

- [US sold USD 24bln of 5-year TIPS; Stop through 0.5bps.](#)
- [US to sell USD 69bln of 2-year notes on June 23rd, USD 70bln of 5-year notes on June 24th and USD 44bln of 7-year notes on June 25th; all to settle June 30th \(as expected\).](#)
- US to sell USD 28bln 2year FRN on June 24th; to settle June 26th

Bills

- US sold 4-week bills at a high rate of 3.580%, B/C 2.99x; sold 8-week bills at a high rate of 3.540%, B/C 2.57x

STIRS/OPERATIONS

- **Fed Pricing: 39bps (prev. Dec 26bps)**
- EFR at 3.63% (prev. 3.63%), volumes at USD 107bln (prev. USD 106bln) on June 17th
- SOFR at 3.63% (prev. 3.63%), volumes at USD 3.114tln (prev. USD 3.137tln) on June 17th
- NY Fed RRP op demand at 0.25bln (prev. 6.83bln) across 4 counterparties (prev. 16) on June 18th

CRUDE

WTI (Q6) SETTLED USD 0.16 LOWER AT 75.85; BRENT (Q6) SETTLED 0.30 HIGHER AT 79.85/BBL

The crude complex settled with slight losses in choppy trade, as participants await the formal signing of the US/Iran MoU on Friday in Geneva. Overall, Middle East newsflow was actually fairly light after the US and Iran counterparts confirmed the signing tomorrow, with the 14-point MoU content largely known. As such, focus will be on the talks between the nations, and also any commentary surrounding Israel and Lebanon. Note, modest upticks were seen in benchmarks after Israel's Channel 14 reported that Trump said the US would back Israel if it attacks Iran; worth noting the headlines didn't get much airtime across media outlets.

Elsewhere, benchmarks saw pressure after Bloomberg reported that Kuwait begins boosting oil output to above 2mln bpd in a week, and sees faster oil output than previously thought, and will lift all force majeure with immediate effect To also boost refining along with oil output. Kuwait's Petroleum Corp later said it is moving towards restoring pre-war production levels, and will increase all production to 2mln BPD within a week, coinciding with the reopening of the Strait of Hormuz and resumption of international commercial shipping.

Moreover, no reaction was seen after OPEC kept its world oil demand outlook for 2026 unchanged. Brought forward a day on account of Juneteenth market holiday on Friday, the weekly Baker Hughes rig count saw oil unchanged at 433, nat gas rise 1 to 122, leaving the total up 1 at 563.

Trade on Friday may be thinner on account of the aforementioned market holiday, but of course a lot of attention will be on the US/Iran signing. Into settlement, WTI and Brent edged higher, albeit on no particular headline, to settle at around peaks. WTI traded between USD 72.83-76.06/bbl and Brent USD 76.54-80.05/bbl.

EQUITIES

CLOSES: SPX +1.08% at 7,501, NDX +2.48% at 30,406, DJI +0.14% at 51,570, RUT +2.12% at 2,980

SECTORS: Energy -1.73%, Financials -0.91%, Health -0.85%, Consumer Staples -0.57%, Materials -0.38%, Real Estate -0.28%, Utilities +0.66%, Industrials +0.72%, Communication Services +1.13%, Consumer Discretionary +1.76%, Technology +2.68%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.29% at 6,319, Dax 40 +0.37% at 25,028, FTSE 100 -1.04% at 10,400, CAC 40 +0.44% at 8,468, FTSE MIB +0.18% at 52,688, IBEX 35 -0.09% at 19,404, PSI -0.55% at 9,040, SMI -0.36% at 13,766, AEX -0.12% at 1,081

STOCK SPECIFICS

- **Intel (INTC):** Trump said Apple has agreed to work w/ Intel to design & build its chips in America
- **Apple (AAPL):** CEO Cook said it plans to raise prices due to the memory chip crunch
- **Accenture (ACN):** Rev. light & disappointing FY profit view while it lowered revenue guidance.
- **Kroger (KR):** Profit marginally missed & reiterates FY guidance.
- **Nucor (NUE):** Raised next Q profit view
- **Steel Dynamics (STLD):** Cut next Q EPS outlook.
- **Pfizer (PFE):** CFO to step down, effective Aug. 15th.
- **Amazon (AMZN)** reportedly in talks to sell Nvidia (NVDA) rival chips to other companies, according to Bloomberg

USD strength held and extended on the hawkish FOMC seen on Wednesday, with havens, scandis, and GBP sold the most. The hawkish message via the FOMC statement, dot plot, and absence of easing language in Chair Warsh's press conference continued to add support for USD throughout Thursday despite yields across the curve seeing a modest pullback. Outside of the Fed dynamic, newsflow was light surrounding geopolitics and trade. Oil prices were little changed as we await talks between the US and Iran to get underway at the signing of the MoU on Friday. Energy prices came off lows, perhaps supported by Trump noting that the US would back Israel if it attacks Iran, Channel 14 reported. Regarding US data, muted FX reactions were seen. Initial claims were little changed, continued claims rose above expectations, and the Philly Fed beat. DXY now trades around the May 25 levels of 100.90.

G10 FX traded in the red vs. the dollar, led by the **NOK** and **SEK**. Meanwhile, **JPY** weakness on the widening rate differentials has seen the USD/JPY hit highs of 161.81, nearing the multi-year high of 161.95 seen in 2024. However, as we headed into the equity cash close, USD/JPY saw a sharp move lower to c. 160.90 from 161.75, before paring to 161.50, despite a lack of headline newsflow.

G10 saw a slate of central banks keep rates unchanged as expected. The SNB kicked things off, keeping rates at 0.00%, noting that policy is appropriate to keep inflation within the range consistent with price stability. The central bank assessed that medium-term inflation pressures are essentially unchanged since March. USD/CHF broke out today above the 0.8043 high in Mar 26 to around 0.8053, a level not seen since Dec 25.

The BoE held rates as expected at 3.75% in a 7-2 vote split, with the two dissenters opting for a 25bps hike. The announcement keeps the on-hold for the foreseeable narrative in play for the BoE, though with risks at this stage still skewed to tightening depending on how the upside risks to energy, and by extension inflation, evolve, and factor in policymakers' thinking against signs of economic weakness. Banks mostly retain calls for BoE to remain on hold; JPM sees tightening in November, Pantheon Macro expects no move until end-2027.

NOK's underperformance was likely influenced by participants unwinding the c. 15% chance of a hike at today's Norges Bank meeting, which saw rates held, and as the 2026 core CPI view was maintained and the 2027 one was trimmed modestly.

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