US Market Wrap - 25th June 2026

Two-way tech trade on stellar MU report while AAPL price hike weighed

- **SNAPSHOT**: Equities mixed, Treasuries up, Crude up, Dollar down, Gold up
- **REAR VIEW**: MU earnings smash expectations; Mixed May PCE reading, cool headline M/M, headline & core Y/Y hot; Q1 GDP Final beats; US initial jobless claims fall, continued claims rise; US Durable Goods decline less than expected; AAPL announces Mac & iPad price hikes amid memory price surge; US banks announce dividend raises and share buybacks after the Fed's stress tests; Average 7yr US auction.
- **COMING UP**: **Data:** Japanese Tokyo CPI (Jun), Swedish PPI (May), US Goods Trade Balance Advance (May), Wholesale Inventories (May), UoM Sentiment Final (Jun). **Events:** ECB CES (May). **Speakers:** Fed's Williams, Kashkari; ECB's Nagel, Vujcic; RBNZ's Bremen; Norges Bank's Bache. **Supply:** Italy.

MARKET WRAP

Stocks were volatile on Thursday, as optimism surrounding memory names improved following a strong Micron earnings report, while amplified concerns over hyperscalers' spend limited further upside, and weighed on such names. Micron beat on the rev. & EPS with Q4 guidance notably above expectations. Despite the incoming Apple price hikes being expected following CEO Cook's recent touting, the announced price increases for MacBook and iPad saw the stock down 6.1%. Mag-7 underperformed the market as debt and equity issuance continues to act as a headwind on the space; meanwhile, the equal-weighted S&P 500 RSP outperformed the market-cap weighted counterpart, rising 0.6%.

A US data dump saw a mixed PCE report, personal income & spending beat, initial claims fell W/W, continued claims rose W/W, and Q1 GDP growth revised above expectations. The reaction ultimately came from the headline PCE M/M reading, which was slightly soft, sparking a rally in Treasuries, and as such, dollar weakness, which became broad. That said, yearly gauges came in slightly hotter-than-expected, with Fed's Goolsbee remaining concerned over inflation, noting core inflation remains well too high and is trending the wrong way. In later remarks, Fed's Williams pushed back hitting 2% inflation target from 2027 to 2028, and reiterated monetary policy ‘well positioned’ for current economy.

In the US afternoon, the US 7yr note auction met fairly average results, with better direct demand as seen in the 5yr on Wednesday. Given the drop in yields and USD, precious metals saw a slight bounce after the recent selloff, with spot gold back above USD 4,000/oz at USD 4,033/oz.

In energy, crude prices rallied despite initial losses with prices largely unreactive to newsflow. A few interesting developments occurred with the WSJ reporting that Iran attacked a cargo ship in the Strait of Hormuz, which resulted in the UN Shipping agency's Hormuz evacuation plan pausing until further clarity is obtained. Iran's PGSA responded that vessels outside of set routes will not be guaranteed safe passage. Reporting on Israel-Lebanon talks is mixed but skews towards little or no progress being made thus far.

US

PCE (MAY): Headline PCE in May rose 0.4% M/M in May, the same pace as April, but short of the expected 0.5%, with Y/Y rising 4.1%, above the expected 4% and previous 3.8%. Core PCE rose 0.3% M/M as expected (prev. 0.2%), while the Y/Y metrics were also hotter than Wall St. consensus at 3.4% (exp. 3.3%, prev. 3.3%). Personal spending printed 0.7% (exp. 0.6%, prev. 0.4%), as did personal income, above the forecasted 0.4% and prior 0.0%, although Oxford Economics notes the latter was mostly due to one-off farm assistance payments and other transfers from government. As we know, especially following the hawkish Fed meeting last week under Chair Warsh’s first Chairmanship, the inflation side of the mandate is the clear focus for the Committee and returning it to target. As such, while the M/M metrics were more encouraging, the Y/Y figures printed fresh highs, although desks expect this to be the peak. Gas prices have declined ~10% in June so far, which will see inflation fall again, easing pressure on consumers. As Oxford Economics writes, attention at the Fed will be focused on whether underlying inflation is proving to be stubborn, and adds that core PCE inflation edging up Y/Y is partly a services story, with another strong contribution from rising portfolio management prices. Oxford continues that the bigger problem is in core goods, which is being lifted by the AI buildout and energy price passthrough, although the latter is less of a concern given global oil prices are falling back. OxEco still expect core inflation to fall back below 3% next year, as some of that goods inflation fades, housing disinflation continues, and wage growth remains benign.

Q1 GDP FINAL: Q1 GDP growth was revised up to 2.1% above the expected and prior 1.6%. Real Consumer spending was unexpectedly revised down to 0.5% from the expected and prior 1.4%. The Core PCE deflator rose 0.3% as expected, the GDP Price Index was unrevised at 3.6% (exp. 3.5%), and the PCE price Index was revised up to 4.6% (exp. & prev. 4.5%). Final Sales printed 1.9%, above the expected 1.5%, showing acceleration from Q4 25's 0.3%. Pantheon Macroeconomic writes that the upward revision to Q1 GDP growth was almost entirely driven by the net trade drag being revised smaller. Taking into account the downward revisions to household spending growth and that in April, the firm now thinks consumption likely increased by about 2% in Q2, down from our previous 2.5% estimate. It adds that the data looks consistent with GDP growing at a 2.0-to-2.5% pace in Q3.

JOBLESS CLAIMS: Initial jobless claims (w/e June 20th) fell to 215k from 227k, beneath the expected 225k, and outside the bottom end of the forecast range; left the 4-wk average ticking higher to 224.25k from 223.5k. The unadjusted metrics totalled 207,133, -6.1% W/W, with the seasonal factors expecting a decrease of 1,592 (or -0.7%) W/W. Looking at the state breakdown, Connecticut

(+1,625), Oregon (+2,280, and New Jersey (+3,758) saw the greatest gains, with Ohio (-1,492), Texas (-1,794), Illinois (-2,599), Pennsylvania (-3,379), and Minnesota (-4,954) noticing the biggest declines. Continued claims rose to 1.821mln from 1.8mln, and above the consensus of 1.8mln. Overall, the latest week's jobless claims data continue to paint a picture of a labour market that has improved but isn't overheating or a source of inflationary pressures.

DURABLE GOODS: Durable Goods for May tumbled 4.5%, albeit not as deep as the anticipated -4.7%, and reversed some of April's surge. Ex-transport rose 1.3% (exp. 0.5%, prev. 1.1%), while ex-defense nose-dived 4.6% (prev. 8.1%). A large decline in the volatile transportation orders dragged the headline lower, but the more important signal was a strong rebound in nondefense capital goods orders ex-aircraft, which reinforces Oxford Economics confidence in another solid quarter of business equipment investment despite geopolitical and energy headwinds. OxEco notes their tracker suggests business equipment investment will rise by close to 14% annualized in Q2, and that structural tailwinds underpinning investment remain intact and should support continued growth throughout 2026.

FED

WILLIAMS (voter): The NY Fed President pushes back hitting 2% inflation target from 2027 to 2028, which is reflected in the median projection in the latest Fed SEPs, although it is worth noting the SEPs are something that Warsh doesn't like. Williams expects inflation to moderate to 3.5% this year, and if the Middle East war disruptions are resolved soon, it will lower inflation pressure. He did add he expects inflation pressures to moderate, and it is 'imperative' the Fed get inflation back to the 2% target, but notes the Middle East war continues to contibute risks and uncertainties. Added that standing repo operations key tool to cap interest rate pressure, and that the Fed will adjust reserve management buying as needed. Reiterated monetary policy 'well positioned' for current economy, and he sees US growing at 2.25% and unemployment down to 4% in 2028. "In coming quarters, however, I expect inflation readings to edge down" for several reasons: First, tariff effects "appear to have mostly played out." Second, a base case is that Hormuz related supply disruptions "are resolved relatively soon. "Third, housing inflation should continue to slow. Fourth, there's no evidence of labor-market driven price pressures.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 3 TICKS HIGHER AT 110-03

T-Notes saw slight gains on Thursday, and moved higher post the US data dump, with the cooler-than-expected PCE M/M for May the highlight.

THE DAY: Treasuries traded within very tight ranges through the European morning, around a couple of ticks, before rising to intra-day highs following the deluge of US data, with most attention on PCE. Overall, the data was pretty mixed, as Q1 GDP final and personal spending beating estimates; however, it seemed to be brushed aside by the cooler-than-expected headline PCE M/M at 0.4% (exp. 0.5%), which saw some unwinding of the Fed rate hike bets, albeit now little changed D/D come settlement. Looking at the rest of PCE, core PCE M/M was in line, but Y/Y for both metrics was hotter than anticipated, whereby Fed's Goolsbee said core inflation still well too high, and trending wrong way. Goolsbee reiterated that they need to keep watching inflation, and it that side of the mandate that is clearly the problem. Chicago Fed President did add that the PCE report wasn't all negative, and saw a little bit of improvement on services. Goolsbee added it is hard to get throughline on inflation, how persistent or temporary, and that inflation is going the wrong way, some of that driven by one-and-done; inflation a little more disturbing on services side. In the US afternoon, following the data, T-Notes saw two-range trade to print a fresh daily high of 110-09, before coming off those levels into settlement, although still remaining well in the days tight ranges. One of the potential catalysts was the US 7yr (more below), but it garnered little reaction, in what was a pretty average auction.

In supply, the US 7yr note auction was average, as it came in on-the-screws, against the previous 0.1bps stop-through and the six-auction average of a 0.2bps tail. Bid-to-cover was in line with recent averages at 2.50x (prev. 2.52x, avg. 2.49x). In terms of the breakdown, dealers took 12.8% (prev. 10.4%, avg. 10.9%), and alike to the 5yr auction on Wednesday, directs took a chunky 29.7% (prev. 11.2%, avg. 24.3%), and indirects took a much smaller than last time out 57.6% (prev. 78.4%, avg. 64.8%). Note, following the US selling 44bln of 7yr notes, little move was seen in Treasuries.

SUPPLY:

- US sold USD 44bln of 7yr notes; on-the-screws

Bills:

- US sold 4-wk bills at high-rate 3.610%, B/C 2.74x; sold 8-wk bills at high-rate 3.660%, B/C 2.79x
- US to sell USD 92bln of 13-wk bills and USD 79bln of 26-wk bills on June 29th, to sell USD 80bln of 6-wk bills on June 20th; all to settle on July 2nd

STIRS/OPERATIONS

- **Fed Pricing: 33bps of hikes by year-end (prev. Dec 34bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 113bln (prev. USD 109bln) on June 24th.
- SOFR at 3.62% (prev. 3.62%), volumes at USD 3.116tln (prev. USD 3.105tln) on June 24th.
- NY Fed RRP op demand at 5.7bln (prev. 4.53bln) across 6 counterparties (prev. 7) on June 25th.

CRUDE

WTI (Q6) SETTLED USD 1.58 HIGHER AT 71.92/BBL; BRENT (Q6) SETTLED USD 1.52 HIGHER AT 75.26/BBL

The crude complex saw strength on Thursday, albeit in pretty thin geopolitical newsflow, as participants await any further Middle

East rhetoric. While benchmarks started the European morning on the backfoot, to see WTI and Brent hit troughs of USD 68.90/bbl and 72.06, respectively, they ground higher through the duration of the US session, albeit on no clear headline catalyst. Despite saying that, and no move seen on it, WSJ reported that Iran's IRGC attacked a Singapore-flagged cargo ship on Thursday in the Strait of Hormuz. Following the attack, but prior to the WSJ report, the UN shipping agency said it had paused the evacuation plan for stranded ships and seafarers out of Hormuz after the ship attack, and the UN's Hormuz evacuation plan will be paused until further clarity is obtained.

Moreover, the Lebanon situation continues to remain up in the air, with Al Arabiya recently reporting that the meeting between Lebanon and Israel reached a dead end due to the issue of withdrawal from the south of Lebanon. Prior to this, a US official suggested that Israel would begin withdrawing from buffer zones in southern Lebanon, but this was then refuted by both Lebanon and Israel. Iran's Quds Force Chief warned that if Israel does not withdraw by today, then by tomorrow it will be "forced to flee". For now, it remains a domestic issue, though with a risk that Iran once again closes the Strait, blaming the US/Israel for breaking the ceasefire. As is known, the long-term danger is that ships become worried about transiting the Strait once again, and therefore, oil flows may begin waning.

On the supply footing, Saudi Arabia is reportedly set to restart Ras Tanura (550k BPD) oil exports as Gulf flows rise. Operations at Venezuela's El Palito refinery (130k BPD) are partially shutdown due to a power outage related to the earthquakes. Finally, Russia's Norsi oil refinery (290-320k BPD) reportedly halted operations due to a Ukrainian drone attack.

In the energy space, there was little move to US data, namely PCE (May), as risk events await.

EQUITIES

CLOSES: SPX -0.01% at 7,358, NDX +0.75% at 29,440, DJI +0.14% at 51,926, RUT +0.71% at 3,008

SECTORS: Consumer Discretionary -1.77%, Consumer Staples -1.08%, Communication Services -1.02%, Financials -0.47%, Technology -0.09%, Real Estate +0.13%, Utilities +0.63%, Energy +0.98%, Materials +1.39%, Health +1.53%, Industrials +2.18%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.93% at 6,272, Dax 40 +1.05% at 25,001, FTSE 100 +0.65% at 10,530, CAC 40 +0.55% at 8,432, FTSE MIB +0.28% at 51,783, IBEX 35 +0.64% at 19,514, PSI +1.12% at 9,157, SMI +0.94% at 14,250, AEX +0.22% at 1,068

STOCK SPECIFICS:

- **Micron (MU):** Blow-out earnings; Strong Q metrics & stellar guidance
- **Qualcomm (QCOM):** Expanded its strategic relationship w/ Hugging Face & announced FY29 targets.
- **McCormick (MKC):** EPS & rev. topped
- **IBM (IBM):** Unveils first sub-1nm chip tech. w/ 0.7nm node & sees a path to prod. in as early as the next 5 years
- **Amazon (AMZN):** To invest additional $13bln in India cloud & AI
- **Jefferies (JEF):** Earnings missed, outweighing record IB & equities revs.
- **Trip.com (TCOM):** Profit light & provided soft guidance.
- TD Cowen analyst says **SpaceX (SPCX)** could acquire T-Mobile (TMUS) to accelerate its wireless ambitions if it can't secure a network-sharing deal.
- **Bumble (BMBL)** is reportedly exploring a sale, according to reports.
- **Microsoft (MSFT)** to update Xbox console prices worldwide, effective August 1st; 1TB variant raised by USD 150 and 512GB by USD 100

Following Fed bank stress tests:

- **JPMorgan (JPM):** New share buyback prog. of $50bln & lifted Q div. to $1.65/shr (prev. 1.50)
- **Goldman Sachs (GS):** Will raise common div. to $5.00/shr (prev. 4.50)
- Morgan Stanley (MS): Will lift Q common div. to $1.15/shr (prev. 1.00) & reauthorised a share buyback of up to $20bln
- **Citi (C):** Will raise Q div. 12% to $0.67/shr
- **Wells Fargo (WFC):** Expects to raise common div. 11% to $0.50/shr & has the capacity to continue share repurchases
- **State Street (STT):** Intends to lift common div. 10% to $0.92/shr
- **Bank of New York Mellon (BNY):** Intends to raise Q common div. 19% to $0.63/shr & remains authorised to repurchase common shares under its existing prog.
- **US Bancorp (USB):** Plans to raise Q common div. 3.8% to $0.54/shr

FX

USD was sold against peers following a softer-than-expected headline PCE M/M reading at 0.4% (exp. 0.5%). The report prompted a rally in Treasuries, leaving lower yields putting pressure on the dollar rally, seeing the DXY erase initial gains, trading lower to 101.44 from an earlier 101.746 high. That said, yearly headline and core printed above expectations, with Fed's Goolsbee continuing to stress that core inflation is still well too high, trending the wrong way, and with services inflation a little more disturbing. Other US data included Q1 GDP growth being revised up above expectations, personal income and spending topping forecasts, initial jobless claims falling W/W, continued claims rising W/W and durable goods declining, albeit not as much as expected.

G10 FX was largely in the green with strength led in CHF, GBP and CAD. AUD was helped by a stronger-than-expected May employment change reading, +40.3k (exp. 30.3k). The highest reading since December allowed the u/e rate to trickle down to 4.4% from 4.5%. Meanwhile, JPY was sluggish against USD, once again seeing sharp resistance at the 161.95 high made in 2024. USD/JPY session high matched the 161.95 level before retreating to 161.80

GBP/USD saw some relief from the June lows, trading around the 1.32 mark. Focus remains on the political landscape, and while briefings from the incoming Burnham’s team stick to the fiscal rules, the retention of Miliband as one of the three candidates for Chancellor is likely to cap further strength. BofA now expects the BoE to hold rates in 2026, with one 25bps cut to 3.5% in November 2027 (prev. saw two 2026 hikes and three 2027 cuts), as it slashes its inflation forecasts for 2026 & 27 as well as raising its growth outlook.

MXN was pretty unmoved on the latest Banxico confab, whereby they held rates at 6.50%, as expected, in a unanimous decision. Headline inflation forecasts were revised downwards for Q2 '26 due to lower levels of non-core inflation anticipated for that perio, although core inflation forecasts were adjusted slightly upwards between Q2-Q4 '26. Nonetheless, the Governing Board estimates that it will be appropriate to maintain the reference rate at its current level, and judges that the monetary policy stance is well-suited to face the challenges posed by the macroeconomic environment, including those associated with the international context.