US Market Wrap - 7th July 2026

Stocks hit as memory names slump and oil rallies on geopolitics

- **SNAPSHOT**: Equities down, Treasuries down, Crude up, Dollar up, Gold down.
- **REAR VIEW**: Iran attacks ships in Strait of Hormuz, including Qatari & Saudi vessel; US Treasury revokes Iran-waiver; US say Iran actions will be met with consequences; Japan Economy Minister rejects reports of pushing for lower rates; Deepseek is reportedly developing its own AI chip; AMZN files for 8-parter; US trade deficit widens; Fed's Williams said monpol is in a good place; UK Reform leader Farage resigns as MP, calling Clacton-on-Sea by-election; NY Fed SCE rise; Stellar 3-year note auction.
- **COMING UP**: **Data**: Swedish Inflation Prelim. (Jun), US Atlanta Fed GDP (Q2) **Events**: RBNZ Policy Announcement (Jul), NBP Policy Announcement (Jul), NBH Minutes (Jun), Fed Minutes (Jun), NATO Ankara Summit **Speakers**: RBNZ's Breman; US President Trump **Supply**: Australia, UK, Germany, US

MARKET WRAP

Stocks were sold on Tuesday, with the Nasdaq the clear underperformer as Technology led the downside, particularly across semiconductor and memory names. The primary catalyst was Samsung's preliminary Q2 earnings, which disappointed lofty investor expectations and prompted a reassessment of valuations following the recent rally in the memory sector. Industrials also lagged, with sharp weakness in GE Vernova (GEV) weighing on the AI theme given its exposure to supplying power infrastructure for energy-intensive data centres.

Energy was the clear outperforming sector as crude prices moved higher on renewed geopolitical tensions. Iran attacked commercial vessels from Qatar and Saudi Arabia in the Strait of Hormuz, before the US later responded by revoking Iran's General License X, which had allowed the country to produce, deliver and sell energy products. The announcement came late in the session and sparked another leg higher in crude prices after the energy settlement.

The late oil rally also weighed on broader risk sentiment. Equity futures, which had been paring earlier losses, moved lower once again, while Treasury yields rose across the curve as higher energy prices reignited inflation concerns. Treasuries also faced some technical pressure during the session as Amazon (AMZN) launched an eight-part bond offering reportedly targeting around USD 25bln, with associated rate-lock hedging likely contributing to the weakness. Meanwhile, the USD 58bln 3-year Treasury auction was met with very strong demand, although it generated little market reaction.

In FX, the Dollar found support following the geopolitical developments, while the Swiss Franc and the antipodean currencies underperformed. Precious metals extended their declines as the stronger Dollar and higher Treasury yields weighed on gold and silver.

Elsewhere, the US trade deficit widened largely as expected, while the New York Fed's Survey of Consumer Expectations showed inflation expectations rising alongside an improvement in perceptions of the labour market. New York Fed President Williams reiterated that forward guidance is not appropriate given the current level of uncertainty, echoing recent comments from Chair Warsh.

US

NY FED SCE (Jun): The New York Fed's Survey of Consumer Expectations showed median one-year inflation expectations rose 0.2ppts to 3.7% in June, the highest since September 2023, while three-year inflation expectations also increased by 0.2ppts to 3.3%, the highest since June 2022. Five-year inflation expectations were unchanged at 3.0%, suggesting longer-term inflation expectations remained anchored. Elsewhere, consumers expected slower gasoline price growth, with expectations falling 3.5ppts to 1.5%, the lowest since August 2022. Labour market perceptions improved, with the perceived probability of losing a job over the next year falling to 14.1% from 15.1%, while the perceived probability of finding a new job after losing one's current job rose to 44.9% from 43.7%. Household financial perceptions also improved, with fewer respondents reporting their financial situation had deteriorated over the past year, although expectations for future credit availability weakened slightly, with more respondents expecting it to become harder to obtain credit over the next 12 months.

FED'S WILLIAMS: The US economy continues to grow at a steady trend-like pace, with the labour market remaining stable and risks to employment broadly balanced. He reiterated that monetary policy is well-positioned to achieve the Fed’s goals and emphasised that future policy decisions will continue to depend on incoming data and the evolving balance of risks, adding that explicit forward guidance is not appropriate given the current uncertainty. On inflation, Williams noted that while price pressures remain too high, he is becoming more optimistic about the near-term outlook as declining energy prices should help cool inflation further. He also suggested the economy is likely near the peak impact of tariffs on inflation. Looking further ahead, Williams expects strong investment in AI to continue, supporting the economy over time.

BALANCE OF TRADE: The US trade deficit widened to USD 77.6bln in May from USD 54.6bln in April, although it was marginally narrower than the expected USD 78.8bln deficit. Imports rose 3.3% to USD 395.3bln, while exports declined 3.2% to USD 317.7bln. The increase in imports was driven primarily by consumer goods (+USD 3.5bln), industrial supplies and materials (+USD 3.1bln), and automotive vehicles, parts and engines (+USD 2.2bln). On the export side, the largest declines were seen in industrial supplies and materials (-USD 5.5bln) and capital goods (-USD 3.5bln). Oxford Economics notes that with petroleum exports falling considerably in June, exports are likely to remain weak through the final month of Q2. As a result, the consultancy expects net trade to subtract more than 2 percentage points from Q2 GDP growth, representing a larger drag than currently incorporated in its baseline forecast. The desk also highlighted that capital goods imports—including computers, computer accessories and semiconductors—rose modestly in May and are now up 42% Y/Y, reflecting continued demand for AI-related hardware. However, Oxford Economics argues that the heavy reliance on imported electronic equipment means AI investment has, so far, provided only a limited boost to US GDP.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 10 TICKS LOWER AT 109-10+

T-notes sold as Amazon (AMZN) enters the market and as oil rises on renewed Hormuz tensions and as the US revokes Iran's license to sell oil. At settlement, 2-year +5.4bps at 4.166%, 3-year +5.6bps at 4.190%, 5-year +5.6bps at 4.260%, 7-year +5.8bps at 4.390%, 10-year +6.2bps at 4.533%, 20-year +6.1bps at 5.046%, 30-year +5.7bps at 5.043%.

THE DAY: Treasuries were weaker across the curve on Tuesday, with yields rising by around 5-6bps. The move was driven primarily by higher oil prices as renewed tensions in the Strait of Hormuz lifted crude benchmarks. Iran reportedly attacked several commercial vessels, including a Qatari LNG tanker and a Saudi tanker, over the past 24 hours, fuelling concerns over a potential US response, while Tehran maintained the view its actions remained within the guidelines of the recently agreed MoU. Ahead of the Treasury settlement, the US revoked Iran's licences to produce, deliver and sell energy products, sending crude prices higher into the settlement and adding further pressure to Treasuries.

Aside from escalating geopolitical tensions, Amazon (AMZN) entered the debt market with an 8-parter, and it is reportedly looking to raise USD 25bln, with potential rate-lock hedging adding pressure to the Treasury curve as the offering spans maturities from 3 to 40 years. Bloomberg reported that it saw USD 62bln of demand for the offering, so we will be looking to see if it upsizes the offering.

Elsewhere, the 3-year T-note auction was very strong, continuing the trend of healthy demand seen at recent front-end auctions following the June FOMC meeting. Despite some moderation in Fed rate hike expectations after last week's softer nonfarm payrolls report, the combination of still-elevated outright yields, lower rate volatility and reduced geopolitical uncertainty appears to be supporting demand for front-end Treasuries. Overall, the auction suggests investors remain comfortable buying front-end Treasuries at current yield levels despite the recent pullback in yields.

Economic data saw the US balance of trade deficit widen to USD 77.6bln from 55.9bln, a touch narrower than the expected USD 78.8bln deficit. Also, the NY Fed Survey of consumer expectations saw the year ahead expectations rise further to 3.7% from 3.5%, while the three-year-ahead rose to 3.3% from 3.1%, while the 5-year was maintained at 3.0%. Fed speak saw NY Fed President Williams express he feels more positive about inflation near term due to lower energy prices, but said inflation still feels quite high. He said policy is in a good place, and what happens with policy depends on risks and data. He also shared the view of Warsh that amid the uncertainty, forward guidance is not appropriate.

Attention turns to the 10-year supply on Wednesday, as well as the FOMC Minutes, while next week sees the US CPI and PPI reports for June.

SUPPLY

Notes

- US sold USD 58bln of 3-year notes; stop-through 0.6bps
- US Treasury to sell USD 39bln of 10-year notes July 8th, and USD 22bln of 30-year bonds on July 9th; all to settle July 15th

Bills

- US sold 1-year bills at a high rate of 3.860%, B/C 3.14x; Sold six-week bills at a high rate of 3.635%, B/C 2.74x
- US to sell USD 100bln of 4-week bills (prev. 85bln) and USD 95bln of 8-week bills (prev. 85bln) on July 9th; to sell USD 72bln of 17-week bills (unch.) on July 8th; all to settle July 14th

STIRS/OPERATIONS

- Fed Pricing: 32bps (prev. Dec 30bps)
- EFFR at 3.63% (prev. 3.63%), volumes at USD 117bln (prev. USD 121bln) on July 6thSOFR at 3.63% (prev. 3.64%), volumes at USD 3.212tln (prev. USD 3.208tln) on July 6th
- NY Fed RRP op demand at 4.48bln (prev. 2.72bln) across 14 counterparties (prev. 13) on July 7th
- NY Fed T-Bill Purchases (4-11 month): Accepts USD 3.32bln of USD 24.52bln offered; Offer-to-cover 7.39x

CRUDE

WTI (Q6) SETTLED USD 1.89 HIGHER AT 70.44/BBL; BRENT (U6) SETTLED USD 2.17 HIGHER AT 74.16/BBL

The crude complex was firmer, and supported amid numerous reported strikes in the Strait of Hormuz The first reported attack was overnight, amid reports the IRGC fired at least two missiles at ships in the Strait of Hormuz, hitting two commercial ships. One of them, a Qatari oil tanker, was planning to pass through the Omani route in the Strait of Hormuz with the support of the US Navy and was attacked after ignoring repeated warnings, Fars reported. Following this, UKMTO said it had received reports of two further incidents, which supported benchmarks even further. Saudi Arabia later confirmed one of the vessels struck was a Saudi Tanker and that it holds Iran fully responsible for such attacks and its repercussions.

On the supply side of things, the Omsk refinery, Russia, reportedly had been halted following on from a drone attack on Monday. Meanwhile, Iraq reportedly boosts West Qurna 1 and Rumaila oil output to full capacity. Finally, Saudi Arabia is said to be planning to expand East-West crude oil pipeline capacity by up to 2mln BPD to increase exports via the Red Sea, according to sources, and the project aims to reduce reliance on the Strait of Hormuz.

EIA STEO: 2026 World Oil Demand at 102.8mln BPD (prev. 102.9mln BPD); 2027 World Oil Demand at 104.8mln BPD (prev. 105.3mln BPD).

Brent traded between USD 72.04-74.41/bbl and WTI USD 68.58-72.04/bbl, and settled just off peaks as benchmarks grinded higher through the duration of the US session.

EQUITIES

CLOSES: SPX -0.48% at 7,501, NDX -1.77% at 29,173, DJI -0.25% at 52,925, RUT -0.91% at 2,982.

SECTORS: Energy +3.01%, Health +1.55%, Real Estate +1.50%, Consumer Staples +0.99%, Utilities +0.91%, Communication Services +0.60%, Financials -0.17%, Consumer Discretionary -0.44%, Materials -0.98%, Technology -1.62%, Industrials -1.67%.

EUROPEAN CLOSES: Euro Stoxx 50 -1.24% at 6,319, DAX -1.27% at 25,489, FTSE 100 +0.13% at 10,666, CAC 40 -0.51% at 8,436, AEX -0.32% at 1,079, IBEX 35 -0.22% at 19,640, FTSE MIB -0.95% at 52,455, SMI +0.41% at 14,360, PSI +0.35% at 9,249,

STOCK SPECIFICS:

- **Samsung Electronics** shares fell overnight after it announced prelim. Q2 figures, which disappointed lofty investor expectations.
- **DeepSeek** developing its own AI chip & would be used for inference, not for training AI models.
- JPM, BAC & other large banks held prelim. talks to acquire a **Fiserv (FISV)** debit-card network.
- **Rivian (RIVN)** filed to sell 75mln shares of common stock, although provided strong next Q rev. outlook.
- **Crinetics Pharmaceuticals (CRNX)** to be acquired by **VRTX** for $85/shr in cash; CRNX closed Mon. at $42.03/shr.
- **First Solar (FSLR)** upgraded at Deutsche Bank.
- **Walmart (WMT)** is lowering prices on thousands of items, including beef, soda and household goods.
- **Trimble (TRMB)** working with Goldman Sachs to sell its transportation unit, Axios reports.
- **Microsoft (MSFT)** replaces OpenAI and Anthropic with it's own AI in some apps.

FX

The Dollar was broadly firmer against its G10 peers on Tuesday, with the Greenback seeing its strongest gains late in the US session after Washington adopted a more aggressive stance towards Iran. The US Treasury revoked Iran's General License X, which had authorised the production, delivery and sale of Iranian energy products, while a senior US official warned Iran would face consequences for its actions in the Strait of Hormuz. The developments supported the Dollar alongside higher Treasury yields and oil prices.

Prior to the geopolitical headlines, **G10 FX** had traded in relatively contained ranges with mixed performance against the Greenback. Following the late move, the Swiss Franc, Euro, Sterling and the antipodean currencies were among the weakest performers, while both the Canadian Dollar and Yen ended little changed.

The **Yen** had initially outperformed overnight after Japan's Economy Minister Kiuchi rejected reports that the government was pressuring the Bank of Japan to lower interest rates, stating the government's policy framework remained unchanged.

Political developments also featured in Europe. In France, Marine Le Pen was found guilty of embezzlement by a Paris court, although she later reiterated her intention to run in the 2027 presidential election without an electronic bracelet. In the UK, Reform UK leader Nigel Farage announced he would resign as an MP to trigger a by-election and confirmed he intends to contest the Clacton-on-Sea seat, describing the contest as "the people versus the establishment".

Elsewhere, New York Fed President Williams said monetary policy remains well-positioned to achieve the Fed's objectives and reiterated that future policy decisions will depend on incoming data and evolving risks, although his comments generated little market reaction. Attention now turns to the RBNZ policy decision overnight ahead of the FOMC Minutes on Wednesday.

For **Yuan** watchers, PBoC Governor Pan said monetary policy remains supportive and announced the southbound Bond Connect quota will be increased to CNY 800bln from CNY 500bln.