

newsquawk

US Market Wrap - 14th July 2026

Stocks and bonds bid as soft US CPI trims hawkish bets

- **SNAPSHOT:** Equities up, Treasuries up, Crude up, Dollar down, Gold up.
- **REAR VIEW:** US CPI softer-than-expected; US blockade solely on Iran set to resume; Trump to replace 20% fee with trade and investment deals that the various Gulf States will make into the US; US-Iran strikes continue; Fed Chair Warsh testifies to House, maintains commitments on dual mandate & return to 2% inflation; Tankers near Oman hit by projectiles; China's imports & exports beat in June; Strong US bank earnings, but see mixed market responses; IBM prelim Q2 metrics disappoint.
- **COMING UP:** **Data:** Chinese Activity Data (Jun), Swedish CPI Final (Jun), Spanish CPI Final (Jun), EZ Industrial Production (May), US PPI (Jun). **Events:** BoC Policy Announcement (Jul), Fed Beige Book (Jul). **Speakers:** Fed's Williams, Musalem, Warsh, Cook; BoC Governor Macklem; BoE's Pill; ECB's Nagel. **Supply:** Australia, Germany. **Earnings:** United Airlines, BlackRock, Elevance Health, Johnson & Johnson, Morgan Stanley, PNC Financial Services, Bank of New York Mellon, ASML.

MARKET WRAP

US indices closed in the green and reversed earlier pressure seen following dismal prelim Q2 IBM earnings, with a cooler-than-expected US CPI report helping unwind that initial move. Following the inflation metrics, which were cooler than expected across all gauges, immediate downside was seen in US yields and the Dollar, to the benefit of FX peers, spot gold, and equities. In addition, it tempered some of the hawkish bets recently seen and heard, namely, Fed Governor Waller saying that another firm core inflation reading this week would see him consider a near-term rate hike, and if it was hot, he would take it as a signal, not noise. Oil prices saw gains as US/Iran continue to trade strikes, again, across the region, with the US confirming it recently undertook further strikes on Iran ahead of the blockade restarting later today. Trump backed off his plan to charge a 20% fee for safe passage through the Strait of Hormuz, and will pivot to trade deals to cover the US costs of assuring safe passage through the Strait.

Elsewhere, Fed Chair testified in front of the House, and speaking on today's inflation data, said it does not say mission accomplished, and does not think that after today's CPI report that everything is swell; it is one data point, and does not want to overread or cherry-pick data. The Chair will be in front of the Senate on Wednesday.

Sectors were largely in the green, with Health and Consumer Staples the clear laggards, with Tech, Communications, and Financials sitting atop of the pile. Today marked the start of earnings season, and the big banks issued largely excellent reports, but did see mixed price action.

As mentioned above, Treasuries gained, and the Dollar lost out to G10 FX peers, with the Kiwi once again extending its recent post-RBNZ rally, and was further helped by comments from Conway overnight. Precious metals also firmed.

Ahead, earnings continue, US PPI is on the radar, and of course, any US/Iran updates.

US

US CPI: US CPI was cooler-than-expected in June, and will temper some of the hawkish bets recently seen after Governor Waller said that another firm core inflation reading this week would see him consider a near-term rate hike. If it was hot, Waller said he would take it as a signal, not noise, adding that he would need to see several months of softer core inflation before becoming confident that price pressures were moving back towards target. Highlighting some of the winding back of hawkish bets, post-data, for July 4.2bps of hikes are priced in (vs. 9.8bps pre-data), and by year-end now 32.7bps (prev. 41.1bps). Looking at the metrics, headline M/M printed -0.4% (exp. -0.1%, prev. 0.5%) with Y/Y at 3.5% (exp. 3.8%, prev. 4.2%). Core M/M came in at 0.0% (exp. 0.3%, prev. 0.2%), with Y/Y at 2.6% (exp. 2.9%, prev. 2.9%). The index for energy fell 5.7% in June after rising 3.9% in May, 3.8% in April, and 10.9% in March. Overall, the print will quell some of the fears of sticky inflation, for now, but as Waller said on Monday, he would need to see several months of lower core inflation to feel inflation is moving in right direction, and if inflation comes down [in the next reading], he will need a couple more that way to see that as a signal. Fed Chair Warsh speaking after the data also said that today's data does not say mission accomplished, and he does not think that everything is "swell", while reiterating his commitment to the 2% target. Oxford Economics notes headline inflation has tentatively peaked, but the bigger takeaway from the downside surprise was the benign reading of core prices, and while the Fed is worried about a broadening out of inflationary pressures, and that wasn't evident in the June CPI details. Ahead, and as Oxford points out, there are three inflationary forces that the Fed is on high alert for: tariffs, AI, and oil passthrough. Tariff effects were not discernible, while AI-related price pressures weren't as evident as expected. Digging through the details, OxEco notes there was some sign of oil passthrough to certain consumer goods, and this feedthrough process could take longer than expected, given recent events in the Middle East. Looking ahead to PCE, Oxford suggests it won't be as soft as the CPI, but it will still allow Fed officials to resist pressure to hike in their upcoming meeting and reinforces their baseline forecast for them to leave rates unchanged for 2026. Numerically, their prelim nowcast of the PCE index sees a 0.2% M/M decline in the headline index and a 0.1% increase in the core index. Pantheon Macroeconomics provisionally estimated the core PCE deflator rose by 0.16% in June, allowing the inflation rate to drop to 3.3%, from 3.4% in May.

FED CHAIR WARSH: In his pre-House testimony text release, he said that if they get policy right, and they will, the inflation surge of

the last five years will be a thing of the past, and reiterated that the Fed has no tolerance for persistently elevated inflation. Warsh added that the balance sheet task force will probe the advantages and disadvantages of the ample reserves regime and explore alternatives.

Following his text, Warsh testified in the House and noted that inflation is a choice. The Fed wants economic growth to be more broad-based, and the central bank is committed to the inflation target and price stability, once again stressing the importance of returning inflation to target. On the balance sheet, any change in balance sheet policy would be previewed, explained and broadly communicated in advance. Later on, he added that they have inherited a large balance sheet and are open-minded to reform. As always, spoke on a broad range of topics, and said his best guess is AI will augment work, not replace, and that AI may be disruptive for jobs in the near term but will create new jobs. Speaking on today's inflation metrics, noted it does not say mission accomplished, and does not think that after today's CPI report, everything is swell. The Chair added that it is one data point, do not want to overread or cherry-pick data, and that he is doubling down on the 2% inflation target. Warsh said the June CPI was soft relative to expectations, and not cherry-picking, there is still plenty of work to do. Said it is incorrect that he prefers the Dallas trimmed mean measure of inflation and needs new measures to understand underlying inflation. Doesn't think QE is inherently inflationary, especially in a crisis, and in periods of crisis, is willing to be quite aggressive with the balance sheet.

FED GOOLSBEE (2027 voter): Said the June CPI inflation was surprisingly benign, but never want to overreact to one month; "if we got several months like this, we would feel better". At least today, services inflation was encouraging, he added. The 2027 voter noted that if we had PCE versions of inflation that looked like CPI for several months, I would feel a lot better. On labour, he said the job market is stable without being good.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 7 TICKS HIGHER AT 108-29+

T-notes bull steepen after soft CPI while Trump walks back 20% Hormuz fee.

THE DAY: Treasuries rallied across the curve on Tuesday, with the curve bull steepening after the June CPI report came in softer than expected. Inflation surprised to the downside across the board, with core CPI unchanged on the month versus expectations for a 0.3% increase, while the annual rate eased to 2.6% Y/Y from 2.9%, below even the lowest estimate of 2.8%.

The softer inflation data prompted markets to pare Fed rate hike expectations after Governor Waller warned on Monday that another firm core inflation reading would strengthen the case for a near-term rate hike. Although the report was a welcome development for policymakers, Waller also stressed he would need to see several more benign inflation prints before concluding that inflation is moving sustainably back towards target. Chair Warsh struck a similar tone during his House testimony, emphasising that the Fed would not overreact to a single data point and that the job on inflation was not yet complete.

Nevertheless, money markets pushed back expectations for the next Fed rate hike, with the first fully priced move shifting to December from October before the CPI release. The implied probability of a July hike also fell sharply, with markets now pricing just 4bps of tightening this month compared with around 10bps before the data. Attention now turns to Wednesday's PPI report and its implications for June PCE forecasts. Pantheon Macroeconomics expects core PCE to rise 0.16% M/M, while Oxford Economics looks for a 0.2% increase.

Away from monetary policy, geopolitical tensions remained elevated, although President Trump walked back his proposal to impose a 20% charge on vessels transiting the Strait of Hormuz, instead saying the waterway would remain open to all shipping except Iranian vessels. Meanwhile, military exchanges continued across the region, with reports of strikes in Iran, including on Qeshm Island, alongside attacks on a US military base. Reports also suggested additional commercial vessels were struck in the Strait of Hormuz during the session.

SUPPLY

Bills

- US Treasury to sell USD 72bln of 17-week bills (prev. USD 72bln) on July 15th, to sell USD 110bln of 4-week bills (prev. USD 100bln) and USD 100bln of 8-week bills (prev. 95bln) on July 16th; to settle July 21st
- US sold 6-wk bills at high-rate 3.640%, B/C 2.84x

STIRS / OPERATIONS

- **Fed Pricing: Dec 27.2bps (prev. 33bps)**
- EFFR at 3.62% (prev. 3.62%), volumes at USD 112bln (prev. USD 126bln) on July 13th
- SOFR at 3.60% (prev. 3.55%), volumes at USD 3.096tln (prev. USD 3.056tln) on July 13th
- NY Fed RRP op demand at 0.278bln (prev. 0.795bln) across 4 counterparties (prev. 2) on July 14th.

CRUDE

WTI (Q6) SETTLED USD 1.20 HIGHER AT USD 79.34/BBL; BRENT (U6) SETTLED USD 1.43 HIGHER AT USD 84.73/BBL

The crude complex was firmer as strikes continued across the Middle East in the ever-widening conflict. In the latest example of the ceasefire being over and the conflict resuming, there were strikes reported in Kuwait, Oman, Bahrain, Jordan, Lebanon, as well as Iran, with state media saying US projectiles hit a target on Qeshm Island. Overnight, the US carried out a third night of attacks on Iran, with attention on whether "Pickaxe Mountain" will be targeted following Trump's remarks on Monday. In response, a senior security source in Tehran said that Iran would deliver a "devastating response" if Trump goes through with the threat on Pickaxe Mountain, CNN reported. One of the other new headlines on Tuesday, and sparked a brief bout of pressure in energy benchmarks, as Trump said Hormuz is only closed to Iran, and replaced the 20% US "reimbursement fee" for using Hormuz with trade and

investment deals with various Gulf states, which comes just hours before the US is set to resume its blockade of Iranian ports.

Away from geopolitics, the cooler-than-expected US CPI report had little sway on oil prices, as participants await further Middle East updates overnight, but not before weekly private inventory metrics after the closing bell.

EQUITIES

CLOSES: SPX +0.38% at 7,544, NDX +1.10% at 29,586, DJI +0.02% at 52,513, RUT +0.39% at 2,965

SECTORS: Health -1.91%, Consumer Staples -1.38%, Real Estate -0.42%, Utilities -0.05%, Consumer Discretionary -0.03%, Industrials +0.04%, Financials +0.21%, Materials +0.25%, Energy +0.37%, Communication Services +1.13%, Technology +1.25%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.12% at 6,279, Dax 40 +0.12% at 25,144, FTSE 100 +0.30% at 10,529, CAC 40 +0.03% at 8,367, FTSE MIB +0.10% at 52,863, IBEX 35 +0.11% at 19,357, PSI -0.08% at 9,127, SMI -0.17% at 14,242, AEX +0.41% at 1,090.

STOCK SPECIFICS

- **International Business Machines (IBM):** Disappointing preliminary Q2 results; broader software names seeing losses
- **Goldman Sachs (GS):** Top and bottom line surpassed expectations with a strong revenue breakdown.
- **Wells Fargo (WFC):** NII marginally missed, but EPS, revenue and net income beat
- **JPMorgan Chase (JPM):** FICC revenue light, albeit with a strong report elsewhere
- **HCA Healthcare (HCA):** Lowered FY26 EPS and adjusted EBITDA guidance
- **Tower Semiconductor (TSEM):** Gains following headlines on Japanese expansion
- **CleanSpark (CLSK):** Agreed to a USD 6.6bln 20-year data centre lease
- **Nebius Group (NBIS):** Said to be selling USD 1bln worth of AI capacity to Reflection
- **Apple (AAPL):** Downgraded at KeyBanc to 'Underweight' from 'Sector Weight'.
- **Boeing (BA)** delivered 64 airplanes in June; Through June, booked 408 orders after cancellations.
- US official said that "very few" **Nvidia (NVDA)** H200 chips have been shipped to either China or Hong Kong to date, Reuters reports.
- **Taco Bell (YUM)** investigated as lettuce emerges as possible source of cyclosporiasis outbreak, reports Fox Business.
- **Google Images (GOOGL)** is taking on **Pinterest (PINS)** with its latest redesign that turns the site into a browsable, dynamic gallery of images from across the web, reports TechCrunch
- **Lucid (LCID)** reportedly considering going private or chapter 11, according to electricvehicles.com; Lucid says rumours of rumours of bankruptcy are completely false; we've sufficient liquidity.
- **Verizon (VZ)** reportedly planning new round of layoffs as soon as this week.

FX

USD was broadly weaker in response to softer-than-expected inflation data for June. CPI came in beneath expectations on all gauges. Headline M/M declined 0.4%, steeper than the expected -0.1% as the plunge in oil prices weighed. Meanwhile, core was flat in June despite expectations for a 0.3% rise; Y/Y gauges were also soft. DXY saw sharp immediate downside on the report as it pushed back against perhaps the elevated hawkish mood that arose from Fed's Waller remarks on Monday, "if there is another hot reading on core inflation this week, the Fed will need to consider a rate hike in the near term". Since the immediate USD move lower, DXY weakness has trimmed, with DXY back to 100.91 from lows of 100.607. The move is likely influenced by the worsening tensions in the Middle East putting in a floor for the dollar. Strikes have continued throughout the day between the US and Iran with no sign of an immediate path towards de-escalation. A U-turn from Trump on the recently touted 20% Hormuz navigation fee had a short-lived downside impact on prices, as Trump said compensation for US protection in the Strait will come via trade and investment deals with various Gulf states.

Following the US CPI report, Fed Chair Warsh and 2027 voter Goolsbee sounded against being overreactive towards today's CPI report. Warsh notes that the data does not say mission accomplished, while Goolsbee said if we got several months like this, it would feel better.

Kiwi was the best performer once again as markets added to RBNZ tightening bets. Money markets see 58bps of tightening by year-end, +5bps since Monday. Following hawkish remarks from RBNZ's Conway and a strong quarterly NZIER Business Confidence, NZD/USD finished +1.1% higher at 0.5810.

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