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## US Market Wrap - 15th July 2026

### Stocks mixed on ASML earnings and soft PPI

- **SNAPSHOT:** Equities mixed, Treasuries up, Crude up, Dollar down, Gold flat
- **REAR VIEW:** Softer-than-expected US PPI; NY Fed Manufacturing tops expectations; Fed's Williams says policy is well positioned to hit 2% inflation target; Trump leans toward expanding US military ops in Iran; Trump reportedly held a Situation Room meeting on Tuesday and discussed a wider scope of strikes on Iran; Trump says Iran wants to meet; Ghalibaf keeps diplomacy open; China's Q2 GDP growth underwhelms; ASML earnings beat fails to impress investors; BABA's Qwen AI will be integrated into AAPL Intelligence in China; BLK & MS beat on earnings; EIA crude stocks draw less than expected; BoC holds rates as expected.
- **COMING UP: Data:** UK GDP (May), Italian HICP Final (Jun), EZ Balance of Trade (May), US Retail Sales (Jun), Jobless Claims, Philly Fed Index (Jul), Pending Home Sales (Jun), Atlanta Fed GDP. **Events:** SNB Minutes (Jul), BoK Policy Announcement (Jul). **Speakers:** Fed's Logan, Schmid. **Supply:** Japan, Spain, France, UK. **Earnings:** Netflix, Alcoa, UnitedHealth, GE Aerospace, US Bancorp, Abbott, State Street, ABB.

### MARKET WRAP

Stocks were mixed on Wednesday, with the Nasdaq reversing early gains to ultimately underperform. ASML's earnings initially lifted Nasdaq futures after the company delivered strong quarterly results. However, the stock reversed course during the US session after management guided EUV lithography machine sales slightly below consensus expectations, weighing on both ASML and the broader semiconductor sector. Elsewhere, the softer-than-expected PPI report supported the broader market by reinforcing the inflation picture shifting benignly following Tuesday's CPI release.

Sector performance was mixed, with Communication Services and Consumer Discretionary leading the gains, while Energy and Utilities underperformed.

Crude prices were volatile but ultimately settled higher as geopolitical tensions remained elevated. The US and Iran continued exchanging strikes, while President Trump warned that Iran's bridges and power plants would be the next targets should Tehran refuse to return to the negotiating table, adding that energy infrastructure would only be targeted as a last resort. Meanwhile, Iranian Parliamentary Speaker and chief negotiator Ghalibaf stated that Iran was prepared to use both diplomacy and military means to secure the country's national interests, perhaps signalling a willingness to resume negotiations. However, WSJ reported that Trump is leaning towards expanding US military operation in Iran, albeit the decision is not final.

Elsewhere on the geopolitical front, CBS reported that senior Pentagon officials are quietly examining another potential flashpoint closer to home: Cuba. According to the report, military planners have recently reviewed a range of options, including an Army-led air assault involving thousands of troops from the 101st Airborne Division. However, CBS stressed that the briefings should not be interpreted as an indication that either President Trump or the Pentagon has decided to proceed with any military operation.

The softer PPI report added to Tuesday's Treasury rally, with markets continuing to pare expectations for near-term Fed rate hikes, resulting in a bull steepening of the Treasury curve.

In FX, the Dollar underperformed following the softer inflation data, while Sterling outperformed after reports suggested Andy Burnham is leaning towards appointing Shabana Mahmood as Chancellor, who is generally viewed as being more fiscally conservative.

Attention now turns to Thursday's US retail sales report, alongside any further developments surrounding the US-Iran conflict.

### US

**US PPI:** The June PPI report was softer than expected, reinforcing the benign inflation message from Tuesday's CPI release. Headline PPI declined 0.3% M/M (exp. +0.3%), reversing May's 1.1% increase and falling below the lowest analyst estimate of -0.2%. This left annual PPI at 5.5% Y/Y, beneath both the 6.2% consensus and the prior 6.5% reading. Core PPI rose 0.2% M/M, below the 0.4% consensus and the prior month's pace, leaving the annual core rate at 4.7% Y/Y, below expectations of 5.2% and down from 4.9% previously. Meanwhile, super core PPI (excluding food, energy and trade services) increased just 0.1% M/M, slowing from 0.8% in May, while the annual rate was unchanged at 5.1%. Within the report, the PPI components that feed into the PCE inflation measure were generally encouraging. Portfolio management prices slowed sharply to 0.51% from 4.80%, although air transportation services accelerated to 1.88% from -0.33%. Healthcare-related components were mixed but, on balance, leaned softer. The report provides further evidence that inflation pressures eased in June and supports the view that a near-term Fed rate hike may not be necessary. However, policymakers are likely to remain cautious. Chair Warsh reiterated on Tuesday that the Fed is not out of the woods yet, while Governor Waller said earlier this week that he would need to see several more benign inflation prints before concluding that inflation is sustainably moving back towards target. Oxford Economics noted that lower energy prices were a key driver of the decline in headline PPI and expects another energy-led fall in July. On core prices, the consultancy highlighted that strong AI-related demand continues to support producer prices for technology goods, particularly amid shortages of DRAM memory chips, suggesting inflation in that sector is likely to remain elevated. Following the latest CPI and PPI data, Oxford

Economics continues to forecast headline PCE inflation at 3.7% Y/Y, marking a further slowdown from 4.1% in May.

**NY FED MANUFACTURING:** NY Empire Fed Manufacturing Index rose to 15.6 from 5.7, above the expected 8.7. Looking at the breakdown, new orders and shipments jumped to +22.2 (prev. +3.5) and +24.2 (prev. +8.6), respectively, with inventories rising to +4.0 from 0. Prices paid and received encouragingly declined to 52.3 (prev. 61.0) and 27.6 (prev. 31.4), respectively, with employment lifting to +11.4 from 9.6. Unfilled orders increased, delivery times continued to lengthen, and supply availability continued to worsen. Ahead, six-month business conditions dipped to 27.9 from 30.1, with the prices metrics also falling. NY Fed Economic Research Advisor Deltz said, "New York State manufacturing activity increased substantially in July, with new orders and shipments picking up sharply. Employment grew for a sixth consecutive month. Price increases remained elevated, and supply availability continued to worsen."

**FED WILLIAMS (Voter):** said with inflation running high, the Fed must restore it to the 2% goal on a sustained basis; the current stance of policy is well positioned to do that. He described inflation as unquestionably too high at about 4%, but expects overall inflation to decline to around 3.25% by year-end, continue toward the 2% goal in 2027 and land on target in 2028. He adds that medium- and longer-term inflation expectations remain well anchored. Switching to the labour market, he says it's showing signs of resilience and stability. He expects the unemployment rate to edge down gradually to 4% in 2028. Meanwhile, Williams expects real GDP growth to be around 2.0%-2.25% this year and over the next two years. In the Q&A section, he noted today's CPI print was consistent with what he is hoping to see over the coming months; Risks to energy price inflation are somewhat less. Williams sounded against changing the 2% target, 'Absolutely' no consideration to changing 2% target. On policy, he doesn't have a clear direction about which way interest rates are going or when. On a longer-term basis, he expects rates to eventually move down with inflation. Lastly, he said the balance sheet is roughly in range of ample reserves, while broader consumer credit is growing consistently with the economy.

## FIXED INCOME

### T-NOTE FUTURES (U6) SETTLED 12 TICKS HIGHER AT 109-09+

**T-notes continued to bull steepen after PPI added to the soft inflation narrative.** At settlement, 2-year -6.5bps at 4.126%, 3-year -6.8bps at 4.175%, 5-year -6.4bps at 4.253%, 7-year -5.7bps at 4.390%, 10-year -4.2bps at 4.545%, 20-year -3.0bps at 5.078%, 30-year -2.0bps at 5.082%.

**THE DAY:** Treasuries rallied across the curve on Wednesday, with the front end outperforming after another softer-than-expected inflation report reinforced the benign CPI data released on Tuesday. Both headline and core PPI came in below expectations, further reducing the perceived need for near-term Fed rate hikes. The PPI components feeding into the PCE inflation measure also leaned softer, with economists now generally expecting monthly core PCE to print around 0.2%. Elsewhere, the NY Fed Empire Manufacturing survey exceeded expectations, driven by a sharp rise in new orders, while the employment component improved and price pressures eased.

Energy prices were choppy, ultimately settling firmer amid ongoing military exchanges between the US and Iran, as both sides continue to avoid targeting energy infrastructure. President Trump warned that Iran's bridges and power plants would be the next targets should Tehran refuse to return to negotiations, adding that energy infrastructure would be targeted only as a last resort. Meanwhile, Iranian Parliamentary Speaker and chief negotiator Ghalibaf stated that Iran was prepared to use both diplomacy and military means to secure its national interests, perhaps signalling a willingness to return to negotiations.

Fed commentary generated little additional market reaction. Chair Warsh's testimony before the Senate largely echoed his remarks to the House a day earlier, reiterating the Fed's commitment to price stability while avoiding any explicit forward guidance. New York Fed President Williams maintained that policy remains well-positioned, although he stressed that there is currently no clear indication of the future direction or timing of interest rate moves.

Attention turns to US Retail Sales on Thursday.

## SUPPLY

### Bills

- US sold 17-wk bills at high-rate 3.745%, B/C 3.35x
- US Treasury 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

### STIRS / OPERATIONS

- Fed Pricing: Dec 25.1bps (prev. 27.2bps)
- EFFR at 3.63% (prev. 3.62%), volumes at USD 111bln (prev. USD 112bln) on July 14th
- SOFR at 3.63% (prev. 3.60%), volumes at USD 3.092tln (prev. USD 3.096tln) on July 14th
- NY Fed RRP op demand at 0.15bln (prev. 0.28bln) across 2 counterparties (prev. 4) on July 15th

## CRUDE

### WTI (Q6) SETTLED USD 0.26 HIGHER AT 79.60/BBL; BRENT (U6) SETTLED USD 0.22 HIGHER AT USD 84.95/BBL

**The crude complex was choppy on Wednesday, but ultimately settled slightly higher as US/Iran rhetoric continues to dominate the tape.** Once again, headline newsflow was constant as participants watched the ever-growing escalation, looking for any signs of progress or further steps taken, with Trump earlier threatening Iran's bridges and energy facilities if Iran doesn't come to talks. He also noted that energy facilities would be struck as a last resort. US CENTCOM also announced they began, and concluded a new wave of strikes to further degrade the Iran's military capabilities. Iran's Top negotiator Ghalibaf released a statement where he

noted that both diplomacy and military are ways to secure Iran's national interests, perhaps a nod towards a willingness to return to the negotiating table. Meanwhile, US President Trump briefly gave remarks noting Iran had better behave, adding he does not like giving deadlines.

Aside from US/Iran, CBS reported that Senior Pentagon officials are quietly eyeing another flashpoint closer to home: Cuba. Military planners have in recent weeks examined a range of options for possible action against the island, including an Army-led air assault involving thousands of US soldiers to be carried out by the 101st Airborne Division, sources told CBS, who added the briefings are not an indication that Trump or the Pentagon have decided to carry out an operation.

In the weekly EIA metrics, crude saw a shallower draw than expected, distillates saw a larger build than forecasted, and gasoline saw a deeper-than-anticipated draw. Overall, crude production was up 1k W/W to 13.861mln.

## EQUITIES

**CLOSES:** SPX +0.38% at 7,572, NDX -0.28% at 29,503, DJI +0.29% at 52,664, RUT +0.39% at 2,976

**SECTORS:** Utilities -0.98%, Energy -0.78%, Materials -0.41%, Industrials -0.18%, Technology -0.11%, Health 0.00% (unchanged), Consumer Staples +0.10%, Real Estate +0.10%, Financials +0.66%, Consumer Discretionary +1.36%, Communication Services +2.78%

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.15% at 6,271, Dax 40 -0.51% at 25,019, FTSE 100 -0.15% at 10,514, CAC 40 +0.19% at 8,382, FTSE MIB -0.85% at 52,411, IBEX 35 -0.42% at 19,276, PSI -0.46% at 9,085, SMI +0.54% at 14,318, AEX +0.74% at 1,098.

### STOCK SPECIFICS:

- **ASML (ASML):** EPS & rev. beat w/ strong next Q top line guidance & raising FY outlookMS +1.2%: Impressive Q metrics w/ strong rev. breakdown.
- **PayPal (PYPL):** Stripe & Advent submitted an offer to acquire Co. for \$60.50/shr; closed Tues. at \$47.37/shr; PayPal (PYPL) is said to be unwilling to engage with the offer from Stripe and Advent, Semafor reports citing sources.
- **Pentair (PNR):** CFO resigns w/ dismal prelim Q2 results.
- **Lionsgate (LION):** Attracts takeover interest from Bollore & Banijay.
- **BlackRock (BLK):** AUM, EPS & rev. surpassed St. exp.
- **Elevance Health (ELV):** Benefit expense ratio +80bps Y/Y, although top & bottom line w/ solid FY profit outlook.
- **PNC Financial (PNC):** EPS, rev., & NII topped.
- **Merck (MRK):** Phase 3 Keytruda study met the primary endpoint of PFS.
- **Conagra Brands (CAG):** Sees FY profit below estimates.
- **Travelers (TRV):** Downgraded at Morgan Stanley to 'Underweight' from 'Equal Weight'.
- **Apple (AAPL)** is reportedly hunting for acquisitions of chip firms in a move to bolster server capabilities for AI purposes, The Information reports, citing sources.

## FX

**USD** weakened again on softer-than-expected inflation data, leaving expectations for PCE to ease comfortably in May. Similar to CPI, PPI came in beneath expectations on all watched gauges. Core rose 0.2% M/M (exp. 0.4%) while the headline fell 0.3% M/M (exp. +0.3%) due to the energy price plunge that started in May. The DXY reaction was more sustained this time, moving lower throughout the session with money markets just about pricing one 25bps rate hike by year's end. DXY sits near the intraday lows of 100.35 from the earlier weekly high of 101.327. In other news, Fed's Williams says current policy is well-positioned to bring inflation back to the 2% target, but on policy, didn't have a clear direction about which way interest rates are going or when, even after this week's inflation data. Elsewhere, Fed's Warsh largely reiterated his comments yesterday in front of the House to the Senate today, namely, commitment to the inflation target, whilst describing the labour market as in good shape. Geopolitical developments unsurprisingly had little bearing on FX price action given the changes in the inflation dynamic. Overall, little has changed regarding the Middle East as Trump hints strikes will continue into next week, while Iran continues to respond militarily.

**GBP** notably outperformed, seemingly coinciding with growing reports that the likely next UK PM Candidate is expected to name the Home Secretary as Chancellor. iPaper reported that the cabinet is expected to be announced late Monday. Markets believe that Mahmood would be fiscally conservative given her history in the current ministerial role; however, she lacks experience in economic roles. GBP/USD +1.1%, peaking at 1.3558.

**USD/CAD** traded off USD weakness as opposed to the BoC rate decision. As expected, the central bank held rates at 2.25%. Language tweaks were made in the statement, but the overall message remains, "the current policy rate remains appropriate to sustain the economic recovery and bring inflation back to the 2% target, in line with the MPR projections". The MPR saw growth forecasts for 2026 revised down, inflation revised up, whilst the opposite happened for 2027. Positively, the BoC said data we have received since April have increased our confidence that the economy is indeed working its way through this period of global upheaval." USD/CAD sits slightly off the 1.40247 lows

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