

SNAPSHOT

STOCKS			
S&P 500	+0.4%	Nasdaq Comp.	+0.6%
DJIA	+0.3%	Russell 2000	+0.4%
ES Sep'26	+0.3%	RTY Sep'26	+0.5%
NQ Sep'26	-0.3%	YM Sep'26	+0.2%
FX			
DXY	-0.4% (100.52)	EUR/USD	+0.4%
USD/JPY	Flat	GBP/USD	+1.1%
BONDS			
US T-Note Sep'26	+10 ticks	10yr Bund Sep'26	-12 ticks
US 10yr Yield	4.55%	German 10yr Yield	3.09%
ENERGY & METALS			
WTI Aug'26	+1.1%	Brent Sep'26	+0.3%
Spot Gold	+0.2%	LME Copper	-0.5%
CRYPTO			
Bitcoin	-0.3%	Ethereum	+1.6%

As of 21:50BST/16:50EDT

LOOKING AHEAD

- Highlights include Australian MI Inflation Expectations, Japanese Weekly Securities Flows, BoK Rate Decision, Supply from Japan.
- [Click for the Newsquawk Week Ahead.](#)

IRAN CONFLICT

- US President Trump said Iran had better behave and that he does not like giving deadlines, while he also said that Iran wants to meet.** Trump also commented that Iran wants to settle so badly, and we will find out if we settle with them or finish it off.
- US President Trump said strikes against Iran would expand next week, while it was separately reported that Trump is leaning toward expanding US military operations in Iran after days of briefings from top aides,** according to WSJ citing officials.
- US CENTCOM announced forces had conducted a new wave of strikes against Iran designed to further degrade military capabilities Iranian forces had used to attack commercial shipping,** while it was later reported that US forces launched operations for a second wave of strikes today against Iran. Furthermore, CENTCOM denied Iranian claims that US forces struck a civilian wheat storage facility in Hoveyze on July 14th and described the reports as false.
- US strikes on Iran are strengthening options for potential US escalation,** according to sources.
- US Treasury imposed sanctions on entities in Iran and Russia,** while Treasury Secretary Bessent said President Trump had been clear that Iran must denuclearise and that the Treasury would continue targeting and disrupting illicit procurement networks funding Iran's weapons programmes and war machine.
- US base in Kuwait was hit by two explosions, while sources reported several explosions in Erbil, Iraq.** Furthermore, initial estimates indicated severe damage to US equipment and personnel at military bases in Kuwait, according to Tasnim.
- Iran's Parliamentary Speaker Ghalibaf said Iran had never welcomed war and still did not, but must always be ready to fight and stand to the end to safeguard its national security and interests,** while he stated that Iran must also use diplomacy

and negotiations to realise and secure its national interests.

- **Iran Foreign Ministry spokesperson said the US attack on the south of the country was an example of aggression and completely illegal**, according to ISNA. The spokesperson said Iran was currently focused on defending the country and had no plans for negotiations at the moment, while the MoU was a set of mutual obligations and that if the other party violated it, Iran would also refrain from implementing its obligations.
- **ISNA denied reports that Iranian President Pezeshkian and Foreign Minister Araghchi would make a joint trip to Qatar.**
- **Kuwait said its armed forces intercepted four cruise missiles and 21 drones from Iran on Wednesday, while Iranian aggression targeted a number of vital facilities, resulting in material damage**, although no injuries were reported.
- **Hezbollah was preparing a plan for military escalation against Israel, including intensive attacks on settlements in northern Israel**, according to N12 News citing Aram News. Hezbollah was reportedly waiting for the green light from Tehran before launching the attack and had already strengthened its forward positions north of the Litani River, while sources added that any escalation would depend on the level of US attacks on Iran following the recent military escalation or Washington giving Israel the green light to intensify attacks on infrastructure deep inside Iran.
- **Houthis were laying the groundwork and quietly extending their reach to the Horn of Africa**, according to the Telegraph citing sources in Yemen, with **Houthi rebels reportedly preparing to shut the Bab el-Mandeb Strait on behalf of Iran**. Furthermore, sources said the effort was a deliberate Iranian attempt to control "the other side of the Red Sea" and create a situation similar to its grip on the Strait of Hormuz.
- **US-mediated talks between Israel and Lebanon ended after two days of negotiations, while parties said they had agreed on the outline and mechanism for withdrawing from the pilot area, which would be finalised and implemented in the coming days**, before moving on to expanded technical talks focused on implementing all aspects of the trilateral framework with the goal of reaching a comprehensive agreement.

US TRADE

- **US stocks** were ultimately mixed as most major indices finished in the green, although the Nasdaq 100 reversed early gains and underperformed. 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. Sectors were varied as Communication Services and Consumer Discretionary led the gains, but Energy and Utilities lagged, while attention was also on data as a softer-than-expected PPI report supported the broader market by reinforcing the inflation picture shifting benignly following Tuesday's CPI release.
- **SPX +0.38% at 7,572, NDX -0.28% at 29,503, DJI +0.29% at 52,664, RUT +0.39% at 2,976.**
- [Click here for a detailed summary.](#)

TARIFFS/TRADE

- **US President Trump said he wishes he could use tariffs faster.**
- **EU requested US tariff exemptions on more products**, including cheese and wine.

NOTABLE HEADLINES

- **Fed Chair Warsh said the balance sheet should be as small as possible and could expand during a crisis, while he added that corporate earnings appeared to be broadening out and that even if AI disappointed, much of the related capital expenditure would still have alternative uses.** Warsh said the labour market was in good shape, and he questioned whether rate cuts had been responsible for that strength, as well as noted that monetary policy had caused inflation, and he was not satisfied with any current measures of inflation.
- **Fed's Cook (voter) said it was prudent to wait a little longer for inflation to slow, but she was prepared to act if that did not occur soon, while she stated that inflation expectations remained anchored, although that depended on appropriate monetary policy, and the Fed could not take its eye off the ball.** Cook said there was reason to expect further disinflation but warned tariffs, the Middle East conflict and AI investment posed upside inflation risks, as well as stated that risks had shifted noticeably towards higher inflation since last summer, while the labour market remained stable. Furthermore, Cook said policy was currently mildly restrictive, and the FOMC could take more time to observe incoming data, while she added that one month of CPI and PPI data did not establish a trend and said the Fed had methods to compensate for low response rates in government surveys.
- **Fed's Williams (voter) said with inflation still running high, it was imperative to restore inflation sustainably to the 2% target and that current policy was well positioned to achieve that.** Williams said during a Q&A that markets were responding to developments in the Middle East, while he described the CPI report as consistent with the inflation path he hoped to see over the coming months and called it a "little piece" of inflation returning towards target. Williams added there was no clear direction on interest rates or timing, and said the rise in medium-term inflation expectations in the New York Fed survey was not "flashing a warning sign".
- **Fed Beige Book stated that prices increased moderately overall, with nine Districts reporting moderate growth, two robust growth, and one slight growth;** compared with the last reporting period, price growth was the same or slower in all Districts.
- **US President Trump thinks inflation at year-end will be lower than now, while he would like to see rates go down, but said it is better to pause than hike.** Trump added that Warsh has a board which is maybe hostile and that he has respect for Warsh.
- **US Vice President Vance said the administration was trying to lower interest rates. Vance stated it had been a major mistake not to pursue antitrust action against Big Tech in the 2000s and said authorities must be willing to use it in the**

21st century, while he added that the biggest AI risk was a hyper-monopolist dominating the sector and influencing government.

- **White House NEC Director Hassett said the latest data provided no justification for raising interest rates**, and he respects that Warsh would lead the Fed to the right decision on rates.
- **White House spokesperson Kelly said US President Trump would announce more than USD 10bln of deals at today's summit.**
- **US House Republicans reached a rough outline for a third reconciliation bill, although many members remained dissatisfied**, according to Politico.
- **Several senators will meet with President Trump at the White House on Thursday afternoon to discuss progress on a broad cryptocurrency regulatory bill**, according to Politico.
- **Apple (AAPL) was reportedly pursuing acquisitions of chip companies to strengthen AI server capabilities and had reportedly approached semiconductor start-ups regarding potential acquisitions**, while sources said Baltra, a future Apple AI chip, had originally been scheduled for 2026 but had been delayed, according to The Information.

DATA RECAP

- US PPI MoM (Jun) M/M -0.3% vs. Exp. 0.2% (Prev. 1.1%, Low. -0.2%, High. 0.6%)
- US PPI YoY (Jun) Y/Y 5.5% vs. Exp. 6.2% (Prev. 6.5%, Low. 6.1%, High. 6.6%)
- US Core PPI MoM (Jun) M/M 0.2% vs. Exp. 0.4% (Prev. 0.4%, Low. 0.2%, High. 0.5%)
- US Core PPI YoY (Jun) Y/Y 4.7% vs. Exp. 5.2% (Prev. 4.9%, Low. 5.1%, High. 5.2%)
- US NY Empire State Manufacturing Index (Jul) 15.60 vs. Exp. 8.70 (Prev. 5.70), New Orders +22.2 (Prev. +3.5), Employment +11.4 (Prev. +9.6), Prices paid +52.3 (Prev. +61.0), Six-month business conditions +27.9 (Prev. +30.1)

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. In terms of Fed rhetoric, Williams said current policy is well-positioned to bring inflation back to the 2% target, but didn't have a clear direction about which way interest rates are going or when, even after this week's inflation data, while Fed's Warsh largely reiterated the prior day's comments in front of the House to the Senate today, namely, commitment to the inflation target, whilst describing the labour market as in good shape. Elsewhere, 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.
- **EUR** edged higher on the back of the weaker dollar, although further upside was capped as comments from several ECB speakers did little to shift the dial.
- **GBP** outperformed, which seemingly coincided with increasing reports that the UK's incoming PM Burnham is expected to name the Home Secretary Mahmood as Chancellor, while markets believe that Mahmood would be fiscally conservative given her history in the current ministerial role, although she lacks experience in economic roles, while participants look ahead to monthly GDP and output data.
- **JPY** was choppy and ultimately returned to flat territory against the dollar at the 162.00 handle.
- **BoC kept its policy rate unchanged at 2.25%, as expected. BoC said Canada's economy was showing signs of improvement, and the Governing Council judged the current policy rate remained appropriate to sustain the recovery and return inflation to the 2% target** in line with MPR projections.
- **BoC Governor Macklem said Governing Council would continue assessing the strength of the Canadian economy and the inflation outlook and stood ready to adjust monetary policy as needed, while he added the Bank had been looking through the direct effects of higher oil prices on inflation, but warned prolonged increases could spill over into other goods and services** and the Bank would not allow higher oil prices to become persistent inflation. Macklem also noted that the growth outlook remained similar to the April forecast, although incoming data had increased confidence that the economy was working through the period of global upheaval. Furthermore, he said if oil prices rose again and fed into inflation, consecutive rate hikes could be needed to keep inflation under control, although policy decisions would be taken one meeting at a time, and CAD weakness had not been a major factor in rate decisions.

FIXED INCOME

- **T-notes** continued to bull steepen after PPI added to the soft inflation narrative.

COMMODITIES

- **Oil prices** were choppy on Wednesday, but ultimately settled slightly higher as US/Iran rhetoric continues to dominate the tape.
- **US EIA Crude Oil Stocks Change (Jul/10) -1.693M vs. Exp. -3.000M (Prev. 2.998M)**
- **US President Trump said oil prices will yo-yo for a while.**
- **White House was reportedly weighing an additional extension of Jones Act waivers** as the renewed Iran conflict stirred concerns over higher prices.

- EU would maintain the Russia oil price cap at its current level until 23 July.

GEOPOLITICAL

RUSSIA-UKRAINE

- US President Trump said he believed Russia was ready to make a deal on Ukraine soon, according to Fox News.
- Ukrainian President Zelensky is expected to remove Ukraine's Defence Minister, according to FT.
- Russia said the proposed deployment of a multinational force to Ukraine following any peace agreement was unacceptable and would be viewed as intervention and a threat.

ASIA-PAC

NOTABLE HEADLINES

- US President Trump's administration could pursue further executive action addressing China-related concerns over open-source AI models, according to Semafor citing a senior White House official.
- China's Cyberspace Regulator said Apple (AAPL) Intelligence was among seven mobile generative AI services registered in China to provide on-device AI services. Chinese state media also reported that Alibaba's (9988 HK) Qwen AI would be integrated into Apple Intelligence in China, and the integration would enable users in China to access text and image understanding and content generation across iOS, iPadOS, macOS and visionOS without switching applications.
- US companies were increasingly adopting open-weight Chinese AI models from Alibaba (BABA), Z.ai and Moonshot AI as cheaper and more customisable alternatives to OpenAI and Anthropic models, according to the Washington Post.
- Japan added a footnote on BoJ autonomy to its revised fiscal policy draft, according to Bloomberg.

DATA RECAP

- Chinese New Yuan Loans (Jun) 1610B vs. Exp. 2000B (Prev. 520B)
- Chinese Total Social Financing (Jun) 3360B vs. Exp. 3770B (Prev. 2030B)
- Chinese Outstanding Loan Growth YoY (Jun) Y/Y 5.2% vs. Exp. 5.4% (Prev. 5.5%)
- Chinese M2 Money Supply YoY (Jun) Y/Y 8.0% vs. Exp. 8.5% (Prev. 8.6%)

EU/UK

NOTABLE HEADLINES

- UK MP Burnham appeared to play down the prospect of a wealth tax for now, although he did not rule it out in future, according to The Guardian.
- Incoming Prime Minister Burnham's team had "pretty much locked in" senior Cabinet appointments, with Home Secretary Mahmood expected to become Chancellor, while Cabinet appointments were expected to be announced late on Monday afternoon, according to iPaper's Donaldson. Furthermore, sources cited by FT also said that Home Secretary Shabana Mahmood was set to become Britain's next Chancellor.
- Germany's government was planning a EUR 13.3bln energy relief package for 2027 to support businesses and consumers.
- German Chancellor Merz said the government had received various proposals for debt brake reform, but the challenges of implementing reform would be enormous. Merz added that Germany's credit rating was not at risk and there was no need in the short term to decide on the next ECB President, as well as stated that ECB President Lagarde had performed well.
- ECB's Moulin said the ECB needed to be ready for any eventuality on inflation.
- ECB's Nagel said it remained advisable from a monetary policy perspective to react cautiously but act decisively if necessary, adding that monetary policy would maintain its vigilant stance. He also said the past few weeks had been characterised by hopes and disappointments from a geopolitical perspective.
- ECB's Panetta said Eurozone inflation was currently around 3% and expected to remain above that level until early 2027, while he warned risks from higher energy prices, tighter financial conditions and persistent geopolitical uncertainty appeared only partly reflected in market pricing. Furthermore, he said several indicators suggested the post-Iran conflict equity rally reflected an underestimation of risks, as well as stated that the ECB's goal was to keep inflation expectations firmly anchored and limit indirect and second-round effects of shocks.

DATA RECAP

- EU Industrial Production MM (May) -0.2% vs. Exp. 0.3% (Prev. 0.1%, Low. -0.2%, High. 1.0%)
- EU Industrial Production YY (May) -1.2% vs. Exp. 0.2% (Prev. 0.3%, Low. -0.9%, High. 1.4%)

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newsquawk.com · +44 20 4545 5000 · sales@newsquawk.com

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com