

Tech sold and oil bid into the weekend as Iran/US updates await

- **SNAPSHOT:** Equities down, Treasuries flatten, Crude up, Dollar flat, Gold up.
- **REAR VIEW:** Trump admin reportedly sending dozens of additional refueling planes to Israel in preparation for a potential expansion of military operations against Iran; UoM Prelim July report tops expectations; Armed assailants boarded a chemical products tanker Asana in the Gulf of Aden; XOM chartered tanker Nordic Zenit attacked on approach to Black Sea CPC terminal; NFLX guidance underwhelms; META is in talks to rent computing power from its AI data centers to Anthropic; BoJ reportedly sees little need for consecutive rate rises; Mixed US import/export prices.
- **COMING UP: Holiday:** Japanese Marine Day. **Data:** Chinese LPR (Jul), Canadian Inflation (Jun), New Zealand Inflation (Q2).
- **WEEK IN FOCUS:** Highlights include Japanese, UK, Canadian and NZ inflation reports, ECB, Global Flash PMIs, Aussie and UK jobs. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season gets into full swing with GOOGL and TSLA the highlights. [Click here for the full report.](#)

MARKET WRAP

US indices ended the final trading session of the week in the red, with Communication Services, Consumer Discretionary, and Technology the laggards ahead of the start of Mag-7 earnings next week. Energy was the only sector in the green and buoyed by the gains in the crude complex amid continued escalation in US/Iran relations. As such, participants await any weekend updates from the Middle East for any further escalatory actions or path to peace, despite how unlikely the latter seems. In FX, the Dollar was mixed against G10 peers, as the Pound and Aussie lagged, with the Swissy and Loonie sitting atop the pile. Precious metals also firmed, while T-notes flattened as front-end yields rose on rising oil and hot import price data ahead of the weekend. On the data front, import and export prices sent mixed signals as export prices declined by more than expected, while import prices rose 0.3% M/M, well above the expected 0.7% decline. Elsewhere, the University of Michigan Consumer Sentiment Index exceeded expectations, while one-year inflation expectations fell to 4.2% from 4.6%, below the 4.3% consensus. However, five-year inflation expectations were unchanged at 3.3%, disappointing expectations for a decline to 3.1%. However, little move was seen to data.

US

MICHIGAN: Prelim University of Michigan for July topped expectations across the board, with sentiment jumping to 54.4 from 49.5 (exp. 51). Current conditions and forward-looking expectations soared to 54.9 (exp. 48.7, prev. 48) and 54.0 (exp. 50.7, prev. 51.7), respectively. Looking at the inflation expectations, 1yr tumbled to 4.2% from 4.6%, beneath the forecasted 4.3%, and 5yr was unchanged at 3.3% against the expected decline to 3.1%. Surveys of Consumers Director Joanne Hsu said, "However, with prices remaining frustratingly high, consumers are hardly ebullient about the economy; sentiment is down 12% from a year ago. Thus, sentiment's upward momentum may prove difficult to sustain if recent declines in gas prices continue to reverse course." Note, interviews for this release spanned June 23rd-July 13th, with more than 70% completed before the resumption of US strikes against Iran on July 7 and the subsequent increase in gas prices.

IMPORT/EXPORT PRICES: US import prices rose 0.3% M/M in June (exp. -0.7%, prev. 1.7% revised from 1.9%), significantly above expectations as higher nonfuel import prices more than offset a decline in fuel prices. Nonfuel import prices rose 0.4% M/M, driven by higher prices for industrial supplies and materials, capital goods and consumer goods, while fuel import prices fell 0.4% following May's 12.6% surge. Within the details, prices for imported computers, semiconductors and industrial machinery increased, while import prices from China rose 0.9%, the largest monthly increase since January 2008. Export prices fell 0.6% M/M (exp. -0.4%, prev. 1.2% revised from 1.3%), the first monthly decline since May 2025, as lower nonagricultural export prices more than offset gains in agricultural exports. From an inflation perspective, the firmer-than-expected import price data may bolster expectations for higher core PCE inflation in the near term, given import prices feed through to the Fed's preferred inflation gauge.

HOUSING STARTS/BUILDING PERMITS: Housing Starts rose to 1.427m in June from 1.177m, above the expected 1.33m. Single-family housing starts were 895,000, -0.2% M/M. Building permits fell to 1.367m from 1.41m, beneath the forecasted 1.42m. Single-family authorisations were 871,000, -2.4% M/M. Oxford Economics notes that housing starts rose much more than expected, but the increase was all due to a spike in starts in the volatile multifamily sector. "The more forward-looking building permits data point to a softer pace of starts in July". Ahead, the firm doesn't see much upside for starts until interest rates move lower.

Fed Vice Chair Jefferson (Voter, Dovish): Said the current policy stance is well-positioned to support the labour market while allowing inflation to resume its decline toward the Fed's 2% target as the effects of tariffs and higher energy prices gradually pass through. He stressed that future policy decisions will remain data-dependent and guided by the evolving outlook and balance of risks, while reaffirming the Fed's commitment to achieving price stability consistent with its dual mandate. Jefferson acknowledged that the current environment presents a policy dilemma, with inflation and employment objectives potentially in tension, and warned that if inflation does not begin cooling again, it may be appropriate to reconsider the current policy stance. He added that the economic impact of the Middle East conflict is likely to be muted, given the US is now a net oil exporter and less energy-intensive than in the past, while identifying geopolitical developments and the rapid proliferation of AI as two key areas the Fed is closely

monitoring.

Fed's Hammack (voter): Said persistently high inflation remains her top concern, and that core PCE nowcast is 3.3% after incorporating this week's data. Hammack noted inflation is broad-based, reflecting energy costs, supply-chain disruptions, insurance and AI data-centre build-up pressures. Looking ahead, she said policy view considers data, business and community conversations, and where the economy is heading over the next six or 12 months. The Cleveland Fed President added the labour market is right around her level of maximum employment, and the growth numbers are good and consumer spending is stable.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 4 TICKS HIGHER AT 109-08+

T-notes flattened as front-end yields rose on rising oil and hot import price data ahead of the weekend. At settlement, 2-year +3.4bps at 4.179%, 3-year +2.0bps at 4.212%, 5-year +0.9bps at 4.278%, 7-year -0.2bps at 4.402%, 10-year -1.2bps at 4.545%, 20-year -1.7bps at 5.067%, 30-year -2.1bps at 5.065%.

THE DAY: The Treasury curve flattened on Friday, with front-end yields rising as higher oil prices and firmer-than-expected import prices supported inflation expectations. Longer-dated yields, however, edged lower, likely reflecting position squaring ahead of the weekend.

Crude prices moved higher following another round of escalations in the US-Iran conflict. The US struck key infrastructure in Iran late on Thursday, including bridges and airports. Meanwhile, an oil tanker, albeit empty, was struck while docked at Kharg Island, keeping geopolitical risk premia elevated. Meanwhile, Axios reported the Trump administration is sending refueling planes to Israel in preparation for a potential military expansion against Iran.

On the data front, import and export prices sent mixed signals. Export prices declined by more than expected, while import prices rose 0.3% M/M, well above the expected 0.7% decline. From an inflation perspective, the stronger import price data could support expectations for firmer core PCE inflation in the near term, given import prices feed into the Fed's preferred inflation gauge. Elsewhere, the University of Michigan Consumer Sentiment Index exceeded expectations, while one-year inflation expectations fell to 4.2% from 4.6%, below the 4.3% consensus. However, five-year inflation expectations were unchanged at 3.3%, disappointing expectations for a decline to 3.1%.

Fed Vice Chair Jefferson struck a balanced tone, saying current policy should support the labour market while allowing inflation to continue moving back towards the Fed's 2% objective as tariff and energy price effects fade. However, he added that if inflation fails to resume its decline, it could become appropriate to reconsider the current policy stance to ensure price stability is achieved.

Overall, the front end underperformed as higher oil prices and stronger import prices lifted inflation expectations, while longer-dated Treasuries found support from likely position squaring ahead of the weekend. The Fed also now enters its blackout period ahead of the July 29th FOMC meeting, with a relatively light US data calendar scheduled for next week.

SUPPLY

Notes

- US to sell USD 13bln of 20yr bonds on July 22nd, to settle on July 24th; to sell USD 21bln of 10-year tips on July 23rd; to settle on July 31st

Bills

- US to sell USD 92bln of 13-week bills and USD 79bln of 26-week bills on July 20th, to settle on July 23rd.
- US to sell USD 95bln of 6-week bills on July 21st, to settle on July 23rd.

STIRS / OPERATIONS

- **Fed Pricing: Dec 22.7bps (prev. 23.7bps)**
- EFR at 3.63% (prev. 3.63%), volumes at USD 113bln (prev. USD 109bln) on July 16th
- SOFR at 3.62% (prev. 3.64%), volumes at USD 3.038tln (prev. USD 3.104tln) on July 16th
- NY Fed RRP op demand at 0.10bln (prev. 0.125bln) across 1 counterparty (prev. 1) on July 17th

CRUDE

WTI (U6) SETTLED USD 3.54 HIGHER AT 82.49/BBL; BRENT (U6) SETTLED USD 3.87 HIGHER AT 88.10/BBL

The crude complex ended the final trading session of the week with notable gains, given the latest attacks in the Middle East show no sign of stopping soon. Overnight, the US struck Iran for a sixth consecutive night, and after that, Iran claimed that power facilities, bridges and civilian infrastructure were struck. In response, Iran launched its own strikes on Gulf neighbours, alongside some punchy rhetoric from a spokesman. In the European morning, benchmarks saw gains on a couple of headlines: 1) UKMTO reported incidents off the coast of Oman and Yemen; 2) and on the latter, Reuters reported that armed individuals boarded a chemicals products tanker. Thereafter, WTI and Brent ground higher to settle at peaks, and saw another fillip amid Axios reports, citing sources, that the Trump admin is sending dozens of additional refueling planes to Israel in preparation for a potential expansion of military operations against Iran, although N12 denied this report. Ahead, participants await any escalations or a move closer back to peace over the weekend as Trump threatened escalatory strikes next week if Iran doesn't come to peace talks. For the record, the weekly Baker Hughes rig count saw oil jump 7 to 452, with natgas unchanged at 126, leaving the total up 7 to 588.

EQUITIES

CLOSES: SPX -1.01% at 7,458, NDX -1.49% at 28,593, DJI -0.77% at 52,151, RUT -0.42% at 2,962

SECTORS: Communication Services -2.38%, Consumer Discretionary -1.58%, Technology -1.11%, Financials -0.91%, Materials -0.86%, Consumer Staples -0.77%, Utilities -0.72%, Health -0.44%, Industrials -0.40%, Real Estate -0.01%, Energy +1.16%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.76% at 6,236, Dax 40 -0.35% at 24,828, FTSE 100 +0.27% at 10,600, CAC 40 -0.47% at 8,339, FTSE MIB -0.94% at 51,882, IBEX 35 -0.45% at 19,217, PSI +0.27% at 9,062, SMI +0.44% at 14,330, AEX -0.94% at 1,092

STOCK SPECIFICS:

- **Alcoa (AA):** Adj. EPS missed.
- **SpaceX (SPCX):** Starship aborted seconds before test-flight liftoff on 16th July.
- **Intuitive Surgical (ISRG):** Soft US Da Vinci procedure growth.
- **Autoliv (ALV):** Adj. EPS fell short of expectations.
- **Simmons First National (SFNC):** Adj. EPS & revenue missed.
- **Meta (META)** is in talks to rent computing power from its AI data centers to Anthropic in a deal that could be worth as much as USD 10bln over two years, reports NYT citing sources.
- **Apple (AAPL)** in early settlement talks with US DoJ over antitrust suit.
- **Apple (AAPL)** raised Apple Music and Apple One subscription prices.
- **SpaceX (SPCX)** is in talks with the Defense Department about providing the agency with access to data-centre capacity worth billions of dollars for running AI models, WSJ reports.

FX

USD saw mixed performance against peers to end the week, with volatility easing on Friday. The week has seen volatile equity moves and geopolitical risk support the USD, while soft inflation data had a greater offsetting impact. Today's updates sparked little reaction in FX. Geopolitical tensions have only increased ahead of the weekend, with Iranian attacks on tankers attempting Hormuz transits continuing. Additionally, Axios reported that the Trump admin is sending dozens of additional refueling planes to Israel in preparation for a potential expansion of military operations against Iran. Remarks from Iranian officials suggest the time is ticking for Iran to hold off on broadening offences, the latest threat being Iran's General Rezaei: "If US strikes continue for several more days, we will move into a phase of full-scale offensive operations".

Meanwhile, US data sent mixed signals. Export prices declined more than expected, Import Prices came in hot, and UoM topped expectations, with inflation expectations moving lower in the short term; USD was muted to the data points. DXY finished lower on the week at 100.76 from the open of 101.037.

AUD and **GBP** underperformed in the G10 space against the Buck, trimming recent gains. Nonetheless, Sterling makes a fourth week of gains, as markets now await the coronation of incoming PM Burnham on Monday and his cabinet picks. Cable now sits around 1.3450 from earlier WTD highs of 1.3558, and AUD/USD sits at ~0.6981.

USD/JPY was little changed as it remains around 162.45, just shy of the 162.84 YTD high. The BoJ reportedly sees little need for consecutive rate rises and may reconsider its assessment of economic risks, according to Bloomberg, citing sources; the BoJ is likely to raise its growth forecast for this year from its current 0.5%.

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