US Market Wrap - 29th July 2026

Stocks hit as long-end yields rally post Fed

- **SNAPSHOT**: Equities down, Treasuries steepen, Crude up, Dollar down, Gold up
- **REAR VIEW**: Fed holds rates as expected with three hawkish dissenters; Warsh reiterates commitment to price stability and opposition to forward guidance; Trump says "we'll be hitting Iran hard" in response to attacks on US targets in Jordan; Houthis reportedly mull imposing fees on commercial ships sailing through the Southern Red Sea, but Houthi Leader denied this; Iran reportedly rejects Oman's proposal for regional joint management; Bigger-than-expected crude stock draw; SK Hynix earnings underwhelm; Softer-than-expected Aussie CPI
- **COMING UP**: **Data:** Japanese Consumer Confidence (Jul), French GDP Prelim (Q2), Spanish GDP Flash (Q2), Inflation Prelim (Jul), German GDP Flash (Q2), State/Nationwide Inflation Flash (Jul), Italian GDP (Q2), EU GDP Flash (Q2), Consumer Confidence Final (Jul), US GDP Advance (Q2), PCE (Jun), Initial Jobless Claims (Jul/25), Personal Spending (Jun), Chicago Fed Labor Market Indicators (Jul). **Events:** BoE Policy Announcement & MPR (Jul). **Speakers:** BoE Governor Bailey. **Supply:** Japan. **Earnings:** Bristol Myers Squibb, Mastercard, Apple, Amazon, Adidas, BMW, Leonardo, Renault, Sanofi, Schneider Electric, SocGen, BAE Systems, British American Tobacco, Shell, Rolls-Royce.

MARKET WRAP

Stocks sold off on Wednesday, weighed by a combination of continued weakness in the AI trade and heightened volatility surrounding the FOMC. Overnight, SK Hynix earnings failed to impress despite reporting record profits, adding further pressure to semiconductor names and the Nasdaq 100, which is now down more than 10% from its record highs. Meanwhile, industrial names exposed to the AI theme also underperformed after Caterpillar (CAT) fell 6.9% following a downgrade at Baird, which cited expectations for slowing order and backlog momentum in 2027 and 2028.

Volatility picked up around the FOMC announcement and Chair Warsh's press conference. As expected, the Fed left rates unchanged, although the decision saw a 9-3 vote split, with Logan, Hammack and Kashkari preferring a 25bp rate hike. The absence of a hike, versus roughly a one-third probability priced before the meeting, initially sparked a dovish reaction across asset classes. However, the moves in equities, gold and the 10-year Treasury quickly reversed during Warsh's press conference. Warsh largely reiterated his commitment to restoring price stability, continued to avoid providing forward guidance and downplayed the significance of the June CPI report in the policy decision. The most notable market reaction came in the Treasury market, where the curve underwent a pronounced steepening, led by the long-end. Likely reflecting investors demanding greater term premium amid the continued absence of forward guidance. Following the meeting, money markets pushed back expectations for further tightening, with a 25bp hike no longer fully priced by year-end. Attention now turns to Friday, when markets will hear from Logan, Hammack and Kashkari, providing further insight into the rationale behind their dissents.

Geopolitical developments also tilted back towards escalation, helping crude prices recover some of this week's losses. President Trump vowed to respond forcefully following Iranian strikes on US targets in Jordan, while reports suggested the Houthis were considering imposing fees on commercial vessels transiting the southern Red Sea, although the group's leader later pushed back on those reports. Separately, the EIA reported a larger-than-expected draw in US crude inventories, with the decline even steeper once the Strategic Petroleum Reserve draw was included.

Spot gold and silver ended modestly higher, supported by a weaker Dollar, although gains were pared as longer-dated Treasury yields moved higher after the Fed press conference.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 1 TICK LOWER AT 108-25; FUTURES TUMBLED POST SETTLEMENT TO 108-09

T-notes saw a pronounced steepening following the FOMC. 2-year -4.5bps at 4.236%, 3-year -1.3bps at 4.296%, 5-year +2.1bps at 4.387%, 7-year +5.0bps at 4.525%, 10-year +6.1bps at 4.667%, 20-year +10.3bps at 5.214%, 30-year +10.9bps at 5.201%.

THE DAY: Treasury yields edged higher ahead of the FOMC, tracking the rebound in oil prices after Iran resumed strikes overnight, prompting retaliatory action from the US and Saudi Arabia. President Trump vowed to hit Iran hard following the attacks on US bases in Jordan, while Israeli media reported the US is preparing for a significantly larger military response than previously seen.

However, attention was firmly on the FOMC. The Fed left rates unchanged, as expected, although the decision saw three dissenters—Logan, Hammack and Kashkari—who all preferred a 25bps rate hike. The statement itself generated a dovish market reaction, with front-end Treasury yields initially falling as participants unwound hawkish positioning built ahead of the meeting, with money markets having priced around a 33% probability of a hike.

Attention then shifted to Chair Warsh's press conference, which ultimately triggered a pronounced steepening of the Treasury curve, lead by the long-end. While front-end yields remained lower on the session, longer-dated maturities sold off sharply, with the 30-year yield briefly rising above 5.20%, its highest level since 2007. Warsh again refrained from offering any forward guidance, instead emphasising that markets should react to incoming data rather than Fed communication. The continued absence of guidance may be encouraging investors to demand additional term premium further out the curve, reflecting greater uncertainty over the future policy path.

Attention on Thursday turns to the US GDP and PCE reports, which will provide the next key test of the inflation outlook following the Fed's decision. However, Warsh stressed today he looks at a range of indicators for reaching 2% inflation.

SUPPLY

Bills

- US sold 6-wk bills at high-rate 3.700%, B/C 2.93x
- US to sell USD 72bln of 17-week bills on July 29th, to sell USD 110bln of 4-week bills and USD 100bln of 8-week bills on July 30th; all to settle August 4th.

STIRS / OPERATIONS

- **Fed Pricing: 20.6bps (prev. Dec 33.5bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 106bln (prev. USD 104bln) on July 28th
- SOFR at 3.65% (prev. 3.64%), volumes at USD 2.977tln (prev. USD 2.953tln) on July 28th
- NY Fed RRP op demand at 2.58bln (prev. 1.13bln) across 5 counterparties (prev. 3) on July 29th

CRUDE

WTI (U6) SETTLED 5.20 HIGHER AT USD 84.46/BBL; BRENT (U6) SETTLED USD 6.65 HIGHER AT USD 90.74/BBL

The crude complex surged on Wednesday as US/Iran tensions once again escalated. The main headline mover in the US session, which sent benchmarks to highs in the following hours, was Trump stating "we'll be hitting Iran hard" and that strikes will take place in response to attacks on US targets in Jordan. On the Trump/Netanyahu meeting, i24 reported that, unsurprisingly, Iran dominated the talks, and "Trump is weighing three options: a nuclear deal, maintaining and intensifying the economic blockade, or renewed military strikes." Elsewhere, and driving the initial bout of upside, was Iran launching missiles at a US base in Jordan, although CENTCOM said all missiles were intercepted. This was followed by US-Saudi strikes on Iranian-backed militia in Iraq, while Saudi air defences intercepted drones targeting energy infrastructure. Iran's IRGC confirmed missile strikes on US assets in Jordan and said three tankers were hit and seized in the Strait of Hormuz, warning US interference would not go unanswered. However, a Senior American official did say, "There was no attack", regarding the earlier attack in Northwestern Iran in an empty area, reportedly from the Saudi's and the US. In the wake of the Fed, which saw the Fed hold rates as expected but with a 9-3 vote split (3 for a 25bps hike), a muted reaction was seen in oil. For the record, WTI traded between USD 79.92-85.57/bbl and Brent USD 83.95-88.43/bbl.

EQUITIES

CLOSES: SPX -1.52% at 7,316, NDX -2.06% at 27,192, DJI -2.19% at 51,599, RUT -1.61% at 2,906

SECTORS: Industrials -3.24%, Technology -2.50%, Financials -1.57%, Utilities -1.35%, Consumer Discretionary -1.18%, Materials -1.10%, Health -0.61%, Real Estate -0.19%, Communication Services +0.20%, Consumer Staples +0.26%, Energy +1.98%.

EUROPEAN CLOSES: European Closes: Euro Stoxx 50 -0.70% at 6,245, Dax 40 -0.01% at 25,460, FTSE 100 +0.34% at 10,908, CAC 40 -0.60% at 8,408, FTSE MIB -0.49% at 51,443, IBEX 35 -1.59% at 19,413, PSI -0.93% at 9,049, SMI -0.58% at 14,486, AEX +0.05% at 1,093

STOCK SPECIFICS:

- **NXP Semiconductors (NXPI):** Beat & raise failed to impress investors amid a broader semi sell-off & recent pullback.
- **Seagate (STX):** EPS & rev. topped w/ strong guidance.
- **Skyworks Solutions (SWKS):** Disappointing profit outlook & discontinuation of div. overshadowed a Q beat, healthy mobile demand & new buyback prog.
- **Terdayne (TER):** Top & bottom line beat w/ stellar next Q guidance.
- **Ford (F):** Strong results & raised FY FCF outlook.
- **Bloom Energy (BE):** Stellar Q metrics & lifted FY26 guidance.
- **Vertiv (VRT):** Top line light.
- **VF Corp (VFC):** Deeper loss per shr. than exp.
- **Humana (HUM):** FY26 adj. EPS view anticipates Y/Y decline due to Star ratings headwind for bonus year '26.
- **GE HealthCare (GEHC):** Q metrics surpassed Wall St. exp. as did the midpoint of FY profit view.
- **GlobalFoundries (GFS)** signs LOI w/ US DoC for a $300mln award to accelerate US silicon photonics leadership.
- **Johnson Controls International (JCI):** Strong results & next Q/FY profit outlook.
- **Procter & Gamble (PG):** Top line fell short.
- **Garmin (GRMN):** Stellar earnings report & guidance.
- **Caterpillar (CAT)** was downgraded at Baird to 'Neutral' from 'Outperform'.

FX

USD was sold as the FOMC's meeting failed to match hawkish expectations. The decision to hold rates was widely expected, although three members opted for a 25bps rate hike; however, a dovish reaction was seen post-rate decision in a likely unwinding of hawkish bets as money markets were pricing in a c. 33% chance of a 25bps hike prior to the confab. The statement was left alone, with no forward guidance, as was expected. Warsh stuck to his usual tone, giving no forward guidance, reiterating commitment to the 2% target, whilst noting the decision not to hike in July was not much influenced by the June core CPI reading, stressing the importance of trends. In the near term, focus will remain on geopolitics but will look towards the upcoming dissenters' reasoning for their call to hike by 25bps, namely, remarks from Fed's Logan (2026 voter), Hammack (2026 voter), and Kashkari (voter) - inflation is likely to be the centre of all statements. DXY currently trades around 100.762 lows from an earlier 101.495 high.

AUD was hit by a softer-than-expected June inflation report. Inflation failed to accelerate as some had expected, with the headline Y/Y printing 3.8% from 4.0% (exp. 4.1%). AUD/USD hit lows of 0.6922 before trimming to 0.6954.

Aside from the above, newsflow was light for the remaining G10 FX space. On Thursday, GBP is in focus ahead of the BoE policy announcement. The central bank is expected to maintain rates at 3.75%, though the vote split could well be more hawkish than the 7-2 prior given the energy rebound in July. Cable rose today to ~1.3356 at pixel time, nearing its 20 DMA of 1.33806. Click here for the full Newsquawk BoE Preview.

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