newsquawk

US Market Wrap - 31st July 2026

Amazon leads stock gains; JPY firms again as intervention speculation mounts

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar flat, Gold down.
- **REAR VIEW**: Trump said we'll be hitting Iran in coming weeks; Fed 2026 voters & dissenters cite inflation concerns for opting to hike this week; UoM Consumer Sentiment rises in June; BoJ holds rates as expected; US Treasury reportedly informed banks that it may intervene in the Yen market on Friday; AAPL earnings and guidance disappoint, AMZN impress; CPC said to have discussed "indefinite" halt of oil and tanker operations; US and Israel are reportedly considering a land blockade of Iran.
- **COMING UP**: **Holiday:** Canadian Civic Holiday. **Bullets:** Global S&P Manufacturing PMI Final (Jul), German Retail Sales (Jun), Swiss Inflation (Jul), US ISM Manufacturing PMI (Jul), Atlanta Fed GDP (Q3). **Events:** US Treasury Financing Estimates. **Earnings:** Palantir, ONSemi.
- **WEEK IN FOCUS:** Highlights include: OPEC JMMC, Chinese PMIs, US QRA, US ISM PMIs, Chinese Trade, and US Jobs Report. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season continues with highlights including AMD and SNDK. Click here for the full report.

MARKET WRAP

Stocks continued their post-Fed rebound into the weekend, led by Amazon (AMZN +15.3%) reporting faster AWS growth; stronger-than-expected revenue reassured investors that heavier AI and data centre spending is being matched by accelerating cloud demand. All Mag-7 ex-AAPL also gained, whilst breadth remained poor, as displayed by 4/11 sectors trading higher. Consumer Discretionary, Communications, Energy, and Industrials gained, whilst Materials and Tech lagged. Apple (AAPL -7.3%) and memory weakness were behind the Tech underperformance. Apple reported weak services, iPad, and China sales figures, alongside underwhelming revenue guidance. Meanwhile, memory names were weighed on by Japanese memory chipmaker Kioxia missing earnings and guidance expectations.

Aside from earnings, the main story was the continued JPY strength that sparked new speculation of further JPY intervention. As such, existing pressure in US long-end yields extended in either anticipation that Japan would sell Treasuries to fund JPY buying or simply that Japan did so. It was reported that the US Treasury has informed banks that it may intervene in the Yen market on Friday. Overnight, the BoJ kept rates at 1.00%, as expected; Guidance was largely unchanged.

Amid the rise in US yields, precious metals were sold, weighing on Materials; a Linde (LIN) profit guide miss also weighed. The modest rise in crude prices may have contributed towards the hawkish repricing in the Fed 2026 rate hike expectations, 24.2bps (yesterday 20.1bps). Updates continue to point towards more escalation between the US and Iran. Separately, the CPC is said to have discussed an "indefinite" halt of oil and tanker operations. Note, we are yet to have a decision.

Fed 2026 voters Hammack, Logan, and Kashkari all gave their reasoning behind opting for a 25bps rate hike at this week's meeting. They argued that inflation remains too persistent, current policy is not restrictive enough, and with the labour market still solid, a precautionary 25bps hike now would help prevent inflation from becoming entrenched. Elsewhere, the UoM June showed improved consumer sentiment in the month.

US

FED's HAMMACK (2026 voter, hawkish dissenter) said the Fed rate policy is not restrictive enough, and inflation has been too high for too long. Hammack is 'not confident' inflation will ease absent action from the Fed, and now is the time for the Fed to act to bring down high inflation. With the job market stable, the Fed should focus on inflation, and the longer inflation stays high, the harder it will be to bring it back to target.

FED's KASHKARI (2026 voter, hawkish dissenter) stated he dissented because he preferred to raise funds rate by 25bps, and that series of supply shocks have been responsible in part for inflation. Minneapolis Fed President remarked that more recently data center investments have added a new demand element to inflation, and increasingly believe monpol has a role to play in addressing successive supply shocks that might lead to entrenched inflation. Monpol can look through individual supply shocks. Kashkari wants to manage against the risk of inflation becoming entrenched and would prefer to tighten policy incrementally. If inflation durably fades, a strategy of small steps would allow FOMC to slow or pause subsequent adjustments without unnecessary impact on the real economy, and if inflation remains elevated, a potential series of small policy moves would be better than waiting and concluding that bolder actions were necessary.

FED's LOGAN (2026 voter, hawkish dissenter) would have preferred 25bps hike to better balance outlook and risks. Logan added that risks to inflation are to the upside and a 'solid' job market is strengthening a bit. Noted monpol is not restraining the economy, and inflation is not on course to the 2% goal. Without any policy restraint, inflation will likely continue to trend above target until there's an unanticipated shock, and that modest Fed action in the near term would reduce the likelihood of needing sharper action later.

FED's BARKIN (2027 voter) in an interview with the WSJ stated it's a 'close call' whether rates are high enough to bring inflation down, and he didn't know whether he would have joined the three fellow dissenters who voted for a hike in the latest FOMC confab. Richmond Fed President added, "I think there is a strong case there" for adding restraint and taking back some of last year's rate cuts. After a softer inflation reading in June, said, "I think you could also make a case...that there's time before the next set of meetings" to determine whether the current setting is adequate. Barkin said "It does not feel like a tight labour market", and that price increases are moving through the economy unevenly, making it difficult to tell how much inflation remains in the pipeline.

MICHIGAN: University of Michigan final data for July was mixed. Sentiment rose to 55.2 from 49.5 in June, and above the expected 54.4. Current conditions lifted to 54.8 (prev. 47.7), but was marginally short of the Wall St. consensus of 54.9. Expectations printed 55.4, above the expected 54.0, and lifted from June's figure of 50.7. Looking at inflation expectations, 1yr ahead fell to 4.2% from 4.6%, as expected, while the 5yr was unchanged at 3.3%. Despite recent gains, sentiment is 11% below a year ago, reflecting a generally sombre view of the economy amid five years of elevated inflation and persistently high prices. The survey notes that consumers remain focused on pocketbook issues like purchasing power, while political or military developments remain more in the background.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 17+ TICKS LOWER AT 108-00

Treasuries again saw a steeper curve amid month-end. 2-year +4.1bps at 4.291%, 3-year +5.8bps at 4.357%, 5-year +6.7bps at 4.458%, 7-year +7.2bps at 4.601%, 10-year +7.2bps at 4.745%, 20-year +7.0bps at 5.295%, 30-year +6.2bps at 5.275%.

DAY: The Treasury curve steepened as volatility resumed at month-end. Unlike the past couple of days, this time short-end yields rose, helped by the modest crude gains, albeit still to a lesser magnitude than the belly and long end.

Today's main development was the continued sharp drawdowns in USD/JPY that again stoked fresh JPY intervention speculation. As such, the move higher in yields would have likely been a function of either anticipation that Japan will be selling Treasuries to support the JPY or Japan actually doing it themselves. Meanwhile, reports noted that the US Treasury has informed banks that it may intervene in the Yen market on Friday; later reports said some banks were told to have executable trades ready to exchange JPY for euros.

In other news, Fed 2026 voters Hammack, Logan, and Kashkari all gave their reasoning behind opting for a 25bps rate hike at this week's meeting. They argued that inflation remains too persistent, current policy is not restrictive enough, and with the labour market still solid, a precautionary 25bps hike now would help prevent inflation from becoming entrenched and reduce the risk of needing larger rate increases later; T-Notes were muted on the speeches.

UoM Final June showed improved sentiment; however, consumers remain focused on pocketbook issues like purchasing power, while political or military developments remain more in the background.

STIRS / OPERATIONS

- **Fed Pricing: 24.2bps (prev. Dec 20.1bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 121bln (prev. USD 101bln) on July 30th
- SOFR at 3.65% (prev. 3.65%), volumes at USD 3.011tln (prev. USD 3.032tln) on July 30th
- NY Fed RRP op demand at 2.151bln (prev. 1.076bln) across 4 counterparties (prev. 3) on July 31st

CRUDE

WTI (U6) SETTLED USD 1.08 HIGHER AT USD 84.67/BBL; BRENT (V6) SETTLED USD 1.04 HIGHER AT USD 87.93/BBL

The crude complex saw gains heading into the weekend, as participants will be looking for any escalatory or de-escalatory actions, despite how unlikely the latter seems. Energy benchmarks reversed initial losses to trade higher despite being lower at the start of the European session, with Iran's IRGC stating two offending tankers were hit and stopped, and four offending tankers quickly changed course. Additionally, the IRGC said the Strait of Hormuz is closed, and any transit and movement will be possible only with the coordination of the IRGC Navy. There were a couple of further headlines which saw crude upside as some source reports said US and Israel are considering a land blockade of Iran to increase economic pressure, while on the supply side CPC is said to have discussed an "indefinite" halt of oil and tanker operations and will make a decision later today. Note, we are yet to have a decision.

Away from geopols, focus is also on the upcoming OPEC+ JMMC, whereby a 188k BPD September output increase is widely expected, with attention on whether further hikes are paused thereafter. In addition, the weekly Baker Hughes rig count saw oil up 1 at 451, natgas unchanged at 127, leaving the total up 1 at 588.

EQUITIES

CLOSES: SPX +0.70% at 7,490, NDX +0.60% at 28,274, DJI +0.53% at 52,491, RUT -0.50% at 2,931

SECTORS: Materials -2.71%, Utilities -0.74%, Real Estate -0.68%, Health -0.55%, Technology -0.54%, Consumer Staples -0.37%, Financials -0.13%, Industrials +0.79%, Energy +0.79%, Communication Services +4.60%, Consumer Discretionary +6.07%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.34% at 6,366, Dax 40 +0.07% at 25,631, FTSE 100 -0.27% at 10,868, CAC 40 +0.28% at 8,510, FTSE MIB +0.13% at 52,173, IBEX 35 +0.13% at 19,783, PSI -0.33% at 9,116, SMI -0.32% at 14,346, AEX -0.50% at 1,099

STOCK SPECIFICS:

- **Apple (AAPL):** Weak services, iPad and China sales, below-forecast revenue guidance and warnings of severe supply constraints weigh on shares.
- **Amazon (AMZN):** Reported faster AWS growth; stronger-than-expected revenue reassured investors that heavier AI and data centre spending is being matched by accelerating cloud demand.
- **ExxonMobil (XOM):** Adj. EPS missed.
- **Chevron (CVX):** Adj. EPS & rev. beat.
- **AbbVie (ABBV):** Cut FY26 profit guidance.
- **Linde (LIN):** FY EPS view fell short.
- **Eaton (ETN):** Earnings beat; raised FY26 guidance.
- **Stryker (SYK):** FY profit outlook failed to offer meaningful upside after cyber-incident recovery progress.
- **Coinbase (COIN):** Reported wider-than-expected loss and a revenue miss.

- **Roblox (RBLX):** Revenue miss; Q3 sales guidance below forecasts; withdrew its annual guidance amid persistent monetisation softness.
- **Reddit (RDDT):** Soft Q3 sales guidance.
- **Replimune (REPL):** FDA advisory committee backed RP1 plus nivolumab in advanced melanoma.
- **NXP Semiconductor (NXPI)** reportedly in talks to buy Ambarella (AMBA), reports FT.

FX

The Dollar was mixed against G10 peers on Friday, with the Yen the clear outperformer, dragging the Buck lower and extending on Thursday's strength, while the Swissy was the distinct laggard. Yesterday, traders suggested that the NY Fed carried out rate checks on spot USD/JPY on behalf of the Treasury, while WSJ, citing sources, said today that the US Treasury Department has informed banks that it might make currency trades on Friday to support the JPY and strengthen its exchange rate against the dollar. The report sources added that some banks were told to have executable trades ready to exchange Japanese yen for euros. Elsewhere, we got reasoning from the three Fed dissenters, while 2027 voter Barkin said it's a 'close call' whether rates are high enough to bring inflation down, and he didn't know whether he would have joined three fellow regional Fed presidents who voted this week for higher rates.

As mentioned, the **Yen** was firmer and was the talk of the town again on Friday as more choppy price action was seen, as USD/JPY traded between 158.15 and 160.88. Following the aforementioned gains on Thursday, Nikkei sources suggested Japan and the BoJ intervened via USD selling, while desks conducted rate checks. In addition, the BoJ kept rates unchanged at 1.00%, as expected, with Takata dissenting for a 25bps hike. Guidance was largely unchanged, though the Outlook Report saw slight GDP upgrades and mixed CPI revisions. Ueda's presser triggered only modest moves, with some upside seen on comments about inflation risks and policy flexibility.

Elsewhere in **G10** FX, market-moving headlines were fairly contained, with currency-specific catalysts light. Antipodeans and the Pound managed to eke out slight gains, while the EUR was flat and CAD was marginally lower. For the Pound, BoE Chief Economist Pill stated that the MPC is not edging towards a hike, and Deputy Governor Lombardelli clarified the decision to hold rates unchanged this time was not a difficult one. Pill sees potential for more slow-moving, insidious second-round effects.

Lastly, **China's** PMIs unexpectedly fell into contraction, reinforcing concerns over the recovery pace post-Politburo, although the Yuan reaction was muted.

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