

US Market Wrap - 3rd August 2026

Stocks rally and oil falls as Trump cancels planned strikes

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar up, Gold up
- **REAR VIEW:** Trump cancels strikes against Iran, subject to making a rapid deal; Trump says talking about having the Strait open by tomorrow; Iran rejects it's in direct talks with the US; US ISM Mfg PMI beat; Iran says no plans to receive a US delegation or send an Iranian delegation in the coming days; Iran says negotiations with Oman are progressing; Fed's Williams says he still believes Fed policy is well-positioned; Atlanta Fed Q3 GDP tracker upgraded.
- **COMING UP:** **Data:** South Korean Inflation (Jul), US/Canadian Trade Balance (Jun), US JOLTS (Jun), Atlanta Fed GDP (Q3), New Zealand Jobs Report (Q2). **Speakers:** Fed's Paulson. **Supply:** Japan, UK, Germany. **Earnings:** Pfizer, Caterpillar, Merck, AMD, SpaceX, HSBC, BP, Zalando.
- **WEEK IN FOCUS:** [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 rallied on Monday to mark the first trading session of the month; upside was led by the Nasdaq, but gains were broad-based, evidenced by the Equal Weight S&P rising by 1%. However, a handful of sectors were lower, with energy the clear laggard - tracking oil prices lower as Trump refrained from a major attack against Iran over the weekend. Also adding to pressure was commentary from US President Trump calling on oil companies to lower retail oil prices, stressing he does not like how the companies are keeping oil prices high. The defensive sectors, Utilities, Staples and HealthCare also lagged.

In FX, the Yen outperformed with Japan's MoF confirming overnight it intervened in the FX market on Friday to prop up the Yen and said it will not hesitate to intervene further, with strong buying seen overnight in the currency. The Dollar was also bid, while Franc and Aussie lagged.

T-notes bear flattened, seemingly to be more of a reversal of last week's post-FOMC price action than a reaction to any single catalyst. The decline in oil prices helped unwind some of the inflation premium that had built into the long end of the curve following Chair Warsh's press conference, although resilient economic data and still-elevated Fed tightening expectations helped keep the front end relatively anchored.

The ISM Manufacturing PMI report was strong, with the headline index rising to 55.6, the highest level since May 2022. The employment component returned to expansion at 52.8, its first expansionary reading in 33 months, while prices eased slightly but remained elevated and above expectations. Meanwhile, Fed's Williams said he strongly supported the decision last week and that action would be appropriate if he felt inflation was not on a path back to 2%. However, Williams expects inflation to ease through H2 as effects of higher energy prices and tariffs begin to fade.

US

ISM MANUFACTURING PMI: US manufacturing activity accelerated in July, with the ISM Manufacturing PMI rising to 55.6 from 53.3 (exp. 54.0), its highest level since May 2022. The report pointed to broad-based strength as production surged to 58.5 (prev. 52.2), new orders rose to 56.7 (prev. 56.0), employment returned to expansion at 52.8 (prev. 49.7) for the first time in 33 months, while order backlogs (55.0 vs. prev. 50.5) and export orders (53.0 vs. prev. 48.5) also strengthened. Price pressures remained elevated despite easing slightly, with the Prices Paid Index at 71.1 (exp. 70.3, prev. 73.0), while supplier deliveries slowed further and customers' inventories remained in "too low" territory, pointing to continued supply constraints. ISM noted manufacturing expanded at its fastest pace in more than four years, with the survey implying annualised real GDP growth of around 2.8%. Respondents continued to cite robust demand from AI-related semiconductor, data centre and defence spending, although many also highlighted rising input costs, longer lead times and supply shortages, with steel, aluminium, tariffs and the renewed Middle East conflict keeping upward pressure on prices. Oxford Economics said the sector has shifted into a higher gear with solid underlying momentum, expecting defence and semiconductor-related machinery demand to remain the key growth drivers, but warned that supply bottlenecks and persistent cost pressures are likely to keep manufacturing inflation sticky.

FED's WILLIAMS: (Voter, Neutral) said he strongly supported the FOMC's latest decision and continues to believe monetary policy is well positioned to return inflation to the Fed's 2% target. He emphasized that while market pricing provides valuable information, the Fed is not obligated to validate market expectations, with policy instead guided by the economic outlook. Williams added that if the economy appears unlikely to return inflation sustainably to target, it would be appropriate for the Fed to act. Williams remains optimistic that price pressures will ease, expecting inflation to decline during the second half of this year and continue moderating next year. He acknowledged uncertainty surrounding the inflationary effects of the Middle East conflict but expects any impact to fade over time. He also noted that inflation should continue to cool if energy prices and the effects of trade tariffs have peaked, while reaffirming the Fed's strong commitment to restoring price stability. Regarding financial stability, Williams said he is unsurprised by recent volatility in AI-related sectors and does not view the surge in AI investment as posing a risk to the financial system.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 13+ TICKS HIGHER AT 108-13+

Treasury curve flattened, reversing some of the post-FOMC steepening. At settlement, 2-year -0.4bps at 4.258%, 3-year -1.1bps at 4.314%, 5-year -2.4bps at 4.400%, 7-year -2.8bps at 4.538%, 10-year -3.4bps at 4.684%, 20-year -4.2bps at 5.237%, 30-year -3.9bps at 5.228%.

THE DAY: Treasury yields fell across the curve on Monday, with the long end outperforming to flatten the curve and unwind part of the pronounced steepening seen following last week's FOMC meeting. The move was supported by lower oil prices after US President Trump called off a major strike planned against Iran, while also saying the US is in contact with Tehran and that talks would begin on Monday afternoon. The prospect of renewed diplomacy initially sent crude sharply lower. However, Iran's Foreign Ministry denied that direct talks with the US were scheduled, while US officials also clarified that no new negotiations were planned, with the discussions Trump referred to instead taking place through mediators. Meanwhile, Al Mayadeen reported that the US had offered Iran a concession regarding the southern route through the Strait of Hormuz, although Iran reportedly rejected the proposal, insisting Hormuz would not fully reopen until the war was over. The pushback from Tehran saw crude rebound from session lows, although both WTI and Brent still settled sharply lower.

Despite the sharp decline in oil prices, the front end of the Treasury curve saw only modest gains, with money markets continuing to lean towards a September rate hike. Around 17bps of tightening is now priced for the meeting, implying roughly a 68% probability of a 25bp increase. Economic data had little lasting impact. The ISM Manufacturing PMI surprised to the upside, with the headline index rising to 55.6, the highest level since May 2022. The employment component returned to expansion at 52.8, its first expansionary reading in 33 months, while prices eased slightly but remained elevated and above expectations. Overall, the report pointed to continued resilience in US manufacturing and the labour market despite persistent cost pressures. Following the release, the Atlanta Fed's GDPNow estimate for Q3 growth was revised up to 6.2% from 5.0%.

Fed commentary came from NY Fed President Williams (remarks recorded on Friday), who reiterated that policy is well positioned and that he strongly supported last week's decision to leave rates unchanged. He added that further action would be appropriate if inflation is not on a path back towards 2%, while continuing to expect inflation to ease through the second half of the year as the effects of higher energy prices and tariffs begin to fade.

Overall, Monday's session appeared to be more of a reversal of last week's post-FOMC price action than a reaction to any single catalyst. The decline in oil prices helped unwind some of the inflation premium that had built into the long end of the curve following Chair Warsh's press conference, although resilient economic data and still-elevated Fed tightening expectations helped keep the front end relatively anchored.

SUPPLY

- **US Treasury Financing Estimates:** Expects to borrow USD 739bln in Q3, up from the previous estimate of USD 671bln. USD 68bln higher than the initial estimate, but USD 87bln higher when excluding the higher-than-assumed beginning-of-quarter cash balance (USD 919bln vs USD 900bln). Expects to borrow USD 628bln in Q4, assuming end-quarter cash balance of USD 850bln.

Bills

- US sold 3-month bills at a high rate of 3.75%, B/C 2.61x; sold 6-month bills at a high rate of 3.855%, B/C 2.98x

STIRS / OPERATIONS

- **Fed Pricing: Sept 16.6bps (prev. 16.8bps), Dec 22bps (prev 24.2bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 108bln (prev. USD 121bln) on July 31st
- SOFR at 3.66% (prev. 3.65%), volumes at USD 3.205tln (prev. USD 3.011tln) on July 31st
- NY Fed RRP op demand at 2.13bln (prev. 2.15bln) across 4 counterparties (prev. 4) on August 3rd

CRUDE

WTI (U6) SETTLED USD 4.33 LOWER AT USD 80.34/BBL; BRENT (V6) SETTLED USD 4.16 LOWER AT USD 83.77/BBL

Oil was sold following Trump cancelling strikes over the weekend against Iran, at the request of Iran and other Middle Eastern countries, subject to making a deal rapidly. Prices gapped lower, showering little appetite to trim losses throughout denials from Iran. Officials in Iran, rejected the idea that the direct talks were ongoing with the US and that talks with Oman on the Strait of Hormuz are unrelated to any third party; Issues with the US should be addressed at a later stage. Additionally, Iran said there are no plans to receive a US delegation or send an Iranian delegation in the coming days. Ahead of settlement, US President Trump said they are talking about having the Strait completely open by tomorrow; thereafter, Phase Two is when they will talk about the denuclearisation of Iran; short-lived reactions were seen on Trump's remarks. WTI and Brent traded between USD 78.43-81.30/bbl and USD 81.55-84.66/bbl respectively.

Energy data

- Kpler shipping data showed 18 vessels passed through the Bab al-Mandeb on Sunday vs 27 on Saturday
- Bloomberg's Blas posts "All counted, probably ~5m b/d is flowing dark..." via the Strait of Hormuz
- Kuwait's July crude oil production rose to 1.97mln bbls/day in July (prev. 1.67mln/day), its highest level since the start of the Middle East conflict, Bloomberg reports
- Kazakhstan's oil and gas condensate production fell to 1.85mln bpd in July (prev. 2.16mln bpd) due to export disruptions through the CPC, according to sources
- Russia's seaborne crude oil exports from its western ports are set to rise 4% in August M/M, according to traders.

EQUITIES

CLOSES: SPX +1.48% at 7,601, NDX +1.78% at 28,777, DJI +1.32% at 53,183, RUT +1.73% at 2,982

SECTORS: Energy -1.23%, Consumer Staples -0.31%, Health -0.17%, Utilities +0.07%, Real Estate +0.26%, Financials +0.72%, Materials +1.24%, Technology +1.62%, Industrials +1.86%, Consumer Discretionary +2.68%, Communication Services +4.30%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.14% at 6,431, Dax 40 +1.59% at 26,036, FTSE 100 -0.10% at 10,858, CAC 40 +1.22% at 8,614, FTSE MIB +1.34% at 52,872, IBEX 35 +1.01% at 19,983, PSI +0.61% at 9,172, SMI +0.18% at 14,372, AEX +0.28% at 1,102

STOCK SPECIFICS

- **AstraZeneca (AZN), Bristol Myers Squibb (BMY):** The Two companies are in talks over a combination that would create a pharmaceutical group valued at nearly USD 400bln, according to the FT.
- **GameStop (GME):** Announces private exchange of USD 1.4bln of convertible senior notes for equity.
- **CXMT (688825 CN)** - Reportedly considering a second memory chip plant in Beijing, according to sources.
- **Lantheus Holdings (LNTX):** Curium confirms it is to merge with Lantheus **Holdings (LNTX)** in deal valued at USD 8bln, or USD 114.50/shr.
- **Alibaba (BABA):** Unveiled Qwen3.8-Max, its largest AI model.
- **SpaceX (SPCX):** Shares slide ahead of earnings and subsequent lock up expiration; Bloomberg reports short interest of 219.34mln shares, 34% of publicly available stock.
- **ArcelorMittal (MT):** Announced expanded tech partnership with Microsoft (MSFT).
- **Ferguson (FERG):** To join S&P 500 prior to open on 5th August.
- **Ebay (EBAY):** Downgraded to Underweight from Equal Weight at Wells Fargo; PT USD 92 (prev USD 105).
- **Circle Internet Group (CRCL):** Downgraded to Underweight from Equal Weight at Morgan Stanley; PT USD 38 (prev USD 106).
- **Boeing (BA):** Upgraded to Outperform from Underperform at BNP Paribas Exane.
- **Starbucks (SBUX):** Upgraded to Hold from Sell at Melius.
- FAA certifies **Boeing (BA)** 737 MAX 7.
- US President Trump says oil companies are making too much money; "i don't like it"; Exxon and Chevron are making too much money.
- **Taco Bell (YUM)** reportedly met with Michigan about parasite weeks before the recall.

FX

DXY was slightly bid, with strength against major peers offsetting continued weakness against JPY. Despite the drop in oil prices, easing geopolitical risk, and a risk-on trade in equities, the dollar remained bid as the US 2yr yield was relatively little changed compared with the decline in oil prices. Elsewhere, the ISM Manufacturing PMI beat in July, driven by increases in production and new order indices. Later, the Atlanta Fed's GDP now Q3 estimate was revised up to 6.2% from 5.0%.

JPY strength continued to start the week. USD/JPY made a new low today of 155.226 since the latest round of intervention began. Overnight USD/JPY downside coincided with remarks from top FX diplomat Mimura. He noted "they will not hesitate to conduct further joint intervention" and "will respond to FX in coordination with monetary policy". JPMorgan sees little chance coordinated intervention would drive a sustained rally that pushes the pair below 150.

CHF and **NOK** were the worst performers, the latter weighed by lower oil prices. **EUR/USD** was modestly firmer, with little reaction to the final EZ PMIs, which were stale in a fluid environment. The Eurozone calendar is quiet for the week ahead. ING doubts any US selling of EUR/JPY will have any lasting impact on the euro.

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