newsquawk

US Market Wrap - 4th August 2026

Stocks rally on AI comeback while crude tumbles on US/Iran optimism

- **SNAPSHOT**: Equities up, Treasuries up, Crude down, Dollar down, Gold up
- **REAR VIEW**: Oman and Iran are expected to make an announcement soon regarding the Strait of Hormuz; Qatari official says language had been drafted for a possible US-Iran deal; Iran weighs allowing Europe to clear mines in Strait of Hormuz; US JOLTS drop more than expected in June; US Factory Orders unexpectedly decline; US goods and services deficit narrows; Fed's Paulson says she is keeping an open mind on the monetary policy outlook; PLTR earnings & guidance beat; Strong CAT earnings
- **COMING UP**: **Data:** Global S&P Services/Composite PMI Final (Jul), US ADP Employment Change (Jul), ISM Services PMI (Jul). **Events:** RBI Policy Announcement (Aug), NBH Minutes (Jul), US Treasury QRA/Press Conference, BCB Policy Announcement (Aug). **Speakers:** Fed's Cook, Schmid. **Supply:** Australia, Germany. **Earnings:** Eli Lilly, Uber, Walt Disney, SanDisk, Siemens Energy, Infineon, Deutsche Post, Glencore, Novo Nordisk.

MARKET WRAP

Stocks rallied on Tuesday, with the Nasdaq surging 3.3% and the S&P 500 gaining around 1.8%. The gains were broad-based, with the equal-weight S&P 500 (RSP) advancing 1.4%, highlighting healthy underlying breadth. The vast majority of sectors closed higher, led by Technology, which surged 4.1%, while Industrials also outperformed. Both sectors benefited from renewed strength in the AI trade, while Industrials also received support from strong Caterpillar (CAT) earnings. Energy was the clear laggard as crude prices tumbled, while Consumer Staples, Health Care and Utilities were the only other sectors to finish modestly lower, reflecting some rotation out of defensive areas. Software saw a strong day of gains of c. 5%, helped by strong Palantir (PLTR) earnings and guidance.

Crude prices plunged, with Brent (Oct '26) falling back below USD 80/bbl, after a series of reports pointed towards progress on reopening the Strait of Hormuz. These included: 1) a Qatari official saying language had been drafted for a potential US-Iran agreement; 2) reports that Oman and Iran are expected to announce a framework regarding the Strait of Hormuz shortly; and 3) reports that Iran is considering allowing European countries to clear mines from the Strait.

The sharp decline in oil prices also supported Treasuries, with yields falling across the curve, led by the front end as easing energy prices reduced inflation concerns. The move also prompted markets to pare some Fed tightening expectations, although money markets continue to lean towards a September rate hike.

US economic data had little impact. JOLTS job openings fell by more than expected in June, while Factory Orders disappointed. Meanwhile, the trade balance was broadly in line with expectations. Following the releases, the Atlanta Fed's GDPNow estimate for Q3 growth was revised down to 5.9% from 6.2%. Attention now turns to Friday's nonfarm payrolls report.

In FX, AUD and NZD outperformed on the improved risk backdrop, while the Yen gave back some of its recent gains despite some volatility following comments from Treasury Secretary Bessent, who said he believes Japan is making serious efforts to stem currency depreciation. The Dollar was modestly softer against most G10 peers, although CAD underperformed as lower oil prices weighed on the currency.

Gold and silver prices firmed as Treasury yields declined, with lower real yields and easing inflation concerns offsetting the improved risk appetite.

US

JOLTS: US job openings fell to 7.359mln in June (exp. 7.450mln, prev. 7.537mln, revised from 7.594mln), with the vacancy rate declining to 4.4% from a revised 4.5%. Openings increased in transportation, warehousing & utilities (+97k) and federal government (+39k), but declined in wholesale trade (-74k), nondurable goods manufacturing (-55k) and mining & logging (-9k). Elsewhere, hires rose to 5.348mln from 5.252mln, while total separations rose to 5.351mln from 5.260mln. The quits rate held at 2.0% following an upward revision to the prior month, suggesting workers' willingness to change jobs remained stable, while layoffs and discharges were also unchanged at 1.8mln. Oxford Economics said the report was broadly consistent with other labour market indicators, pointing to stable labour market conditions without signs of overheating, with little change in job openings and offsetting increases in the hire and separation rates leaving net employment broadly unchanged.

US INTERNATIONAL TRADE: The goods and services deficit narrowed in June to USD 73.3bln from USD 77.6bln (exp. 73.0bln). The figure was a result of a USD 3.9bln decrease in the goods deficit to USD 102.1bln and a USD 0.5bln increase in the services surplus to USD 28.8bln. Imports fell USD 7.3bln to USD 388bln while exports declined USD 2.9bln to USD 314.7bln. The US posted the top surpluses with the Netherlands (USD 7.2bln), South and Central America (USD 5.6bln) and Switzerland (USD 2.9bln), while the biggest deficits were recorded with Vietnam (USD 21.6bln), Mexico (USD 20.3bln), and China (USD 15.3bln). Oxford Economics notes that the numbers confirmed that the decline in exports was concentrated in industrial supplies while the fall in imports was broad-based across every goods category. The firm expects imports to rise as businesses restock inventories, which remain lean relative to sales.

RCM/TIPP ECONOMIC OPTIMISM: The RCM/TIPP Economic Optimism Index edged down to 45.1 in August (exp. 47.5, prev. 45.5), remaining below the neutral 50 level for a twelfth consecutive month and signalling that consumers remained pessimistic despite holding on to much of July's improvement. The deterioration was driven by a weaker six-month economic outlook, which fell to 39.9 from 42.1, while the personal financial outlook improved to 53.0, its highest level since March, and confidence in federal economic policies rose for a third consecutive month to 42.3. Meanwhile, the Financial-Related Stress Index increased to 64.7 from 62.8, indicating financial strain continued to rise despite improving perceptions of household finances.

FED's PAULSON (2026 voter) said the current period is a complicated time for monetary policy. On inflation, she said it's too high, and she wants to reduce it; noting it is right to look through supply shocks. Underlying inflation remains around 2.4%–2.8% and returning inflation to 2% is her highest priority. Regarding policy, Paulson said they need mildly restrictive monetary policy, and the Fed likely has that now. Paulson has an open mind about where rate policy is going. The 2026 voter noted that it was not a close call to keep rates steady at the FOMC; however, if we don't see progress to 2% inflation, we need to be open to calibrating policy, which could be through higher rates, or it could be by keeping the same rates for longer. Ahead, Paulson said she cannot provide forward guidance as she is weighing evidence with everyone else; the uncertainty in the current environment makes it hard to give guidance. Lastly, Paulson described the labour market as stabilised, and temporary energy supply shocks should be looked through when setting policy.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 13+ TICKS HIGHER AT 108-27

Treasury yields lower across the curve as oil prices decline, easing inflation fears. At settlement, 2-year -4.3bps at 4.198%, 3-year -4.7bps at 4.248%, 5-year -5.4bps at 4.333%, 7-year -5.6bps at 4.472%, 10-year -5.3bps at 4.623%, 20-year -4.9bps at 5.183%, 30-year -4.0bps at 5.186%.

THE DAY: Treasury yields were lower across the curve on Tuesday, with the front end outperforming as oil prices tumbled on renewed optimism surrounding the US-Iran conflict. Brent (Oct '26) fell back below USD 80/bbl after reports from Qatar suggested the language of a deal had been drafted, while source reports indicated an arrangement for the full reopening of the Strait of Hormuz could be announced shortly.

The decline in crude prices helped ease inflation concerns, supporting Treasuries and prompting participants to pare back some Fed rate hike expectations. Despite the repricing, money markets continue to lean towards a 25bp September hike, currently assigning around a 57% probability to such an outcome, versus 43% for rates to remain unchanged.

US economic data had little lasting impact. The JOLTS report showed job openings fell by more than expected in June, while the quits rate was little changed and the vacancy rate edged lower. Overall, the report pointed to a labour market that continues to cool gradually rather than deteriorate materially, with Oxford Economics noting the data does not warrant concern. Meanwhile, the June trade balance posted a slightly wider-than-expected deficit of USD 73.3bln (exp. USD 73.0bln), with the US-China trade deficit widening to USD 15.8bln from USD 14.4bln. Following the releases, the Atlanta Fed's GDPNow estimate for Q3 growth was revised down to 5.9% from 6.2%.

Fed commentary came from Philadelphia Fed President Paulson, who said last week's decision to leave rates unchanged was "not a close call", describing current policy as mildly restrictive, which she believes is appropriate. She reiterated that she remains open-minded on the future policy path, noting that if inflation does not continue to move towards 2%, the Committee should be prepared to recalibrate policy, either through higher interest rates or by keeping rates at their current level for longer.

Attention now turns to Wednesday's Quarterly Refunding Announcement, before Friday's nonfarm payrolls report, which will provide the next key update on labour market conditions.

Bills

- US sold 52-week bills at high rate of 3.88%, B/C 3.62x; sold 6-week bills at a high rate of 3.640%, B/C 2.93x
- US to sell USD 110bln of 4-week bills and USD 100bln of 8-week bills on August 6th; To sell USD 72bln of 17-week bills on August 5th; all to settle August 11th

STIRS / OPERATIONS

- **Fed Pricing via CME Fed Watch: Sept 14.2bps (prev. 16.8bps), Dec 32bps (prev 35bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 111bln (prev. USD 108bln) on August 3rd
- SOFR at 3.65% (prev. 3.66%), volumes at USD 3.055tln (prev. USD 3.205tln) on August 3rd
- NY Fed RRP op demand at 2.25bln (prev. 2.13bln) across 3 counterparties (prev. 4) on August 4th
- NY Fed T-Bill Purchases (1-4 month): Accepts USD 5.18bln of USD 36.70bln offered; Offer-to-cover 7.09x

CRUDE

WTI (U6) SETTLED USD 4.57 LOWER AT USD 75.77/BBL; BRENT (V6) SETTLED USD 4.41 LOWER AT USD 79.36/BBL

Crude prices were hit following multiple updates pointing towards progress surrounding the reopening of the Strait of Hormuz: 1) Qatari official says language had been drafted for a possible US-Iran deal, 2) Oman and Iran are reportedly expected to make an announcement regarding the Strait of Hormuz soon; 3) Iran weighs allowing Europe to clear mines in the Strait of Hormuz. Altogether, the updates saw crude reverse initial gains, with each new development sparking further pressure on prices, despite overnight reports that a US base in Kuwait was struck. Reporting shows that the Iran-Oman plan would give Iran full control over inbound shipping, whilst Oman would clear departures after notifying Iran; however, the US would likely reject the proposal given the deal opposes free navigation. WTI and Brent traded between USD 75.16-82.33/bbl and USD 78.70-86.33/bbl, respectively.

Separately:

Ukraine struck a major Russian oil refinery 800km from the border, attacking the Syzran oil refinery (170k BPD); a major fire broke out on the premises, RBC Ukraine reported Goldman Sachs expects Brent crude to trade within a USD 80–90/bbl range until a new US-Iran agreement is confirmed or attacks escalate significantly

EQUITIES

CLOSES: SPX +1.79% at 7,737, NDX +3.32% at 29,733, DJI +1.71% at 54,091, RUT +1.85% at 3,037

SECTORS: Utilities -0.60%, Energy -0.49%, Consumer Discretionary -0.48%, Health -0.14%, Real Estate -0.12%, Consumer Staples +0.42%, Communication Services +0.56%, Financials +0.88%, Industrials +1.80%, Materials +1.99%, Technology +4.09%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.12% at 6,498, Dax 40 +0.83% at 26,252, FTSE 100 +0.22% at 10,881, CAC 40 +0.61% at 8,667, FTSE MIB +1.28% at 53,546, IBEX 35 +0.20% at 20,023, PSI -0.03% at 9,169, SMI +0.70% at 14,472, AEX +0.93% at 1,112

STOCK SPECIFICS

- **Palantir (PLTR):** Earnings beat & raised guidance.
- **Caterpillar (CAT):** Earnings beat.
- **Amazon (AMZN):** Founder Jeff Bezos plans to sell up to 15M AMZN shares.
- **On Semiconductor (ON):** Earnings & revenue topped expectations.
- **Spotify (SPOT):** Q3 MAU outlook missed.
- **Snap (SNAP):** Earnings & user metrics beat.
- **Intuit (INTU):** Downgraded at Truist to 'Hold' from 'Buy'.
- **Nike (NKE):** Downgraded at JPMorgan to 'Underweight' from 'Neutral'.
- **Jeffries (JEF)** reportedly gets new evidence of fake invoices at troubled fund.
- **Chipotle (CMG)** exec says co. has removed jalapenos linked to Minnesota salmonella cases.
- **SpaceX (SPCX)** is partnering with **Nvidia (NVDA)** to design the Starmind AI1 satellite compute payload.

FX

USD weakness returned as near-term hawkish bets eased on optimism over the reopening of the Strait of Hormuz. Oil prices tumbled, giving short-end notes the room to run higher, in turn, weighing on the dollar. Reporting suggests Iran and Oman are to make an announcement soon regarding their plan to manage the Strait of Hormuz; meanwhile, the Qatari officials said language had been drafted for a possible US-Iran deal. Meanwhile, the latest labour data showed JOLTS falling more than expected in June to 7.359mln (exp. 7.45mln) with the quits rate unchanged and the vacancy rate moving slightly lower.

Antipodes outperformed amid improved risk sentiment on equities, stronger-than-expected Household Spending data, and higher precious metal prices. ING writes that NZD/USD may remain around the 0.585-0.590 range for now, but a "September hike delivered with a slightly dovish tone could prompt some correction and open the door to a period of AUD outperformance relative to NZD".

JPY strength took a break on Tuesday as volatile USD/JPY moves were absent. Main updates came via US Treasury Secretary Bessent, who largely reiterated his positive view of the currency and Japan's economy. He noted that the US would not have joined [in JPY intervention] if it was not optimistic about Japanese policies; it would do whatever it takes to support Japan. USD/JPY now trades around 157.79 from the Monday low of 155.226.

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