

US Market Wrap - 6th August 2026

Stocks slide and oil climbs as US/Iran optimism fades

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up, Gold flat
- **REAR VIEW:** Fed Chair Warsh reportedly willing to hike in September if inflation prints in the coming weeks are hot; US initial and continuing claims little changed W/W; US Challenger Job cuts ease in July; Iran strikes hostile targets in Strait of Hormuz; Indirect contacts between the US and Iran have reportedly entered the final stage; Houthis carried out a large-scale, specialised military operation targeting Saudi enemy troop concentrations; Draft details of Hormuz arrangements ban US and Israeli ships; SNDK & WDC guidance underwhelms; DDOG earnings fail to meet lofty expectations; GOOGL files to sell US-denominated bonds in 10 tranches.
- **COMING UP: Data:** Chinese Trade Balance (Jul), German Industrial Production (Jun), Trade Balance (Jun), French Trade Balance (Jun), US Jobs Report (Jul), Canadian Jobs Report (Jul), Ivey PMI (Jul), NY Fed SCE (Jul). **Speakers:** Fed's Barkin. **Supply:** Australia. **Earnings:** Allianz, Munich Re. **Credit Ratings:** S&P on Switzerland.

MARKET WRAP

Stocks were sold on Thursday with the Dow and Russell lagging, while S&P and Nasdaq saw mild losses, with the latter paring from its post-open lows. There were several key earnings last night and this morning, with Sandisk (SNDK -6.7%) and Western Digital (WDC -13%) under pressure after issuing weak guidance, while Datadog (DDOG) is down 19% after investors were left underwhelmed despite another earnings beat, wiping out all of the stock's gains since the end of June. AppLovin (APP) also tumbled.

Oil prices moved higher as tensions between the Houthis and Saudi Arabia escalated, while the initial Iranian reporting on the proposed Iran-Oman framework suggested terms viewed as unfavourable to the US and its allies, raising doubts over the prospects of a final agreement and rebuilding some geopolitical risk premium in crude. Meanwhile, post-settlement Tasnim reported explosions heard in Qeshm Island were due to hostilities at the entrance of the Strait of Hormuz - seeing crude move higher.

Treasury yields rose on higher oil prices, hawkish Fed reports, resilient economic data and Alphabet's USD 25bln, 10-part bond sale. The front-end led the move as participants braced for a more hawkish Fed, with FT sources stating Warsh would be willing to raise rates in September should upcoming inflation data surprise to the upside and market pricing move further in that direction. Economic data saw initial jobless claims remain near multi-decade lows while labour costs were softer than expected, with productivity above forecasts.

The dollar gained on escalating geopolitics and higher treasury yields, with the yield movement pressuring the Yen and Franc. Gold prices saw two way trade to settle flat, despite the broader macro backdrop.

US

PRODUCTIVITY & LABOUR COSTS: Nonfarm labour productivity rose by 1.4% annualised in Q2 (exp. 0.6%), above expectations and up from the prior quarter's revised 0.8%, as output increased 1.7% while hours worked rose 0.3%. Meanwhile, unit labour costs increased 1.3% (exp. 2.0%), well below expectations and unchanged from the prior quarter following a downward revision from 1.8%, reflecting a 2.7% increase in hourly compensation that was largely offset by stronger productivity growth. On a year-over-year basis, productivity increased 2.2%, while unit labour costs rose 1.4%. Elsewhere, real hourly compensation fell 3.1% annualised in the quarter, while labour's share of output (the percentage of output that accrues to workers in the form of compensation) declined to 52.9%, the lowest level since the series began in 1947. The BLS also revised Q1 nonfarm productivity up to 0.8% from 0.3%, with unit labour costs revised down to 1.3% from 1.8%, reinforcing the view that underlying labour cost pressures have eased. Oxford Economics said the combination of stronger productivity growth and downward revisions to the prior quarter kept unit labour costs subdued and consistent with moderating underlying inflation. However, Oxford also noted that while labour market conditions are tightening amid weak labour supply growth, its wage tracker continues to point to slowing wage growth, having fallen below 3% for the first time since before the pandemic.

CHALLENGER JOB CUTS: US-based employers announced 33,429 job cuts in July, the lowest reading in two years, -27% M/M, -46% Y/Y (prev. 45,849). Tech led layoffs via 9,867 job cuts, leaving the 2026 total at 149,023, +67% Y/Y. Meanwhile, Financial firms were the second highest at 3,157 cuts, -31% Y/Y and Government third at 2,962 cuts, -93% Y/Y. In July, AI led all reasons behind job cuts at 33%, resulting in about 24% of all job cuts this year being AI-driven. Andy Challenger, workplace expert and chief revenue officer for Challenger, Gray & Christmas said: "Hiring has also increased over last year by 25%, so while AI is shifting the labor market, it is not dismantling it".

JOBLESS CLAIMS: Initial jobless claims edged up to 199k in the week ending August 1st (exp. 201k, prev. 198k revised from 197k), remaining close to multi-decade lows, while the four-week moving average declined to 198.8k from 203.3k, remaining consistent with a low pace of layoffs. Continuing claims (w/e July 25th) rose to 1.801mln (exp. 1.790mln, prev. 1.777mln revised from 1.782mln), although the insured unemployment rate was unchanged at 1.2%. In the unadjusted data, initial claims fell by 5,289 (-3.0%) to 171,246, broadly in line with the seasonal factors, which had expected a decline of 5,752 (-3.3%). Looking at the advance state breakdown, the largest declines were seen in North Carolina (-794), Ohio (-730), California (-700), Georgia (-682), Illinois (-680), and Florida (-638), while the biggest increases were in Pennsylvania (+607), New Jersey (+385), Connecticut (+370), New York (+342), and Oregon (+222). Pantheon Macroeconomics notes that initial claims remain close to multi-decade lows, while continuing claims appear to have stabilised after falling sharply between last autumn and spring. Pantheon also sees little evidence that the end of the FIFA World Cup has materially affected claims, adding that leading indicators such as Challenger job cuts and WARN notices suggest claims should remain low through the rest of Q3, though it cautions that claims data do not capture the challenges faced by the long-term unemployed or new entrants to the labour market in the current low-hiring environment.

FED's DALY (2027 voter) said tariffs, energy and AI shocks caused an uptick in inflation, but noted some evidence exists that the impacts of tariffs are beginning to fade on inflation. She noted that the Fed is facing different types of risks when it comes to setting rate

policy, while she is completely supportive of holding rates steady in July, and the Fed still needs to gather data to set future policy moves. Daly said the Fed should be prepared to act if the inflation situation gets out of hand.

FED's COOK (voter) said she supported holding rates steady at the last FOMC meeting while waiting for more data. Cook said the job market has been resilient while sour consumer mood is tied to several factors, including high inflation. That said, it may yet turn out that the Fed does not need to raise rates. The governor said that so far AI hasn't created notable job losses and the economy is resilient with growth at a 'solid pace'. She noted that inflation risks outweigh job market risks and that the Fed is running out of room to wait for disinflation to return, although there are reasons to believe inflation levels can cool. Lastly, Cook said that risks are rising that too-high inflation will become embedded in the economy and is ready to raise rates if the disinflation trend does not return.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 12+ TICKS LOWER AT 108-16

Treasury yields rose on higher oil prices, hawkish Fed reports, strong economic data and Alphabet's bond sale. At settlement, 2-year +6.5bps at 4.250%, 3-year +6.9bps at 4.307%, 5-year +6.5bps at 4.391%, 7-year +6.3bps at 4.526%, 10-year +5.7bps at 4.672%, 20-year +5.2bps at 5.220%, 30-year +4.7bps at 5.214%.

THE DAY: Treasuries were sold across the curve on Thursday, with the curve bear flattening as the front end underperformed. Firmer oil prices, hawkish Fed reports, encouraging economic data and Alphabet's (GOOGL) large corporate bond sale all contributed to the move.

Oil prices moved higher as tensions between the Houthis and Saudi Arabia escalated, while the initial Iranian reporting on the proposed Iran-Oman framework suggested terms viewed as unfavourable to the US and its allies, raising doubts over the prospects of a final agreement and rebuilding some geopolitical risk premium in crude.

The front end also came under pressure following a Financial Times report, citing Fed sources, that Chair Warsh intends to maintain his communication strategy despite recent criticism. The report added that Warsh would be willing to raise rates in September should upcoming inflation data surprise to the upside and market pricing move further in that direction, helping lift short-end yields.

Alongside the broader macro drivers, Alphabet (GOOGL) filed for a 10-part bond offering, reportedly targeting around USD 25bln of issuance after attracting approximately USD 115bln in investor demand. The associated rate-locking activity likely added to the pressure on Treasury prices.

Economic data also painted a resilient picture of the US economy. Initial jobless claims remained near multi-decade lows, productivity exceeded expectations and unit labour costs rose by less than forecast, while Challenger reported fewer layoffs in July than in June. Attention now turns to Friday's nonfarm payrolls report, before next week's CPI release. The inflation report will receive particular scrutiny following the Financial Times report, given a stronger-than-expected CPI print could further increase expectations for a September rate hike, although policymakers will still receive additional labour market and inflation data before that meeting.

Bills

- US sold 4-week bills at a high rate of 3.640%, B/C 2.68x; sold 8-week bills at a high rate of 3.710%, B/C 2.74x
- US to sell USD 92bln of 13-week bills and USD 79bln of 26-week bills on August 10th; to sell USD 95bln of 6-week bills on August 11th; all to settle on August 13th

STIRS / OPERATIONS

- **Fed Pricing via CME Fed Watch: Sept 14.18bps (prev. 13.7bps), Dec 33.9bps (prev 30.4bps).**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 114bln (prev. USD 117bln) on August 5th.
- SOFR at 3.64% (prev. 3.66%), volumes at USD 2.989tln (prev. USD 3.036tln) on August 5th.
- NY Fed RRP op demand at 1.43bln (prev. 1.65bln) across 6 counterparties (prev. 2) on August 6th.
- Treasury Buyback [Liquidity Support, 1mth-2year, Max USD 4bln]: Accepts USD 4bln of USD 35.786bln offered, accepts 15 of 61 eligible issues. Offer to cover 8.95x

CRUDE

WTI (U6) SETTLED USD 2.07 HIGHER AT 77.29/BBL; BRENT (V6) SETTLED USD 3.04 HIGHER AT USD 82.49/BBL

Crude prices settled higher as tensions between the Houthis and Saudis grew, whilst the initial Iranian reporting on the text of the Iran-Oman deal showed unfavourable terms for the US and peers. Any optimism over reports of indirect talks between the US and Iran being in the final stages was later offset. The Houthis confirmed they carried out a broad military operation against the Saudi-backed Yemeni government forces, saying it will "persist in the equation of siege for siege until the siege on our country is lifted". Meanwhile, Iranian media reported the text details of the Iran-Oman deal that outlines management of the Strait of Hormuz. Details are highly unfavourable to the US and countries in the region, 1) US & Israeli ships can't pass through, 2) Countries that have caused damage to Iran will not receive permission to pass through the Strait until compensation is paid, 3) Heavy fines, including up to 20% of the value of the goods, will be imposed on violators - all together, it seems unlikely the US or the GCC will welcome the deal. Note, Iran reported the plan is still in the expert review stage, and the parliament has asked experts to submit their suggestions for completing it. WTI and Brent traded between USD 74.57-78.15/bbl and USD 78.92-83.06/bbl, respectively.

Energy updates

- Ukrainian President Zelensky says Ukraine struck Bashneft-Novoi (~150k BPD) and Slavneft-Yanos (300k BPD) refineries, two Russian patrol boats and shadow fleet vessels in long-range attacks aimed at curbing Moscow's oil revenues
- Saudi Arabia sets September Arab Light crude OSP for Asia at USD 2/bbl discount to Oman/Dubai average; To the US at ASCI +3.60/bbl; To NW Europe at ICE Brent settlement -2.15/bbl.

- Russia's crude oil and condensate production rose by around 100k BPD in July from June to just over 9.0mln BPD, according to Reuters.

EQUITIES

CLOSES: SPX -0.18% at 7,710, NDX -0.39% at 29,373, DJI -0.85% at 53,890, RUT -0.58% at 3,002

SECTORS: Industrials -0.83%, Real Estate -0.83%, Materials -0.79%, Communication Services -0.73%, Utilities -0.63%, Financials -0.37%, Consumer Discretionary -0.37%, Consumer Staples -0.12%, Technology +0.09%, Health +0.14%, Energy +1.59%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.54% at 6,512, Dax 40 +0.15% at 26,165, FTSE 100 -0.14% at 10,873, CAC 40 +0.35% at 8,700, FTSE MIB +0.48% at 53,706, IBEX 35 +0.62% at 20,180, PSI +0.52% at 9,224, SMI -0.17% at 14,526, AEX +0.10% at 1,112

STOCK SPECIFICS

- **SanDisk (SNDK):** Q1 guidance disappointed; earnings beat.
- **Western Digital (WDC):** Outlook underwhelmed; earnings beat,
- **Datadog (DDOG):** Earnings missed lofty expectations.
- **HubSpot (HUBS):** Weak sales trends and reduced growth visibility weighed.
- **Constellation Energy (CEG):** Adjusted EPS and revenue beat.
- **Honeywell Aerospace (HONA):** Earnings and revenue missed expectations.
- **Alphabet (GOOGL):** Filed to sell US-denominated bonds in 10 tranches.
- **Moderna (MRNA):** mRNA flu vaccine mFlusiva received US approval for adults aged 50 and over.
- **DoorDash (DASH):** Revenue beat.
- **LegalZoom (LZ):** Revenue guidance missed.
- California sues **DuPont (DD)** over alleged effort to avoid "forever chemicals" liabilities, reports FT.
- **Nvidia (NVDA)** is weighing a radical step to deal with a shortage of advanced high-bandwidth memory chips, The Information reports; using less of it than planned in its next-generation GPU, the Rubin Ultra.

FX

USD was firmer against all major peers as positive correlation increased with short-end US Treasury yields. Higher oil prices were partially behind the move higher today in yields as amid the wait for the expected reopening of the Strait of Hormuz; tensions between the Houthis and Saudis worsened, while initial reports of the Iran-Oman management deal for the Strait of Hormuz contain unfavourable terms towards the US and the GCC.

Also lifting US yields was an FT report that Fed Chair Warsh is willing to hike in September if inflation prints in the coming weeks are hot and markets increase expectations for such a move, sources said. Meanwhile, US data was met with a muted reaction. Claims were little changed W/W, Challenger Layoffs eased, and Unit Labour Costs eased more than expected in Q2.

DXY now trades around intraday highs of 100.02

CHF and **JPY** lost out to the US dollar due to a more attractive US yield environment. USD/JPY was subject to further sharp moves in either direction, now trading at 158.40, well off the 155.226 WTD low. Technicians flagged 158.57 as a key fib level - a level it tested before swiftly dropping, before paring once again.

USD/MXN was little changed following the Banxico decision to hold rates as widely expected at 6.5%. The central bank maintained policy guidance, whilst now it expects a more gradual decline in headline and core inflation than previously anticipated. It now expects headline inflation to return to target in Q4 2027, vs Q2 2027 previously.

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newsquawk.com · 020 4545 5000 · info@newsquawk.com