US Market Wrap - 7th August 2026

Stocks gain as weak NFP sees traders pare Fed rate hike bets

- **SNAPSHOT**: Equities up, Treasuries up, Crude lower, Dollar down, Gold up
- **REAR VIEW**: US NFP headline misses w/ negative revisions, u/e rate ticks lower; US official says once a deal is announced to restore commercial shipping without impediments, US will lift blockade of Iranian ports; Mediating countries await final approval of Iran-Oman deal; Fed's Barkin says u/e rate is the best measure of job market health; Fed's Musalem said he favoured raising rates at recent FOMC meeting; Better-than-expected Canadian job growth; Japanese FM jawbones JPY.
- **COMING UP**: **Data:** Norwegian Inflation (Jul). **Events:** BoJ Summary of Opinions (Jul). **Earnings:** Berkshire Hathaway.
- **WEEK IN FOCUS:** Highlights include: US CPI, US Retail Sales, RBA, BoJ SOO, and UK GDP. 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 closed higher on Friday, with the Nasdaq leading gains, although the advance was broad-based, with the equal-weight S&P 500 (RSP) also firmer, highlighting positive underlying breadth. Sectors were predominantly higher, led by Materials, Consumer Discretionary and Technology, while Energy was the clear laggard. Financials and Communication Services also finished modestly lower.

The US Nonfarm Payrolls report was the primary driver of market action, with the surprisingly soft release prompting participants to pare Fed rate hike expectations. The dovish repricing supported equities, Treasuries and precious metals, while weighing on the Dollar.

The Treasury curve bull steepened following the report, which showed the US economy unexpectedly shed 23k jobs in July, versus expectations for a 91k increase. Prior readings were also revised sharply lower, with June cut by 37k and May by 66k, leaving the two-month net revision at -103k. However, the unemployment rate unexpectedly fell to 4.1% from 4.2%, moving further below the Fed's 4.3% year-end projection, although the decline was accompanied by a lower participation rate. Money markets now see a September rate hike as roughly a coin toss, placing significant focus on next week's CPI report to further shape Fed tightening expectations.

Gold had already been advancing overnight before accelerating to fresh highs following the payrolls report, trading comfortably above USD 4,300/oz, while silver rose above USD 63/oz, supported by the decline in Treasury yields and softer Dollar.

In FX, the Dollar underperformed following the weak jobs report, while improved risk sentiment supported the Aussie. The Yen also strengthened amid narrowing UST-JGB yield differentials and further intervention rhetoric from Japanese officials. Finance Minister Katayama said recent FX moves have not been backed by real demand and reiterated that authorities would not hesitate to intervene.

Crude prices settled higher as reported details of the proposed Iran-Oman arrangement appeared unlikely to satisfy the US. However, prices came under pressure after settlement following official commentary that progress is being made with Iran and Oman over the Strait of Hormuz, with the US indicating that it would lift its blockade on Iran if the Strait is reopened without restrictions.

US

NFP: US jobs data disappointed expectations in July, with headline payrolls falling by 23k (exp. 91k), while two-month net revisions totalled a massive -103k. Ahead of the data, analysts were expecting large revisions because June's payroll figure was based on around half the usual number of survey responses, with the BLS relying on modelling rather than reported data. Still, the internal sector figures were stark: government payrolls fell by 53k (Pantheon Macro said a one-time decline in education payrolls at the end of the school year was the primary driver), while leisure and hospitality fell by 40k, potentially unwinding some of the recent strength. Private payrolls also missed, rising by 30k (exp. 78k); the ADP private payrolls data released earlier in the week had flagged this possibility after also missing expectations. Elsewhere, the jobless rate slipped to 4.1% (exp. 4.2%), though this was likely a function of the participation rate falling by one-tenth to 61.4%. Wage figures also softened, with average hourly earnings rising by just 0.1% M/M (exp. 0.3%), dragging the annual rate down to 3.2% Y/Y (exp. 3.5%). In terms of the implications for Fed policy, money markets' implied probability of rate hikes tilted dovishly after the data, pricing a 44% probability of a September rate hike, versus around 55% ahead of the release. Still, FOMC participants have recently flagged a generally stable jobs market, instead stating that their focus is on bringing inflation back to target. As such, next week's US CPI and PPI data may play a greater role in shaping expectations for the September meeting, alongside PCE inflation data due on 26th August, the Fed's preferred gauge.

FED's BARKIN (2027 Voter, Neutral) said the jobs market is more low hire, low fire and job data does not feel very good, but it is where it is. Barkin added that the best measure of job market health is the unemployment rate. He reiterated commitment to price stability, and he still hears a lot about inflation and cost pressures. Barkin noted that pricing power is evident in business-to-business, but not business-to-consumer, and said he does not think there is wage inflation right now. Lastly, he said that corporate earnings are quite strong; watching them for linkages to the job market.

FED's MUSALEM (2028 Voter, Hawk) said inflation remains too high, with risks tilted toward further price pressures, and argued that monetary policy needs to maintain meaningful restraint. He revealed that he favoured raising rates at the latest FOMC meeting and sees a greater risk of inflation remaining above target, estimating underlying inflation at around 2.5–3% and noting that gradual rate increases would be preferable to more abrupt moves later. Musalem said the labour market has stabilised and is not a source of inflationary pressure, while the economy remains resilient. He also highlighted accommodative financial conditions and elevated asset prices as potential concerns, but noted that inflation expectations remain anchored and consistent with the Fed's 2% target.

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FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 4+ TICKS HIGHER AT 108-20+

Treasury curve bull steepens on weak July jobs report. At settlement, 2-year -4.1bps at 4.206%, 3-year -4.0bps at 4.267%, 5-year -3.4bps at 4.362%, 7-year -2.4bps at 4.505%, 10-year -1.6bps at 4.660%, 20-year -0.8bps at 5.219%, 30-year -0.5bps at 5.215%.

THE DAY: Treasury yields were lower across the curve on Friday, led by the front end, after a surprisingly weak Nonfarm Payrolls report. The headline showed the US economy shed 23k jobs in July, well below expectations for a 91k increase, while the prior month's gain was revised down to 20k from 57k. May was also revised lower by 66k to 63k, leaving the two-month net revision at -103k and suggesting the labour market may not be as strong as previously thought. The July job losses were concentrated in government (-53k) and leisure and hospitality (-40k).

Although clearly a soft report, the unemployment rate unexpectedly fell to 4.1% from 4.2%, moving further below the Fed's 4.3% year-end median projection, although the decline came alongside a lower participation rate. The improvement in the jobless rate will provide some reassurance to Fed officials, but the outright decline in payrolls and sizeable downward revisions will likely raise concerns over the underlying trend in hiring. Fed's Barkin said the unemployment rate remains the best measure of labour market health, although he acknowledged the jobs data "does not feel very good."

Following the report, markets pared hawkish Fed bets, with money markets now assigning around a 44% probability of a September rate hike, down from 56% beforehand. With September essentially a coin toss, attention now turns to July CPI on August 12th and PPI on August 13th, followed by July PCE on August 26th. Importantly, markets will also receive the August employment and inflation reports before the September 16th FOMC decision and updated dot plot, leaving plenty of data to shape expectations. This takes on added importance given the Fed's move away from explicit forward guidance under Chair Warsh.

Elsewhere, geopolitics took a back seat, with little fresh news of consequence for rates traders. Iran's National Security Commission is still expected to release details of the proposed Iran-Oman agreement, although reports on Thursday suggested the framework contains terms unlikely to be acceptable to the US, raising questions over whether a broader agreement can ultimately be reached. Meanwhile, tensions between Saudi Arabia and the Houthis remain elevated.

Alongside next week's CPI and PPI reports, Treasury supply will return with the 3-, 10- and 30-year auctions, providing another test of demand across the curve.

SUPPLY

Notes/Bonds

- US to sell USD 58bln of 3yr notes on August 11th, USD 42bln of 10yr notes on 12th August, and USD 25bln of 30yr on August 13th; all settling on August 17th

Bills

- 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 11bps (prev. 14.18bps), Dec 28.6bps (prev. 33.9bps).**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 113bln (prev. USD 114bln) on August 6th
- SOFR at 3.65% (prev. 3.64%), volumes at USD 3.055tln (prev. USD 2.989tln) on August 6th
- NY Fed RRP op demand at 1.45bln (prev. 1.43bln) across 2 counterparties (prev. 6) on August 7th

CRUDE

WTI (U6) SETTLED USD 0.89 HIGHER AT USD 78.18/BBL; BRENT (V6) SETTLED USD 1.06 HIGHER AT USD 83.55/BBL

Crude prices settled higher as markets walked back some optimism about the reopening of the Strait of Hormuz, as we are still yet to get concrete proof that substantial progress is being made. Reports today highlighted that we are still waiting for final approvals from the Iranian Supreme National Security Council about the deal with Oman and the US. "We expect this approval soon", a diplomat told Axios. Meanwhile, another attack from the Houthis on Saudi-backed forces adds another difficulty for the US to reach a long-lasting resolution with Iran. Adding another hurdle is the repeated demand from Iranian officials that "passing through the Strait of Hormuz is subject to the lifting of sanctions and the payment of compensation". WTI and Brent traded between USD 76.53-78.77/bbl and USD 81.50-84.44/bbl, respectively.

Note: Post settlement, gains turned into losses after a US official reiterated that progress is being made, noting that once a deal is announced to resume commercial shipping without obstacles, the US will lift the blockade of Iranian ports.

Energy updates

- Baker Hughes rig count: Total unch at 588, oil +3 at 454, nat gas -3 at 124
- Satellite images via Windward showed all three loading bays at Iran's main export terminal, Kharg, had been “empty for a sustained period”.

EQUITIES

CLOSES: SPX +0.62% at 7,758, NDX +1.19% at 29,722, DJI +0.28% at 54,042, RUT +1.10% at 3,034

SECTORS: Energy -1.16%, Communication Services -0.35%, Financials -0.32%, Consumer Staples +0.01%, Industrials +0.19%, Real Estate +0.44%, Utilities +0.48%, Health +0.78%, Technology +1.25%, Consumer Discretionary +1.34%, Materials +1.52%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.37% at 6,527, Dax 40 +0.82% at 26,355, FTSE 100 +0.31% at 10,901, CAC 40 +0.17% at 8,715, FTSE MIB +0.06% at 53,717, IBEX 35 +0.03% at 20,187, PSI -0.46% at 9,181, SMI +0.24% at 14,554, AEX -0.09% at 1,111

STOCK SPECIFICS

- **Cloudflare (NET):** Quarterly earnings and revenue beat expectations.
- **Airbnb (ABNB):** Earnings, revenue and Q3 guidance topped expectations.
- **Microchip Technology (MCHP):** Q1 beat and outlook topped forecasts.
- **Atlassian (TEAM):** Q4 beat and near-term outlook topped forecasts.
- **ResMed (RMD):** FY27 profit outlook missed expectations.
- **Doximity (DOCS):** AI integration builds optimism despite mixed earnings.
- **The Trade Desk (TTD):** Earnings missed with revenue outlook below expectations.
- **Maplebear (CART):** Posted record-high growth.
- **MP Materials (MP):** Revenue beat.
- **Sweetgreen (SG):** Cut guidance amid a multistate Cyclospora outbreak.
- **DoubleVerify (DV):** Nielsen Holdings agreed to acquire the company in an all-cash transaction for ~USD 2.15bln.
- **AeroVironment (AVAV)** likely to win USD 400mln anti-drone US Army award for anti-drone laser system, Bloomberg reported.
- US President Trump's administration to provide more than USD 2bln to four battery and mineral companies, reports WSJ citing officials.
- US President Trump touted **MP Materials (MP)** gain in government stake.
- Rockstar Energy founder built a **Celsius (CELH)** stake, and wants to take over as CEO, CNBC reports.

FX

USD was hit by an unexpected negative NFP reading, -23k (exp. 91k), alongside 103k negative revisions to the prior two readings. On the surface, the bar appears higher for upcoming inflation reports to push the Fed in a more hawkish direction; however, the fall in the unemployment rate to 4.1% from 4.2% complicates the policy assessment. Highlighting this, Fed's Barkin shortly after the report said the u/e rate is the best measure of job market health; thus, the NFP report may mean policymakers remain somewhat confident of a stable labour market despite slowing employment growth. Meanwhile, Fed's Musalem showcased the growing divide within the FOMC, revealing he favoured higher rates at the last meeting, now meaning there are at least five members who would have preferred to hike last week. Separately, the NY Fed SCE was unalarming as inflation expectations were little changed whilst labour market views were mixed. As it stands, a September rate hike remains a coin toss, with focus set on next week's CPI and PPI report to guide the Fed's decision-making. DXY briefly set a new August low of 99.403 before seeing slight relief to 99.54.

USD/CAD was sharply sold amid a weaker-than-expected US payroll growth as well as a strong Canadian jobs report. Canadian employment grew 75.1k, well above the expected 12.5k, lifted by accelerations in both part- and full-time employment. This helped push the u/e rate down to 6.4% from 6.5% despite an uptick in the participation rate. Overall, a welcome jobs report; however, taken alone it is unlikely to alter the BoC's policy view until a stable trend emerges. USD/CAD is now back at levels last seen in June, trading at ~1.3938.

JPY was supported by narrowing UST-JGB yield differentials in response to the mixed NFP report. Soon after, JPY extended as a result of jawboning from Japanese Finance Minister Katayama. She said that FX moves have not been backed by real demand and will not hesitate to intervene. USD/JPY hit lows of 156.666 before partially recovering to ~158.59

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