CIO OFFICE DAILY OUTLOOK

16 June 2026

As we return after the long weekend, the US-Iran interim peace agreement is filtering through markets. President Trump said the deal is "all signed," with a formal ceremony expected in Switzerland on Friday. It provides for 60 days of free transit through the strait, ends the US naval blockade of Iran, and sets a framework for nuclear talks. Still, uncertainty over final terms and durability remains, while European allies at the G7 in Évian-les-Bains questioned how quickly shipping can resume. We expect initial market euphoria to pause as final negotiations unfold over the next 60 days.

US equities rallied broadly on the Iran deal, with the S&P 500 up 1.7% and the Nasdaq 100 up 3.1%, led by technology and growth stocks. SpaceX (SPCX) rose about 16% on its second trading day after Friday's 19% IPO surge, with debut retail volume reportedly exceeding that of Apple, Microsoft, Tesla, Meta, and Google combined. Energy stocks fell as oil dropped, while airlines, cruise lines, and miners gained, suggesting the rally could broaden to cyclical and energy-sensitive sectors. Treasuries also rallied as investors trimmed rate-hike expectations, with shorter maturities leading. Nvidia priced a $25 billion investment-grade bond, its first since 2021, drawing about $85 billion in orders and highlighting strong demand for AI-linked exposure. We believe cyclical and energy sensitive sectors that lagged in the past 3 months would catch up to broaden the rally.

Attention now turns to the Fed's June 16–17 FOMC meeting, the first chaired by Kevin Warsh after succeeding Jerome Powell about three weeks ago. No rate change is expected, leaving policy at 3.5%–3.75%, but the statement and dot plot will be closely watched. Warsh faces a difficult backdrop: inflation hit a three-year high of 4.2% y/y in May, markets had priced in December hikes, and President Trump has called for lower rates. The Iran deal eased rate hike expectations somewhat, with swaps now pricing less than an 80% chance of a 25 bp hike by December.

Markets this morning

Monday's relief rally is cooling, with S&P 500 futures down about 0.2% and the Hang Seng off 1.3%. China's retail sales fell a worse-than-expected 0.6% in May, the first decline since the pandemic, while fixed-asset investment weakened and industrial output slightly beat forecasts. The Bloomberg Asia Dollar Index is little changed at 92.2, and Brent is steadying around $83 after Monday's near-5% plunge. US 10-year yield is at 4.47%. Gold has inched up to $4,318.

Upcoming key events/data

The BOJ is expected to lift its policy rate by 25 bp to 1.0% today, the highest level since 1995. In the US, Housing Starts are due, alongside a scheduled $13 billion 20-year Treasury auction.

Have a great day.

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