

Markets Calm Today as U.S.–Iran Peace Talks Continue

Financial markets are relatively quiet today as investors continue to monitor negotiations between the U.S. and Iran. Iran is expected to send a response to the U.S. via Pakistan in the next couple days which will give insight to topics such as the current financial sanctions on Iran and a moratorium to Iran's uranium enrichment program.

Rates remain range bound, with Fed policy expectations largely flat through mid-2027. At one point this week, futures priced roughly 10 basis points of tightening through the July 2027 FOMC meeting, but that view did not hold for long. The 2-year Treasury yield continues to bounce around the 3.90% level.

Last month's Fed meeting reinforced "rates on hold" narrative, however four dissents drew attention as Chair Powell prepares to transition into a Governor role. Boston Fed President Susan Collins was on the tape today supporting colleagues who dissented over language in the post-meeting statement suggesting the Fed would eventually resume rate cuts. While Collins is not a voting member this year, her comments underscore a broader move within the FOMC away from easing bias.

Meanwhile, the effective closure of the Strait of Hormuz continues to drive volatility in the energy sector. The average price of a gallon of gasoline in the U.S. topped \$4.50 this week, amplifying inflation concerns. A new study from the New York Fed published Wednesday noted that higher fuel costs are disproportionately weighing on low-income households, reinforcing the uneven impact of inflation.

Also today, the NY Fed's 1-year inflation expectations came in higher than anticipated at 3.64%, marking the highest we've seen since September 2023, when they were declining from a high level created by the Covid-19 pandemic.

On the jobs front, employment remains resilient. Initial jobless claims slowed to 200k workers filing for unemployment benefits in the week ending April 25, near the lowest levels in decades. The four-week moving average fell to its lowest point in more than two years, while continuing claims have trended lower since mid-2025. Hiring momentum has clearly slowed, reinforcing concerns that the labor market is losing steam, yet employers are not meaningfully cutting jobs. Labor hoarding with limited layoffs, and benefit exhaustion continue to suppress claims.

Looking forward, markets will focus on tomorrow's release of the April jobs report. Nonfarm payroll growth is expected to slow to 65k down significantly from March's 178k gain, while the unemployment rate is forecast to hold at 4.3% and labor force participation to tick slightly higher. Later in the morning, the preliminary May University of Michigan sentiment reading is expected to remain at a record-low level at 49.5. The focus will shift next week to inflation, with the April CPI report scheduled for release on Tuesday.

Matt Harris, CFA
HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

Scott McIntyre, CFA
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

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Market Indications as of 10:58 A.M. Central Time

DOW	Down -91 to 49,819 (HIGH: 50,188)
NASDAQ	Up 70 to 25,909 (NEW HIGH)
S&P 500	Up 14 to 7,379 (NEW HIGH)
1-Yr T-bill	current yield 3.73%; opening yield 3.71%
2-Yr T-note	current yield 3.89%; opening yield 3.87%
3-Yr T-note	current yield 3.91%; opening yield 3.89%
5-Yr T-note	current yield 4.01%; opening yield 4.00%
10-Yr T-note	current yield 4.37%; opening yield 4.35%
30-Yr T-bond	current yield 4.95%; opening yield 4.94%

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