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POWELL STEPS DOWN, BUT NOT AWAY



ECONOMIC CALENDAR • TECHNICAL ANALYSIS
THE UAE STEPS OUT OF THE OPEC+ SHADOW
BIG TECH'S \$12 TRILLION EARNINGS REALITY • AND MORE...

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TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, MAY 4				
ALL DAY		Labor Day Holiday	-	-
ALL DAY		Greenery Day Holiday	-	-
ALL DAY		Early May Bank Holiday	-	-
TUESDAY, MAY 5				
ALL DAY		Labor Day Holiday	-	-
ALL DAY		National Sovereignty and Children's Day	-	-
17:45		S&P Global Services PMI (Apr)	51.3	51.3
18:00		New Home Sales (Mar)	1K	587K
18:00		JOLTS Job Openings (Mar)	6.870M	6.882M
18:00		ISM Non-Manufacturing Prices (Apr)	-	70.7
18:00		ISM Non-Manufacturing PMI (Apr)	53.8	54.0
WEDNESDAY, MAY 6				
ALL DAY		Constitution Day Holiday	-	-
16:15		ADP Nonfarm Employment Change (Apr)	90K	62K
18:30		Crude Oil Inventories	-	-6.234M
THURSDAY, MAY 7				
16:30		Initial Jobless Claims	203K	189K
FRIDAY, MAY 8				
16:30		Average Hourly Earnings (MoM) (Apr)	0.3%	0.2%
16:30		Nonfarm Payrolls (Apr)	73K	178K
16:30		Unemployment Rate (Apr)	4.3%	4.3%

POWELL STEPS DOWN, BUT NOT AWAY



Image Credit: Jamie Kelter Davis/Bloomberg via Getty Images

As his term as Federal Reserve Chair approaches its end, Jerome Powell delivered a clear message: he plans to remain on the Fed Board even after stepping aside from the top role. The decision arrives during a period of mounting political pressure and intense debate over monetary policy. By staying on, Powell is reinforcing a core principle of the institution, that policy decisions should stand apart from political cycles.

INSIDE THE FED: A HOUSE DIVIDED

Powell's announcement comes as divisions within the Federal Reserve become more visible. At the most recent meeting, policymakers agreed to keep rates unchanged, yet their views on the next step diverged.

Some officials leaned toward easing policy, while others supported maintaining a firmer stance. The split reflects the growing difficulty of navigating an economy where inflation risks have not fully faded and growth signals remain uneven.

DATA OVER POLITICS IN THE FUTURE

In his remarks, Powell stressed that monetary policy must be guided by economic data, not political influence. Maintaining credibility, he argued, is essential for long-term stability in financial markets. That message carries weight at a time when policy decisions are under close scrutiny and public debate around interest rates has intensified.

WHAT IT MEANS FOR MARKETS

Powell's decision to stay on the Board sends a dual signal. It supports confidence in the Fed's independence and institutional continuity while suggesting that policy adjustments, particularly rate cuts, may not arrive quickly if inflation risks remain present. For markets, the takeaway is less about a single decision and more about direction: a steady, disciplined approach that responds to data rather than pressure.

CONTINUITY WITHOUT CERTAINTY

Powell remaining on the Board does not remove uncertainty from the outlook. It does, however, provide a sense of continuity at a moment when policy debates are intensifying. Monetary policy is likely to stay measured, deliberate, and resistant to outside influence, even as discussions around the timing of rate changes continue.



I'LL BE
RIGHT
BACK

JEROME POWELL

FED
RES



EURUSD

EUR/USD HOLDS GAINS AFTER APRIL RALLY

The US dollar weakened throughout April, with the DXY declining roughly 2% while EURUSD ended the month near 1.1720. This shift stems from cooling dollar demand and a steadying euro. Geopolitically, relations are fraying as Donald Trump’s move to hike tariffs on European vehicle imports and plans to pull US troops from Germany create friction. These trade and defense shifts may push Europe toward greater strategic independence.

Technically, the pair is consolidating between 1.1690 and 1.1785, with 1.1850 acting as primary resistance and 1.1655 serving as vital support.



USDJPY

YEN INTERVENTION PRESSURES THE DOLLAR

Japanese authorities intervened in the FX market after USDJPY surged to 160.50, sparking a rapid yen recovery that pushed the pair down to 155.50. Because the yen is a major component of the US Dollar Index (DXY), this sudden move helped weaken the dollar across global markets.

The sharp reversal highlights Japan's commitment to curbing currency volatility and its broader impact on dollar performance.



XAUUSD

INFLATION BETS WEIGH ON GOLD

Gold fell to \$4,530, its lowest since late March, as higher oil prices tied to Middle East tensions lifted inflation concerns. Rising energy costs are reinforcing expectations of prolonged tight policy, putting pressure on the metal, which is now down around 13% since the conflict began.

Even with the recent decline, central banks continued adding to reserves in Q1, pointing to steady underlying demand.

The \$4,510–\$4,520 zone stands as key support. A break below this range could open the door for a move toward \$4,450.



XAGUSD

SILVER AT A BREAKING POINT

Silver continues to face downside pressure below the 74.50 level. The 71.00–71.40 range marks a key support zone where price may look to stabilize.

On the upside, 77.10 remains the defining short-term resistance, with a move above this level needed to shift momentum back toward buyers.



THE UAE STEPS OUT OF THE OPEC+ SHADOW



The United Arab Emirates is quietly redrawing its role in global oil markets, signaling a shift away from strict coordination toward a more self-directed strategy. After years of moving in step with OPEC+ production frameworks, the country is placing greater emphasis on its own capacity, timing, and long-term revenue stability. This change reflects a broader recalibration of priorities, where national output potential carries more weight than collective alignment. The message is subtle but clear: flexibility is becoming as valuable as cooperation.

CAPACITY IS POWER, AND THE UAE HAS BOTH

At the center of this shift lies a decisive investment in production capacity. With relatively low extraction costs and advanced infrastructure, the UAE is well-positioned to scale output efficiently when conditions allow. In a market shaped by supply disruptions and persistent tension across key shipping routes, that capability provides room to act quickly without waiting for group consensus. This advantage also strengthens the country's ability to defend market share while maintaining steady revenue flows.

A TEST OF OPEC+ UNITY

A more independent path from the UAE could tilt the scales inside OPEC+. If one producer begins to move with greater autonomy, others may reassess how tightly they want to remain bound to collective targets. History shows that even small deviations can ripple through oil markets. When coordination weakens, competition for market share tends to intensify, often bringing sharper price swings. The interaction between discipline and competition will be key in shaping the stability of prices in the upcoming months.

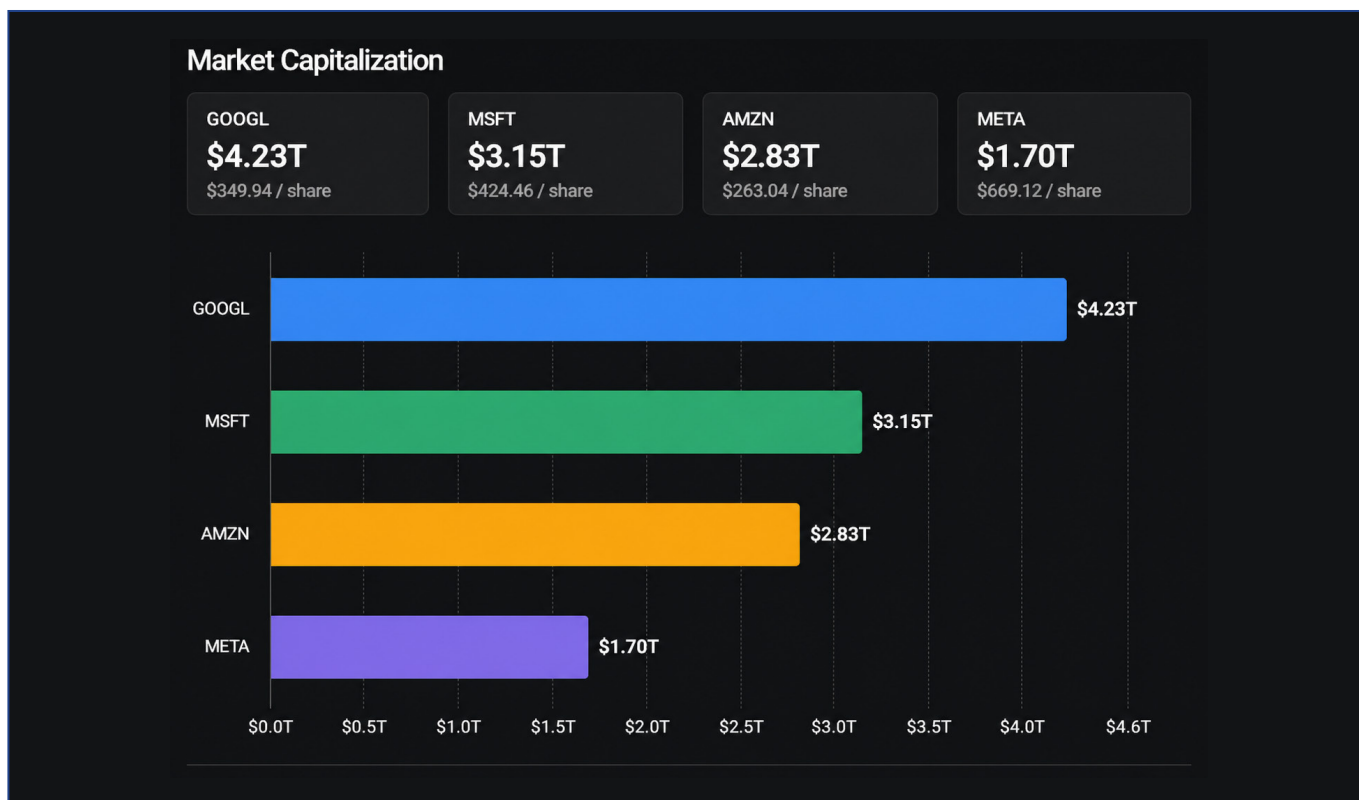
MORE BARRELS, SOFTER PRICES

Higher UAE output would likely place downward pressure on oil prices in the short term, especially if global demand shows signs of cooling. Yet the broader outcome will depend heavily on how other major producers respond. If supply increases from the UAE are offset by production adjustments elsewhere, the impact on prices could remain contained rather than dramatic.

OIL STRATEGY IS BECOMING PERSONAL

Beyond immediate price effects, the UAE's approach points to a deeper shift in how major producers think about energy policy. Collective frameworks still matter, but individual strategy is gaining ground. Flexibility, efficiency, and long-term positioning are moving to the forefront, suggesting that oil markets may become more fragmented and more responsive to national decisions than in previous cycles.

BIG TECH'S \$12 TRILLION EARNINGS REALITY



The financial world recently navigated a pivotal earnings cycle as tech giants representing nearly \$12 trillion in market capitalization reported their latest results. Reports from Alphabet, Microsoft, Amazon, and Meta have signaled that while artificial intelligence and cloud demand remain the primary market drivers, investors are shifting their focus from raw growth toward long-term profitability and fiscal discipline.

AI MONETIZATION AND CLOUD STRENGTH

Microsoft continues to lead the pack, with Azure's performance proving that AI demand is generating tangible revenue rather than just speculative interest. This ability to convert massive infrastructure investments into measurable business growth has solidified its standing among mega-caps. Similarly, Alphabet reported accelerated revenue fueled by a resilient advertising sector and a strengthening Google Cloud division. However, the market is increasingly scrutinizing whether these gains can offset the immense capital expenditures required for AI hardware.

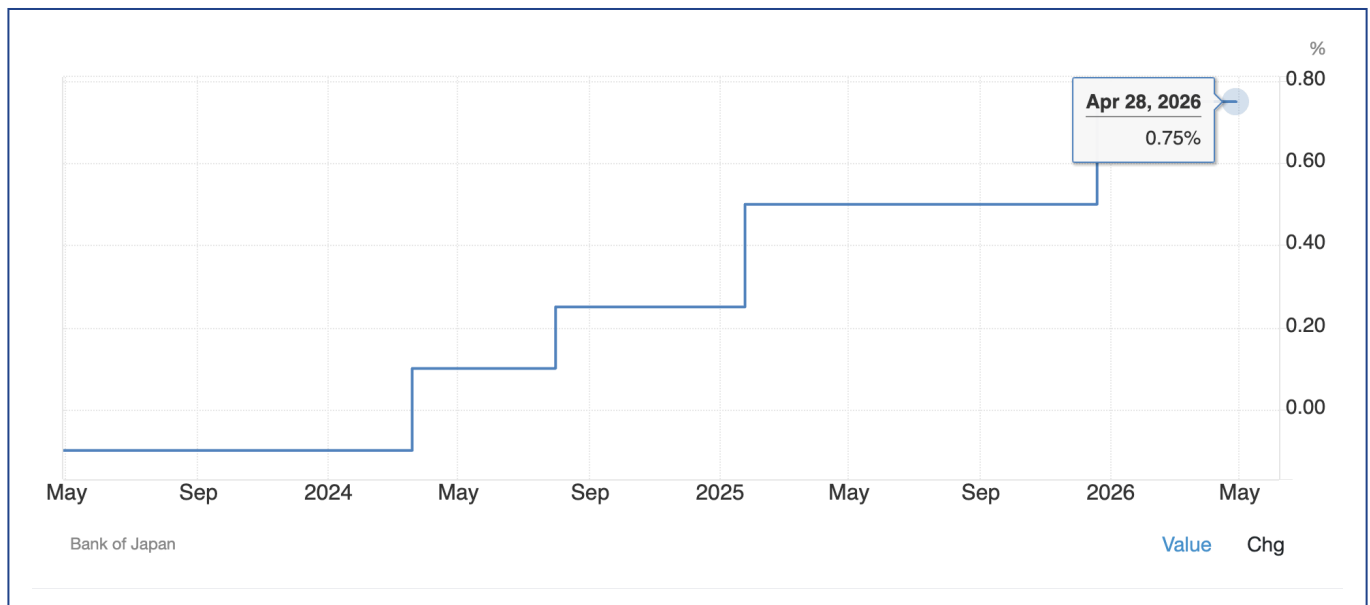
EFFICIENCY AND FUTURE GUIDANCE

Amazon provided a constructive outlook, highlighted by increased retail efficiency and renewed momentum within AWS. While cost-cutting measures and cloud recovery have improved investor sentiment, the company faces high expectations for its future guidance. Investors are seeking concrete evidence that these internal improvements are sustainable over the long term.

Meanwhile, Meta showed continued expansion in its core advertising business. Despite this growth, the market remains wary of the heavy spending earmarked for AI and long-term research projects.

The overarching takeaway from this season is that mega-cap technology remains the market's essential backbone. Nevertheless, with valuations at premium levels, "strong headlines" are no longer sufficient. To maintain current momentum, these companies must now demonstrate a delicate balance of aggressive growth, strict margin discipline, and a transparent return on their massive AI investments.

JAPAN HOLDS THE LINE AT 0.75%, GROWTH SLOWS



The Bank of Japan left its short-term policy rate unchanged at 0.75% at its April 2026 meeting, keeping borrowing costs at their highest level since September 1995. The decision passed with a 6–3 vote, showing a clear split inside the board. Most members preferred to wait, yet three policymakers, Hajime Takata, Naoki Tamura, and Junko Nakagawa, pushed for a rate hike to 1.0%. Their stance suggests that talk of tighter policy is becoming more serious.

HIGHER ENERGY, HIGHER INFLATION

The central bank lifted its inflation outlook, now expecting core inflation to reach 2.8% in fiscal year 2026, up from 1.9% previously. Rising energy prices remain the main driver, feeding into both production costs and consumer prices. Tension involving Iran has kept crude oil prices firm, adding pressure to business expenses and household budgets. For Japan, where inflation stayed low for years, this shift carries real weight.

GROWTH EXPECTATIONS CUT BACK

While inflation forecasts moved higher, growth projections went the other way. The Bank of Japan now expects the economy to expand by 0.5% in FY2026, down from the earlier 1.0% estimate. Softer demand at home and more cautious business decisions played a role in that downgrade.

Still, policymakers describe the broader picture as moderately positive, supported by government stimulus, stable financial conditions, and solid corporate earnings.

A SLIGHT UPGRADE FOR 2025

There was one brighter revision. The central bank raised its FY2025 growth forecast to 1.0%, from 0.9%, partly reflecting the benefits of last year's trade agreement with Washington, which helped steady external demand. Inflation is gaining strength, growth is losing some pace, and the Bank of Japan is trying to keep both forces in balance.

OIL VOLATILITY SPIKES ON IRAN STRIKE RUMORS



Global energy markets experienced a fresh wave of turbulence following reports that the United States is evaluating new military options against Iran. Headlines indicating that CENTCOM officials were scheduled to brief Donald Trump on potential strategies to resolve the Persian Gulf shipping stalemate immediately thrust geopolitical risk back into the forefront of oil pricing.

POTENTIAL MILITARY ESCALATION

Several scenarios are reportedly under consideration by Washington. These range from short, high-intensity strikes targeting Iranian infrastructure to the more aggressive possibility of securing the Strait of Hormuz, an operation that could potentially involve ground forces. While the administration currently appears to favor a blockade strategy, the mere discussion of direct military action suggests that diplomatic patience may be wearing thin. Any transition from economic pressure to kinetic engagement would mark a significant escalation in the region.

MARKET REACTION AND PRICE SENSITIVITY

The impact on crude prices was instantaneous. Brent crude surged toward \$126 per barrel, nearly reaching the highs observed during the initial stages of the Russian invasion of Ukraine. However, the rally was short-lived; the June contract eventually retreated to approximately \$116.50, with July trading near \$115. This rapid reversal underscores the extreme sensitivity of current market participants to rumors of conflict and shipping disruptions.

THE GEOPOLITICAL PREMIUM

The Strait of Hormuz continues to be the primary point of concern for global supply chains. Even in the absence of a total closure, threats such as tanker seizures or military maneuvers near vital shipping lanes maintain a persistent "geopolitical premium" on oil prices. Prolonged high energy costs risk fueling further inflation, which would complicate the efforts of central banks currently struggling to balance price stability with slowing economic growth.

Ultimately, oil is no longer moving based solely on traditional supply and demand fundamentals. The market is now driven by military risk and the probability of escalation. Without a diplomatic breakthrough to restore predictable shipping flows, Brent remains vulnerable to sharp, headline-driven swings.

Market Roundup

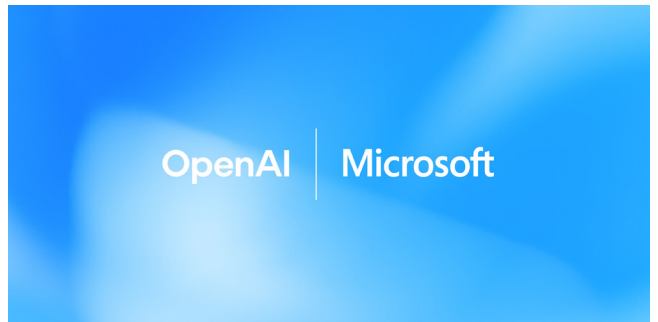
AIRLINES SEEK A LIFELINE AS COSTS STAY HIGH

Pressure is building across the U.S. aviation sector as low-cost carriers move to secure financial support. A group of airlines, including Frontier Airlines and Avelo Airlines, has requested a bailout package of roughly \$2.5 billion from the White House. The proposal centers on government-backed convertible equity, reflecting expectations that jet fuel costs will remain high through 2026.



MICROSOFT-OPENAI PARTNERSHIP TERMS CHANGES

Microsoft and OpenAI revised their strategic agreement to allow greater operational flexibility. Under the updated structure, OpenAI will be able to offer its products across multiple cloud providers, while Microsoft remains the primary cloud partner. The revision also introduces changes to intellectual property licensing, making it non-exclusive and placing a cap on revenue-sharing arrangements.



EUROPE DRAWS A FIRM LINE ON IRAN

European officials have reinforced a clear position on Iran, signaling that lifting sanctions is not currently on the table. Ursula von der Leyen stated that any progress would require meaningful changes in Iran’s domestic policies and its treatment of citizens. The European Union continues to tie its sanctions framework not only to nuclear concerns and regional security, but also to wider human rights issues, keeping pressure on Tehran as diplomatic tensions persist.



RISING FRICTIONS WITHIN WESTERN ALLIANCES

Donald Trump criticized German Chancellor Friedrich Merz over remarks about Iran, reflecting growing disagreements within the transatlantic partnership on foreign policy and conflict management. This divergence suggests increasing strategic misalignment among Western allies, adding another layer of uncertainty to an already fragile global market environment.



Image Source: Mark Schiefelbein/AP Photo

Market Roundup

RUSSIA AND IRAN DEEPEN STRATEGIC DIALOGUE

Diplomatic engagement between Russia and Iran remains active. Vladimir Putin met with Abbas Erakchi in St. Petersburg to discuss bilateral relations and developments across the Middle East. During the meeting, Russia reaffirmed support for Iran's position during tensions involving the United States and Israel. Both sides also signaled their intention to strengthen strategic cooperation, pointing to closer coordination in the months ahead.

EUROPE FACES TIGHTER CREDIT CONDITIONS

The ECB's Bank's April 2026 Bank Lending Survey signals a clear tightening in credit conditions across the Eurozone. Banks have increased lending standards for businesses at the fastest pace since the third quarter of 2023, largely due to rising geopolitical risks, a weaker economic outlook, and lower risk tolerance. Lending to energy-intensive industries and companies with exposure to the Middle East has been especially constrained, reflecting heightened caution in vulnerable sectors.

WEAK DEMAND AND POLICY OUTLOOK

Borrowing appetite remains subdued as firms delay investment decisions amid ongoing uncertainty. Still, higher energy costs have supported some demand for working capital financing. In the household segment, consumer lending continues to slow, reinforcing the broader weakness in credit growth. Looking ahead, banks expect further tightening in the second quarter, suggesting that monetary policy under Christine Lagarde is likely to remain restrictive, with the possibility of holding rates steady or tightening further.

ENERGY COOPERATION IN SOUTHEAST EUROPE

In Southeast Europe, a new trilateral initiative involving the United States, Albania, and Greece aims to strengthen regional energy security. The agreement focuses on developing an energy hub in Vlora and expanding LNG infrastructure. The initiative is viewed as a strategic step toward diversifying energy sources, reducing external dependence, and positioning Albania as an important energy transit point in the Western Balkans, supported by US investment and Greece's regional role.

TARIFF REFUND CHALLENGES IN THE US

New data from U.S. Customs and Border Protection highlights difficulties in processing tariff refunds under the IEEPA framework. A significant portion of applications has failed verification, with around 2.1 million import transactions rejected and 1.7 million accepted for processing. The estimated refund liability stands at roughly \$166 billion, pointing to operational pressure following recent legal decisions on tariff policies.

The Week Ahead

AMERICAS

Early May opens with a heavy earnings lineup including Palantir, AMD, Pfizer, McDonald's, PayPal, Disney, and Uber. Focus shifts to labor data in the US: April jobs, ADP employment, Q1 productivity and labor costs, and JOLTs openings. Nonfarm payrolls are expected at 73,000, down from 178,000, with wages rising 0.3% and unemployment steady at 4.3%. The preliminary Michigan sentiment index may stay weak as fuel costs rise with the Iran conflict. Other releases include ISM Services PMI, factory orders, trade balance, and new home sales. Across the region, the Bank of Mexico will deliver its rate decision. Canada reports employment, trade, and Ivey PMI, while Mexico publishes inflation and sentiment data. In Brazil, focus turns to inflation, industrial production, and trade balance figures.

EUROPE

Economic momentum in Europe is set to ease after a data-heavy end to April, with central bank decisions and earnings. Following steady rates from the ECB and the Bank of England, focus shifts to upcoming moves from the Swedish Riksbank and Norges Bank. The ECB will also release its 2025 Annual Report, alongside the Monetary Analysis Survey and Survey of Professional Forecasters, with speeches from Governing Council members. Germany stands out on the data side as March trade figures are predicted to show a narrowing surplus as higher gas prices lift imports and weigh on exports. Industrial production is expected to pick up, while factory orders may rebound, offering a clearer view of manufacturing. France and Turkey will also publish trade balance and industrial output data. Retail sales are seen declining for a second straight month in the Eurozone, the first back-to-back drop since 2024. April PMI readings from Italy, Switzerland, and Spain, along with Euro Area revisions, will guide expectations. Halifax house prices are due in the UK, while Switzerland releases unemployment, inflation, and consumer confidence. Turkey will also report inflation data.

ASIA-PACIFIC

Asia-Pacific markets turn to key data next week, led by China's April trade figures, offering a read on how the Middle East conflict is shaping economic activity. Private PMI readings, including the RatingDog Composite and Services indices, will also be in focus. Bank of Japan's March meeting minutes may provide further policy signals, alongside March wage data. In Australia, the Reserve Bank of Australia is expected to raise the cash rate by 25 basis points to 4.35% as inflation risks linked to the Iran conflict persist. Local data includes building permits, job ads, private housing approvals, household spending, and trade figures.





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