

## European Market Wrap - 5th January 2026

- European bourses opened on a firmer footing, and have generally continued to remain at elevated levels throughout the session.
- DXY off best levels but overall firmer, supported by mild losses across major peers and a touch of haven demand after US intervention in Venezuela.
- US ISM data saw Manufacturing PMI miss forecasts and Prices Paid above expected.

### EQUITIES

- **European bourses** opened on a firmer footing, and have generally continued to remain at elevated levels throughout the session; the **DAX 40** made record highs, whilst the **SMI** underperformed.
- **European sectors** were split down the middle. **Tech** took the top spot, with sentiment lifted by a number of factors including; 1) **ASML's** (+5.0%) PT upgrade, and added to Bernsteins's conviction list for 2026, 2) **TSMC** (+5.3%) gained following a Goldman Sachs PT lift, citing increased AI demand, 3) **Foxconn** saw its Q4 rev. rise 22%, 4) **Apple's** (-0.10%), iPhone 17 is reportedly doing well in China, 5) **Samsung Electronics and SK Hynix** said it offered major DRAM customers a 60-70% Q/Q increase in supply prices for Q1.
- Elsewhere, **Basic Resources and Industrials** completed the top three; the former benefited from continued strength in **3M LME Copper**, which made a fresh ATH above USD 13k/t, whilst Industrials were buoyed by defence names following the US strikes on Venezuela – see Newsquawk headline feed for details.
- **US equity futures** are stronger across the board, and caught a bid at the cash open; the **NQ** outperforms as traders digest the aforementioned **Tech** newsflow. Elsewhere, US energy names are soaring across the board with the likes of **Chevron** (+4.8%) **Exxon** (+2.4%) and **Occidental** (+1.0%); the former benefits the most from the latest US strike on Venezuela, given its existing operations in the region. On the macro front, Fed's Kashkari noted that he thinks rates are **"close to neutral at the moment"**

### FX

- **USD** - Off best levels but overall firmer, supported by mild losses across major peers and a touch of haven demand after US intervention in Venezuela, with President Trump vowing to "run" the country and "fix oil infrastructure" while signalling potential focus on Cuba and Colombia. ING noted investors may prefer USD liquidity given geopolitical uncertainty, while some delayed buying interest may stem from the strong 4.3% Q/Q annualised US Q3 GDP print. Meanwhile, ISM data (headline miss, prices paid beat) prompted modest downticks in the DXY. The index looks to end the European session closer to the bottom end of a 98.47-98.86 range.
- **EUR** - Softer against the Dollar amid quiet European trade, with no meaningful catalysts and broad USD strength weighing. The currency saw limited support as risk sentiment stayed cautious. Some downbeat sentiment may have come from Trump's hostile language regarding Denmark's Greenland.
- **GBP** - Narrowly outperformed, with EUR/GBP slipping below 0.8700 for the first time since October 2025. Cable still faced headwinds from the firmer USD but held up better than most peers. Meanwhile, UK PM Starmer over the weekend said the UK should move to closer alignment with the European single market on an "issue-by-issue" basis if it is in the national interest.
- **JPY** - Initially weaker but thereafter gaining momentum, drawing some haven appeal amid increased geopolitical tensions. CHF underperformed more sharply, with little clear catalyst for its downside.
- **Antipodeans** - Both AUD and NZD look to end the session flat after initial subdued trade against the firmer USD, though AUD/NZD eventually oscillated on either side of 1.1600 amid support from stronger copper prices. Neither currency saw meaningful catalysts in European trade, leaving price action largely dictated by the broader Dollar.

### FIXED

- **A modestly firmer session for fixed benchmarks**. **USTs** and **Bunds** hit highs of 112-13 and 127.31, respectively, with gains of just over five and 20 ticks, respectively. Specifics are relatively light.
- However, the benchmarks are set to end the day off best with pressure led by USTs as the complex reacted to Fed's Kashkari on CNBC and several corporate issuance updates; the latter is typically elevated in the first week(s) of the year.
- Most recently, **ISM Manufacturing** spurred some modest upside in USTs, taking it back to the earlier highs. ISM came in below consensus on the headline, prices firmer but remained at the prior, while employment lifted a touch.
- **Gilts** also bid but spent the day as the relative outperformers, seeing the bulk of the European session out at the top of a 90.71 to 91.12 band. Drivers are limited aside from weekend remarks via PM Starmer regarding ties with the EU.
- For reference, **JGBs** were sold overnight amid strength in the domestic stock market. Action that helped lift the Japanese 10yr yield to another multi-year high.
- **Spain to auction EUR 5.75-7.25bln in nominal and inflation-linked bonds on January 8th.**
- **Around 20 borrowers are looking to sell US investment-grade bonds on Monday, according to Bloomberg.**
- **Mexico to sell USD-denominated 2034, 2038, 2056 debt.**
- **European Investment Bank to sell USD-denominated 5-year bonds; guidance seen +35bps to SOFR.**
- **Saudi Arabia to sell USD-denominated 3-year, 5-year, 10-year and 30-year notes.** Guidance to US treasuries: 3-year:

+95bps. 5-year: +100bps. 10-year: +110bps. 30-year: +140bps.

## COMMODITIES

- **Crude** benchmarks have traded choppy throughout the European session but are set to end with gains around 1.3% as traders price in the likelihood (or unlikelihood) of Venezuelan oil entering the market in the short-term. **WTI** and **Brent** dipped c. USD 1.00/bbl at the open of the APAC session, reversed immediately, before gradually trending lower to a session low of USD 56.32/bbl and USD 59.76/bbl, respectively. Despite a lack of newsflow, benchmarks pared back earlier losses quite aggressively and are currently trading near session highs of USD 58.20/bbl and USD 61.40/bbl.
- **Spot XAU**, along with the broader metals space, has started 2026 on the front foot as demand for safe havens rise amid increased geopolitical tensions and continued worries over the US fiscal debt. The yellow metal opened at USD 4357/oz and steadily bid higher to a high of USD 4420/oz as the European morning got underway. **XAU** continued higher as the European session got underway to a session high of USD 4440/oz before pulling back to a low of USD 4396/oz as the US session got underway. Following the weaker-than-expected manufacturing PMI, a weaker dollar lifted spot XAU to a new session high of USD 4445/oz and remains near highs.
- **3M LME Copper** has continued its 2025 gains and hit a new ATH of USD 13k/t as gains in the semiconductor industry help support the red metal. Despite hawkish comments by Fed's Kashkari, slightly strengthening the dollar, the red metal extended higher to its ATH and is set to end the European session around USD 13k/t.
- **Brazil's natural gas production 182.57mln bcm/day in November, +15.7% Y/Y, via ANP; Brazil's oil output 3.77mln bpd, +14% Y/Y.**
- **Around 12 loaded oil tankers have reportedly departed from Venezuelan waters in dark mode, TankerTrackers reported.**

## EUROPEAN DATA

- **UK Mortgage Lending (Nov) 4.49B GB vs. Exp. 4.5B GB (Prev. 4.273B GB, Rev. 4.156B GB).**
- **UK M4 Money Supply (Nov) 0.8% (Prev. -0.2%).**
- **UK Mortgage Approvals (Nov) 64.53k vs. Exp. 64.4k (Prev. 65.018k, Rev. 65.01k).**
- **UK BOE Consumer Credit (Nov) 2.077B GB vs. Exp. 1.1B GB (Prev. 1.119B GB, Rev. 1.713B GB).**
- **Swiss Manufacturing PMI (Dec) 45.8 (Prev. 49.7).**
- **Swiss Retail Sales YY (Nov) 2.3% (Prev. 2.7%, Rev. 2.2%).**
- **Hungarian Manufacturing PMI SA (Dec) 53.7 (Prev. 53.4, Rev. 53.6).**

## TRADE/TARIFFS

- **US President Trump posted that the US will soon be receiving over USD 600bln in tariffs, and that tariffs have strengthened the US economy and national security.**
- **South Korean Presidential Adviser said China reaffirmed its cooperation in the stable supply of key minerals to South Korea.**
- **Italy intends to support Mercosur, via Bloomberg TV, paving the way for a deal.** EU Ambassadors are reportedly scheduled to vote on the agreement on January 9th, before an EU vote on the 12th.
- **European spokesperson said there has been progress on the Mercosur deal during the last two weeks; on track to have a deal signed "soon".**

## CENTRAL BANKS

- **Fed's Kashkari (2026 Voter) said the job market is clearly cooling and inflation is still too high, via CNBC TV.** Neutral Rate: "My guess is that we are close to neutral at the moment". Jobs: "There is a risk that the unemployment rate can pop from here. Wage growth is slowly trending down. My expectation is low hiring and low firing. Inflation: "Has a lot of confidence that housing services inflation is coming down. Lower-to-middle income anxiety is regarding inflation. Economy: "Expect the economy to remain resilient. A K-shaped economy still seems to ring true in his district. Thinks American households are in a better position vs 20 years ago. Not seeing the effect of Venezuela, risk mostly through oil prices. Trade: "On the tariff front, are approaching a kind of equilibrium. Notes of create new uncertainty, if the Supreme Court rules against the administration of tariffs. Fed Independence: "Not concerned about the risk of Fed Bank Presidents being fired. Does not agree with US Treasury Secretary Bessent, that Bank Presidents do not represent their districts well. AI: "AI is a big company story, from what he hears, adding that it is not a big issues for smaller companies. Very mild hawkish reaction seen in the USD and USTs; DXY rose from 98.72 to a session high of 98.80 within 20 minutes whilst USTs fell by a handful of ticks.
- **Israeli Interest Rate Decision (Jan) 4.0% vs. Exp. 4.25% (Prev. 4.25%).**
- **Swiss Sight Deposits (w/e Jan 2). Domestic Banks CHF 426.4bln (prev. 439.39bln), Total CHF 452.4bln (prev. 458.298bln).**

## GEOPOLITICS

### RUSSIA-UKRAINE

- **Russian attack on Ukraine's Dnipro hits enterprise owned by US Agri producer Bunge (BG), City mayor reported.**
- **European spokesperson said there is progress in work on security guarantees for Ukraine among the "Coalition of the Willing".**

### MIDDLE EAST

- **The Israeli army is currently working to build its capabilities to confront each of the four fronts - Iran, Yemen, Lebanon and Gaza, according to Sky News Arabia, citing Israeli press Maariv.**
- **"Iran's Judiciary on Protests: We Will Show No Mercy", according to Al Arabiya.**

## OTHERS

- Hungarian PM Orban said he sees the future of Hungary in the EU and under the protection of NATO.
- Turkish President Erdogan said the return to the F-35 program is key to NATO security, according to Bloomberg.

## NOTABLE NORTH AMERICAN NEWS

### NORTH AMERICAN DATA

- US ISM Manuf New Orders Idx (Dec) 47.7 (Prev. 47.4)
- US ISM Manuf Employment Idx (Dec) 44.9 (Prev. 44.0)
- US ISM Mfg Prices Paid (Dec) 58.5 vs. Exp. 57.0 (Prev. 58.5)
- US ISM Manufacturing PMI (Dec) 47.9 vs. Exp. 48.4 (Prev. 48.2)

### NOTABLE US EQUITY HEADLINES

- Qualcomm (QCOM) expands decade-long collaboration with Google (GOOGL) for automotive innovation and AI-powered Mobility.
- NVIDIA's (NVDA) Omniverse software for Robotics shows slow returns despite big ambitions, it shuttered the Omniverse cloud service due to nearly non-existent demand, via The Information.
- Mobileye (MBLY) announced it has secured a major US automaker as a customer for its next-generation chip, lifting production outlook, with its self-driving technology rolled out as standard equipment in millions of vehicles.
- Tesla (TSLA) sold 97.17k China-made vehicles in December, +3.6% Y/Y, CPCA.

### NOTABLE GLOBAL EQUITY HEADLINES

- Samsung Electronics (005930 KS) and SK Hynix (000660 KS) are refusing to negotiate long-term agreements, are sticking to quarterly contracts, via Hankyung, citing sources. Offered major DRAM customers a 60-70% Q/Q increase in supply prices for Q1. Similar increases are being offered to PC and smartphone DRAM customers. Amid expectations for DRAM prices to increase quarterly until 2027. High price increase is merited by higher-than-expected demand for 5th Gen high-bandwidth memory. Big tech buyers, e.g. Amazon (AMZN) and Microsoft (MSFT), have reportedly sent staff to Korea to negotiate with Samsung Electronics and SK Hynix to secure long term agreements.
- CES Key Speaker Schedule: Monday 5th: NVIDIA (NVDA) CEO Huang at 16:00EST/21:00GMT Tuesday 6th: AMD (AMD) CEO Su at 21:30EST (5th)/02:30GMT (6th). Lenovo (0992 HK) CEO Yang at 18:00EST/23:00GMT. Wednesday 7th: Caterpillar (CAT) CEO Creed at 12:00EST/17:00GMT. Roku (ROKU) CEO Wood at 14:30EST/19:30GMT.

### NOTABLE APAC EQUITY HEADLINES

- Foxconn (2354 TT) December Revenue TWD 862.9bln, +31.8% Y/Y (prev. +25.5% Y/Y). Q4'25 revenue exceeded out expectation of significant growth, causing a high base for Q1'26. With the continued ramp-up in AI rack shipments, the seasonality of this Q1 is expected to be near the upper end of the past 5-year range.

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