

European Market Wrap - 6th January 2026

- European bourses were firmer, picking up modest momentum after a mixed and choppy open.
- EUR tilted lower following revisions lower in Final PMIs and sub-forecast German CPI.
- China is reportedly considering tightening rare earth exports to Japan.

EQUITIES

- European bourses were firmer, picking up some momentum from the mixed/choppy trade. **The FTSE 100** remained the key outperformer out of most European bourses lifted by gains in large-cap names such as **Next**, **GSK** and **AstraZeneca**.
- European equity sectors were mixed but tilted modestly positive. **Health Care**, **Utilities**, and **Optimised Personal Care & Drugs** led gains. Health Care was supported by **GSK (+2.7%)** after its Exdensus drug was approved in Japan. Optimised Personal Care outperformed on strength in UK retailers, with **Tesco (+3.0%)** and **Sainsbury (+2.8%)** rising after data showed UK grocery sales increased 3.8% in the four weeks to 28 December. At the other end, **Consumer Products & Services**, **Chemicals**, and **Food, Beverage & Tobacco** underperformed.
- US equities have opened mixed. Upside in the **S&P 500** and **Nasdaq**, whilst the **Russell 2000** is lower. Earlier on, the market digested comments from **Fed's Miran**, saying that he expects data to support more rate cuts and the Fed should cut more than 100bps.
- Movers in the US include **Vistra Corp**, after it agreed to buy Cogentrix Energy's 10 gas-fired power plants from Quantum Capital Group for c. USD 4.7bln. **Microchip Technology** has also made some gains after the Co. lifted its Q3 revenue. On the downside, **Lenner Corp** has seen pressure in its shares following a broker downgrade at UBS.

FX

- **USD** - Steady in a tight 98.161–98.425 band, recovering from earlier lows on EUR softness, though overall FX trade remains muted compared with moves in equities, fixed income and commodities. The US calendar was light, with little notable moves on Fed's Miran and Barkin alongside the S&P Final PMIs. Focus ahead of President Trump's speech later.
- **EUR** - Softer, with downside beginning after French PMI revisions and extending as German Composite and Eurozone PMIs were revised lower. Softer German state CPIs (ahead of the nationwide release) added further pressure. EUR/USD sits near the bottom of a 1.1697–1.1743 range.
- **GBP** - Flat/subdued, trading toward the lower end of a 1.3506–1.3568 band, with only a mild reaction to slight upward revisions in UK Services and Composite PMIs. EUR/GBP looks to end the session slightly firmer in a 0.8644–0.8663 band.
- **JPY** - Flat, holding within 156.17–156.80 (21 DMA at 156.12) and largely moving in line with the broader USD tone, with no domestic catalysts driving direction.
- **Antipodeans** - Quiet overall, though AUD retained support from the recent strength in copper and gold, while broader USD firmness limits upside for both AUD and NZD.

FIXED INCOME

- **Bonds began the day on the backfoot**, as **USTs** and **Bunds** eased overnight with further pressure emanating from weak demand at the Japanese 10yr tap. An auction that sent JGBs lower from 132.23 to a 131.93 session trough, trimming initial gains of around 15 ticks to losses of 16 at worst.
- **EGBs** experienced no move to the French Prelim. HICP while the German State figures sparked upside and lifted Bunds to a 127.67 high at the time, as the metrics placed a cooler-skew on the mainland figures.
- Figures that came in cooler than expected across the board, but didn't spark a particularly strong reaction in EGBs. Bunds set to end the European day towards the top end of a 127.13–78 band, firmer by just over 30 ticks.
- **Gilts** opened lower by 12 ticks, acknowledging the discussed overnight pressure. Thereafter, the benchmark fell to a 90.71 base before lifting alongside EGBs, as above. At most, Gilts to gains of 30 ticks at a 91.32 high with UK specific newsflow once again relatively light.
- **USTs** directionally in-fitting with the above throughout the day but failed to make it into the green, peaking at 112-13+ and essentially flat on the day. Final PMIs and remarks from Fed's Miran (typically dovish) or Barkin (focused on the jobs market and USTs). Imminently awaiting remarks from POTUS.
- **JPM Treasury Client Survey (w/e Jan. 5th): All-client survey shows the fewest net and outright longs since October 2024.** All Clients (Jan 5th vs. Dec. 15th). Long: 19 (vs. 30). Neutral: 66 (vs. 61). Short: 15 (vs. 9). Net longs: 4 (vs. 21). Active Clients. Long: 33 (vs. 44). Neutral: 45 (vs. 56). Short: 22 (vs. 0). Net longs: 11 (vs. 44).
- **Belgium to sell a EUR-denominated 10yr bond via syndication.**
- **Israel is to sell a multi-tranche Eurobond**, Bloomberg reported citing sources; aiming to borrow several billion USDs across 5, 10 & 30yr maturities.
- **Germany sold EUR 4.4547bln vs exp. EUR 6bln 2.00% 2027 Schatz: b/c 1.93x (prev. 1.7x), average yield 2.11% (prev. 2.05%), retention 24.22% (prev. 20.82%).**

COMMODITIES

- **Crude benchmarks** began the session on the backfoot, giving back some of the upside seen in the prior session. However, **WTI** and **Brent** gradually climbed off worst levels throughout the European session and are now set to end the European session just off the upper end of their respective USD 57.84-58.87/bbl and USD 61.16-62.33/bbl range. Some of the upside in the afternoon appeared to coincide with a flurry of geopolitical updates related to Iranian protests. Traders are reminded of President Trump's recent hostile warning to Iran's regime if it fires on protestors, suggesting the US is "locked, loaded and ready to go".
- **Spot gold** traded with a slight upward bias in today's session and looks to end the European session at the top end of a USD 4,427.63-4,482.79/oz range (the high is currently a moving target); still resides short of its ATH at USD 4,548.35/oz. Fresh catalysts were lacking for the yellow metal this session, but upside appears to be a continuation of the US-Venezuela haven strength seen in the prior session. In early morning trade, spot gold formed its session peak after China slammed Japan with export controls – a decision which also weighed on the risk tone (US equity futures dipped off best levels at the time).
- **Base metals** continued to trade in the green, building on the strength seen in the last session. In overnight trade, **3M LME Copper** printed an ATH at USD 13.39k/t, but scaled back off those levels in European trade. The red metal then found its European (and session) trough just above the USD 13k/t mark, before heading back towards the midpoint of the day's range.
- **European Commission President von der Leyen** is proposing early access to agricultural funds in the 2028 EU budget to assist farmers, according to a letter.
- **Venezuela's main oil terminals have not delivered crude for export, other than to US Chevron (CVX) in five days, according to shipping data.**
- **Morgan Stanley forecasts gold would hit USD 4,000/oz by Q4 '26, citing falling interest rates, a change in Fed leadership, and buying by central banks and funds.**
- **Morgan Stanley** expects another period of softness for crude ahead, Brent to fall into the mid-high USD 50/bbl region for the majority of 2026. Expect the market to be in a "significant" surplus before then returning to balance in H2-2027.
- **China skips retail gasoline and diesel price adjustment.**

EUROPEAN DATA

- German HICP Prelim YY (Dec) 2.0% vs. Exp. 2.2% (Prev. 2.6%); MM (Dec) 0.2% vs. Exp. 0.4% (Prev. -0.5%).
- German Inflation Rate MM Prel (Dec) 0.00% vs. Exp. 0.2% (Prev. -0.2%).
- German Inflation Rate YoY Prel (Dec) 1.8% Y/Y vs. Exp. 2% (Prev. 2.3%); Core 2.4% (prev. 2.7%).
- German HCOB Composite Final PMI (Dec) 51.3 vs. Exp. 51.5 (Prev. 51.5).
- German HCOB Services PMI (Dec) 52.7 vs. Exp. 52.6 (Prev. 52.6).
- UK S&P Global Composite PMI Final (Dec) 51.4 vs. Exp. 51.2 (Prev. 51.2).
- UK S&P Global Services PMI Final (Dec) 51.4 vs. Exp. 51.3 (Prev. 51.3).
- EU HCOB Services PMI Final (Dec) 52.4 vs. Exp. 52.6 (Prev. 53.6).
- EU HCOB Composite PMI Final (Dec) 51.5 vs. Exp. 51.9 (Prev. 52.8).
- French HCOB Composite PMI (Dec) 50.0 vs. Exp. 50.1 (Prev. 50.1).
- French HCOB Services PMI (Dec) 50.1 vs. Exp. 50.2 (Prev. 50.2).
- French CPI (EU Norm) Prelim YY (Dec) 0.70% vs. Exp. 0.80% (Prev. -0.80%); MM (Dec) 0.10% vs. Exp. 0.10% (Prev. -0.20%).
- Italian HCOB Services PMI (Dec) 51.5 vs. Exp. 54.2 (Prev. 55.0).
- Italian HCOB Composite PMI (Dec) 50.3 (Prev. 53.8).
- Spanish Services PMI (Dec) 57.1 vs. Exp. 54.5 (Prev. 55.6).
- Spanish Composite PMI (Dec) 55.6 vs. Exp. 54.3 (Prev. 55.1).

NOTABLE HEADLINES

- **TPG (TPG)** nears GBP 1.2-1.4bn deal for UnitedHealth (UNH) unit Optum UK, Sky News reported.
- **UK PM's spokesperson** said talking to hospitality sector about more support.

TRADE/TARIFFS

- **China is reportedly considering tightening rare earth exports to Japan, China Daily reported. A measure being considered in response to Japanese PM Takaichi's remarks regarding Taiwan.** The article adds: "According to Nomura Research Institute, heavy rare earths such as dysprosium and terbium, used in neodymium magnets for electric vehicle motors, are almost 100 percent sourced from China. Any restrictions on these supplies would pose significant challenges to the Japanese economy as noted by the institute."
- **G7 Finance Ministers to meet on January 12th regarding rare earths, according to sources; to discuss price floors, among other points.**
- **China's Premier speaking to the Irish PM, said, China is willing to expand the cooperation with Ireland in aircraft leasing, healthcare and AI.**
- **China Commerce Ministry imposes export controls on dual-use items to Japan, effective immediately.**

CENTRAL BANKS

- **Fed's Barkin (2027 voter) said he is paying close attention to layoffs for evidence of change in the current low-hiring, low-firing job market.** Challenge of the next 10 years is likelihood the US will have more jobs than available workers.
- **Fed's Barkin (2027 voter) said tax changes, deregulation, and impact of rate cuts should all add stimulus to the economy this year; Current policy rate is within range of neutral.** Expect last year's uncertainty to diminish in 2026, building confidence among consumers and businesses. Last year showed the economy's resilience, but demand and job growth are narrowly

focused on certain industries, and sentiment has dipped. Inflation has come down but remains above target, unemployment remains low but do not want the job market to deteriorate much further. Both sides of the Fed's dual mandate "bear watching". Upcoming rate decisions will need to be "finely tuned" given risks to both unemployment and inflation goals.

- **Fed's Miran (dove) expects data to support more rate cuts and Fed should cut more than 100bps this year - Fox Business TV interview.** Inflation: Inflation over Fed's target is due to statistical quirks. Underlying inflation is near the Fed's target. Fed Chair: Have not spoken with Trump about becoming Fed Chair. All names on short list for Fed Chair are credible. Economy: Fed policy is restrictive and holding economy back. Fiscal policy will support growth this year. 'Really excited' about limited master accounts. Optimistic about economic growth.
- **ECB's Villeroy said recent French CPI reading is good news for favourable rates.**
- **PBoC held a meeting on Jan 5-6; continue moderating easing, integrate incremental and stock policy effects; will intensify counter cyclical and cross-cyclical adjustments.** Will make efforts to expand domestic demands. Will prudently defuse risks in key areas. Will keep liquidity ample. Will flexibly use RRR cut and rate cut. Will keep Yuan exchange rate basically stable at a reasonable and balanced level. Vows to strengthen market expectation guidance. Will enhance supervision on bond market and gold market. Will boost market confidence.

GEOPOLITICS

RUSSIA-UKRAINE

- **"Explosions are heard in Zaporizhia [Ukraine]", according to CGTN citing reported.**
- **Coalition of the willing draft text regarding Ukraine** said allies stand ready to commit to a system of politically and legally binding guarantees that will be active once a ceasefire occurs. The agreement will incl. binding commitments to support Ukraine in the case of a future attack by Russia.

MIDDLE EAST

- **Iranian Supreme Leader Khamenei, in response to Israel's statement, said "the enemy is a liar, we don't believe them", via Kan.**
- **"Israel and Syria agreed to increase the pace of negotiations, meet more frequently, and take confidence-building measures between the two countries", according to Axios' Ravid.** "The two countries expressed a desire to reach a security agreement under Trump's vision for the Middle East,".
- **Israel is to sell a multi-tranche Eurobond, Bloomberg reported citing sources; aiming to borrow several billion USDs across 5, 10 & 30yr maturities.**
- **"Syria: Israeli forces infiltrated the southern countryside of Quneitra", according to Al Arabiya.**

OTHERS

- **Russia welcomes the Venezuelan authorities effort in protecting its sovereignty and national interests, via TASS.** Ready to support Venezuela and wishes success to VP Rodriguez.
- **Premier of Greenland** said "Our country is not something that can be annexed or taken over simply because someone wishes to do so".
- **India-Nepal border sealed after tensions in Nepal, according to Frontalfoce.**
- **US President Trump's envoy to Greenland** said I do not think Trump is ready to seize Greenland; Trump backs independent Greenland.

NOTABLE NORTH AMERICAN NEWS

- **US Senate briefing on Wednesday at 10:00ET on Venezuela, CNN reported; briefers include Secretary of State Rubio, War Secretary Hegseth, and AG Bondi.**
- **US President Trumps** posted on Truth "California, under Governor Gavin Newscom, is more corrupt than Minnesota, if that's possible??? The Fraud Investigation of California has begun. Thank you for your attention to this matter!". Full Post: "California, under Governor Gavin Newscom, is more corrupt than Minnesota, if that's possible??? The Fraud Investigation of California has begun. Thank you for your attention to this matter! President DONALD J. TRUMP".
- **US President Trump said the US markets just hit another all time high - all of them. Thank you mister tariff, via Truth Social.** Full post: The USA markets just hit another ALL TIME HIGH - ALL OF THEM!!! THANK YOU YOU MISTER TARIFF!!! PRAY THAT THE UNITED STATES SUPREME COURT ALLOWS OUR COUNTRY TO CONTINUE ITS UNPRECEDENTED MARCH TOWARD UNPARALLELED GREATNESS! BOTH OUR NATIONAL AND FINANCIAL SECURITY HAVE NEVER BEEN STRONGER!
- **China's Sinograin bought 10 US soy cargoes this week for shipment between March and May, according to reported citing traders.**

NOTABLE US EQUITY HEADLINES

- **Meta (META)** introduces new messaging feature for Meta Ray-ban glasses and Meta neutral band owners on WhatsApp & Messenger.

NOTABLE GLOBAL EQUITY HEADLINES

- **Citi's equity markets positioning model noted that US equity positioning drifted lower, but remains near neutral for the S&P and Nasdaq, whereas bearish flows are accelerating for Russell 2000.** In contrast, Citi said that European equities experienced an uplift in bullish flows, with FTSE 100 and European Banks max long and profit levels rising. In Asia, Citi said

that KOSPI continues to see an uptick in bullish positioning driven by further new risk flows. Nikkei and China A50 positioning is marginally bullish, whereas ASX remains bearish.

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