European Market Wrap - 8th January 2026

- **European equities were mostly lower with the subdued sentiment reverberating globally.**
- **DXY managed to catch a mild bid following US data in the afternoon.**
- **China is to reportedly approve some NVIDIA (NVDA) H200 purchases as soon as this quarter.**

EQUITIES

- **European equities were mostly lower**. Sentiment remained lower across all sectors and industries; however, the defence sector was the anomaly today, with sentiment underpinned following Trump's announcement that he wants the military budget to be raised to USD 1.5tln from USD 1.1tln. Upside can be seen from key European defence companies like **Rheinmetall**, **Leonardo** and **BAE Systems**.
- **European sectors were mostly in the red**. Leading sectors were **Banks** due to gains in **BNP Paribas** after the Co. said that the judge's decision to certify the verdict in Sudan clears the path for the bank to pursue an appeal. Other leading sectors include **Insurance** and **Telecommunication**. On the downside, **Retail**, **Autos**, **Basic Resources** lagged. The latter was weighed down by fallen metal prices.
- **US equities have opened** mostly lower, with the Russell 2000 the sole outperformer among the major US indices. Earlier there were comments from **Fed's Miran** who confirmed he is the most dovish on the dot plot and sees 150 bps cuts this year. Elsewhere markets also saw data from **US initial Jobless claims** was mostly in line with expectations, though a tad softer.
- Movers in the US include key defence/military companies like **RTX Corp**, **Lockheed Martin** and **Northrop Grumman Corp** after Trump said the military budget should be raised to USD 1.5tln from USD 1.1tln. **Constellation Brands** is also firmer after the Co. delivered earnings beat. Mega tech giant **Google** has also benefited from a broker upgrade at Cantor Fitzgerald. On the downside, **Jefferies** has seen a slide in shares after Investors take focus on loss linked to First Brands exposure despite earnings beat. Broker downgrades for **Alcoa Corp** and Nike has seen both Co.'s shares slip.

FX

- **DXY was flat/incrementally firmer throughout much of the morning**, but then managed to catch a bid following the data in the afternoon. A couple of jobs reports, which included **Weekly Jobless Claims (missed exp.), whilst the RevelioLabs Payrolls report jumped to 71k (prev. -9k).** Overall, the jobs data this week has been fairly constructive with Challenger Layoffs missing expectations; the ADP report on Wednesday also painted a similar picture. Following the claims report, OxEco suggested that "we see no signs that labor market conditions are worsening"... and expect "**a solid increase in payroll employment and expect the unemployment rate to tick lower**". **DXY** looks to close the European session at the upper end of a 98.37-98.92 range to currently hold around its 200 DMA (98.87); further upside could see a breach above 99.00 and then its 50 DMA at 99.08.
- **G10s were broadly flat/mildly lower vs the USD throughout the session**, but then ultimately succumbed to the **USD** strength. **Antipodeans** underperformed, dragged by pressure across the metals complex and alongside the subdued risk tone. **EUR** was initially resilient this morning, but now mildly lower; earlier, a strong German Factory Orders print had little impact on price action.
- **Both Sweden and Switzerland published inflation figures earlier**. A cooler than expected report for the former, but unlikely to have a material impact on the Riksbank, where rates are expected to remain steady for the year. Nonetheless, some pressure was seen in the SEK at the time. As for Swiss inflation, more-or-less in line metrics – keeping inflation well within the SNB's target range; **EUR/CHF** was little moved.

FIXED INCOME

- **A contained start for fixed income before a short-lived NVIDIA-inspired lift to the risk tone weighed**. However, despite the risk move proving to be fleeting, fixed continued to fall throughout the European day and into the US afternoon.
- **USTs** got as high as 112-21 early doors, firmer by three ticks. Thereafter, the complex waned on NVIDIA reports and fell modestly into the red. No move to an early release of **Challenger Job losses** at 35.5k (prev. 71.3k).
- More recently, **weekly claims** came in at 208k (exp. 210k) and continuing at 1.91mln (exp. 1.9mln); Oxford Economics surmises the release as being noisy, but not showing any signs of a deteriorating labour market and as such the desk maintains its employment and Fed calls.
- At the same time, **Revelio's** payrolls came in at 71k (prev. -9k) for December. Overall, the day's US labour market data has beer strong and seemingly added to the bearish bias for fixed, with USTs at a 112-07+ low with downside of 11 ticks at most.
- Directionally, **Bunds** and **Gilts** in-fitting with the above. Set to see the European day out at lows of 127.72 and 91.86, lower by 34 and 14 ticks respectively. US data has dominated today, and while we did get a handful of European prints and auctions from **Spain** and **France**, there was nothing to fundamentally change the narrative for EGBs/Gilts.
- Attention for fixed now turns to **Friday's Payrolls release, the potential SCOTUS update re. tariffs and any announcement from POTUS re. the Fed Chair nominee.** Into these events, markets imply around a 10% chance of a cut at the January Fed meeting, and look for a target rate of 3.00-3.25% (currently 3.50-3.75%) by end-2026.
- **Books for Italy's new 2033 BTP close in excess of EUR 150bln, size set at EUR 15bln.** 2046 Green BTP saw demand over EUR 110bln.

- **France sold EUR 13.5bln vs exp. EUR 11.5-13.5bln 3.50% 2035, 0.50% 2040, 3.60% 2042 & 3.75% 2056 OAT.**
- **Spain** sold EUR 6.28bln vs exp. EUR 5.5-6.5bln 2.70% 2030, 3.00% 2033, 3.45% 2043 Bono & EUR 0.726bln vs exp. EUR 0.25-0.75bln 1.15% 2036 I/L Bono.

COMMODITIES

- **Crude** - WTI and Brent futures rebounded after two straight sessions of losses as markets absorbed continued US moves to exert control over Venezuelan oil, with Washington marketing up to ~50 mln barrels of Venezuelan crude and planning engagement with major US producers on investment in Venezuela's oil sector. WTI Feb traded in between USD 55.97–57.18/bbl and Brent Mar between USD 59.96–61.28/bbl - both extending highs throughout the session. The macro backdrop also features mixed signals from geopolitical tensions and oversupply concerns. Post-data stronger USD did little to deviate price action.
- **Natural Gas** – Faltered after initially trading firmer. Earlier support was seen with participants citing a cold snap in parts of Europe.
- **Precious Metals** – Stabilised after pulling back from recent rallies during most of the European morning. Spot gold hovered near the lower end of its intraday range while maintaining a long-term uptrend, backed by forecasts of elevated prices into 2026 amid fiscal and risk uncertainties. Silver extended deeper intraday losses but likewise retained structural support.
- **Base Metals** - Pressured by a modestly firmer dollar and softer risk tone, with 3M LME copper dipping back below USD 13 k/t before finding support nearer 12,500/t. Traders eyed potential macro catalysts, including a major SCOTUS decision that could impact tariffs and broader industrial demand.
- **Reliance** is reportedly to consider the purchase of Venezuelan oil.
- **Qatar OSPs (February): Marine -0.40/bbl, Land +0.60/bbl vs Oman/Dubai.** Marine crude (USD): -0.40/bbl vs Oman/Dubai. Land crude (USD): +0.60/bbl vs Oman/Dubai.
- **Goldman Sachs upgrades H1 2026 copper price forecast to USD 12,750/tonne from previous estimate of USD 11,525/tonne.** Reiterates its Q4 2026 copper price forecast at USD 12,000/t. Does not expect copper price above USD 13,000/t to be sustained, expects price correction in Q2. Lowers forecast for US copper stockpiling in 2026 to 600k tonnes (prev. 750k).
- **Vitol and Trafigura in talks with US administration on marketing Venezuelan oil, according to Bloomberg citing sources.** **
- **HSBC forecasts gold to hit USD 5000/oz in H1'26 due to geopolitical risk and increasing fiscal debt; High volatility trading level likely.**
- **ICE** plans 22-hour trade for European and UK gas and power by February 23rd.

EUROPEAN DATA

- **EU Unemployment Rate (Nov) 6.3% vs. Exp. 6.4% (Prev. 6.4%).**
- **EU** Services Sentiment (Dec) 5.6 vs. Exp. 5.9 (Prev. 5.8, Rev. 5.7).
- **EU** Consumer Confidence Final (Dec) -13.1 vs. Exp. -14.6 (Prev. -14.2).
- **EU** Selling Price Expectations (Dec) 10.9 vs. Exp. 10.4 (Prev. 9.9).
- **EU** Consumer Inflation Expectations (Dec) 26.7 vs. Exp. 23.6 (Prev. 24.3, Rev. 23.1).
- **EU** Economic Sentiment (Dec) 96.7 vs. Exp. 97 (Prev. 97.1, Rev. 97).
- **EU** Industrial Sentiment (Dec) -9.0 vs. Exp. -9.1 (Prev. -9.3).
- **EU PPI MoM (Nov) M/M 0.5% vs. Exp. 0.2% (Prev. 0.1%).**
- **EU PPI YoY (Nov) Y/Y -1.7% vs. Exp. -1.9% (Prev. -0.5%).**
- **EU** ECB Consumer Inflation Expectations (Nov) 2.8% vs. Exp. 2.7% (Prev. 2.8%).
- **German** Factory Orders MoM (Nov) M/M 5.6% vs. Exp. -1% (Prev. 1.5%).
- **Spanish** 7-Year Obligacion Auction 2.938% (Prev. 2.885%).
- **Spanish** 5-Year Bonos Auction 2.512% (Prev. 2.471%).
- **Italian** Unemployment Rate (Nov) 5.7% vs. Exp. 6% (Prev. 5.8%, Rev. 6%).
- **French** Imports (Nov) 56.4B vs. Exp. 55.9B (Prev. 55.3B, Rev. 55.7B).
- **French** Foreign Exchange Reserves (Dec) 362.743B vs. Exp. 361.0B (Prev. 359.393B).
- **French** Current Account (Nov) -0.80B vs. Exp. 1.4B (Prev. 1.40B, Rev. 1.1B).
- **French** Exports (Nov) 52.2B vs. Exp. 52.5B (Prev. 51.8B, Rev. 51.7B).
- **French** Balance of Trade (Nov) -4.2B vs. Exp. -4.2B (Prev. -3.5B, Rev. -3.9B).
- **UK** BBA Mortgage Rate (Dec) 6.77% vs. Exp. 6.6% (Prev. 6.81%).
- **UK** Halifax House Price Index MoM (Dec) M/M -0.6% vs. Exp. 0.2% (Prev. -0.1%, Rev. 0%).
- **UK** Halifax House Price Index YoY (Dec) Y/Y 0.3% vs. Exp. 1.1% (Prev. 0.6%, Rev. 0.7%).
- **Swedish** CPIF MoM Prel (Dec) M/M 0.1% vs. Exp. 0.1% (Prev. -0.2%).
- **Swedish** Inflation Rate MoM Prel (Dec) M/M 0% vs. Exp. 0.2% (Prev. -0.4%).
- **Swedish CPIF YoY Prel (Dec) Y/Y 2.1% vs. Exp. 2.5% (Prev. 2.3%).**
- **Swedish** Inflation Rate YoY Prel (Dec) Y/Y 0.3% vs. Exp. 0.5% (Prev. 0.3%).

TRADE/TARIFFS

- **China has initiated restrictions on the exports of rare earths and magnets to Japan, WSJ reported citing sources.** Source adds that the review of the application for export licenses to Japan has been paused. The restrictions extend across Japanese industry, not just defense.
- **Germany and India** are reportedly nearing a USD 8bln agreement regarding submarines.
- **India's Foreign Ministry reportedly intends to remove restrictions on Chinese firms bidding for government contracts, according to sources.**

- **China is to reportedly approve some NVIDIA (NVDA) H200 purchases as soon as this quarter, according to sources cited by Bloomberg; China to bar H200 from state bodies and critical infrastructure; Beijing is said to allow commercial use of H200 AI chip.** Alibaba (BABA) and Bytedance have both reportedly informed NVIDIA that they are interested in ordering in excess of 200k units each of the H200, according to sources.

CENTRAL BANKS

- **US Treasury Secretary Bessent urges more Fed rate** cuts, according to CNBC citing a draft speech. Treasury Secretary Scott Bessent pressed the administration’s desire for lower interest rates, saying they are the key to future economic growth. “Cutting interest rates will have a tangible impact on the lives of every Minnesotan,” he said, according to excerpts from a speech he will deliver later Thursday obtained by CNBC. "In 2025, the President laid the foundation for robust economic growth with: the historic passage of the One Big Beautiful Bill, trade deals that rewrote decades of global misalignment; and an ambitious deregulation agenda that empowered American entrepreneurs and businesses," Bessent said. "Now, in 2026, we will reap the rewards of President Trump's America First agenda.".
- **Fed Governor Miran (Dove) confirms he is the most dovish dot plot, sees 150bps of cuts this year; reiterates excess inflation above target is due to statistical quirks.** When you strip out the noise, inflation is operating at about 2.3%. Marked down growth forecasts in future as he thinks policy has been too tight for the last year. Reiterates his view that goods inflation is not being driven by tariffs. Unemployment is somewhat above he views natural rate. If unemployment drops (was asked about to 4.5% or 4.4%) he would adjust his rate forecast. It is difficult to argue that policy is not restrictive at the moment. Materially above neutral in his view. Reiterates he does not know what his future is at the Fed.
- **BoJ's Nagoya region branch manager** said US trade policy is having negative impact in the region, but is not dealing a severe blow to region's economy. Some firms in the region see China's export curb as potentially having an impact on their businesses.
- **Croatia Justice Minister announces ECB's Vujcic as ECB Vice President nominee.**
- **ECB Consumer Expectations Survey (Nov 2025 vs Oct 2025): median consumer perceptions of inflation over the previous 12 months remained unchanged, as did median inflation expectations for the next 12 months, for three years ahead and for five years ahead.** 1-year: 2.8% (prev. 2.8%). 3-year: 2.5% (prev. 2.5%). 5-year: 2.2% (prev. 2.2%).
- **ECB's de Guindos said the ECB is at inflation target, but uncertainty remains very high.**
- **BoE DMP (Dec): 1yr ahead CPI expectations maintained at 3.4%; 3yr ahead maintained at 2.9%.** Wage Growth1yr ahead: 3.7% (prev. 3.8%).
- **SNB Minutes: Governing Board confirmed that it remains willing to be active in the foreign exchange market as necessary; Board will continue to monitor the situation closely and adjust monetary policy if necessary.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia-bound oil tanker Elbus** was attacked by a drone in the Black Sea, requested help from Turkish coast guard, according to Lloyd's list intelligence and a maritime security source.
- **Ukraine President Zelensky** said Ukraine is ready for finalization with US President Trump, Ukraine understands US will speak with Russia and is awaiting feedback whether Moscow is ready to end the war.
- **Russia** rejects the US-European security proposals for Ukraine and condemns the Trump administration for seizing the Russian-flagged tanker, Bloomberg reported. Foreign ministry spokeswoman Maria Zakharova called the statements in Paris “militarist declarations” from an “axis of war,” rejecting them as “dangerous” and “destructive”; said Western troops in Ukraine will “be considered legitimate military targets for the Russian Armed Forces”. And in a further statement the Russian foreign ministry directly condemns the US for seizing its tanker “The landing by U.S. troops on a civilian vessel in open sea and its actual seizure, as well as the capture of the crew cannot be interpreted as anything but a massive violation of the fundamental principles and norms of international maritime law, and also freedom of navigation," the Russian Foreign Ministry said.

MIDDLE EAST

- **US Energy Secretary Wright** said balance can be had with China in Venezuela, according to a Fox Business Interview; will not allow China to have huge control over Venezuela. Trump wants peaceful relations with China going forward. There can be commerce with China. No plans to do anything in Iran. ConocoPhillips (COP), Exxon (XOM) and others look to have a constructive role in Venezuela.
- **Israel considers Lebanon's efforts to disarm Hezbollah 'totally insufficient', Sky News Arabia reported.**

OTHERS

- **US Ambassador to NATO Whitaker spoke to allies this week about Greenland and the Arctic.** Security of Greenland is going to be paramount.
- **German Chancellor Merz** said Russia does not want a ceasefire currently so we must increase the price of war in Ukraine.
- **Ukraine President Zelensky** said Ukraine is ready for finalization with US President Trump, Ukraine understands US will speak with Russia and is awaiting feedback whether Moscow is ready to end the war.
- **US President Trump said the US would be extracting Venezuelan oil for years; "the oil will take a while in Venezuela"; said US oversight of Venezuela could last for years.**

NOTABLE NORTH AMERICAN NEWS

- **US 2025 holiday sales USD 294bln, +4% Y/Y, Salesforce (CRM) reported. Influenced by AI and agents.**

- **US bipartisan Senate group believes it** is on the verge of a deal, regarding health care and a Obamacare subsidies extension, Punchbowl reported; however, the Hyde language is "now viewed more acutely as an insurmountable problem.".

NORTH AMERICAN DATA

- **US Initial Jobless Claims (Jan/03) 208K vs. Exp. 210K (Prev. 200K, Rev. 199K).**
- **US** Jobless Claims 4-week Average (Jan/03) 211.75K vs. Exp. 210.75K (Prev. 219.00K, Rev. 218.75K).
- **US** Balance of Trade (Oct) -29.40B vs. Exp. -58.9B (Prev. -48.10B, Rev. -52.8B).
- **US Continuing Jobless Claims (Dec/27) 1914K vs. Exp. 1900K (Prev. 1.858K, Rev. 1866K).**
- **US** Nonfarm Productivity QoQ Prel (Q3) Q/Q 4.9% vs. Exp. 3% (Prev. 4.1%, Rev. 3.3%).
- **US** Unit Labour Costs QoQ Prel (Q3) Q/Q -1.9% vs. Exp. 1% (Prev. -2.9%, Rev. 1%).
- **US** Exports (Oct) 302B vs. Exp. 290.0B (Prev. 289.3B).
- **US** Imports (Oct) 331.4B vs. Exp. 344.0B (Prev. 342.1B).
- **US Challenger Job cuts (Dec): 35.55k (prev. 71.3k).** “The year closed with the fewest announced layoff plans all year. While December is typically slow, this coupled with higher hiring plans, is a positive sign after a year of high job cutting plans,”.
- **RevelioLabs** Total Nonfarm Payrolls (Dec.): 71k (prev. -9k).
- **BofA** Total Card Spending (w/e 03 Jan) +1.7% Y/Y (prev. +1.3% avg. in Nov); highlights that the holidays were good for holiday shopping.

NOTABLE US EQUITY HEADLINES

- **OpenAI’s (MSFT) efforts to turn ChatGPT into a go-to personal shopper** are off to a slow start, according to The Information. OpenAI is still working on standardizing and structuring merchant data. Stripe explored acquisition or acquire to boost Ai commerce efforts. Merchant, consumer adoption remains a broader question.
- **NVIDIA (NVDA)** is said to be requiring full upfront payment from Chinese customers seeking H200 chips, hedging it against ongoing uncertainty over China's approval of the shipments.

NOTABLE GLOBAL EQUITY HEADLINES

- **Mass production of HBM4 has been delayed to no earlier than end-Q1 following NVIDIA (NVDA) raising the required pin-per speed and strong demand for prev.-gen Blackwell products, TrendForce reported.** SK Hynix (000660 KS), Samsung (005930 KS) and Micron (MU) have resubmitted HBM4 samples and continue to refine their designs; vs peers, Samsung has taken an early lead by taking a 1cnm process and utilising in-house foundry technology. Points that position Samsung as the most likely supplier to qualify first. Though, SK Hynix has already secured HBM contracts and is expected to retain a dominant share in 2026.