

- European bourses opened in the green and continued to extend higher as the morning progressed; **Glencore** surged 9% on merger talks with **Rio Tinto**.
- US NFP report was mixed; headline printed beneath expectations whilst the unemployment rate ticked a touch lower; GS expect the Fed to remain on hold and still pencil in two cuts through-2026.
- USD/JPY soars on reports that Takaichi is considering calling a snap election in February.

EQUITIES

- **European equities remained mostly in the green**. The **CAC 40** (+1.2%) and the **AEX** (+2.0%) continued to outperform with the former boosted by **ASML** (+3.8%) and the latter by **BNP Paribas** (+4.1%) and **L'Oreal** (+5.8%) following broker upgrades. Main equity headline was the developing talks between **Rio Tinto** (-6.3%) and **Glencore** (+9.3%) as Rio Tinto looks to advance in its acquisition of Glencore.
- Sectors also remained mostly in the green. Leading the pack were **Tech** and **Consumer Products**, due to gains in **ASML** and **L'Oreal** respectively, as discussed. Not too far behind was **Energy**, amid upside in crude. At the bottom, Insurance, Telecommunications and Real Estate lagged.
- US equity futures have opened firmer, with upside seen across the majors, but action is somewhat modest; **ES** +0.2%, **NQ** +0.1%. One of the main equity stories in the pre-market was **Meta**, following Bloomberg reporting that the Co. has signed a multi-gigawatt nuclear deal to power AI data-centres; an update that bid nuclear names.
- The widely anticipated US labour data saw the headline figure slightly softer than expected while the **unemployment** rate was also slightly lower. However, this failed to shift futures significantly. Ahead, we may get the SCOTUS ruling on tariffs.
- Movers in the US include **Vistra Corp** after reports broke that Meta is to buy power from three VST plants in the US. **Insmed** has also gained after FY25 revenue guidance topped expectations. On the downside, **Qualcomm** is softer following broker downgrade by Mizuho, whilst **WD-40 Co.** has seen its shares slide after profit & revenue missed in Q4 reports.

FX

- **December Payrolls** sparked modest two-way trade in **EUR/USD**, which traversed a 1.1625 to 1.1660 band before returning to pre-release levels towards the middle of that range. In brief, the headline was modestly shy of consensus, unemployment rate beneath consensus and earnings in-line/hotter-than-expected.
- Amidst this, the **DXY** is set to end the day with modest gains, at the upper-end of a 98.89 to 99.16 band. However, numerous risk events remain in the near term from the SCOUTS, Trump's energy executive meeting and any potential Fed Chair update; though, the Bessent interview has seemingly pushed the expected date of this back once again.
- Overall, the release keeps the prospect of easing alive. But, the figures have seen the near-term odds of easing trim a touch, with focus on the lower-than-expected unemployment rate and mixed wage components.
- Elsewhere, **JPY** has been the standout laggard throughout the day. USDJPY has spent the session at highs and is set to see it out at the upper-end of a 156.68 to 157.97 band. The high printed after Yomiuri reported that PM Takaichi is said to be considering dissolving the Lower House.
- **Antipodeans**, the runners-up at the bottom of the board. AUD/USD at a 0.6666 trough and its Kiwi peer down to 0.5712. Specifics for the space light, with the action seemingly a function of the miss in Chinese CPI, which has offset any impetus you would have expected from base metals and/or the risk tone.

FIXED

- **USTs** were trading water into Payrolls. A release that spurred two-way trade, initially pressuring to a 111-31 base before retracing to 112-07, but somewhat shy of the earlier 112-12+ peak.
- As discussed in FX, the series sparked a modest unwinding of Fed cut bets with focus perhaps on the unemployment rate dropping and in-line/hotter wage components. However, the move was modest in nature and pricing broadly remains the same with the first 2026 cut not priced until June.
- We now await the SCOTUS announcement to see if tariffs are ruled on and, if so, how the court leans. If there is a ruling, it will focus on two points. 1) whether the IEEPA allows tariffs and, 2) if any compensation needs to be paid. Payments that could, depending on the specifics of any ruling, eclipse the USD 100bn mark.
- Amidst this, the broader complex has been in-fitting both directionally and in terms of the magnitudes seen. **Bunds** near-enough unchanged in a 127.70 to 128.01 band. A similar story for **Gilts**, marginally outpacing peers but off highs into the close.
- Elsewhere, and potentially to be updated on shortly, the **OAT-Bund 10yr yield spread, holding above 70bps**, is under watch as the EU-Mercosur deal is set to be ratified at the leaders level. Earlier, Ambassadors approved the deal with France voting against. However, despite this and expectations for leaders to follow suit, the French far-Left (LFI) is set to put forward a no-confidence motion against the government. Though, this is unlikely to pass.
- **No borrowers** are looking to raise capital Friday in the US investment-grade primary bond market, according an informal survey of debt underwriters.

COMMODITIES

- **Crude** benchmarks traded rangebound for the majority of the European session, with **WTI** and **Brent** oscillating in a USD 57.98-58.53/bbl and USD 62.24-62.84/bbl band respectively. Early in the European morning, US President Trump announced that the second wave of attacks on Venezuela were cancelled. **WTI** and **Brent** briefly dipped to a session low of USD 57.62/bbl and USD 61.83/bbl before paring back earlier losses. As the US cash session got underway, benchmarks extended on highs as an Iranian prosecutor stated that rioters causing damage will face the death penalty. This comment is highly important as it follows a statement by US President Trump saying that Iran will be hit hard if they kill rioters. This caused **Brent Mar'** to peak at USD 63.24/bbl as is set to end the European near session highs at USD 63.45/bbl.
- **Spot XAU** held below USD 4500/oz throughout the European session despite oscillating just shy of the level throughout the week. After dipping to a trough of USD 4453/oz early in the APAC session, the precious metal oscillated in a tight c. USD 25/oz band going into the highly-anticipated NFP report. As the headline figure printed at 50k, slightly weaker than the expected 70k, the dollar reaction was choppy, but it helped **XAU** extend to a new session high of USD 4492/oz. As the last US session of the week gets underway, the yellow metal continued to oscillate near session highs and is set to finish at USD 4485/oz as European traders finish for the week.
- **3M LME Copper** traded on the frontfoot throughout the European session, gradually trending higher from a session low of USD 12.59k/t to a peak of USD 13.03k/t. Today's reversal of Thursday's selloff continued the trend of no more than 2 consecutive down days for the red metal since mid-November 2025. Earlier gains were aided by the strength in tech following positive earnings by TSMC (2330 TT) during the Asia-Pac session.
- **US Energy Secretary Wright** said so far oil companies have not asked the admin for money; on whether US will take stakes, no talk about that yet.
- **Morgan Stanley** cuts its 2026 forecast for JKM (Asia LNG) to USD 8.50 (prev. USD 9.50) with plans to introduce a USD 7 view for 2027-28.
- **Guangzhou Futures Exchange** announces an adjustment of price limits and margin requirements for platinum and palladium futures from 13th January.
- **UAE's Adnoc** lowers crude OSP to USD 63.06/bbl for February (vs January's 65.53).
- **US President Trump** to meet with oil executives at 19:30GMT/14:30EST, Politico reported.
- **BofA** raises its 2026 average palladium price forecast to USD 1725/oz. Raises platinum price forecast to USD 2450/oz.
- **Russian crude oil production** came in at 9.33mln BPD in December, Bloomberg reported; over 100k BPD below November's level due to drone activity and the impact of sanctions.

EUROPEAN DATA

- **EU Retail Sales MoM (Nov)** M/M 0.2% vs. Exp. 0.1% (Prev. 0.3%, Rev. 0%).
- **EU Retail Sales YoY (Nov)** Y/Y 2.3% vs. Exp. 1.6% (Prev. 1.9%, Rev. 1.5%).
- **Norwegian Inflation Rate MoM (Dec)** M/M 0.1% vs. Exp. -0.2% (Prev. 0.1%).
- **Norwegian Inflation Rate YoY (Dec)** Y/Y 3.2% vs. Exp. 3% (Prev. 3.0%, Rev. 3%).
- **Norwegian Core Inflation Rate YoY (Dec)** Y/Y 3.1% vs. Exp. 3% (Prev. 3.0%, Rev. 3%).
- **Norwegian Core Inflation Rate MoM (Dec)** M/M 0.1% vs. Exp. -0.2% (Prev. -0.3%).
- **Norwegian PPI YoY (Dec)** Y/Y -11.4% vs. Exp. -8.6% (Prev. -8.1%).
- **German Industrial Production MoM (Nov)** M/M 0.8% vs. Exp. -0.4% (Prev. 1.8%); driven mainly by autos.
- **German Balance of Trade (Nov)** 13.1B vs. Exp. 16.5B (Prev. 16.9B, Rev. 16.9B).
- **German Imports MoM (Nov)** M/M 0.8% vs. Exp. 0.2% (Prev. -1.2%).
- **German Exports MoM (Nov)** M/M -2.5% vs. Exp. 0% (Prev. 0.1%).

NOTABLE HEADLINES

- **Italy's PM Meloni** rules out snap elections after justice reform referendum.

TRADE/TARIFFS

- **US President Trump** believes he will always get along with Europe, NY Times reported; wants the US to own Greenland.
- **EU Ambassadors** have voted by a qualified majority to support the EU-Mercosur trade deal, RTE's Connelly reported. France, Poland, Austria, Ireland and Hungary expressed opposition. Belgium abstained. The remaining nations' ambassadors approved the deal.
- **US GOP** is reportedly pushing ahead to prevent China from getting access to US tech such as chips, via Axios.
- **EU decision on Mercosur** should come before 16:00GMT, Politico reported. Examination of the safeguard text will begin at around 10:00GMT. Italy is reportedly still weighing how much backlash it can absorb before agreeing to the deal, according to the diplomats cited. Italy continues to edge closer to supporting the agreement.

CENTRAL BANKS

- **BoJ officials** are set to keep rates on hold this month, Bloomberg reported citing sources; adds that officials have no pre-conceptions on the pace of hiking rates. Officials see little need to shift underlying inflation view. Will closely watch impact of weakening JPY. Likely to raise economic growth outlook on stimulus. The Bank is said to weigh downgrade of CPI outlook on government measures.
- **ECB's Radev** said the current level of rates is appropriate.

GEOPOLITICS

RUSSIA-UKRAINE

- **UK PM Starmer** said Russia was using fabricated allegations to justify the Oreshnik attack and the use of ballistic missile was escalatory and unacceptable.
- **EU Foreign Representative Kallas** said member nations must "dig deeper into their air-defence stocks and deliver now." and further raise the cost of the war for Russia, via tougher sanctions.

MIDDLE EAST

- **Iran prosecutor said rioters causing damage to face death penalty.**
- **Iran's IRGC** said the continuation of the current situation is unacceptable.

NOTABLE NORTH AMERICAN NEWS

- **Treasury Secretary Bessent** announces that Argentina has fully repaid its drawdown on swap facility with the US; ESF doesn't hold ARS currency now.
- **White House Economic Adviser Haseett** said if the administration doesn't win the SCOTUS decision on tariff, then there will be other tools they can utilise to reach their goal, via CNBC. Adds that he has high level of confidence that SCOTUS will side with the President. Administration is keeping a close eye on mortgage rate and said Trump is set to announce big, comprehensive housing plan. Increased labour supply will drive growth this year. Was with the president last night and they discussed GDP growth. Productivity is through the roof. There's a heck of a lot of economic growth does not necessarily mean huge jobs growth.
- **US President Trump told ICE to ease deportation of workers in agriculture.**
- **BofA Flow Show (USD)** : Bull & Bear Indicator remains at 9.0. Weekly Flows: 148.5bln to cash; 3rd biggest ever. 11.1bln to bonds. 2.2bln to stocks; Tech outflows USD 0.9bln. 1.1bln to gold. 1.1bln to crypto.
- **US President Trump, on Venezuela, posted "I cancelled the previously expected second Wave of Attacks, which looks like it will not be needed, , however, all ships will stay in place for safety and security purposes".** Adds at least USD 100bln will be invested in big oil, and will be meeting with those firms today.

NORTH AMERICAN DATA

- **US Non Farm Payrolls (Dec) 50K vs. Exp. 60K (Prev. 64k, Rev. 56k); Two month net revisions -76k.**
- **US U-6 Unemployment Rate (Dec) 8.4% vs. Exp. 8.8% (Prev. 8.7%).**
- **US Unemployment Rate (Dec) 4.4% vs. Exp. 4.5% (Prev. 4.6%, Rev. 4.5%).** Unrounded: 4.375% (prev. revised 4.536%).
- **US CES Total Net Birth-Death Forecast (Dec): -67k (prev. -5k).**
- **US Average Weekly Hours (Dec) 34.2 vs. Exp. 34.3 (Prev. 34.3).**
- **US Average Hourly Earnings MoM (Dec) M/M 0.3% vs. Exp. 0.3% (Prev. 0.1%, Rev. 0.2%).**
- **US Building Permits Prel (Sep) 1.412M vs. Exp. 1.35M (Prev. 1.330M, Rev. 1.33M).**
- **US Average Hourly Earnings YoY (Dec) Y/Y 3.8% vs. Exp. 3.6% (Prev. 3.5%).**
- **US Housing Starts (Sep) 1.246M vs. Exp. 1.33M (Prev. 1.307M).**
- **US Government Payrolls (Dec) 13.0K vs. Exp. -10.0K (Prev. -5k, Rev. 6K).**
- **US Manufacturing Payrolls (Dec) -8K vs. Exp. -5K (Prev. -5K, Rev. -2K).**
- **US Nonfarm Payrolls Private (Dec) 37K vs. Exp. 64K (Prev. 69k, Rev. 50K).**
- **US Participation Rate (Dec) 62.4% vs. Exp. 62.6% (Prev. 62.5%).**
- **US Housing Starts MoM (Sep) M/M -4.6% vs. Exp. 1.0% (Prev. -8.5%).**
- **Canadian Full Time Employment Chg (Dec) 50.2K vs. Exp. 25.0K (Prev. -9.4K).**
- **Canadian Participation Rate (Dec) 65.4% vs. Exp. 65.3% (Prev. 65.1%).**
- **Canadian Part Time Employment Chg (Dec) -42.0K vs. Exp. 15.0K (Prev. 63.0K, Rev. 63K).**
- **Canadian Unemployment Rate (Dec) 6.8% vs. Exp. 6.6% (Prev. 6.5%).**
- **Canadian Employment Change (Dec) 8.2K vs. Exp. -5K (Prev. 53.6K).**
- **Canadian Average Hourly Wages YoY (Dec) Y/Y 3.7% vs. Exp. 4.0% (Prev. 4.0%, Rev. 4%).**

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