

European Market Wrap - 12th January 2026

- European bourses opened lower but have since moved off worst levels to display a mixed picture; US equity futures are modestly lower.
- DXY slipped, and the US curve steepened on Fed independence woes as Chair Powell faces a criminal investigation.
- Spot gold made a fresh ATH beyond USD 4.2k/oz, benefiting from the softer USD and haven-related inflows.

EQUITIES

- European bourses set to end the day slightly positive, despite the weaker opening, as the complex shrugged off newsflow from the US on Fed's Powell criminal investigation and Trump's plan for 10% credit card cap. Although, newsflow in European hours has been light, with no clear driver behind the marginal rebound.
- European sectors were mixed, gaining some slight momentum during the early European morning where sectors were mixed/lower. **Basic Resources (+1.1%)** remained the key outperformer due to stronger metal prices. Also near the top were **Construction and Materials (+0.6%)** and **Industrial Goods & Services (+0.5%)**. On the downside, **Travel (-1.3%)**, **Autos (-1.3%)** and **Insurance (-0.7%)** lag with Autos pinned down, amid losses in **Stellantis (-3.1%)**.
- US equity futures pointed lower, but since the open cash benchmarks have stabilised around the unchanged mark. Narrative driven by Fed's Powells criminal investigation and Trump's 10% rate cap for credit card issuers has weighed on markets; **S&P 500 -0.1%**, **Nasdaq U/C**.
- In the equity space, one of the main news stories that broke was that **Paramount (+0.3%)** intends to go after a superior USD 30/shr cash offer for **Warner Bros Discovery (-1.1%)**, with plans to nominate directors to for election to WBD board
- Movers in the US include losses in key banking and financial Co.'s like **Capital One Financial (-6.2%)**, **Synchrony Financial (-7.4%)**, **Citi (-3.0%)** and **JPMorgan (-1.1%)** following news that Trump is calling for a one-year cap on credit card interest rates of 10%. Also on the downside, broker downgrade has seen shares for **CrowdStrike (-1.8%)** and **Snowflake (-1.2%)** slide. To the upside, **Moderna (+2.1%)** benefits after the Co.'s 2025 revenue outlook matched street view.

FX

- DXY began the session on a weaker footing and continued to remain subdued throughout the session. Pressure today was attributed to Fed independence woes. In brief, Federal prosecutors have opened up a criminal investigation into Fed Chair Powell over the central bank's renovation of its Washington headquarters. **As it stands, markets appear to be running with the "sell America" theme**, with the USD & US equity futures lower and the curve steeper. The **USD may also be pressured thanks to the affordability implications of Trump's demand for credit card rates to be capped at 10%**.
- DXY traded in a 98.67 to 99.24 range and looks to close the European session at its 100 DMA at 98.82. Further pressure could see the test of its 100 DMA at 98.62.
- **Broader G10s are stronger vs the USD (ex-JPY)**; the **Kiwi** outperformed, benefiting from strength across the metals complex, where the spot gold continued to make fresh ATHs.
- **Elsewhere, the CHF was the favoured haven as the Dollar** remained shunned whilst the **JPY** was curbed by continued reporting of PM Takachi's plans to dissolve parliament and call a snap election. **USD/JPY** traded within a 157.51 to 158.20 range, and approaching the 160.00 mark – regarded as the intervention zone.

FIXED

- **USTs** softer, but only marginally so, amid Fed independence concerns. More pertinently, the US yield curve has steepened with the short-end under modest pressure while the **10yr** has been above 4.2%, looking to levels from early-September/late-August when 4.35% printed (18th Aug.).
- USTs are set to see out the day at the low-end of a 112-04 to 112-11 band. Ahead, a few Fed speakers on the docket and supply; from the Fed, the focus of any remarks/Q&As will be on the investigation into Chair Powell.
- **EGBs** were contained throughout the day. Bunds saw a bout of modest upside in the European afternoon, despite a pickup in the risk tone. Set to end a quiet European day out at the top-end of a 127.82-128.19 band.
- **Gilts** opened near-enough unchanged before conforming to the marginal bearish bias early doors. Exiting the European session near-enough flat.
- **Around six borrowers** are looking to sell US IG bonds on Monday, according to a Bloomberg survey. Dealers have projected a USD 60bln week led by the six largest Wall Street banks.

COMMODITIES

- **Crude** benchmarks on the backfoot despite rising tension between the US and Iran. Benchmarks at lows of USD 58.45/bbl and USD 62.76/bbl for **WTI** and **Brent** respectively.
- Crude began firmer, peaking early doors before failing to sustain the bullish action despite escalatory remarks from POTUS that Iran is beginning to cross the line. Thereafter, the complex came under modest but notable pressure and moved into the red, lower by c. USD 0.60/bbl.
- Spot **gold** opened on a slightly firmer footing, grinding higher throughout the APAC and European sessions to a USD 4620/oz

ATH. Upside driven by Fed independence concerns and heightened geopolitical tensions.

- Base metals have followed this sentiment, 3M LME **Copper** at highs of USD 13.3k/T while in Shanghai, tin hit its daily limit.
- **Trafigura and Vitol** are reportedly in discussions with significant Chinese and Indian refiners re. the potential sale of Venezuelan crude, Bloomberg reports citing sources.
- **Kazakhstan oil shipments from the Black Sea CPC terminal halted on Saturday, Bloomberg reported citing sources, this caused crude intake into the pipeline system to stop.**
- **Hunan Silver has restarted production on 12th January, following the completion of its maintenance plans.**

EUROPEAN DATA

- **German Current Account (Nov) 15.1B vs. Exp. 15.1B (Prev. 14.8B).**
- **EU Sentix Index (Jan) -1.8 vs. Exp. -4.9 (Prev. -6.2).**
- **Swiss Consumer Confidence (Dec) -31 vs. Exp. -33 (Prev. -34).**

NOTABLE HEADLINES

- **German Finance Minister on Trump's Fed attack** said central bank independence is a clear line for him as a finance minister. Discussions continue with US, but differences are widening.

TRADE/TARIFFS

- **EU Commission Spokesperson** said the Mercosur deal can be applied without being ratified by the European Parliament.
- **India** announces plans to conclude FTA with the EU during visit to the EU next week.
- **EU Commission issues Guidance Document on submission of price undertaking offers for battery electric vehicles from China.** "It covers various aspects to be addressed in a possible undertaking offer, including the minimum import price, sales channels, cross-compensation, and future investments in the EU."
- **China's Commerce Minister said the EU will release guidance document on submitting price commitment application, in regard to talks with EU on EV.** EU will assess every price commitment application based on WTO rules.
- **India's Trade Minister** said they are in the 'final' stages, in regards to trade deal with Europe.

CENTRAL BANKS

- **President Trump will interview BlackRock's (BLK) Rick Rieder this week to possibly be next Fed Chair, FOX Business reported citing sources; sources say it will take place on Thursday.**
- **NEC Director Hassett** said respect independence of the Fed; Fed building renovation has dramatic cost overruns; plans look inconsistent with testimony, via CNBC. Economy not booming because of the Fed. Does not know whether Trump approved of Fed probe. Still interested in Fed Chair job. Has not spoken to Powell about him staying on the board.
- **ECB's Muller said there's no reason to ease further in the near term and that rates have been in the right place for some time.** Rates, however, could edge higher in a few years.
- **ECB's de Guindos said the USD is not behaving as a haven, at this point.**
- **ECB Bulletin: "Inside the food basket: what is behind recent food inflation?"; "Looking ahead, food inflation is expected to ease further, supported in the near term by easing selling price expectations".**
- **Former PBoC Director of Statistics and Analysis Department Songcheng** expects the central bank to take "small steps" toward monetary easing in the near future, Shanghai Securities News reported citing a speech.
- **SARB is reportedly working on a review of its Prime Lending Rate, via Bloomberg.** This has historically been fixed at the policy rate +350bps.

GEOPOLITICS

RUSSIA-UKRAINE

- **Secretary General of NATO, Rutte said NATO's commitment to Ukraine still holds firm.**

MIDDLE EAST

- **Iran's Foreign Minister and US Special Envoy Witkoff discussed a potential meeting soon, via Axios; potentially holding a meeting in the coming days.** Outreach by Iran seemingly efforts to deescalate with the US, or perhaps buy some time, adds the piece.
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- **Iranian Foreign Ministry spokesperson Baghaei** said communication with the US Special Envoy is open. Adds, they are ready to negotiate on the basis of mutual respect.

OTHERS

- **Greenland Government** said NATO Member states and the US have a common interest in the defence of Greenland; the coalition believes that Greenland will forever be part of the Western Defence Alliance.
- **Mexican President Sheinbaum** said they had a good conversation with US President Trump; spoke about security with respect

to sovereignty, reducing drug trafficking, trade, and investment.

- **Cuban President** said there are no conversations with US Government, except for technical contacts in the migration field.
- **German Finance Minister** said price floors for rare earths is an option they will discuss at G7.
- **NATO's Rutte** said he believes US President Trump is doing the right thing for NATO.
- **Secretary General of NATO, Rutte said NATO's commitment to Ukraine still holds firm.**
- **EU Commissioner** said it would be the end of NATO if the US took Greenland by force. European Union members are obliged to come to Denmark's assistance under the EU treaty if faced with military aggression.
- **Italy** is seeking to be a key figure in Venezuela's energy sector through Eni (ENI IM), according to Italian Foreign Minister Tajani.
- **German Finance Minister Klingbeil** said the transatlantic relationship "is disintegrating", Die Zeit reported. Adds, We must further strengthen Europe, and we must do so much faster. The current pace is inadequate. European sovereignty now has top priority".

NOTABLE NORTH AMERICAN NEWS

- **US GOP policymakers** are reportedly getting behind a stock-trading clampdown which aims to alleviate concerns related to lawmakers profiting off insider information, via WSJ.

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