

European Market Wrap - 13th January 2026

- European bourses traded mixed, but caught a slight bid on the US CPI figures, which also spurred upside across US equity futures.
- US Core CPI printed cooler-than-expected, spurring a dovish reaction; DXY pressured, USTs gained
- USD/JPY briefly topped 159.00 as PM Takaichi eyes a snap election.
- US President Trump announced he had cancelled all meetings with Iranian officials, adding that "they will pay a big price"; marked upside in WTI/Brent and spot gold.

EQUITIES

- **European equities** are mixed into the close, with some bourses gaining momentum. The **Euro Stoxx 50 (+0.3%)** and **DAX (+0.4%)** picked up slight momentum following US CPI data; headline was in-line whilst Core metrics were cooler-than-expected.
- **European sectors** were also mixed/negative, with **Technology (+0.8%)** and **Energy (+1.6%)** leading. The former maintained its earlier momentum on the back of **ASML (+1.2%)** after Jefferies raised the Co.'s price target whilst strength in crude prices have kept the energy sector elevated. Finishing lower were **Construction (-2.3%)**, **Utilities (-1.2%)** and **Autos (-1.1%)**. Construction continued to lag due to losses in **Sika (-8.8%)** after the Co. announced weaker 2025 sales.
- **US equity futures** (ES -0.1%, NQ U/C, RTY -0.1%) were broadly lower heading into the US CPI metrics, but then caught a bid following the report; as mentioned, markets focused on the cooler-than-expected Core figures. Since, indices have pared back about half of the initial move, with US indices broadly modestly lower.
- Movers in the US include **Cardinal Health (+3.8%)**, with an uptick in shares after the Co. raised 2026 EPS outlook, whilst a broker upgrade for **Albemarle (+3.0%)** has seen their shares rise. On the downside, **Delta Airlines (-2.2%)** have seen pressure in its shares after FY26 EPS guidance misses expectations. To the downside, JPMorgan (-2.6%) fell after a top- and bottom-line miss. Whilst broker downgrades for **Synopsis (-1.6%)** and **Alcoa (-1.5%)** have seen their respective shares slip.

FX

- **DXY spent much of the European morning flat/incrementally firmer**, before slipping on the **US inflation report, whereby the Core components were a touch cooler-than-expected**. Following the release, WSJ's Timiraos said the data is "unlikely" to alter the Fed's wait-and-see approach. Also in reaction to the cooler report, the POTUS took the opportunity to take another dig at Chair Powell, saying, "Great (LOW!) Inflation numbers for the USA. That means that Jerome "Too Late" Powell should cut interest rates". In terms of the implications on PCE, **Citi estimates a Core PCE of 0.31% M/M**. No doubt this will be updated following Wednesday's PPI.
- In terms of the reaction, **DXY** fell from 99.05 to a session low of 98.85, before paring back to a current 98.95. Also in focus is **USD/JPY** which slipped from 158.90 to 158.57 in an immediate reaction before then paring back to 158.87. It has been widely speculated that, should Japan choose to intervene, they would typically do so on dollar-negative US data.
- Sticking with the JPY, **USD/JPY** eclipsed 159.00 for the first time since 11th July 2024 overnight. As a reminder, Japan intervened twice on July 11th and 12th to bring **USD/JPY** below the 160.00 mark. The latest depreciation in the JPY has been spurred by continued reports of PM Takaichi's plans to call an election, where her aim is to secure a single-party government. This would, in theory, allow her to enact more expansionary fiscal policy. A full JPY analysis piece can be found on the Newsquawk headline feed at 08:55 GMT.

FIXED

- **Fixed began with a bearish bias**. Driven by a recommencement of the "Takaichi trade" amid reports that the Japanese PM will be dissolving the Lower House and calling elections when parliament reopens towards the end of this month.
- Details in the 08:55GMT Market Analysis piece. **JGBs** down to a 131.81 base, with the 10yr yield above 2.17% and the 30yr eclipsing 3.50%. For the BoJ, market pricing currently implies a 25bps hike in September (+26bps implied), with around 13bps of additional tightening implied by end-2026, pricing that has tilted marginally more hawkish over the last week.
- This bias was seen in **USTs** and **Bunds** overnight, to lows of 112-01+ and 127.84 respectively. Since, US CPI was the main event. Overall, in-line on the headline metrics but softer core figures sparked a dovish reaction, lifting USTs to a 112-14 peak with gains of just under 10 ticks. However, this proved fleeting and we are back to near-enough unchanged levels.
- **Bunds** in-fitting directionally. Faded from an early 128.16 high as the Takaichi trade took hold, slipping beneath the figure in the European morning and then further to a 127.84 session low after a poor first outing for a new Bobl line. Thereafter, benefited marginally alongside USTs but is set to end the European day beneath the 128.00 mark.
- **Germany sold EUR 4.597bln vs exp. EUR 6bln 2.50% 2031 Bobl: average yield 2.47%, b/c 1.41x, retention 23.38%.**
- **Italy sold EUR 4bln vs exp. EUR 3.5-4bln 2.40% 2029 BTP: avg. yield 2.48%, b/c 1.45x.**
- **UK sold GBP 900mln 1.125% 2035 I/L Gilt: b/c 4.81x (prev. 3.09x) & real yield --% (prev. 1.673%).**
- **Netherlands sold EUR 4.88bln vs exp. EUR 4-5bln 2.50% 2031 DSL Bond: avg. yield --%.**

COMMODITIES

- **Crude benchmarks** were firmer with initial focus on reports that as many as four oil tankers have been targeted in proximity to the Black Sea CPC terminal. Action that drove **WTI** and **Brent** to highs of USD 60.82/bbl and USD 65.20/bbl respectively, with gains of just under USD 1.50/bbl.
- Most recently, a post by **US President Trump** that he has cancelled meetings with Iranian officials until the killing of protestors stops, and that "help is on its way" **lifted crude to fresh respective highs** of USD 61.35/bbl and USD 65.72/bbl.
- No significant reaction to the PDVSA ordering that wells be reopened in order to recoup crude output in Venezuela. As a reminder, late-November production was around 1.1mln BPD, a figure that dropped by around 300k BPD following the US operation.
- **Spot gold** benefitted from the US inflation report, which saw a dovish reaction to a print that was inline for the headline components and cooler for the core figures. XAU was mildly firmer into the figure and holding around USD 4.6k/oz, the release lifted it to a USD 4.62k/oz peak, but USD 10/oz shy of Monday's best until the above POTUS Truth, a post that saw this high matched.
- **Base metals** firmer, following the general risk tone and USD softness after US inflation. Overnight, action was somewhat more mixed with performance choppy amid generally firmer sentiment but a pullback in performance in China. As it stands, **3M LME Copper** is just off a USD 13.3k/T peak, which is in proximity to the USD 13.39k/T range over the past 12-months.
- **Chevron (CVX)** confirms awareness of incidents involving vessels bound for Caspian loading facilities, including one Chevron-chartered tanker; All crew members safe, vessel remains stable and heading to a safe port and no impact reported on TCO ops.
- **CME Group to launch 100 ounce of silver futures on 9th February.**
- **Venezuela's PDVSA begins ordering well reopenings to recover crude output, according to sources; readies internal audit following cyberattack and in preparation of new business and investments.**
- **Commerzbank maintains year-end nickel price forecast of USD 16k per tonne.**
- **Kazakhstan's Energy Minister** announces oil loadings at CPC Black Sea Terminal are proceeding, via SPM-1.
- **Two oil tankers were attacked in proximity to the Black Sea loading terminal for the CPC, Bloomberg reported citing sources.**

EUROPEAN DATA

- **French Budget Balance (Nov) -155.4B vs. Exp. -165.0B (Prev. -136.2B, Rev. -136.2B).**

TRADE/TARIFFS

- **China** is reportedly to offer Canada canola relief in the scenario that Canada reduces EV tariffs.
- **China's Commerce Ministry outlines the final ruling on the imports of solar polysilicon from the US and South Korea, effective 14th January with tariffs of up to 113.8%. To continue to collect anti-dumping tariffs for another five years.**

CENTRAL BANKS

- **WSJ's Timiraos** said "US CPI report isn't likely to change the Fed's wait-and-see posture, as officials will likely want to see more evidence that inflation is levelling off and then declining before cutting rates". "To resume rate cuts, Fed officials are likely to need to see either new evidence that job-market conditions are weakening or that price pressures are fading. It could take at least a couple more months of inflation reported for the latter to materialise."
- **Global central bankers issue a statement in support of Fed Chair Powell; incl. the BoE and ECB.**
- **Japan's government is reportedly likely to delay the nomination of a BoJ board member if PM Takaichi called an election, via Reuters citing sources.**
- **RBI Governor** said policy on INR is consistent and aim is to curb excessive volatility.

GEOPOLITICS

RUSSIA-UKRAINE

- **G7 allies intend to meet with US President Trump at Davos regarding Ukraine, FT reported citing sources.**
- **A push by French President Macron and Italian PM Meloni to begin discussions with the Russian Kremlin is gaining traction in EU capitals and in Brussels itself, Politico reported citing sources. Primary goal to ensure EU red lines are not crossed. and to signal to the US that the EU has leverage. Elsewhere, creation of the role of EU special envoy to Ukraine has support of the Council and leaders. Mario Draghi and Alexander Stubb have been touted. However, EU diplomat Kallas opposes the role.**

MIDDLE EAST

- **US President Trump posts "I have cancelled all meetings with Iranian Officials until the senseless killing of protesters STOPS. HELP IS ON ITS WAY".**
- **EU's Von Der Leyen** said further sanctions against Iran will be swiftly proposed.
- **Iran's Foreign Minister** said Tehran is ready for any action by the US, including military action.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump said latest inflation numbers mean that Fed Chair Powell should cut rates meaningfully; if he doesn't he will just continue to be "TOO LATE!". Full post: Inflation numbers for the USA. That means that Jerome "Too Late" Powell should cut interest rates, MEANINGFULLY!!! If he doesn't he will just continue to be, "TOO LATE!" ALSO OUT, GREAT GROWTH NUMBERS. Thank you MISTER TARIFF! President DJT.**
- **JPMorgan (JPM) CFO** said loss of Fed independence often leads to steeper yield curves and damages economic dynamism.

NORTH AMERICAN DATA

- US Supercore Inflation (Dec): 2.7% (prev. 2.7%).
- US Inflation M/M 3dp (Dec): Headline 0.307% (prev. 0.204%), Core 0.239% (prev. 0.159%).
- US Core Inflation Rate YoY (Dec) Y/Y 2.6% vs. Exp. 2.7% (Prev. 2.6%).
- US Building Permits Prel (Oct) 1.411M vs. Exp. 1.412M (Prev. 1.415M).
- US Core Inflation Rate MoM (Dec) 0.2% vs. Exp. 0.3%.
- US Inflation Rate MoM (Dec) 0.3% vs. Exp. 0.3%.
- US Inflation Rate YoY (Dec) Y/Y 2.7% vs. Exp. 2.7% (Prev. 2.7%).
- US Average Weekly Prelim Estimate ADP (4-week, w/e 20th Dec) +11.75k (Prev. +11.5k, Rev. +11k).
- US ADP Employment Change Weekly 11.75K (Prev. 11.5K).
- US Building Permits MoM Prel (Oct) M/M -0.3% vs. Exp. 0.7% (Prev. 6.4%).
- US NFIB Business Optimism Index (Dec) 99.5 vs. Exp. 99.5 (Prev. 99.0).

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