

European Market Wrap - 14th January 2026

- European bourses opened higher but then slipped as the risk tone deteriorated; Crude bid after Iran said it will strike regional US bases if it is attacked.
- JPY strengthened on jawboning from several officials and on reports that opposition parties are in talks to form a new party.
- US PPI M/M matched expectations whilst Core M/M was a touch below the consensus; Retail Sales were strong.

EQUITIES

- European bourses opened higher but then slipped as the risk tone deteriorated; Iran said it will strike regional US bases, if it is attacked.
- European sectors were mixed with **Basic Resources** (+1.3%), **Health Care** (+1.2%) and **Chemical** (+1.0%) leading the top. Precious and base metals hitting ATH underpinned the **Basic Resources** sector. Near the bottom of the pile were **Tech** (-1.2%), **Media** (-1.0%) and **Real Estate** (-0.9%).
- US equities opened mostly lower, with all major indices trading softer in the early trade. As seen in Europe, rising geopolitical tensions between the US and Iran have heightened market uncertainty. Elsewhere, Fed's Kashkari told the New York Times that he sees no impetus to cut rates in January. Fed's Goolsbee also commented, saying Central Bank independence is key to lower prices. In data, month-on-month PPI for November was in line with expectations, while retail sales was firmer against forecasts.
- Key movers in the US include **Wells Fargo** (-4.4%), which slipped after missing on earnings. **Bank of America** (-3.7%), has seen its shares slide despite reporting positive Q4 earnings. **Citi** (-1.2%) has also seen its share trickle following weak profit in Q4 earnings.
- FINANCIAL EARNINGS: JPM kick off on a sour footing, but BAC impresses ahead of C.
- China has banned cybersecurity software from various firms, according to source reported. Banned firms include Palo Alto (PANW) and Check Point Software (CHKP).
- China's customs authorities have reportedly told customs agents this week that NVIDIA's (NVDA) H200 AI chips are not allowed to enter China; unclear on the rulings constitute a formal ban or a temporary measure. Tech companies have been told by government officials to not purchase chips unless necessary.

FX

- DXY was flat for most of the European morning, but gradually sauntered lower as the session progressed . US data spurred incremental upside in the USD, PPI figures (Nov/Oct) were mixed, whilst Retail Sales topped expectations. Upside was short-lived, and the Dollar then reversed to make a fresh trough at 98.96.
- G10s were generally mixed for much of the morning , but then managed to climb higher vs the softer Dollar. The JPY performed the best vs peers, a shift in fortunes for a currency which has been subject to hefty selling in recent days. The strength does not come without reason, given several jawboning attempts from multiple different officials. Namely, FinMin Katayama, who suggested "nothing is excluded" in relation to dealing with FX moves.
- Thereafter, reports in Japanese press suggested that opposition parties (CDP and Komeito) have begun talks on forming a new party – they are set to meet on the 15th. JPY saw notable strength on this report, given that both parties are "centrist", and any success at nullifying an LDP majority will, in theory, scale back the implementation of expansionary fiscal policy.
- Action that saw USD/JPY traverse a wide 158.14 to 159.45 band, and is set to end the European day at the lower end of that with the JPY the clear outperformer.
- Nonetheless, SocGen analysts believe that her party is unlikely to enact aggressive fiscal expansion given recent debt concerns, instead, see recent events as an opportunity to go short USD/JPY.
- Treasury Secretary Bessent said excess volatility in the FX market is undesirable in a meeting with South Korea. Also discussed depreciation of KRW with South Korea.

FIXED

- Fixed benchmarks began with a very modest bullish bias , but with Bunds and USTs well within familiar ranges. Morning newsflow focussed mainly on geopolitics, see Commodities for a recap, with updates to this driving a haven bid.
- Action that helped lift USTs to a 112-14 peak, posting gains of five ticks at most. Alongside this, Bunds got to a 128.26 high firmer by c. 15 ticks while Gilts peaked at 92.50, firmer by a similar magnitude at best.
- US PPI and Retail Sales passed without impact. Retail Sales stronger-than-expected/in-line while PPI was mixed for November.
- Broader macro update aside, the main focus points for fixed today have been supply. EGBs largely shrugged off the morning's triple tranche from Germany while Ireland's announcement that it is to raise EUR 5bln passed without incident. For the UK, 2035 conventional supply was strong.
- Attention now turns to the US afternoon's speaker docket, with Paulson, Miran and Kashkari due before remarks from POTUS at 19:00GMT. That aside, we await the SCOTUS rulings for today, which may feature tariffs, before anything fresh on Iran or the Netherlands.

- Germany sold EUR 700.9mln vs exp. EUR 1bln 3.25% 2042 Bund, EUR 809mln vs exp. EUR 1bln 0.00% 2052 Bund, EUR 822mln vs exp. EUR 1bln 2.90% 2056 Bund.
- UK sold GBP 4.50bln 4.75% 2035 Gilt 4.75% 2035: b/c 3.26x (prev. 3.05x), average yield 4.456% (prev. 4.613%), tail 0.3bps (prev. 0.3bps).

COMMODITIES

- Crude benchmarks began in the red, lower by c. USD 0.50/bbl, as geopolitical updates in APAC hours were notably but didn't shift the dial. - However, during the European morning, rhetoric intensified around Iran, causing crude to pare losses and move well into the green with gains of c. USD 1.00/bbl at best. Updates that sparked modest risk-off price action as equities slipped, fixed lifted and some haven FX benefitted; note, JPY has been heavily influenced by domestic updates today. - In brief, the main updates were personnel being told to leave the Al Udeid US airbase by this evening and the IRGC saying their missile stockpile is above levels from mid-2025 and they are at the highest level of readiness. - Gas benchmarks are bid, benefiting from the above tensions and as the cold spell continues in Europe. Points to watch amid the above tensions include flows from Iran to Turkey. Dutch TTF is firmer by c. EUR 0.80/MWh and within reach of the EUR 33/MWh handle, back to levels not seen since early-November. - Spot gold benefits from the risk-off move seen in today's session and has been inching higher throughout the day, continuing the streak of ATHs over the last few days. Set to end the European day just off a USD 4.64k/oz peak. No real follow-through from the day's US data. - OPEC MOMR: 2026 world oil demand remains at 1.4mln BPD (unchanged from the Dec MOMR), 2027 world oil demand is forecast to grow by about 1.3mln BPD Y/Y. - Goldman Sachs maintains forecast of roughly stable Iran 2026 crude production of 3.5MB/D following the announcement of the 25% tariff. - Kazakhstan announced it held meetings with the EU and US after tanker attacks yesterday, via IFX. - OPEC MOMR to be released at 13:00GMT today. - Indonesia could potentially approve a Nickel ore production quota of c. 260mln/MT in 2026, according to local reporting.

NOTABLE HEADLINES

- The option to allow the French budget, in its initial form, to pass without parliamentary approval has reportedly been under consideration for around ten days, Politico reported citing sources; the so-called "ordinance" option. A scenario reportedly favoured by President Macron. However, several sources add that while nothing has been ruled out, the option of Article 49.3 is the one actively under consideration at this moment.

TRADE/TARIFFS

- UK Chancellor Reeves met US Treasury Secretary Bessent on 12th January; critical minerals were among the talking points.
- Canada's Foreign Minister announces that Canola talks with China have been productive.
- German Government Spokesperson said the government will examine its trade volume with Iran closely.
- EU lawmakers to meet at 08:00GMT to decide whether to postpone the vote on lifting tariffs on US industrial goods, Politico reported citing sources; a delay framed as a tactical response to the US' threat to annex Greenland.

CENTRAL BANKS

- Fed's Kashkari (2026 voter) to the NYT said the Trump admin actions against the Fed are "really about monetary policy".
- ECB's de Guindos said inflation is in a good place.
- ECB's Villeroy said if the budget deficit in France increased to more than 5% in 2026, then the country would enter the danger zone.
- ECB's Kazaks said the ECB is in a good place. Outlook risks are on both sides.
- BoE's Taylor said he "...expect monetary policy to normalise at neutral sooner rather than later, as I said in the December minutes". BoE sees inflation at target in mid-2026, judges this to be sustainable given cooling wage growth.

GEOPOLITICS

RUSSIA-UKRAINE

- US President Trump said the US needs Greenland for National Security. "NATO should be leading the way for us to get it. IF WE DON'T, RUSSIA OR CHINA WILL, AND THAT IS NOT GOING TO HAPPEN!". "Militarily, without the vast power of the United States, much of which I built during my first term, and am now bringing to a new and even higher level, NATO would not be an effective force or deterrent - Not even close!".
- Russian Foreign Minister Lavrov said, regarding reported that US ambassadors could visit Moscow, said President Putin is willing to have serious talks. Discussion of a Ukraine ceasefire is not serious.
- European Commission President von der Leyen said funding to Ukraine for the 2026-27 period will be EUR 90bln. To be split into EUR 60bln for military and EUR 30bln for fiscal support.
- US' Witkoff and Kushner intend to visit Moscow, Russia soon and meet with President Putin, Bloomberg reported citing sources. Meeting could occur in January.

MIDDLE EAST

- USA freezes visa processing for several countries including Russia, Iran and Brazil, according to Fox News. Visa processing should begin from 21st January and is to continue indefinitely.
- All diplomatic contacts between the US and Iran have been suspended.
- German Government Spokesperson said the government will examine its trade volume with Iran closely.
- An Egyptian source said Palestinian factions are meeting in Cairo to discuss power transfer in Gaza to technocrats; no American or Israeli objections.
- Russian Foreign Minister Lavrov said no third party can influence relations with Iran.

- Senior Iranian Official said Tehran has warned regional nations that it will strike US bases in the region in the scenario that they are attacked by the US. Requested that regional leaders work to prevent an escalation. Direct communication between the US and Iran has been halted, due to the threats by US President Trump.

OTHERS

- US President Trump posted "NATO: Tell Denmark to get them out of here, NOW! Two dogsleds won't do it! Only the USA can!!! Danish intel warned last year about Russian and Chinese military goals toward Greenland and Arctic".
- US is reportedly withdrawing some personnel from major US bases in the Middle East as a precaution given elevated regional tensions, according to a US official.
- Denmark sends reinforcements to Greenland including military equipment and advanced troops, via DR.
- Four Chinese ships reportedly entered Japan's waters near the Senkaku Islands, via Kyodo.

NOTABLE NORTH AMERICAN NEWS

- US President Trump reiterates that effective Feb 1st, no more payments will be made by the government to states for sanctuary cities.
- US Rep. Cuellar (D) has outlined that negotiators are nearing an agreement on the Homeland Security package, seek to release text over the weekend for that and three other funding bills, Punchbowl reported citing sources.
- US' Witkoff and Kushner intend to visit Moscow, Russia soon and meet with President Putin, Bloomberg reported citing sources. Meeting could occur in January.
- Fed's Goolsbee (2027 Voter) says Central Bank independence is key to low prices.
- Fed's Paulson (2026 Voter) says modest cuts are likely appropriate later this year if forecasts are met.

NORTH AMERICAN DATA

- US Retail Sales MoM (Nov) M/M 0.6% vs. Exp. 0.4% (Prev. 0.0%, Rev. 0%).
- US Retail Sales YoY (Nov) Y/Y 3.3% vs. Exp. 3.0% (Prev. 3.3% , Rev. 3.5%).
- US Retail Sales Ex Autos MoM (Nov) M/M 0.5% vs. Exp. 0.4% (Prev. 0.2%, Rev. 0.4%).
- US Retail Sales Ex Gas/Autos MoM (Nov) M/M 0.4% vs. Exp. 0.1% (Prev. 0.4%, Rev. 0.5%).
- US Retail Sales Control Group MoM (Nov) M/M 0.4% vs. Exp. 0.4% (Prev. 0.6%, Rev. 0.8%).
- US Core PPI MoM (Oct) M/M 0.3% vs. Exp. 0.2% (Prev. 0.1%).
- US PPI MoM (Nov) M/M 0.2% vs. Exp. 0.2% (Prev. 0.1%).
- US PPI MoM (Oct) M/M 0.1% vs. Exp. 0.3% (Prev. 0.6% , Rev. 0.3%).
- US PPI Ex Food, Energy and Trade MoM (Nov) M/M 0.2% vs. Exp. 0.2% (Prev. 0.7%).
- US PPI Ex Food, Energy and Trade MoM (Oct) M/M 0.7% vs. Exp. 0.2% (Prev. 0.2% , Rev. 0.1%).
- US PPI YoY (Oct) Y/Y 2.8% vs. Exp. 2.7% (Prev. 2.7%).
- US Core PPI YoY (Oct) Y/Y 3.4% vs. Exp. 2.6% (Prev. 2.6%).
- US PPI Ex Food, Energy and Trade YoY (Nov) Y/Y 3.5% vs. Exp. 2.8% (Prev. 3.4%).
- US PPI Ex Food, Energy and Trade YoY (Oct) Y/Y 3.4% vs. Exp. 2.9% (Prev. 3.0% , Rev. 2.9%).
- US PPI (Nov) 150.705 vs. Exp. 150.5 (Prev. 150.332).
- US PPI (Oct) 150.332 vs. Exp. 150.2 (Prev. 150.157, Rev. 149.779).

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