

- European bourses softer in relatively light newsflow while US peers tick higher, Fed speak ahead
- TTF and XAG dominate Commodity action while Crude ticks higher into the weekend
- JPY outperforms after BoJ sources & the latest jawboning, G10s generally firmer vs USD but only modestly

### EQUITIES

- European equities remained largely in the red, with limited macro newsflow driving the weaker sentiment seen across the region.
- European sectors were also mostly lower. **Basic Resources (-2.1%)** saw the steepest decline, driven by lower metal prices. Complex pressured by news that **China adjusted trading limits for silver and nickel futures**. Silver prices in particular fell following the announcement, adding to the drag on basic resource stocks. Also near the bottom of the pile were **Consumer Products & Service (-1.8%)** and **Chemicals (-1.4%)**. The former was weighed down by losses in **Richemont (+4.7%)** following a broker downgrade, while newsflow for the chemicals sector remained relatively light. Leading sectors were **Energy (+0.9%)**, **Health Care (+0.6%)** and **Real Estate (+0.4%)**. Energy was underpinned by rising crude prices as geopolitical tension between US-Iran heated up whilst Health Care was underpinned by **Novo Nordisk (+5.3%)** following a broker upgrade.
- US equities have opened mostly in the green with the **Nasdaq (+0.5%)** the main outperformer. One of the main macro update in the pre-market was NEC Director Hasset saying that the administration has been in touch with big banks on credit cards, and there will be great new "Trump Cards".
- Movers in the US include **Intel (+1.2%)**, after a broker upgrade by Citibank. **AST SpaceMobile (+1.8%)** after the Co. was awarded a prime contract position on US Missile Defense Agency's SHIELD IDIQ prog. **PNC (+3.1%)** reported strong Q4 earnings with EPS and revenue topping expectations. To the downside, **Regions Financial Corp (-3.9%)** has seen its share slide after reporting weaker earnings. **J.B Hunt (-5.1%)** is another loser, because despite beating earnings, freight pricing remained weak. Lastly **Mosaic (-4.1%)** highlighted a challenging market environment alongside posting weaker Q4 metrics.

### FX

- A quiet session for the **DXY**, holding within a relatively narrow 99.18 to 99.40 range; overnight, a White House Official suggested that the latest chip announcement was "phase one" and more could be put out following negotiations. Elsewhere, **US Industrial Production was mixed**, and spurred little action in the index. Now attention turns to a number of Fed speakers later.
- On the Fed, NEC Director Hasset suggested that Warsh and Rieder would be great Fed Chairs. Elsewhere, Two Senior Administration Officials told FBN that Rieder having no prior Fed experience is viewed "as a big positive". The final list of candidates are Kevin Warsh, Kevin Hasset, Christopher Waller, and Rick Rieder.
- **JPY outperformed for most of the European session**. The **JPY** was boosted overnight after a Reuters report suggested that the **BoJ could hike as soon as April**, with some members fearing a weak currency could lead to a resurgence in inflation. In the midst of all this, Finance Minister Katayama has continued to provide some jawboning, which also helped the **JPY**. **USD/JPY** currently trades at the lower end of a 157.97-158.70 range vs Monday's open of 158.07.
- **JPY** aside, the G10 pile also saw the **Kiwi** and **GBP** gain vs the **USD** whilst the **Loonie** and **Aussie** lagged.
- **Japanese Finance Minister said the statement between Japan and the US can be viewed as saying intervention to counter FX moves out of line with fundamentals is permitted**. Not sure when **JPY**-carry trades peak out as Japan-US interest rate differentials are set to narrow further.

### FIXED

- A bearish session for **fixed income**. Action has been, thus far, fairly modest for **USTs**. Down by seven ticks at most to a 112-00 base. No real move to mixed industrial production or remarks from various administration officials.
- **Bunds** directionally in-fitting but faring slightly worse in terms of magnitudes, down to a 128.10 trough with losses of 32 ticks at most. No single driver behind the move, with perhaps the simplest explainer being the significant upside seen in European gas this morning, which is in turn driving yields higher.
- **Gilts** opened softer and then slipped to a 92.23 low, were initially the incremental underperformer but Bunds have taken that spot, as outlined above. Specifics for the UK have been relatively light into a packed week of data. As such, action likely a function of the bearish bias from peers and reports that the ONS could delay the new LFS data by six months.
- Within Europe, **OATs** lag after political uncertainty was intensified by the suspension of debates on the revenue portion of the budget. Action that leaves a government decree or Article 49.3 as the two main avenues forward. Amidst this, the **OAT-Bund 10yr yield spread** has widened modestly to 68bps, but remains shy of the 72bps YTD peak.

### COMMODITIES

- A firmer session for the **crude complex**, as while there has been no fresh escalation much of the reporting in recent hours

suggests one of the reasons Trump didn't take action against Iran was to wait for more firepower to be in the region. Currently, the Abraham Lincoln carrier group is transitioning to the region.

- **WTI and Brent** are set to end the week in the green, but towards the lower-end of the week's c. USD 4.00/bbl parameters.
- European **gas** remains at highs. Drivers much the same as those discussed in recent sessions, including: Iranian-Turkey supply risks, European cold spell, Asian demand, and further to that expectations for a renewed cold spell in APAC next week.
- **Dutch TTF** surmounted EUR 35/MWh in the European morning and remains on track to post the largest weekly rally since late-June with upside in excess of EUR 6/MWh this week.
- Spot **gold** spent the day in the red as despite the above reports the geopolitical situation hasn't meaningfully intensified. Furthermore, the US risk tone has been a constructive one thus far today. Amidst this, XAU is back below the USD 4.6k/oz mark, but remains on track to end the week with gains of c. USD 90/oz.
- **XAG** has been weighed on by updates from China. As the SHFE adjusted trading limits for silver futures, cutting the maximum number of intraday positions to 3k lots (prev. 7k) from Monday night. A move that pushed silver below the USD 90/oz mark to a USD 87.64/oz session low. Though, the metal is still set to conclude the week firmer by over 10% or c. USD 9/oz.
- **Cpc** raises oil exports to record-high 70.5mln T in 2025 (prev. 63mln T in 2024) and exports via CPC declined to 3.98mln T in December (prev. 5.09mln T in Nov), via source reported.
- **China is adjusting trading limits for silver and nickel futures, the maximum number of intraday positions for silver has been reduced to 3k lots (prev. 7k) , as of January 20th.**

## EUROPEAN DATA

- **Italian** Inflation Rate MoM Final (Dec) M/M 0.2% vs. Exp. 0.2% (Prev. -0.2%).
- **Italian** Inflation Rate YoY Final (Dec) Y/Y 1.2% vs. Exp. 1.2% (Prev. 1.1%).
- **German** Inflation Rate MoM Final (Dec) M/M 0.0% vs. Exp. 0% (Prev. -0.2%).
- **German** Inflation Rate YoY Final (Dec) Y/Y 1.8% vs. Exp. 1.8% (Prev. 2.3%).

## TRADE/TARIFFS

- **Ontario's Premier** said China and Canada EV agreement will hurt workers.
- **US Greenland envoy** said believe there is a deal to be made on Greenland; Trump is serious; plan to meet officials, Fox News reported.
- **US** said EU is pushing for a cheese monopoly in Mercosur deal, FT reported.
- **Canadian PM Carney** said the relationship with China is more predictable than the one Canada has with the US.
- **Canadian PM Carney announces that they will allow as many as 49k Chinese EVs into the Canadian market, with a most-favoured-nation tariff of 6.1%.** In return, Canada anticipates that by March 1st China will reduce tariffs on Canola seed to a c. 15% combined rate. In addition to a resolution to other trade obstacles.

## CENTRAL BANKS

- **Two Senior Administration Officials tell FBN that people in the room for the Fed Chair interview with Rick Rieder felt that him having no prior experience at the Fed is viewed "as a big positive".** In the room for the meeting was President Trump, Vice President Vance, Sec Scott Bessent, Chief of Staff Susie Wiles, and Deputy Chief of Staff Dan Scavino. The final list of candidates is: Kevin Warsh, Kevin Hassett, Christopher Waller, and Rick Rieder. Rieder is the only person on the finalists list that has no previous Federal Reserve Experience.

## GEOPOLITICS

### RUSSIA-UKRAINE

- **Ukrainian President Zelensky** said Ukrainian delegation heading to US for talks on security guarantees and prosperity package; if agreement is reached, documents can be signed in Davos. Ukraine hopes to get clarity on Russian stance regarding peace talks. Russia is stalling peace efforts. Ukraine needs Security guarantees that last longer than Trump's term. Ukraine is lacking missiles for several air defence systems up until Friday morning. Ultimatums are not way to do diplomacy. Electricity generation capacity at 11 gigawatts with demand of 18 gigawatts.
- **Russia's Kremlin** said they are expecting US envoys Kushner and Witkoff to visit Moscow, although no official date has been set yet.
- **Russia** announces plans to increase defence capabilities in the Arctic region as tensions around Greenland heighten.
- **Russia's President Putin and Israeli Prime Minister Netanyahu** are on a phone call together, according to Tass.

### MIDDLE EAST

- **US did not have enough forces in the region to undertake a significant blow to Iran and deal with retaliation, WSJ reported citing sources; instead, Trump held off until "firepower" could be brought forward. Gulf officials still think a strike is likely.** POTUS has not decided whether or not to undertake a military option. Also been advised on various options, incl. cyber and sanctions. Gulf officials still think a strike is likely once the US has forces in place.
- **Israel's Mossad Director Barnea arrived in the US on Friday for discussions relating to Iran, Axios reported citing sources. US is sending additional military capabilities to the region, to be prepared in case POTUS orders a strike, sources add.**

## NOTABLE NORTH AMERICAN NEWS

- **NEC Director Hassett said they have been in touch with big banks on credit cards, there will be great new "Trump Cards"; does not think legislation will be needed on credit cards.**

#### **NORTH AMERICAN DATA**

- **US Manufacturing Production MoM (Dec) M/M 0.2% vs. Exp. -0.2% (Prev. 0.3%, Rev. 0%).**
- **US Industrial Production MoM (Dec) M/M 0.4% vs. Exp. 0.1% (Prev. 0.4%, Rev. 0.2%).**
- **US Capacity Utilization (Dec) 76.3% vs. Exp. 76% (Prev. 76.1%, Rev. 76%).**
- **US Manufacturing Production YoY (Dec) Y/Y 2% vs. Exp. 2.0% (Prev. 1.9%).**
- **US Industrial Production YoY (Dec) Y/Y 2% vs. Exp. 2.7% (Prev. 2.5%).**

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