

- **European bourses slipped on renewed trade tensions; Autos underperform as Trump hits eight European countries with 10% tariffs.**
- **DXY mildly faltered on trade tensions, whilst CHF benefits; JPY underperforms vs peers as PM Takaichi looks to dissolve parliament and call a snap election on February 8th.**
- **Spot gold made a fresh ATH at USD 4.6k/oz; Crude reacts to Iranian President warnings that an attack on the Iranian Supreme Leader would result in an all-out war.**

### EQUITIES

- **European equities** (STOXX 600 -1.1%) opened weaker this morning as geopolitical tensions with the US over Greenland weigh on sentiment. Markets have had a tumultuous start to 2026, with renewed uncertainty driven by President Trump's continued push over Greenland and threats to impose tariffs on eight European countries.
- **European sectors** were broadly in the red, with **Autos** (-2.1%) one of the worst performer. Shares of major carmakers such as **BMW** (-3.5%), **Mercedes** (-2.6%), and **Volkswagen** (-2.7%) have fallen sharply following Trump's tariff announcement. Also, at the bottom of the pile were **Media** (-1.7%) and **Technology** (-2.9%).
- **Norway's sovereign wealth fund has embarked on a major selloff of its holdings in London-listed companies**, Sky News reports.
- **Germany opens EUR 3bln EV support scheme to Chinese importers**, FT reports; New subsidy programme that runs till 2029 will support purchase or lease of about 800,000 cars.
- **Google (GOOGL) Gemini API calls more than doubled to 85bln by August**, The Information reports.

### FX

- **DXY was a little lower**, with pressure facilitated by the renewed trade tensions sparked by US President Trump. He announced 10% tariffs on eight European countries, effective February 1st – a move which he is hoping will lead the countries to curtail support for Greenland.
- **Other G10s broadly gained vs the USD**, with the **CHF** the favoured haven this morning, sitting towards the top of the G10 list. Elsewhere, the **Antipodeans** benefit from the continued strength in metals prices. **NZD** outperforms, and is currently at the upper end of a 0.5741 to 0.5789 range, with the peak for the day surpassing both its 100 DMA (0.5773) and 21 DMA (0.5776).
- **Finally, attention has been on Japan**, with PM Takaichi announcing in a presser that she will formally call a snap election this Friday once the Lower House reopens – no move on that announcement, given it was widely touted; an election will be held on Feb 8th. She then spurred some two-way action in USD/JPY after she said they will end excessively restrictive fiscal policy, but then suggested that she intends to suspend the sales tax on food for a two-year period, vs opposition plans to remove it entirely.
- **Japanese PM Takaichi will not comment on FX; will take appropriate action on FX.**

### FIXED

- **Fixed underpinned by the latest US tariffs and the accompanying hit to the risk tone**. As it stands, we wait to see what European leaders will do in response after the UK PM distanced himself from retaliatory measures. From the US side, a retreat would see further confirmation of the TACO trade. More generally, the assumption is that the tariffs are under IEEPA, which means they will be subject to the SCOTUS decision when that arrives.
- **USTs printed a 111-31+ high with gains of just under 10 ticks at best**. However, this has proved short-lived with volumes light and no cash trade due to the US market holiday for MLK Day.
- **Bunds hit a 128.58 peak**, firmer by 44 ticks. Printing a new YTD high and now looking to 128.67 from early-December, if that is taken out, there are then a handful of levels before 129.0, before 129.24 from December 1st. Albeit, the upside has pared across the morning as the situation has not materially escalated in European levels and with markets, tariffs/Greenland aside, relatively quiet given the US holiday.
- **Finally, but arguably most pertinently, JGBs in focus as Japanese PM Takaichi** outlined her plan for a snap election. This will be formally called for on Friday when the Lower House reopens, and will then be dissolved by Takaichi. Net, JGBs are around 40 ticks lower than the close last week, as the "Takaichi trade" extends with the election now formally called. Given this, the 10yr Japanese yield has eclipsed 2.75% and the 30yr above 3.61%. Though the commentary from Takaichi around fiscal policy and a sales tax has sparked a bit of two-way action in the JPY and JGBs, however, the underlying narrative remains.

### COMMODITIES

- **Crude benchmarks** are in the red as the escalation of tensions over Greenland has seemingly taken some of the near-term focus away from Iran. Overnight, **WTI and Brent** gapped lower to bases of USD 58.53/bbl and USD 63.26/bbl, respectively. However, the downside was markedly curtailed by the Iranian President threatening an all-out war if the Supreme Leader is attacked. A remark that lifted the complex into the green and to highs of USD 59.56/bbl and USD 64.39/bbl, with gains of c.

USD 0.20/bbl on the session.

- **Spot gold printed another ATH overnight at USD 4,690/oz**, as markets priced the latest tariff escalation and a deterioration in global relations over Greenland. A situation that may increase in the near-term as EU leaders debate the ACI, though the UK PM has come out and intimated that retaliatory tariffs are not the way forward.
- **Base metals were firmer**, despite the downbeat risk tone. **3M LME Copper** got within reach of but failed to test/breach the USD 13k/T mark.
- **Vitol Group offers Venezuelan cargoes to China at a discount of USD 5/BBL to ICE Brent, via Bloomberg.**
- **Asian oil refiners** are switching from Abu Dhabi's Murban crude as other grades become cheaper, Bloomberg reported citing sources.
- **Ukrainian energy company DTEK** said its Odessa facility has suffered extensive damage due to an overnight Russian attack, via Sky News Arabia.
- **Tengizchevroil** announces a temporary suspension of oil production
- **Cochilco** reports that Chile's copper production is expected to reach 5.86mIn/T in 2034, peaking at 6.06mIn/T in 2033.
- **Guangzhou Futures Exchange** to raise lithium carbonate futures daily limit to 11% from January 21st.
- **India Foreign Secretary signed long-term agreement with UAE for supply of 0.5mIn T of LNG per annum**, and India and UAE to explore partnership in advanced civil nuclear tech. India and UAE aim to double bilateral trade to USD 200bln by 2032.

## EUROPEAN DATA

- **EU Inflation Rate YoY Final (Dec) Y/Y 1.9% vs. Exp. 2% (Prev. 2.1%).**
- **EU Inflation Rate MoM Final (Dec) M/M 0.2% vs. Exp. 0.2% (Prev. -0.3%).**
- **EU Core Inflation Rate YoY Final (Dec) Y/Y 2.3% vs. Exp. 2.3% (Prev. 2.4%).**
- **EU CPI Final (Dec) 129.54 vs. Exp. 129.56 (Prev. 129.33).**

## TRADE/TARIFFS

- **Chinese importers purchased 60k/T of Canadian Canola, sources report.**
- **Japan's PM Takaichi say she hasn't changed her stance on China but reiterates that commination with China remains important.**
- **The US and Japan have reportedly shortlisted the first projects as potential candidates for the investment plan, Reuters reported citing sources. SoftBank Group (9984 JT) is mentioned in one project.** Aim to formalise the project ahead of PM Takaichi's US visit in the Spring.
- **German Finance Minister** said there will be a strong response to US tariffs. Preparing countermeasures. No interest in an escalation.
- **US trade negotiators** are pushing for the UK to adopt US standards, Politico reports citing sources. A change that could derail the post-Brexit relationship with the EU.
- **No EU majority in favour of using the Anti-Coercion Instrument (ACI)**, Playbook reported, despite the language from French President Macron on it.
- **EU leaders meeting to occur on 22nd of January, taking every possible step to avoid an escalation.** ACI is a deterrent, even mentioning its use can have the desired impact.
- **German Chancellor Merz** said trade-tariff threats damage transatlantic relations; talks with US should always be based on Greenland's sovereign and territorial integrity. Will try to meet with Trump on Wednesday. Do not want a trade conflict with US, but if are confronted with tariffs, EU will react. Confident that will reach a unified position at EU Summit on Thursday.
- **EU's Dombrovskis** said need to work on finding a constructive solution, and US tariff threats are not acceptable; do have tools at our disposal and nothing off the table.
- **French Finance Minister** said France and Germany agree on acting strongly in response to tariff threats related to Greenland.
- **Dutch Finance Minister** remarked tariff threats from US are irresponsible.

## CENTRAL BANKS

- **ECB's Radev** said current level of interest rates are appropriate and price risks are balanced.
- **ECB Kazaks** said market pricing for future rates are broadly reasonable and that current positioning is appropriate and no immediate adjustment is needed.

## GEOPOLITICS

- **Russia's envoy Dmitriev** is reportedly to travel to Davos this week for meetings with members of the US delegation.
- **French President Macron** to host a defence and national security meeting at 11:00 GMT.
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- **UK PM Starmer** said he is determined to keep relations with the US strong; UK-US are close allies.
- **Iranian National Security Committee chair** said there's no current negotiations with the US.
- **At least one meeting** is expected between US President Trump and EU/NATO officials at Davos, Playbook report citing EU officials.

## NOTABLE NORTH AMERICAN NEWS

- **IMF World Economic Outlook: Raises 2026 Global GDP growth forecast to 3.3% (prev. 3.1%).** US economy is forecasted to grow by 2.4% in 2026 (prev. 2.1%). Chinese economy is forecasted to grow by 4.5% in 2026 (prev. 4.2%).

## NORTH AMERICAN DATA

- **Canadian** Average BoC Measures (Dec): 2.67% (Prev. 2.80%. Rev. 2.83%)
- **Canadian** Inflation Rate MoM (Dec) M/M -0.2% vs. Exp. -0.3% (Prev. 0.1%)
- **Canadian** Core Inflation Rate YoY (Dec) Y/Y 2.8% vs. Exp. 2.8% (Prev. 2.9%)
- **Canadian** CPI Trimmed-Mean YoY (Dec) Y/Y 2.7% vs. Exp. 2.7% (Prev. 2.8%, Rev. 2.9%)
- **Canadian** Inflation Rate YoY (Dec) Y/Y 2.4% vs. Exp. 2.2% (Prev. 2.2%)
- **Canadian** Core Inflation Rate MoM (Dec) M/M -0.4% vs. Exp. 0.0% (Prev. -0.1%)
- **Canadian** CPI Median YoY (Dec) Y/Y 2.5% vs. Exp. 2.7% (Prev. 2.8%)

## GLOBAL NEWS

- **French PM to extend tax on big companies to appease the left** , FT reports. He is expected to announce on Monday that he will either use special constitutional powers known as the 49.3 clause to bypass lawmakers or adopt the budget by decree.

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