

## European Market Wrap - 20th January 2026

- European bourses entirely in the red as US-EU tensions remain elevated; US equity futures also slip, with underperformance in the NQ.
- JGBs lead global fixed income lower, 40yr yield firmer by 40bps at best.
- DXY pressured throughout the session, to the benefit of the CHF and EUR; US Treasury Sec Bessent attempted to calm US-EU tensions.
- Danish pension fund Akademikerpension to exit the US, Bloomberg reports; mild pressure in USTs seen on the report.

### EQUITIES

- **European equities remained largely on the backfoot.** Sentiment pinned down by growing US and EU trade tensions. To add more fuel to the fire, **Trump announced a 200% tariff plan on French wine and champagne**, whilst later comments from **French President Macron** did little to diffuse the tension, saying that competition with the US aims to subordinate Europe, which is unacceptable.
- **European sectors were also in the red**, with **Autos (+0.2%)** the only sector trading in the green with little of note behind the move. At the bottom of the pile, **Telecommunications (-1.7%)**, **Real Estate (1.6%)**, and **Insurance (-1.6%)** posted the biggest losses.
- US equities are lower across the board with the **Nasdaq (-1.7%)** the worst performer due to downside in tech names amid the trade tensions and **elevated yield environment**.
- Movers in the US include **PDD (-4.5%)** after China expanded an investigation into the Co. following reports of clashes between employees and regulators. **Fastenal (-6.8%)** hit after the Co.'s revenue missed expectations. On the firmer side, **Enphase Energy (+2.0%)** has seen some upside in its shares, following a broker upgrade at Goldman Sachs, **ServiceNow (+0.5%)** benefits from a deal with OpenAI.

### FX

- **DXY spent much of the session on the backfoot today**, slipping below both its 100 DMA (98.68) and its 200 DMA (98.77) earlier in the session. Initial pressure spurred by renewed US-EU trade tensions, after President Trump announced a 200% tariff on French wine/champagne, which adds to the 10% levy on eight European countries announced over the weekend.
- **Thereafter, a large bout of pressure for the Dollar was after Treasury Secretary Bessent** called for calm and reminded markets that US-EU relations have been strained before, but eventually worked out. This seemingly poured some cooler water on the situation, and the index fell from around 98.85 to a trough of 98.24; afternoon trade saw the index scale back towards 98.50. Most recently, **Bloomberg reported that Danish pension fund Akademikerpension is to exit the US**; it had USD 100mln in US Treasuries at end-December. Not a massive holding, but perhaps a first indication of European countries moving away from the US.
- **Elsewhere, G10s are firmer against the USD to varying degrees**. The **CHF** outperformed throughout the session, followed closely by the **EUR**, which rose above the 1.1700 mark to a peak of 1.1768. That aside, **GBP** initially knee jerked lower on the region's jobs data where the unemployment rate ticked lower, though the wages components remain elevated – as such, the figures do little to shift the dial at the BoE.
- Overnight, the **JPY** was shunned, alongside aggressive selling in JGBs, spurred by increased bets of unsustainable fiscal policy after PM Takaichi called snap elections and the fiscal commentary from parties since. But as the European morning got underway (and amidst the weak USD), the **JPY** marginally gained. Most recently, FinMin Katayama reiterated that FX intervention remains an option.

### FIXED

- **A session dictated by two factors**, one of which was **JGBs**. In brief, overnight fiscal updates and commentary from both sides of the aisle weighed on JGBs, sending **long-end yields to highs with gains of c. 40bps in the 40yr**. Action that led to **significant curve steepening**.
- This reverberated into global fixed income. Yields higher across the board for the most part and with curves steeper, though to differing degrees.
- **USTs** as low as 111-09, but managed to pull itself around six ticks off that low as the day progressed. No move to ADP or a handful of remarks from US officials, though Bessent did move the USD (see FX).
- **Bunds** down to a 127.64 trough, lower by nearly 60 ticks at most. Driven by JGBs. No real move to **stronger-than-expected ZEW**, with Bunds near-enough at lows into the data.
- Elsewhere within Europe, attention on **French politics** as PM Lecornu's U-turn over Article 49.3, a move that paves the way for an amended budget to pass and takes some of the near-term political risk away. However, the fiscal situation remains fraught and 2027 talks will now be even more difficult and pertinent, particularly as it will also be a Presidential election year.
- Action that helped drive the **OAT-Bund 10yr yield spread down to a 60bps trough**, notching a fresh YTD low and at the lowest since late-2024.
- **Gilts** opened on the backfoot. Down by near-enough a full point. Pressure that comes given the above and potentially with

some impetus from the hotter-than-expected UK wage figure. Albeit, the overall picture from the series points to continued and increasing labour market pressure; nonetheless, the outlook for the BoE was unaffected, with a cut not priced until June.

## COMMODITIES

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- **Chevron's (CVX) Tengizchevroil cancels loading of five CPC blend oil cargoes scheduled for January to February, according to sources**. Co.'s 10 year oil production reportedly remains shut for an additional 7-10 days amid power supply issues.
- **Ports within Libya's oil crescent halted due to bad weather conditions**.
- **China's Shanghai Futures Exchange to adjust margin requirements and daily price limits for selected copper, aluminium, gold and silver futures contracts from the 22nd of January settlements**.
- **China's Shanghai International Energy Exchange has announced plans to adjust margin requirements and price limits for international copper futures related contracts, effective from the January 22 closing settlement**.
- **China announces plans to expand high-level opening of nonferrous metals future markets by steadily including eligible futures and options in foreign access**.

## EUROPEAN DATA

- **EU ZEW Expectations (Jan) 40.8 vs Exp. 36.7 (prev. 33.7)**.
- **EU ZEW Economic Sentiment Index (Jan) 40.8 vs. Exp. 35.2 (Prev. 33.7)**.
- **EU Current Account (Nov) 12.6B (Prev. 33B, Rev. 32B)**.
- **German ZEW Economic Sentiment Index (Jan) 59.6 vs. Exp. 50 (Prev. 45.8)**.
- **German ZEW Expectations (Jan) 59.6 vs. Exp. 50.0 (prev. 45.8)**.
- **German ZEW Current Conditions (Jan) -72.7 vs. Exp. -75.5 (Prev. -81.0)**.
- **German PPI MoM (Dec) M/M -0.2% vs. Exp. -0.2% (Prev. 0.0%)**.
- **German PPI YoY (Dec) Y/Y -2.5% vs. Exp. -2.4% (Prev. -2.3%)**.
- **Swiss Producer & Import Prices YoY (Dec) Y/Y -1.8% (Prev. -1.6%)**.
- **Swiss Producer & Import Prices MoM (Dec) M/M -0.2% vs. Exp. 0.2% (Prev. -0.5%)**.
- **UK HMRC Payrolls Change (Dec) -43K (Prev. -38K)**.
- **UK Unemployment Rate (Nov) 5.1% vs. Exp. 5% (Prev. 5.1%)**. ONS "the number of employees on payroll has fallen again..." and "Meanwhile unemployment remains at the rate reported last month, up on the quarter and the year".
- **UK Employment Change (Nov) 82K vs. Exp. 27K (Prev. -16K)**.
- **UK Average Earnings incl. Bonus (3Mo/Yr) (Nov) 4.7% vs. Exp. 4.6% (Prev. 4.8%, Rev. 4.7%)**.
- **UK Average Earnings excl. Bonus (3Mo/Yr) (Nov) 4.5% vs. Exp. 4.5% (Prev. 4.6%)**.
- **UK Claimant Count Change (Dec) 17.9K vs. Exp. 15.6K (Prev. -3.3K, Rev. 20.1K)**.

## NOTABLE HEADLINES

- **Danish pension fund Akademikerpension to exit the US, Bloomberg reported**.
- **Danish pension fund Akademikerpension** said the decision to divest US Treasuries is rooted in poor US government finances, not directly related to ongoing rift between US and Europe.
- **French President Macron said shifting to a world without rules; competition with the US aims to subordinate Europe, and it is unacceptable**. On the economy said Europe must respond to its own issues of low growth. European competitiveness still lacks behind the US. said the Anti-Coercion Instrument (ACI) is a powerful tool and Europe should not be hesitant in using it. More Chinese investment is needed in key European sectors. Europe does not have enough private investment. Committed to a stronger Europe in 2026. Europe may be behind, but its adherence to the rule of law and its predictability are key advantages. Doesn't make sense to threaten allies with tariffs. said it's "crazy" that they have to resort to the ACI against the US. Does not intend to speak to Trump at Davos. NATO is weakened, lacking coherency.
- **US Treasury Secretary Bessent said the US is experiencing a capex boom, which always leads to an employment boom. The narrative of EU nations discussing selling USTs is false; there is no talk of this, it is mis-reporting**. On trade: said the worst thing countries can do is heighten trade tension with the US. The narrative of EU nations discussing selling USTs is false. There is no talk of this, it is mis-reporting. Swiss-US agreement is well along the road. On EU-US relations, said there is no

need to jump to the worst case scenario at this point. Reminds that trade ties have been strained before, and it worked out. Is confident that leaders will not escalate and that it will work out. On Economy:.. Expects economic growth to be strong this year, at around 4-5% real GDP growth. They will see substantial refunds of up to USD 1000 per worker in Q1.

## TRADE/TARIFFS

- **EU's von der Leyen** said the EU is close to reaching a historical free trade agreement with India, however there's still room for further negotiations.
- **South Korea** is reportedly to hold off on USD 20bln worth of US trade investment, due to KRW impact.

## CENTRAL BANKS

- **US Treasury Secretary Bessent on new Fed chair** said they have four excellent candidates and that an announcement could come as imminent as next week.
- **ECB's Villeroy speaking at the Davos conference** said the EU should remain calm amid escalating trade tension, though he does stress that tariffs are bad news for activity. Expects muted inflation effect in Europe. Downside risks in prices are at least as big as the upside. In relation to France, said, recent political developments are a significant step with respect to the deficit but not the whole way.

## GEOPLITICS

- **Ukraine's President Zelensky** said there is no deadlock in US-Ukraine talks.
- **European Commission President von der Leyen** said the bloc's response will be united, proportional and unflinching. The territorial integrity of Greenland is non-negotiable and they will be working on wider Arctic security measures. More on EU-US relations on Greenland, she said that the EU will be working with the US and all partners on wider arctic security. said she's in full solidarity with Greenland and Denmark, adding that the sovereignty and integrity of their territory is non-negotiable. On Russian frozen assets Russian assets are permanently frozen, reserve the right to utilise them.
- **Russian Foreign Minister Lavrov** said there are no concrete contacts with the US on extending the New START arms treaty or a new deal.
- **Ukrainian President Zelensky might go to Davos if he has a bilateral meeting with Trump to sign "prosperity deal"**, via Axios' Ravid report.
- **Russia's Lavrov** said they yet to receive documents following recent US and European talks on Ukraine.
- **Russia's Lavrov** said they are ready for contact with the US on Balkans.
- **US President Trump posted "the United Kingdom, is currently planning to give away the Island of Diego Garcia..." adds that this "is another in a very long line of National Security reasons why Greenland has to be acquired."**
- **US Treasury Secretary Bessent** said the NATO alliance has never been more secure; on the way to cutting deficit to 3% of GDP by end of Trump's term; unlikely that SCOTUS will strike down the President's signature economic policies. Rare-earths: Rare earths are flowing, as expected. Must get out from China's grasp on rare-earths. China:.. His China counterpart has been a good interlocutor. China has done everything they say would do. US Economy:US economy is very strong and growth likely accelerating.
- **French President Macron** said shifting to a world without rules; competition with the US aims to subordinate Europe, and it is unacceptable. On the economy said Europe must respond to its own issues of low growth. European competitiveness still lacks behind the US. said the Anti-Coercion Instrument (ACI) is a powerful tool and Europe should not be hesitant in using it. More Chinese investment is needed in key European sectors. Europe does not have enough private investment. Committed to a stronger Europe in 2026. Europe may be behind, but its adherence to the rule of law and its predictability are key advantages. Doesn't make sense to threaten allies with tariffs. said it's "crazy" that they have to resort to the ACI against the US. Does not intend to speak to Trump at Davos. NATO is weakened, lacking coherency.
- **US Treasury Secretary Bessent said the pursuit of Greenland has been a long-term American goal**, via CNBC. Fed:.. Reiterates that Trump will reach a decision as next week. Chair Powell attending the SCOTUS hearing on Fed's Cook, is a mistake.
- **UK approves China's plans to construct 'mega embassy' in London.**
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## NORTH AMERICAN DATA

- **US ADP Employment Change Weekly 8K (Prev. 11.75K).**

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