

## European Market Wrap - 21st January 2026

- European bourses opened lower, but most have climbed into the green; US equity futures are broadly higher.
- US President Trump said he won't use force against NATO, spurring upside in US equity futures & DXY
- Spot gold printed another ATH overnight, but slipped off best levels after Trump's NATO comment.

### EQUITIES

- European bourses opened lower, but most have climbed into the green; US equity futures are broadly higher. Comments from US President Trump at Davos saying that he has no intention of using force against NATO gave the market some stability amidst the recent ongoing geopolitical tension and trade tension.
- European sectors were mixed. **Basic Resources (+4.0%)** remained the key outperformer underpinned by stronger metal prices and gains in **Rio Tinto (+5.6%)** after the Co. reported strong Q4 Pilbara iron ore production. Also, at the top were **Chemicals (+1.5%)** and **Travel & Leisure (+1.1%)**. On the flip side, **Insurance (-1.3%)**, **Telecommunications (-0.9%)** and **Banks (-1.3%)** lagged with light macro newsflow.
- US equities have opened on a stronger footing with upside in all major indices, rebounding from the prior day's loss. Similar to their European counterpart, US equities also made some modest strides in the pre-market following Trump's speech at Davos, where he assured allies that he will not use military force against them in regard to the situation in Greenland.

### FX

- DXY spent much of the session around the unchanged mark, and traded within a 98.34 to 98.71 range; peak for the day coincided with both its 100 DMA and 200 DMA at the 98.70 mark. All attention today on US President Trump's speech at Davos – he mentioned that he won't use force against NATO, in relation to Greenland. A comment which spurred some very mild strength in the Dollar, albeit within the earlier ranges. Focus now turns to the SCOTUS hearing on Trump vs Fed's Cook, and then a couple more appearances by the President later today.
- G10s were mixed against the Dollar; Antipodeans outperformed, benefiting from strength across the metals complex, whilst the CHF lagged as markets stabilise from the risk-off tone seen in the prior session. Elsewhere, the GBP knee-jerked lower on the region's inflation data; headline topped expectations, whilst the Core figures were in line/cooler – overall will not shift much for the BoE in the near term. JPY spent much of the session mildly firmer/flat vs the Dollar, with focus overnight on the slight rebound in JGBs as Finance Minister Katayama called for calm.

### FIXED

- Fixed benchmarks began the session with an upward bias, taking lead from JGBs which stabilised from recent pressure.
- Thereafter, a bit of divergence between benchmarks with USTs remaining in the green, whilst Bunds were pressured and look to close the European day off by around 10 ticks. Little reaction in USTs surrounding Trump's speech, where he highlighted that he would not use force vs NATO. USTs set to end the European day higher by a handful of ticks, within a 111-12+ to 11-19 range.
- Bunds initially followed USTs in the early portion of the morning, but slipped off best levels – a move which at the time, lacked a clear driver. A well-received Bund auction failed to lift sentiment for the benchmark, which now looks to close the session at the lower end of a 127.77 to 128.25 range.
- Gilts gapped higher by 26 ticks before extending to just above the 92.00 mark, hitting a 92.03 peak with gains of 45 ticks at most. Though, as above, this is still shy of Monday's 92.50 opening mark. A move driven by Gilts catching up to the relative recovery seen in benchmarks overnight. Additionally, impetus may have been derived from the morning's CPI series as, while the headline was above consensus, that is caveated by fiscal/one-off related impacts, while the Services and Core figures were in-line or cooler-than-expected, depending on the provider. Overall, the report will not shift much for the BoE in the near term.
- Germany sold EUR 0.776bln vs exp. EUR 1.0bln 2.90% 2056 & EUR 0.786bln vs exp. EUR 1.0bln 2.60% 2041.
- UK sold GBP 4.75bln 4.00% 2029 Gilt: b/c 3.66x (prev. 3.10x), avg. yield 3.821% (prev. 3.855%), tail 0.3bps (prev. 0.4bps).

### COMMODITIES

- Crude benchmarks were pressured throughout overnight trade, but gradually grinded higher into the European morning and then into the afternoon. Initial pressure facilitated by positive mood music between Ukraine-Russia; upside thereafter lacked a clear driver, but perhaps as traders reacted to Trump's remarks that Iran will be "wiped off the face of the Earth" if Iran attempts to carry out an assassination threat against him, NewsNation reported.
- In the European afternoon, it was reported that India's Reliance is to get Russian oil in February after a one-month pause; this led to WTI and Brent slipping off best levels. Brent looks to end the European session at the upper end of a USD 63.15-64.80/bbl range.
- Precious metals were mixed; spot gold held an upward bias, and continued to make a fresh ATH, whilst spot silver took a breather. Overnight, XAU made a fresh ATH at USD 4,888.54/oz, and stayed towards those levels for much of the session. Though, the yellow-metal did dip off best levels after the POTUS suggested that he would not use force against NATO, in

relation to Greenland.

- **Base metals** traded with an upward bias throughout the day. **3M LME Copper** traded shy of the USD 13k/t mark, within a USD 12,747-12,966.75/t range.
- **India's Reliance** reportedly to get Russian oil in February after one-month pause.
- **Kazakhstan's TengizChevroil** has declared a force majeure on the Tengiz oil project; is not able to state how long it will last.
- **Operations** have reportedly resumed at four Libyan oil terminals.
- **US Energy Secretary** said Venezuela oil output can rise +30% vs current levels of around 0.9mIn BPD in the short-to-medium term, according to sources.
- **Chevron (CVX)** reportedly aims to finalise the sale of its oil assets in Singapore in Q1, according to sources.
- **IEA OMR: raises 2026 average oil demand growth forecast to 930k bpd (prev. forecast 860k bpd).** Sees total world oil supply 3.69mIn bpd higher than demand in 2026 in monthly report (prev. report 3.84mIn bpd). Estimates OPEC+ supply growth at 1.3 mIn b/d in 2025. Further decline in global oil supply in December continued to narrow surplus.
- **Thai's Central Bank Chief** said they will introduce a daily cap on gold trading at 50mIn or 100mIn Baht from the 29th of January.

## EUROPEAN DATA

- **UK CBI Industrial Trends Orders** (Jan) -30 vs. Exp. -33 (Prev. -32).
- **UK November ONS House Price Index** 2.5% Y/Y (prev. 1.7% Y/Y).
- **UK Core CPI YoY (Dec) Y/Y 3.2% vs. Exp. 3.2% (Prev. 3.2%, Low. 3.1%, High. 3.4%).**
- **UK PPI Output YoY (Dec) Y/Y 3.4% (Prev. 3.4%).**
- **UK PPI Core Output YoY (Dec) Y/Y 3.2% (Prev. 3.6%, Rev. From 3.5%).**
- **UK PPI Core Output MoM (Dec) M/M -0.1% (Prev. 0.1%, Rev. From 0%).**
- **UK PPI Input MoM (Dec) M/M -0.2% vs. Exp. -0.1% (Prev. 0.5%, Rev. From 0.3%).**
- **UK PPI Input YoY (Dec) Y/Y 0.8% (Prev. 1.1%).**
- **UK CPI YoY (Dec) Y/Y 3.4% vs. Exp. 3.3% (Prev. 3.2%); All Services 4.5% (prev. 4.4%).** ONS. "Inflation ticked up a little in December, driven partly by higher tobacco prices, following recently introduced excise duty increases." "Airtfares also contributed to the increase with prices rising more than a year ago, likely because of the timing of return flights over the Christmas and New Year period." "... partially offset by a fall in rents inflation and lower prices for a range of recreational and cultural purchases."
- **UK Retail Price Index MoM (Dec) M/M 0.7% vs. Exp. 0.5% (Prev. -0.4%, Low. 0.4%, High. 0.9%).**
- **UK Retail Price Index YoY (Dec) Y/Y 4.2% vs. Exp. 4% (Prev. 3.8%, Low. 3.9%, High. 4.4%).**
- **UK CPI MoM (Dec) M/M 0.4% vs. Exp. 0.4% (Prev. -0.2%, Low. 0.1%, High. 0.6%).**
- **UK Core CPI MoM (Dec) M/M 0.3% vs. Exp. 0.3% (Prev. -0.2%, Low. 0.2%, High. 0.5%).**
- **UK PPI Output MoM (Dec) M/M 0% vs. Exp. 0.1% (Prev. 0.1%).**
- **UK Services CPI (Dec) Y/Y 4.5% vs. Exp. 4.6% (prev. 4.4%).**

## NOTABLE HEADLINES

- **US President Trump** said Switzerland "rubbed me up the wrong way", reduced Swiss tariffs as he didn't want to hurt people, this does not mean they could not go up in the future. After tariffs on Switzerland, "all hell broke loose".
- **US President Trump** said the US has historically been subsidising nations pharmaceutical prices, **Trump tariffs achieved a favoured nation policy.** French President Macron was "tough" in his address at Davos on Tuesday, **Trump said he "actually likes" Macron.** On pharmaceuticals, said European prices do not need to go up all the way they can go up a "little bit" (suggests doubling from USD 10 to USD 20) and the US can go down a lot. said he threatened French President Macron, and other unnamed leaders he spoke to, with 20%, 30% or 35% tariffs depending on the nation, if they did not agree to the above drug/pharmaceutical price change. US pharmaceutical prices will come down some 90%.
- **US President Trump** said, regarding Greenland, that he has respect for Greenland and Denmark. However, no nation/group of nation is in any position to secure Greenland, except for the US. Greenland. The area is a core strategic interest of the US. Need Greenland for strategic national security. China/Russia. Says the defensive systems in Venezuela were made by China and Russia, and after the US operation those nations will perhaps "need to go back to the drawing board".
- **US President Trump** said the US economy is booming and inflation has been defeated. Thinks the US will shortly see growth that "perhaps no country has ever seen before". European nations, Japan and South Korea are partners of the US.
- **US Commerce Secretary Lutnick** said Greenland is important for the protection of shipping lanes. EU-US trade deal is very "durable".

## TRADE/TARIFFS

- **EU** is reportedly delaying the vote on ratifying the US trade agreement.
- **France** has reportedly delayed the G7 meeting to discuss US tariff threats, according to Bloomberg; meeting has been pushed back to next week, citing WEF scheduling conflicts.
- **UK Chancellor Reeves** said nothing can be ruled out, when asked if a US tariff retaliation is possible. However, Reeves stresses that the goal is a reduction in trade barriers.
- **UK Chancellor Reeves** said confident we can stick with trade deal secured with the US last year, via Channel 4 interview.
- **European Parliament** has voted to send the EU-Mercosur deal to the ECJ.
- **Guardian's O'Carroll** posted "Conversations at the "technical and political levels ongoing..." said the EU trade Spox pointing to meeting between Sefocvic and Greer in Davos today."Now is the time for engagement, not escalation" said Olof Gill."
- **US Treasury Secretary Bessent** said during my meeting this week with Vice Premier He Lifeng of China, we held a positive

discussion regarding the implementation of the economic agreement between President Trump and President Xi. Look forward to meeting with the Vice Premier again soon.

- **Final trade talks between the US and Switzerland will reportedly commence in February, according to sources.**
- **USTR Greer** said EU trade agreement focuses on trade rather than national security; however, relationship with EU negotiator remains great. Are in a good spot with China. It is important to talk with Congress on export controls.
- **US Treasury Secretary Bessent** said there are no US-UK talks scheduled at the moment.
- **US Treasury Secretary Bessent speaking at Davos** said free trade should be fair trade.

## CENTRAL BANKS

- **US President Trump** said he will announce a new Fed Chair "soon", all of those interviewed are "great". Criticises Chair Powell. US should be paying the lowest interest rate in the world.
- **Mizhou (8411 JT) CEO** said they see the next opportunity for the BoJ to hike is in April; sees the terminal rate at 1.50%.
- **ECB's Kocher** said using trade policy threats as a tool for political pressures increases risk to the global economy for all parties involved in the medium and long term.
- **ECB's Lagarde** said monetary policy is in a "good place". Europe would be stronger if non-tariff barriers were removed within the region.
- **SNB Chairman Schlegel** said he has no plans to increase or decrease gold holdings.
- **SNB Chairman Schlegel** said that they could have negative inflation this year, which is not a problem in the short term, however geopolitical tension remains a risk. Adds that the CHF has been stable over the last few months.

## GEOPOLITICS

- **Ukrainian President Zelensky intends to travel to Davos on Thursday for a meeting with US President Trump, Axios' Ravid reported.**
- **US President Trump** said he is meeting with Ukrainian President Zelensky on "Wednesday". Trump said he is not sure of his allies, i.e. NATO, would defend the US in the event of a conflict, said the US would be there for them.
- **US President Trump** said he won't use force against NATO. "All the US is asking for is a place called Greenland". Never got anything from NATO, despite paying for "100% of NATO", all he wants is Greenland and "ownership" of it, in order to defend it. If there was a war, much of the action would take place in Greenland. Golden Dome/Canada. Constructing the Golden Dome, which will defend Canada. Criticises Canadian PM Carney, he has not been very grateful. Ukraine. The conflict is a bloodbath, wants to stop it. Dealing with Russian President Putin, wants to make a deal.
- **US President Trump** said he is seeking immediate negotiations to discuss the acquisition of Greenland. This is not a threat to NATO, it would enhance the alliance. US gives much to NATO, gets little in return - cites the war in Ukraine as an example of this. Ukraine: Europe and NATO do not appreciate the work the US does on the war in Ukraine.
- **US President Trump** said, regarding Greenland, that he has respect for Greenland and Denmark. However, no nation/group of nation is in any position to secure Greenland, except for the US. Greenland. The area is a core strategic interest of the US. Need Greenland for strategic national security. China/Russia. Says the defensive systems in Venezuela were made by China and Russia, and after the US operation those nations will perhaps "need to go back to the drawing board".
- **India's Reliance** reportedly to get Russian oil in February after one-month pause.
- **Russian Defence Ministry** said Russian strategic bombers carried out patrol over sea of Japan, Interfax.
- **Russia's Kremlin** said they expect to receive information on talks between the US, Europe and Ukraine.
- **NATO's Rutte** said the allies must defend the Arctic region amid rising Chinese and Russian activity.
- **US envoy Witkoff** said he does not have the sense from Iran just yet that they want to solve things in a diplomatic way, can have the conversation with them and come to a diplomatic solution when they are willing/if they want to.
- **US special envoy Witkoff** reported significance progress on Ukraine and Russia in recent weeks. Adds that the land deal remains the sticking point. Scheduled to meet Putin on Thursday. Ukraine has made significant progress amid the ongoing conflict. Uncertain about finishing off final 10% of the deal in the coming weeks, but highlights progress. "The Russians have invited us to come and that's a significant statement"; will travel to Russia on Thursday with Kushner. On the Middle East. Hamas is receptive to the idea of demilitarisation. Not negotiating with Iran right now but said its hard to tell if Iran is still killing protestors. On Greenland. There will be discussions on Greenland in Davos.
- **Iran's Foreign Minister** warns Washington that any all-out confrontation with Iran would be fierce and engulf the entire region, Sky News Arabia reported.
- **UK PM Starmer** said Trump wants him to yield on his position, and he won't.
- **Swedish pension fund Alecta** has divested most of its US Treasury holdings, according to DI; has sold SEK 70-80bn worth of Treasuries. Alecta confirmed it has sold "the majority of its holdings" and refers to increased risk and unpredictability in US politics.
- **US Commerce Secretary Lutnick** announces study on drones and robots from China.
- **US Secretary of State Rubio** will appear before the Senate Foreign Relations Committee on the 28th of January at 10:00ET/15:00GMT re. Venezuela, Punchbowl reported.
- **UK Chancellor Reeves** announces plans to set out more defense spending next year.
- **France and Germany** reportedly appear to agree on placing the ACI on the table, though not necessarily activating it, Politico reported citing sources; a shift as Germany is now reportedly willing to at least explore the concept of using the ACI.

## NOTABLE NORTH AMERICAN NEWS

- **US President Trump** said in the last month "all stocks went up" and "this is how it is meant to be". It use to be that good news lifted the market. Will make the stock market rally on good news. Wrong that stocks see pressure on good economic news.

- **US President Trump** said the US should have lower rates, hopes Treasury Secretary Bessent is listening.
- **Ukrainian President Zelensky intends to travel to Davos on Thursday for a meeting with US President Trump, Axios' Ravid reported.**
- **US President Trump said he hopes to sign a bill on crypto soon, Congress is working on market structure regulation. Wants to ensure that China does not get a hold on crypto.**
- **US President Trump** said he will be taking action on house prices. Signed an executive order preventing large institutional investors from purchasing homes. Will be asking Congress to cap credit card prices at 10%.
- **US President Trump said the stock market dip is "peanuts" and it will "double". Will make weapons even faster following the new defense rules, will not be allowing buybacks by defense firms anymore.** Complements the F-47 jet, made by Boeing (BA) that is in development; though, he said if he does not like it he will take the name off.
- **US Commerce Secretary Lutnick** expects the US economy to grow by more than 5% in Q1, with a possible 6% growth in 2026 if the Fed cuts.

#### NORTH AMERICAN DATA

- **US Redbook YoY (Jan/17) Y/Y 5.5% (Prev. 5.7%).**
- **US MBA Purchase Index (Jan/16) 194.1 (Prev. 184.6).**
- **US MBA Mortgage Refinance Index (Jan/16) 1, (Prev. 1,, Rev. From 1313.1,).**
- **US MBA Mortgage Market Index (Jan/16) 397.2 (Prev. 348.0, Rev. From 348).**
- **US MBA Mortgage Applications (Jan/16) 14.1% (Prev. 28.5%).**
- **US MBA 30-Year Mortgage Rate (Jan/16) 6.16% (Prev. 6.18%).**

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