

European Market Wrap - 22nd January 2026

- TACO trade boosts global equities, with European & US equity futures firmly in the green.
- DXY mildly lower, Antipodeans lead G10 peers, with the Aussie outperforming after a strong jobs report.
- Ukraine-Russia-US are to hold meetings in the UAE on Friday-Saturday; Trump described his meeting with Zelensky as "good".

EQUITIES

- **European equities remained firmer across the board.** Sentiment was boosted after US President Trump announced that he's withdrawing his scheduled tariffs on EU countries, after reaching a framework deal, after his meeting with NATO's Rutte.
- **European sectors** also remained largely in the green with **Basic Resources (-0.3%)** and **Energy (-0.4%)** the only sectors in the red. Basic Resources was weighed down by weaker metal prices, whilst Energy has seen some pressure due to lower crude prices. Leading sectors were **Construction (+2.9%)**, **Telecommunications (+2.6%)** and **Financial Services (+2.3%)**, though lacked clear drivers. Also near the top was Autos which was underpinned by gains in **Volkswagen (+5.5%)** and **Michelin (+3.1%)** after the pair provided positive trading updates.
- **US equity futures are firmer across the board**, with sentiment underpinned by Trump's decision to U-turn on tariffs. Though some hefty selling pressure was seen at the US cash open, led by the NQ.
- Movers in the US include **GameStop (+3.5%)** with the Co. gaining after the CEO buys an additional 500k shares, following the purchase of 500k shares the day prior. **Microchip Technology (+3.1%)** and **ON Semiconductor (+1.7%)** have also seen modest upside after a broker upgrade at BNP Paribas. **Procter & Gamble (+1.7%)** gains after Co. maintained FY outlook in Q4.

FX

- **DXY spent much of the European session around the unchanged mark**, but then gradually sauntered lower as the session progressed; now looks to end the European session at the bottom end of a 99.58-98.82 range. The index has breached below its 100 DMA (98.71) and 21 DMA (98.63) in today's session.
- **Focus this morning was on Trump suggesting a framework had been made re. Greenland**, leading him to drop his plans to impose tariffs on European countries. Overall, messaging which spurred a TACO trade, lifting sentiment. US data slate thereafter was mixed, and initially spurred a knee jerked higher in the index. Jobless claims printed a touch below expectations, which continues to indicate a more stable labour market than some had feared. Elsewhere, PCE (Q3) figures were generally in line, whilst GDP (Q3) metrics were mixed. Thereafter, PCE (Nov) printed broadly in line with expectations, spurring little reaction in the index.
- **G10s are mostly firmer vs the USD (ex-JPY)**; Antipodeans topped the pile, given the risk tone, but with outperformance in the **Aussie** after the region's hotter-than-expected jobs data; market pricing now assigns a circa. 60% chance of a hike in Feb vs 30% pre-release. **JPY** was pressured for much of the session, and held within a 158.17 to 158.89 range. Earlier, Bloomberg reported that Japan now forecasts the primary balance to be in a deficit (prev. forecast surplus) in FY26. JPY mildly strengthened on this report, as it perhaps eases some fears of a deeper deficit.
- **GBP** looks to end the session flat vs USD, but saw some notable pressure on reports that UK Labour MP Andrew Gwynne is to stand down as MP, clearing the way for Andy Burnham to challenge PM Starmer. **Cable** fell from 1.3451 to 1.3401 (session trough) following the report, but then scaled back about half of that move as political analysts highlighted that the threshold for Burnham to step down as mayor to become an MP is very high. Elsewhere, **EUR** gained vs the USD; no move to the ECB Minutes (Dec), which highlighted that the Bank is in a good place, with some policymakers highlighting geopolitical risk.

FIXED

- A varied session for fixed benchmarks. **USTs** in a modest 111-15 to 111-24+ band, set to end the European day at the lower-end of that, with downside of a few ticks. The main updates for the US were the day's 13:30GMT data-dump, which sparked a modest knee jerk lower in USTs, but only very modest.
- **US PCE** for October and November passed without significant reaction, printing broadly in-line for the November series.
- That aside, the day has largely been one of waiting to see if the TACO narrative holds after Trump's tariff U-turn on Wednesday. Thus far, it remains intact. Though, geopolitical updates continue to filter through and as such a return of risk premia cannot be ruled out.
- **Bunds** broadly in-fitting, European newsflow has largely focussed on trade and geopolitics, one of the main updates being that the bloc will revisit the paused US-EU trade deal progress on Monday, a pause that occurred pre-TACO.
- Bunds near-enough unchanged, in 127.69 to 128.03 parameters.
- A much more significant session for **Gilts**. Initially bid, with gains of 40 ticks at best, upside spurred by favourable PSNB data for December. However, reports that Andy Burnham has a pathway to becoming a Labour MP spurred a sharp reversal in Gilts and upside in UK yields, taking Gilts to a 91.18 low with downside of 55 ticks at most.
- Pressure on the narrative that Burnham becoming an MP could be the beginning of a leadership challenge to the relatively market-friendly option of PM Starmer and Chancellor Reeves. Note, the rules governing UK politics mean the path for Burnham to step down as an elected mayor and run for MP is tricky, particularly as it is subject to approval by the pro-Starmer

Labour NEC.

COMMODITIES

- **Crude** curtailed by the removal of risk premia after Trump's tariff U-turn and the latest updates regarding Ukraine.
- Benchmarks were lower by around USD 0.60/bbl, but off the early-European lows by around USD 0.40/bbl before returning back towards the trough in the afternoon by **Ukrainian President Zelensky announcing that there will be a trilateral meeting** of US, Russian and Ukrainian officials, across Friday and Saturday in the UAE.
- An update that followed a meeting between Trump and Zelensky, and reporting that while discussions relating to Ukraine were progressing, the US and Ukraine were not yet ready to sign off on anything.
- **Gas benchmarks** pullback in Europe, but this comes after a EUR 41.9/MWh high printed on the open. A high spurred by the +25% settlement in the US benchmark on Wednesday, with factors for the space familiar. Namely, deteriorating weather, increasing demand and sparking freeze-offs in some areas.
- **Spot gold** tarnished by the removal of near-term risk premia, went as low as USD 4772/oz in APAC trade before experiencing a relative recovery across the day as the USD got hit. As high as USD 4839/oz and just into the green.
- **Russia's Deputy PM Novak** said Russian oil output amounted to 512mln tonnes in 2025; Russia's LNG production reached ~32mln tonnes in 2025; Russia's coal output at 440mln tonnes in 2025. US sanctions against Russian oil companies disrupt the sustainability of global energy resources, increase volatility on global oil markets.
- **US President Trump** said he has a great relationship with the new leaders of Venezuela. Nation is opening up to US oil firms. Highlights that Venezuela has a "lot" of oil, but very little production.
- **US Energy Secretary Wright** said global oil production would need to more than double to meet rising demand and prevent energy poverty.
- **US President Trump** is reportedly personally controlling the release of funds generated from Venezuela's oil, Semafor reported citing an official.
- **PBoC is to strengthen the supervision of the gold market.**
- **Japanese copper smelters reportedly remain in discussions over charges for 2026 with miners.**
- **China's UBS SDIC silver futures fund will be suspended from market open until 10:30 am local time (2:30am GM) on the 23rd January.**
- **MMG (1208 HK)** reported Q4 copper production of 108.6k/T of output, -7% Y/Y.

EUROPEAN DATA

- **UK CBI Distributive Trades (Jan)** -17 vs. Exp. -35 (Prev. -44).
- **UK PSNB Ex Banks (Dec)** 11.58B vs. Exp. 14B (Prev. 10.94B, Rev. From 11.65B).

NOTABLE HEADLINES

- **US President Trump said big retaliation if Europe sold US assets like bonds.**
- **UK Labour MP Andrew Gwynne set to stand down as MP, clearing way for Andy Burnham, The Times reported; announcement possible this afternoon.**
- **UK NEC sources say they** are prepared to go to war with UK Greater Manchester mayor Burnham regarding his potential bid to become a Labour MP, Guido reported; stating, "... the NEC will almost certainly block him".
- **Sky's Coates highlights, with reference to UK Labour Mayor Burnham, that there is a high threshold for the mayor to step down with the intention of becoming an MP.** Directly elected mayors need to seek the express permission of the NEC/SEC/WEC (as applicable) before seeking nomination as Labour candidates for the Westminster Parliament. The NEC/SEC/WEC's decision shall be final - - as such, the bid could be blocked. Coates adds he is told that "Morgan McSweeney thinks he's got the NEC sewn up to block Burnham."

TRADE/TARIFFS

- **Argentine President Milei on US trade deal** said are working and will have good news.
- **European Parliament Trade Committee** is to return to the matter of the EU-US trade deal on Monday.
- **US Commerce Secretary Lutnick** said they remain committed to implementing the US-EU trade agreement.
- **RTE's Connelly highlights conflicting views over whether the EU-Mercosur deal should be applied provisionally, despite the European Parliament referring it to the ECJ.** Argentina, Brazil, Paraguay and Uruguay.
- **Switzerland's Parmelin via X** said he had a very constructive talks with USTR Greer. First round of talks at technical level in Bern as soon as possible.
- **UK Business Secretary Kyle** said the European customs unions is not currently on the radar of the UK government.
- **China's Commerce Ministry** said China is concerned with the EU excluding some of Chinese tech suppliers.

CENTRAL BANKS

- **ECB Minutes (Dec): Overall, the ECB was currently in a good place from a monetary policy point of view, but this did not mean the stance was to be seen as static.**
- **Bundesbank** said economy to get spending boost later this year; GDP seen rising only moderately in Q1.
- **PBoC Governor Pan** said China has room this year to cut RRR and interest rates, pledging flexible use of tools.
- **Norges Bank Interest Rate Decision 4.00% vs. Exp. 4.00% (Prev. 4.00%); "... if the economy evolves broadly as currently envisaged, the policy rate will be reduced further in the course of the year."**

GEOPOLITICS

- Ukrainian President Zelensky says there will be a trilateral meeting of US, Russian and Ukrainian officials, commencing on Friday in the UAE and continuing into Saturday
- Ukraine President Zelensky criticises Europe for not using frozen Russian assets; why can Trump stop tankers and seize oil and Europe can't do this with Russian oil. Europe needs united armed forces. Europe loves to discuss future but avoids action. Ready to help protect Greenland from Russian ships. Discussed air defense for Ukraine with Trump. Documents are now even better prepared with US. Urges to act against Russian missiles in Belarus. Would have been cheaper for allies to cut Russia's access to components from missiles instead of PURL. Europe advises Ukraine not to mention tomahawks to US. Europe's problem is its mindset. Europe can and should be a global force.
- Ukraine's President Zelensky said meeting with Trump went very well.
- US President Trump's Greenland deal reportedly allows NATO to increase security in the Arctic region; framework entails the establishing of US missiles and mining rights, via Bloomberg.
- US President Trump said Zelensky meeting was good and message to Putin is the war has to end.
- US President Trump on Greenland said will be total access, no time limit; details being negotiated now; piece of Golden Dome will be on Greenland; I'm not going to pay anything for Greenland.
- US President Trump said he will have a meeting with Russian President Putin on Thursday or Friday; thinks they are getting close.
- Air alerts activated in Kyiv, Ukraine.
- Peace Board announces that the Rafah crossing will open next week, in both directions.
- French President Macron said the French Navy boarded an oil tanker coming from Russia, subject to international sanctions and suspected of flying a false flag.

NOTABLE NORTH AMERICAN NEWS

- US President Trump said will probably be issuing dividend if they win tariff case; will be paying off debt if win SCOTUS tariff case.
- US President Trump on healthcare said they are in negotiation. said he doesn't want health and insurance companies to get the money. Would like to see another reconciliation plan.
- US President Trump said there will be more military equipment purchases.
- NEC Director Hassett said recent inflation data have been very promising; US may get two quarters of growth above 5%. Hassett gives praise to Fed Chair candidate Rieder, said he is the 'best bond guy'. said they need an independent person who respects the mandates in regards to next Fed Chair.
- US President Trump said he thinks investors in the US will be "extremely happy" with those investments.

NORTH AMERICAN DATA

- US PCE Price Index MoM (Nov) M/M 0.2% vs. Exp. 0.2% (Prev. 0.2%)
- US Core PCE Price Index MoM (Nov) M/M 0.2% vs. Exp. 0.2% (Prev. 0.2%)
- US Personal Spending MoM (Nov) M/M 0.5% vs. Exp. 0.5%
- US Initial Jobless Claims (Jan/17) 200K vs. Exp. 212K (Prev. 199K, Rev. From 198K).
- US Core PCE Prices QoQ Final (Q3) Q/Q 2.90% vs. Exp. 2.9% (Prev. 2.60%, Rev. From 2.6%).
- US Corporate Profits QoQ Final (Q3) Q/Q 4.7% vs. Exp. 4.4% (Prev. 0.2%).
- US GDP Sales QoQ Final (Q3) Q/Q 4.5% vs. Exp. 4.6% (Prev. 7.5%).
- US Real Consumer Spending QoQ Final (Q3) Q/Q 3.5% vs. Exp. 3.5% (Prev. 2.5%).
- US GDP Price Index QoQ Final (Q3) Q/Q 3.7% vs. Exp. 3.7% (Prev. 2.1%).
- US GDP Growth Rate QoQ Final (Q3) Q/Q 4.4% vs. Exp. 4.3% (Prev. 3.8%).
- US PCE Prices QoQ Final (Q3) Q/Q 2.8% vs. Exp. 2.8% (Prev. 2.1%).
- US Continuing Jobless Claims (Jan/10) 1849K (Prev. 1875K, Rev. From 1884K).
- US Jobless Claims 4-week Average (Jan/17) 201.50K (Prev. 205.25K, Rev. From 205K).

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