

## European Market Wrap - 23rd January 2026

- **European & US equity futures broadly lower**; INTC -15% post-earnings, whilst NVDA gains on reports China has approved firms to prep H200 orders.
- **DXY was steady, JPY volatile on the BoJ announcement and touted MoF activity.**
- **Markets await the result of the trilateral meeting between US-Ukraine-Russia**

### EQUITIES

- **European bourses remained largely on the backfoot.**
- European sectors remained mostly in the red. **Energy (+2.0%)** and **Basic Resources (+1.3%)** outperformed with firmer crude and metal prices lifting sentiment for both respective Co.'s. Strong earnings from **Ericsson (+9.7%)** has also elevated the **Telecommunications (+1.0%)**. **Defensive companies** have gained with upside in **Rheinmetall (+2.9%)**, **Leonardo (+2.0%)** and **BAE systems (+1.85%)** after Czech defensive company **CSG shares jumped by 29%** on its trading debut, underpinning sentiment for defence names. On the downside, **Travel & Leisure (-1.6%)**, **Insurance (-1.5%)** and **Consumer Products & Services (-0.9%)**.
- US equities have opened mostly lower with downside in the **S&P 500 (-0.2%)**, **Nasdaq (-0.1%)** **Dow Jones (-0.4%)** and **Russell 2000 (-0.6%)**. Limited fresh macro catalysts to explain the downside. **NVIDIA (+1.4%)** shares have gained, though off best levels seen in the pre-market after Bloomberg sources reported that China informed its biggest tech firms that they can prep orders for Nvidia's H200 chips.
- Movers in the US include **CSX (+3.7%)** and **Intuitive Surgical (+1.9%)** with both Co. 's gaining after posting strong Q4 earnings. On the contrary, **Intel (-13.5%)** shares have dropped after the Co. reporting Q4 loss and a downbeat outlook.

### FX

- **A packed morning for the JPY** but, ultimately, USD/JPY is only marginally lower on the session. The BoJ announcement sparked some two-way action as the new forecasts were digested, before coming under pressure as Ueda spoke as he intimated a need to see April price behaviour to consider tightening.
- **As Ueda concluded, USD/JPY was above 159.00** but just off the 159.22 session peak. Thereafter, a **bout of marked selling occurred to a 157.39 trough**. Action which was potentially intervention, though the size of the move, its pairing and the proximity to Ueda's remarks ending potentially pushback on the intervention narrative.
- **DXY** set to end the European day flat, but at the bottom end of the day's 98.25-98.48 parameters and within reach of the WTD 98.24 low. For the US, the main story this week has been Trump's U-turn on tariffs and as such the USD has lost out to GBP & EUR.
- **GBP/USD** set to end the week at highs of 1.3567. Gains that occur given the above, strong Retail Sales, Flash PMIs and hawkish remarks from BoE's Greene. WTD appreciation that has also occurred despite the potential path to a leadership challenge by Burnham against Starmer, with gains on Friday also a function of commentary picking up on the fact that the path to Burnham becoming an MP and being able to challenge Starmer is very tricky.
- **EUR/USD** is also near highs, of 1.1768 this week. Aside from the Trump updates, newsflow for Europe has been somewhat negative, with the EU-Mercosur deal potentially delayed due to an ECJ review.
- **Antipodeans** saw gains, both markedly so as the tone cheered Trump's U-turn, metals climbing and strong performance of China on several sessions. AUD/NZD slightly lower WTD, despite a hot Aussie jobs series with a hotter-than-expected New Zealand inflation print helping it to edge ahead.

### FIXED

- **Fixed benchmarks** have seen varied action.
- **JGBs** lagged from the BoJ onwards, weighed on by the hawkish dissenter, upward growth revisions and a lift to the 2026 inflation view. Points which, despite Ueda seemingly intimating the earliest point for a hike would be April, have left market pricing with a slight hawkish skew. Though, to be clear, yields remain shy of the long-end record levels that printed earlier this week on election-related fiscal commentary.
- **USTs** near-enough flat, in a thin 111-17 to 111-23+ band. No move to the day's data. For the most part, the complex is awaiting any update from the trilateral summit and then looking ahead to next week's scheduled and potential events.
- **Bunds** lower by c. 10 ticks, but an equal amount clear of the day's 127.52 trough. European specifics a little light, no real move to the day's flash PMIs which were somewhat mixed.
- **Gilts** initially outperformed, despite strong December Retail Sales. Gains of just over 30 ticks at a 91.68 peak, seemingly driven by a pairing of Thursday's Burnham induced price action, as more commentators highlight the difficult path for him to become a Labour MP. Thereafter, the benchmark slipped on strong Flash PMIs and hawkish remarks from BoE's Greene, action that sent Gilts into the red by 17 ticks.
- **One borrower** is considering the sale of US IG bonds on Friday, according to a Bloomberg survey.
- **Germany** is reportedly in talks to provide around EUR 720mln in climate loans to South Africa, part of a total EUR 2.68bln funding pledge.

## COMMODITIES

- **Crude** is set to end the European day at highs, with gains of almost USD 2.00/bbl. Upside that comes despite the soon-to-commence trilateral talks between Russia, Ukraine and the US.
- Instead, strength is potentially a function of a gradual pick-up in the language around Iran, with multiple source reports suggesting that the US is threatening sanctions against Iraq if they don't crack down on and help to disarm Iran-backed militia groups.
- **Dutch TTF** firmer once again, set to end the week with gains of near EUR 5/MWh and the last two weeks firmer by over EUR 10/MWh. Stateside, **NG** began on the backfoot but has since moved higher. The narrative is much the same, with the cold spell having hit Europe and Asia in recent weeks set to hit the US, and particularly the east coast, this weekend.
- **XAU** pulled back early doors, a move that interestingly occurred alongside downside in US equity futures and as such was perhaps profit taking from near the USD 5k/oz mark, as XAU got to a USD 4967/oz peak.
- **Base metals** firmer, upside driven by gains in China overnight and since with technicals perhaps factoring as **3M LME Copper** eclipses the USD 13k/T mark.
- **Worldsteel** reported December production of crude steel was 139.6mIn/T, -3.7% Y/Y.
- **China's securities regulator has expanded futures market access for overseas investors.** Approves registration of no. 20 rubber, low sulphur fuel oil and international copper options.
- **China's Shanghai Futures Exchange will adjust price limits and margin ratios for nickel, aluminium, lead, zinc, and stainless steel futures following the 27th of January closing settlement.**
- **China** is reportedly set to offer CNY-denominated liquefied natural gas futures contracts as early as February, according to sources.

## EUROPEAN DATA

- **UK S&P Global Manufacturing PMI Flash (Jan) 51.6 vs. Exp. 50.6 (Prev. 50.6).**
- **UK S&P Global Composite PMI Flash (Jan) 53.9 vs. Exp. 51.5 (Prev. 51.4).**
- **UK S&P Global Services PMI Flash (Jan) 54.3 vs. Exp. 51.7 (Prev. 51.4).**
- **UK Retail Sales ex Fuel MoM (Dec) M/M 0.3% vs. Exp. -0.2% (Prev. -0.4%, Rev. From -0.2%, Low. -0.8%, High. 0.5%).**
- **UK Retail Sales YoY (Dec) Y/Y 2.5% vs. Exp. 1% (Prev. 1.8%, Rev. From 0.6%, Low. 0.4%, High. 1.7%).**
- **UK Retail Sales MoM (Dec) M/M 0.4% vs. Exp. -0.1% (Prev. -0.1%, Low. -0.7%, High. 0.5%).**
- **UK Retail Sales ex Fuel YoY (Dec) Y/Y 3.1% vs. Exp. 1.4% (Prev. 2.6%, Rev. From 1.2%, Low. 0.8%, High. 2.2%).**
- **EU HCOB Composite PMI Flash (Jan) 51.5 vs. Exp. 51.8 (Prev. 51.5).**
- **EU HCOB Services PMI Flash (Jan) 51.9 vs. Exp. 52.6 (Prev. 52.4).**
- **EU HCOB Manufacturing PMI Flash (Jan) 49.4 vs. Exp. 49.1 (Prev. 48.8).**
- **German HCOB Manufacturing PMI Flash (Jan) 48.7 vs. Exp. 47.8 (Prev. 47.0).**
- **German HCOB Services PMI Flash (Jan) 53.3 vs. Exp. 52.5 (Prev. 52.7).**
- **German HCOB Composite PMI Flash (Jan) 52.5 vs. Exp. 51.6 (Prev. 51.3).**
- **French HCOB Services PMI Flash (Jan) 47.9 vs. Exp. 50.5 (Prev. 50.1).**
- **French HCOB Manufacturing PMI Flash (Jan) 51.0 vs. Exp. 50.3 (Prev. 50.7).**
- **French HCOB Composite PMI Flash (Jan) 48.6 vs. Exp. 50.1 (Prev. 50.0).**

## NOTABLE HEADLINES

- **France's Finance Minister** said everything suggests that 2025 GDP was closer to 0.9% than the 0.7% they had expected.
- **French parliament, in the second motion, finds confidence in PM Lecornu (i.e. the no-confidence motion failed).**
- **French parliament finds confidence in PM Lecornu (i.e. the no-confidence motion failed); another motion to follow shortly.** 269 members voted in favor of the no-confidence motion, 288 needed for the motion to pass.
- **Germany's core budget had borrowing of EUR 66.9bln instead of the allocated EUR 81.8bln, according to sources.** Sources also reported that total investment hits record level of EUR 86.8bln in 2025.

## TRADE/TARIFFS

- **EU** is to suspend retaliatory tariffs on EUR 93bln of US goods for a six month period, Bloomberg reported citing spokesperson Gill.
- **US Commerce Secretary on X** said President Trump's America First trade agenda is focused on driving down imports and surging exports. In just one year, we've delivered on both. Foreign contracts supported by the US Department of Commerce alone surged to USD 244bln last year. We're just getting started.
- **EU Official announces that the India-EU FTA will lead to substantially lower tariffs.**
- **EU official said India and EU will announce a free trade agreement as soon as next week.**

## CENTRAL BANKS

### BoJ

- **BoJ maintains its short-term interest rate at 0.75%, as expected; 8-1 vote split with Takata voting for a 25bps hike.**
- **BoJ Governor Ueda (post-policy presser) said headline inflation soon to undershoot 2% ; not yet at the stage to mull if goal achievement is coming earlier.** Will conduct monetary policy in such a way as to ensure they do not fall behind the curve. Will keep raising rates if the economic outlook is realized. It will take a while before the full impact of tightening is seen across the economy, conditions remain accommodative after the December move. Will conduct nimble market operations to respond to irregular moves; will work closely with the government on long-term rates. Operations could be conducted to encourage stable

yield formation. Must pay attention to even small FX moves as underlying inflation approaches 2%.

## Other

- **ECB's Kocher said trade threats raise economic risks; would be cautious in adjusting policy pre-emptively against rising geopolitical risk.**
- **BoE's Greene said due to spillovers, there can be a case for the BoE doing the opposite of the Fed in cases of divergence.** Underlying employment growth remains a sideways trend, with vacancies looking to have levelled out. No evidence of a non-linear increase in unemployment is immediate. BoE survey data suggests that the decline in wage growth has now run its course. Forward indicators for wage growth are even more concerning than inflation expectations.

## GEOPOLITICS

### RUSSIA-UKRAINE

- **China and Russia have vowed to strengthen APAC coordination.**
- **EU and US** are reportedly seeking USD 800bln worth of public and private funding to reconstruct Ukraine once the conflict ends, Politico reported citing a document. Plan includes a fast-track path toward EU membership. A funding strategy that goes out to 2040. EU Commission intends to spend EUR 100bln on Kyiv, on top of joint commitments, as part of the 7yr budget from 2028-2035.
- **Russia's Kremlin** said discussions in Abu Dhabi will happen today and will continue tomorrow if necessary. Russia's sovereign assets frozen in the US amount to a little less than USD 5bln. Not looking to go into details on the "Anchorage Formula" for peace agreement with Ukraine.
- **Ukrainian President Zelensky** said he discussed with US President Trump additional air defence missiles, and provisions for PAC-3 & anti-ballistic missiles.
- **Ukraine President Zelensky** said he is waiting for US President Trump, a date, and a place for the signing of security guarantees.

### MIDDLE EAST

- **The US** warns senior Iraqi politicians, threatening state sanctions against Iraq if an Iran backed armed group joins the next government, according to sources.
- **US has reportedly threatened to curb the supply of USDs to Iraq in the scenario that they fail to disarm militants who** are backed by Iran, FT reported.
- **Israeli officials reportedly express concern that they could be targeted in retaliation by Iran in response to a US strike, FT** reported citing sources.

### NOTABLE NORTH AMERICAN NEWS

- **The US** warns senior Iraqi politicians, threatening state sanctions against Iraq if an Iran backed armed group joins the next government, according to sources.
- **Trump administration** is reportedly removing a US official whose unit had banned Chinese vehicles, according to sources.

### NORTH AMERICAN DATA

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- **US S&P Global Composite PMI Flash (Jan) 52.8 (Prev. 52.7).**

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