

European Market Wrap - 26th January 2026

- European bourses opened around the unchanged mark, dipped early-doors but have gradually moved higher throughout the session; US equity futures also gain.
- JPY surged on double intervention risks, as PM Takaichi warned that the government is ready to take action against speculative moves; DXY pressured.
- US Senate Minority Leader Schumer threatened a partial government shutdown over DHS funding following the fatal shooting of a Minneapolis man by a Border Patrol agent on Saturday.

EQUITIES

- **European equities** were mostly lower in the morning, but gradually moved higher as the session progressed to display a positive picture - a move which lacked a clear driver.
- European sectors were mixed to positive. **Basic Resources (+1.8%)** led, continuing its momentum seen in the earlier European hours due to stronger gold and silver prices. **Utilities (+1.3%)** and **Energy (+0.9%)** were also some of the winners, with the Energy sector underpinned by firmer crude prices. On the other hand, **Travel & Leisure (-0.9%)**, **Technology (-0.8%)** and **Retail (-0.3%)** lagged, with the Travel sector pressured by losses in **Ryanair (-1.9%)** after the Co.'s Q4 profit was hit by fines in Italy.
- **US equities are firmer across the board.** Initially pressured, perhaps on the rising tensions between US-Canada after Trump threatened a 100% tariff on the country - nothing to explain the shift in sentiment since.
- Movers in the US include **CoreWeave (+12.5%)** and **NVIDIA (+0.3%)** after NVIDIA invested USD 2bln in CRWV at USD 87.20/shr. Also gaining is **Sarepta Therapeutics (+5.8%)** after positive topline three-year functional results from part 1-treated patients in EMBARK and a broker upgrade for **Cisco (+2.2%)** has lifted its shares. On the downside, **Revolution Medicines (-43.4%)** has seen its shares tank after reports that Merck is no longer in discussion to acquire the Co.

FX

- **G10s were stronger against the Dollar throughout the session**, with clear outperformance in the **JPY**; **Antipodeans** remained buoyed by strength in underlying metals prices. Elsewhere, the **EUR** benefited from the USD weakness, breaching beyond the 1.1800 mark - further strength could see a potential retest of the high from 17th September at 1.1918. Earlier, a sub-par German Ifo report had little impact on the single currency.
- **DXY spent the entirety of the European session on the backfoot**, and within a 96.94-97.33 range; the index is now trading at levels not seen since Sept'25. The index remains suppressed by the JPY strength, alongside risks of a US government shutdown also increasing after Democrats said they will not support a funding package without changes to homeland security provisions. No move to US Durable Goods, which topped expectations.
- **JPY is the standout gainer, bolstered by double intervention risk after Japanese PM Takaichi** warned that the government is ready to take action against speculative moves amid a weakening currency and surge in bond yields, while it was reported on Friday that the New York Fed had conducted rate checks on **USD/JPY**. Analysts at ING succinctly highlight two reasons for Washington's involvement: "a) the weak yen was adding to last week's JGB sell-off and indirectly driving US Treasury yields higher. If there is any financial instrument more important than the stock market to the White House right now, it is US Treasuries. And b) the strong USD/JPY was potentially unwinding the work of US tariffs on Japan and giving Japanese manufacturers a competitive advantage." USD/JPY slumped from Friday's 155.74 close to a Monday trough at 153.30, under its 100 DMA (153.54).
- **CHF mildly gained due to its haven status amid the looming US government shutdown**, alongside President Trump's 100% tariff threat on Canada if it makes a trade deal with China. On that note, USD/CAD trades on a softer footing amidst the aforementioned USD weakness, with the pair also dipping under the psychological 1.3700 mark to a 1.3675 low at the time of writing.
- **PBoC plans to develop CNY offshore market in 2026**; reiterates call to expand and innovate policy toolbox; will expand "macro-prudential" policy coverage.
- **Barclays month-end rebalancing model indicates no strong USD directional bias vs most majors, with a weak USD buying signal vs the EUR.**

FIXED

- **Fixed income benchmarks began the European session on a firmer footing and spent the remainder of the day in the green**. Upside facilitated by a) increased trade tensions between US-China, b) no breakthrough between Ukraine-Russia (albeit constructive), c) continued hawkish rhetoric between US-Iran. It is worth highlighting that the short-end across global paper is underperforming vs the long-end, given the recent strength in Nat Gas prices.
- **USTs opened higher and traded sideways throughout the session within a 111-25 to 111-30 range**. Aside from the points mentioned above, one other driver of the strength today might be the US conducting a rate check in the JPY on Friday, as this could be interpreted as a precursor to joint intervention; given the moves in long-end Japanese yields seen last week, and the global influence that had, any such action could target JGBs in addition to the Yen. No move to US Durable Goods, which

topped expectations.

- **Bunds also in the green**, and held an upward bias throughout the day, looking to close the day up by around 34 ticks. Specifics for the bloc are a little light, with no move seen to German Ifo, which came in softer-than-expected for the climate figure, while the other components were mixed vs prev. For the EZ, the week is mainly waiting to see how the trade situation develops, with the EU meeting today to discuss unfreezing EU-US talks.
- **Gilts initially outperformed and made a high of 91.56 early doors**. Upside was facilitated by the news that Greater Manchester Mayor Burnham will not be able to run for the vacant Labour MP seat. This blocks Burnham from launching a leadership challenge against PM Starmer, as some have speculated, he might, despite Burnham himself suggesting Starmer is the best person to be PM currently. Thereafter, UK paper has given back much of the initial upside.
- **United Airlines (UAL)** files to sell noted due 2031; size undisclosed.
- **Germany to sell EUR-denominated 20-year Bund via syndicate**.
- **Saudi Aramco** is marketing debt with maturities of 3-30yrs, Bloomberg reported citing sources. Its first launch of 2026.
- **Gulf Cooperation Council nations have issued c. USD 32.3bln of international bonds YTD, +25% Y/Y, Bloomberg reported**.

COMMODITIES

- **Crude** benchmarks have traded without a clear sense of direction, failing to follow the surge in Nat Gas prices as the Arctic storm continues to hit Europe, Asia and the US. **WTI** and **Brent** oscillated around USD 61/oz and USD 64/oz, respectively, throughout the European session, with multiple attempts to extend lower. As Kazakhstan's Tengizchevroil announced the restart of oil production at its Tengiz oil field, prices modestly fell as this eases the recent concerns over supply.
- **Nat Gas** futures surged at the start of the European session following the 10% hit to gas production in the US following the storm. **Henry Hub** futures gapped beyond USD 6/MMBtu while **Dutch TTF** peaked at EUR 43.38/MWh, before slightly paring back either gains, but still holding onto solid gains.
- **Spot XAU** surged higher, breaking the USD 5,000/oz handle, and peaked at a new record of USD 5,111/oz before oscillating in a c. USD 50/oz range near session highs. The recent leg higher in gold prices has been helped by the surge in spot silver, which is currently trading with gains of 7% as the European session comes to a close.
- **3M LME Copper** initially fell at the start of the APAC session, weighed on by the indecisiveness in Chinese equities, but held above the USD 13k/t handle. As the European session continued, the red metal reversed the prior losses and is currently trading at session highs of USD 13.31k/t as the European session ends.
- **Morgan Stanley** said spot gold could hit USD 5.7k in H2, citing geopolitical uncertainty, central bank purchasing and strong ETF demand.
- **Societe Generale** said they've already hit the USD 5000/oz gold forecast and now see gold reaching USD 6000/oz by the end of the year, though it could go even higher.
- **China's Shanghai Futures Exchange to adjust price limits, margin ratios for copper and aluminium futures contracts from the 28th January closing settlement**.
- **Kazakhstan's Energy Ministry** said that production is to be relaunched for the Tengiz oil field in the near future.
- **EU has given final approval to the Russian gas ban. Will entirely ban Russian LNG imports by 1st January 2027, and pipeline gas by 30th September 2027**.
- **Kazakhstan's Tengizchevroil is reportedly gradually restarting its Tengiz production**.
- **OPEC+ is likely to maintain its supply pause in March, Bloomberg reported citing delegates; adds that there is no need to respond to the events in Venezuela and Iran but a significant supply disruption would warrant a boost in output**.
- **PBoC Deputy Governor supports the development of Hong Kong's gold market, strengthening its offshore RMB market functions**.

EUROPEAN DATA

- **German Ifo Business Climate (Jan) 87.6 vs. Exp. 88.1 (Prev. 87.6)**.
- **German Ifo Current Conditions (Jan) 85.7 (Prev. 85.6)**.
- **German Ifo Expectations (Jan) 89.5 (Prev. 89.7)**.
- **Spanish PPI YoY (Dec) Y/Y -3% (Prev. -2.5%)**.

NOTABLE HEADLINES

- **WSJ sources suggest that if France moves to place Iran's IRGC on the EU terror list, then Spain will likely follow, although sources suggest that as of now, France is not looking to make this move**.
- **50 UK Labour MPs have reportedly signed a letter complaining about Burnham being blocked from being a candidate for the vacant Labour MP seat, Politico's Casalicchio reported**.
- **French Finance Ministry announces that France will hold a G-7 finance call on Tuesday**.
- **EU Commission to open proceedings against X's AI chatbot grok on Monday under the digital services act, via Handelsblatt report, citing EU officials**.

TRADE/TARIFFS

- **Canadian PM Carney** said we are finding new trade partners, with new opportunities make Canadians less dependent on the US. Assures a thorough review of the USMCA trade agreement. Adds that some of President Trump's recent comments should be viewed within the framework of the USMCA review.
- **Canadian PM Carney** is reportedly likely to visit India in early March, with Carney also potentially to sign a CAD 2.8bln uranium supply deal, according to the Indian envoy to Canada.
- **EU and India** are reportedly to explore possibilities for India's participation in European defence initiatives.

CENTRAL BANKS

- **BoJ accounts provided no clear signal of intervention in the JPY on Friday.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukrainian President Zelensky on talks with Russia** said primary discussions were about military issues.
- **Ukraine's military** said it struck a Russian oil refinery in Krasnodar region.
- **EU has given final approval to the Russian gas ban. Will entirely ban Russian LNG imports by 1st January 2027, and pipeline gas by 30th September 2027.**
- **Russian Presidential Envoy** said Ukrainian President Zelensky is hindering peace by postponing the issue of land settlement, Al Arabiya reported.
- **Russia's Kremlin** said that constructive talks with Ukraine are underway, according to RIA.

MIDDLE EAST

- **Iran Foreign Minister Araghchi** said they exchanged messages with US Special Envoy Witkoff, covering various issues.
- **UAE** said it will not allow its airspace, territory, or waters to be used for military actions against Iran.
- **Saudi Foreign Minister** said UAE decided to leave Yemen and if that's the case, Saudi Arabia will assume responsibility.
- **WSJ sources suggest that if France moves to place Iran's IRGC on the EU terror list, then Spain will likely follow, although sources suggest that as of now, France is not looking to make this move.**
- **"Commander of Iran's Naval Forces: Armed Forces Fully Prepared to Protect the Country", Sky News Arabia reported.**
- **OPEC+ is likely to maintain its supply pause in March, Bloomberg reported citing delegates; adds that there is no need to respond to the events in Venezuela and Iran but a significant supply disruption would warrant a boost in output.**
- **Iranian Foreign Ministry Spokesperson** said that Iran is stronger and more capable than ever before, and will certainly respond to any aggression with a broad and deterrent response.
- **Chinese Commerce Ministry Official** said China and the US maintained communication at various levels following the leaders' summit in South Korea. China and the US are to manage differences and promote stable trade ties.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump** said "I am sending Tom Homan to Minnesota tonight. He has not been involved in that area, but knows and likes many of the people there....Separately, a major investigation is going on". Full post: "I am sending Tom Homan to Minnesota tonight. He has not been involved in that area, but knows and likes many of the people there. Tom is tough but fair, and will report directly to me. Separately, a major investigation is going on with respect to the massive 20 Billion Dollar, Plus, Welfare Fraud that has taken place in Minnesota, and is at least partially responsible for the violent organized protests going on in the streets. Additionally, the DOJ and Congress are looking at "Congresswoman" Ilhan Omar, who left Somalia with NOTHING, and is now reportedly worth more than 44 Million Dollars. Time will tell all. Thank you for your attention to this matter! President DJT".

NORTH AMERICAN DATA

- **US Durable Goods Orders ex Defense MoM (Nov) M/M 6.6% (Prev. -1.3%, Rev. From -1.5%).**
- **US Chicago Fed National Activity Index (Oct) -0.04 (Prev. -0.21).**
- **US Non Defense Goods Orders Ex Air (Nov) 0.7% (Prev. 0.3%, Rev. From 0.5%).**
- **US Durable Goods Orders Ex Transp MoM (Nov) M/M 0.5% vs. Exp. 0.3% (Prev. 0.2%).**
- **US Durable Goods Orders MoM (Nov) M/M 5.3% vs. Exp. 3.7% (Prev. -2.1%, Rev. From -2.2%).**
- **US Chicago Fed National Activity Index (Nov) -0.04.**

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