

## European Market Wrap - 27th January 2026

- European bourses opened steady and gradually moved higher as the morning progressed; US equity futures mixed, but slipped at the cash open.
- USD/JPY briefly slipped on potential intervention/rate check and then fell once again below the 153.00 mark as Katayama said "we are to take appropriate steps on FX, coordinating with the US".
- Spot gold rebounded from Monday's pullback, and now trades back towards USD 5,080/oz.

### EQUITIES

- **European equities were mostly firmer**, in a continuation of the APAC handover and despite slightly more mixed US performance. Macro newsflow generally light, however the FTSE 100 (+0.6%) slightly outperformed on the back of gains in the **Banking** sector, driven primarily by gains in HSBC after a PT lift at Citi. Afterhours, Europe looks to numbers from **LVMH**.
- European sectors were mixed/positive. **Banks** (+1.8%) continued to lead sectors underpinned by gains by **HSBC** (+2.9%) given the above, and perhaps with focus on an announcement that they will close a retail branch at Raffles Place in Singapore and replace it with a wealth centre, reinforcing its focus on affluent clients. **Telecommunications** (+1.2%) and **Insurance** (+1.0%) names were also bid. On the downside, **Basic Resources** (-1.0%), **Autos** (-0.6%) and **Chemicals** (-0.4%) lagged, the former sector weighed down by weaker metal prices.
- **US equities are mixed**. Upside in the **Nasdaq** (+0.5%) and **S&P 500** (+0.2%), whilst the **Dow Jones** (-0.9%) and **Russell 2000** (-0.2%) are lower. On the macro front, large health insurance companies like **Humana** (-20.7%), **United Health** (-19.4%) and **CVS Health** (-10.2%) saw their shares slip after the **Trump administration announced plans to keep Medicare reimbursement rates "roughly flat" in 2027**. On a micro front, earnings included **General Motors** (+5.3%), **HCA Healthcare** (+9.1%), **UPS** (+2.2%) and **American Airlines** (+3.5%) whose shares have gained after reporting strong earnings. To the downside **Boeing** (-1.4%), **Jet Blue** (-5.8%), **Nucor** (-2.7%) and **Sanmina** (-8.5%) are pressure after results.

### FX

- **DXY flat early doors**, but then gradually trundled lower as the session progressed; now looks to end the European session at the lower end of a 96.54-97.28 range. The "de-dollarisation" trade is still very much in effect, with renewed pressure stemming from US/Japan rate checks and Trump's latest tariff threats on Canada and South Korea. The index is now trading at levels not seen since mid Sept 2025. Back to the US, ADP Weekly Employment Change Average printed a touch below the prior, and had little impact on the index.
- **JPY was amongst the outperformers this morning vs initially underperforming earlier in the session**. A large bout of pressure in **USD/JPY** was seen in late-morning trade, which led the pair to dip below the 154.00 mark, and make a trough of 153.17 – a move which lacked a fresh catalyst. Markets no doubt will speculate the move being either a) intervention or b) a rate check. This, of course, follows a rate check conducted by the NY Fed on Friday. On this front, Finance Minister Katayama said they are coordinating with the US, and will take appropriate steps on FX – a comment which led the pair down to make a fresh trough below the 153.00 mark. Do note that the release of BoJ Core CPI had little impact on the pair.
- **Other G10s were stronger against the broadly weaker USD**. CHF led, followed closely by the JPY – seemingly a risk-off move entering the market; EUR was firmer by around 0.5%. Earlier, ECB's Kocher reiterated that the Bank is doing "fine" on rates; Simkus said policy fits the moment and rates are on hold in February.

### FIXED

- **A mildly bearish session for fixed income**. Initially pressured on the back of the firmer APAC handover and into a decent chunk of government supply.
- **The passing of supply** from Germany, Italy and the UK, while robust enough, failed to provide any support to the complex. Though, ranges are relatively limited as macro-level newsflow has been a little light.
- **USTs** a few ticks lower in a narrow five tick range, unaffected by weekly ADP and President Trump's pre-recorded remarks. Ahead, he is due to give an address in Iowa, where he is expected to talk up the economy.
- **Bunds** lower, by 20 ticks at most, but are set to end the day with losses of around half of that. Aside from supply, specifics have been and are scheduled to remain light. No move to **ECB's Simkus** ahead of next week's policy announcement.
- **Gilts** gapped lower by around 15 ticks, acknowledging the pressure seen in peers overnight from the constructive risk tone. Unaffected by 2033 supply. Set to end the day towards opening levels, which are around 15 ticks off worst.
- **Around five borrowers** are mulling US IG bond sales on Tuesday, according to a Bloomberg survey.
- **China's Vanke wins creditor approval to extend another two CNY bonds**.
- **Germany sold EUR 4.633bln vs exp. EUR 6bln 2.10% 2028 Schatz: b/c 2.1x, average yield 2.14%, retention 22.8%**.
- **Italy sold EUR 3bln vs exp. EUR 2.5-3bln 2.20% 2028 BTP & EUR 2bln vs exp. EUR 1.5-2bln 1.10% 2031, 2.55% 2056 BTPei**.
- **UK sold GBP 3.25bln 4.125% 2033 Gilt: b/c 3.18x (prev. 3.04x), average yield 4.296% (prev. 4.191%), tail 0.2bps (prev. 0.3bps)**.
- **Germany opens books to sell EUR-denominated 20-year Bund via syndicate; guidance seen +3bps to DBR**.
- **EIB to sell EUR-denominated 5-year bonds, guidance seen +9bps vs mid-swaps**.

## COMMODITIES

- **Crude** benchmarks initially softened at the start of the Asia-Pac session following reports that President Trump is determined to drive California gas prices down. Throughout the European morning, crude prices reversed the losses entirely, with **WTI** and **Brent** bouncing from a trough of USD 60.16/bbl and USD 64.21/bbl respectively to a high of USD 61.03/bbl and USD 65.10/bbl. Despite a clear fundamental driver, prices surged higher to a session high of USD 61.83/bbl and USD 65.88/bbl before paring back the majority of its gains as the US cash session got underway.
- **Nat Gas** futures have pared back the majority of Monday's surge higher, with **Henry Hub** futures back below USD 5/MMBtu, as gas output slowly returns with the worst of the Arctic storm moving to the northeastern region of the US.
- **Spot XAU** gradually traded higher at the start of the European session, rebounding from Monday's pullback trough of USD 4990/oz, to peak of USD 5001/oz. The yellow metal pulled back to a trough of USD 5047/oz before reversing higher as risk-off flows spread across markets (equities falling, JPY and CHF bid).
- **3M LME Copper** oscillated in a broad USD 13k-13.15k/t band throughout the European session, amid a lack of clear drivers for the red metal. As the US session got underway, 3M LME Copper fell in line with the broader risk tone but failed to sustain an offer below USD 13k/t.
- **Citi** raises silver 0-3month price forecast to USD 150/oz (prev. 100 oz).
- **Kazakhstan's Chevron's (CVX) Tengiz oilfield** is reportedly seen recovering less than half its output by the 7th of February, according to industry sources.
- **Poland and Ukraine have agreed to increase gas import capacity, according to the energy ministry; Ukraine imported 2.1bcm of gas through Poland in 2025.**
- **US spot power prices reach record high over USD 1k per megawatt hour at the PJM West hub in Pennsylvania and Maryland as arctic cold freezes region.**
- **Oil India chair** said initiated discussion with Canada for studying critical mineral resources.
- **Slovakia to file lawsuit against EU's ban of Russian gas imports, local press reported citing PM.**
- **Explosions have reportedly been heard near Iran's Parchin nuclear site, no damage has been reported - details light, awaiting verification.**
- **Largest US power grid PJM Interconnection has issued alerts amid storm bolstering energy demand.**
- **Deutsche Bank** expects a quarterly peak of USD 13k/t in Q2, with price moderation onwards as production recovers at several major mines. Threat of US tariffs on refined copper should lead to continued metal flows to the US in H1'26. On aluminium, they assume some moderation from current levels in H2 (2026 Avg. of USD 2.9k/t, peak of USD 3.1k/t in Q2).
- **German's Economic Minister** said they will move forward with the wind power tenders to expand capacity.
- **Deutsche Bank thinks USD 6,000/oz for spot gold is achievable this year due to a weaker dollar; in alternative scenarios, USD 6,900/oz would be in line with the past 2-year outperformance.** An eventual moderation of XAU/XAG ratio may result in higher absolute silver prices.
- **ADNOC Gas (ADNOC) CEO** said they're investing more than USD 20bln to increase processing capacity by approximately 30% by 2029.
- **DTEK Power Company** said the Russian attack damaged an energy facility in Ukraine's Odesa region.
- **UAE's ADNOC chief revises forecast and sees oil demand above 100mln barrels per day until 2040.**

## NOTABLE HEADLINES

- **French Finance Minister** said G7 priorities will be rare earths, support for Ukraine and reduction of world macroeconomic imbalances.
- **UK Exchequer Secretary Tomlinson** is reportedly set to make a statement on business rates at around 13:30 GMT, according to the Times' Allegretti.
- **China's Industry Ministry** announces that they have renewed the cooperation MOU regarding green maritime tech and shipbuilding with Denmark.
- **CBS Jennifer Jacobs on X** said that US President Trump is going to Iowa today because it's part of the White House strategy for Republicans to hold power in US House, according to sources.

## TRADE/TARIFFS

- **Canadian PM Carney** said he told Trump that "he meant what he said in Davos". Spoke to Trump on Monday about Canada's arrangement with China and the opportunity to move forward on USMCA.
- **Canadian PM Carney** said he had a good conversation with US President Trump.
- **Geneva-based trade official** said India stops China's request for new WTO dispute panel on Indian measures in the car and renewable energy industries.
- **EU Commission begins 2** set of proceeding on Google under the DMA; Google is designated as a core platform service, requiring interoperability with third-party services.
- **Volkswagen (VOW3 GY) CEO** said they see potential in India for Volkswagen and will closely monitor the India-EU trade deal.
- **China reportedly signs deals to buy at least 8 cargoes or approximately 520k tonnes of Canadian Canola following PM Carney's visit, according to sources.**
- **Chinese Foreign Minister** said UK PM Starmer will visit China between January 28-31st.
- **European Commission President von der Leyen** said EU and India finalised a trade deal, and called it "the mother of all deals".
- **Japan and the US** are reportedly to announce several projects in a first batch under the USD 550bln scheme.

## CENTRAL BANKS

- **Fed** is set to pause rate cuts, with no clear path to resuming, **WSJ's Timiraos** writes. "The Fed is likely to make only minor

changes to its policy statement Wednesday...". "If officials retain language about considering "additional adjustments" to rates, that would suggest they aren't ready to signal a longer pause."

- **ECB's Simkus said policy fits the moment and rates are on hold in February, but path beyond that is not obvious.** Must not over react to near-term data volatility, adding that is normal for inflation to fluctuate around the 2% mark.
- **ECB's Kocher in a Bloomberg interview said that a lot has happened since the last ECB meeting in December; said "of course exchange rate matters".** said uncertainty remains high. Important to keep full optionality. Need to act quickly and decisively. noted downside risk remains at large. Modest Eurozone growth forecasts, supported by German stimulus and savings rate. ECB is fine as long as deviations from 2% CPI are modest. Euro appreciation was substantial over the past year. Can't exclude anything on rates. At the moment, doing fine on rates.
- **CNB Deputy Governor Frait said the domestic economy does not justify rate cuts; 50bps of easing is the maximum for this year.**

## GEOPOLITICS

### RUSSIA-UKRAINE

- **French Finance Minister** said G7 priorities will be rare earths, support for Ukraine and reduction of world macroeconomic imbalances.
- **India's Foreign Secretary** said India's relationship with Russia and the EU stand separately and on their own.
- **Ukraine's Naftogaz** said Russia attacked its facility in western Ukraine.
- **EU Commission still** expects to propose Russia oil ban by the end of the year; does not have any timeline for Russia nuclear ban.
- **Infrastructure facilities in the Lviv region of western Ukraine** were hit by a Russian strike, according to the regional governor.

### MIDDLE EAST

- **US President Trump said big armada going over to Iran but hopefully won't have to use it; bigger than the one that was near Venezuela.** Greenland is coming along well.
- **Intensive diplomatic efforts are currently underway between Iran and the US across multiple channels, Kann news reported; efforts aimed at reducing the level of "escalation" between parties. However, no significant breakthrough reported at this stage.**
- **Explosions have reportedly been heard near Iran's Parchin nuclear site, no damage has been reported - details light, awaiting verification.**
- **Iranian Government Spokesperson** said we are still looking to settle matters diplomatically despite being treated with a hostile approach. Adds that all options are on the table.

### OTHERS

- **UK PM Starmer** said UK was missing out by not engaging in China.
- **Arrangements** are being made to open the Rafah crossing on Wednesday, Al-Arabi TV reported citing an Egyptian source.
- **The CIA** is reportedly looking to establish a permanent US presence on the ground in Venezuela, according to CNN citing sources.
- **China Defence Minister** said they are willing to enhance strategic coordination with China to improve capability to respond to various risks and challenges.
- **South Korea's National Security Office reportedly urges North Korea to immediately stop its launches of ballistic missiles.**
- **The explosions heard on the outskirts of Tehran are a routine missile test, Al Hadath reported citing Iranian TV.**
- **The Rafah crossing** is estimated to be opened on Wednesday or Thursday, Israeli media reported.
- **North Korea reportedly fired several ballistic missiles, according to the South Korea military.**
- **North Korean missile appears to have landed outside of Japan's Exclusive Economic Zone (EEZ), according to NTV.**

### NORTH AMERICAN DATA

- **US S&P/Case-Shiller Home Price YoY (Nov) Y/Y 1.4% vs. Exp. 1.2% (Prev. 1.3%, Low. 1.1%, High. 1.4%).**
- **US S&P/Case-Shiller Home Price MoM (Nov) M/M 0% (Prev. -0.3%).**
- **US House Price Index (Nov) 439.3 (Prev. 436.8, Rev. From 436.7).**
- **US House Price Index MoM (Nov) M/M 0.6% vs. Exp. 0.3% (Prev. 0.4%).**
- **US House Price Index YoY (Nov) Y/Y 1.9% (Prev. 1.8%, Rev. From 1.7%).**
- **US Redbook YoY (Jan/24) Y/Y 7.1% (Prev. 5.5%).**
- **US ADP Employment Change Weekly 7.75K (Prev. 8.0K).**

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