European Market Wrap - 28th January 2026

- **European equities were mostly lower. ASML fully pared earnings-led gains at one point.**
- **BoC unsurprisingly left rates unchanged; Governor Macklem's statement largely touched upon risks from tariffs.**
- **US President Trump said a massive Armada is heading to Iran.**

EQUITIES

- **European equities** were mostly lower. ASML's mostly positive earnings briefly supported the AEX (+0.1%), though the stock later pared gains (despite a clear reason), weighing on the Dutch index. The CAC 40 (-1.1%) underperformed sharply, dragged by LVMH (-7.5%) after slower sales and cautious commentary pressured the broader luxury complex.
- **European sectors** were predominantly in the red. Energy (+1.3%), Basic Resources (+0.9%), and Real Estate (+0.7%) outperformed, supported by higher crude and metal prices. Tech (+0.5%) reversed earlier strength as ASML faded. At the bottom, Consumer Products & Services (-2.3%) was hit hardest due to LVMH's slump, while Healthcare (-2.3%) and Banks (-0.9%) also lagged on light sector-specific newsflow.
- **US equities** were mostly firmer in premarket trade. The Dow Jones held flat, while the Nasdaq (+0.6%) outperformed on strength in ASML and reports that China approved imports of NVIDIA's H200 AI chips. Earnings supported gains in Starbucks (+4.5%) and Texas Instruments (+8.1%), while Qorvo (-5.6%) and Elevance (-4.0%) fell on weak results. Beyond earnings, Applied Materials (+3.9%) was lifted by a broker upgrade, and C3.ai (+11.9%) gained on reports of merger talks with Automation Anywhere.

FX

- **USD** - DXY attempted to claw back part of yesterday's sharp drop, rising back above 96.00 into a 95.859–96.358 range ahead of the FOMC decision and mega-cap earnings from Microsoft and Meta. The dollar remained fragile after Tuesday's slide from 97.286 to 95.551 amid ongoing de-dollarisation flows. Markets expect the Fed to hold at 3.50–3.75% and focus on guidance around how long the Committee stays patient before easing, with ~45bps priced for year-end.
- **CAD** - USD/CAD was unreactive to the BoC's expected hold, whilst the MPR saw CPI Q2/Q3'26 projections left unchanged and Q4 raised. BoC Governor Macklem's statement largely touched upon risks from tariffs. USD/CAD resided towards the bottom end of a 1.3535-1.3615 range.
- **EUR** - EUR/USD eased back below 1.20 but held within a 1.1952–1.2045 intraday range after touching 1.2082 yesterday, its strongest level since mid-2021. Broader USD weakness remains the main driver ahead of next week's ECB gathering, where focus will be on any hints the Bank sees downside risks to its inflation target. No reaction was seen to comments from ECB's Simkus and Villeroy.
- **GBP** - GBP/USD pulled back after Tuesday's peak at 1.3869 — a level last visited in 2021 — with little fresh domestic news and attention shifting to next week's BoE meeting. Sterling remained supported by the softer USD backdrop.
- **JPY** - USD/JPY consolidated after yesterday's break below its 100DMA (153.65), eventually trading towards the upper end of a 152.14–153.07 parameter after a volatile 152.09–154.87 prior session.
- **Antipodeans** - AUD and NZD outperformed, with AUD/USD briefly higher after Australian CPI showed firmer-than-expected monthly inflation and a stronger Trimmed Mean reading above the RBA's 2–3% target. Major banks (ANZ, Westpac, CBA, NAB) backed a February RBA hike, with markets pricing a 70%+ probability.

FIXED

- **USTs are a touch softer in pre-FOMC trade**. In modest 111-20 to 111-26+ parameters. For the Fed, the full Newsquawk preview is available, rates are expected to be unchanged in the 3.50-3.75% band, focus will be on the number of dissents, any change to the statement language around the labour market and/or additional adjustments. From Chair Powell, the focus will be on how he frames the hold and any commentary around the neutral rate, in that context.
- **Bunds** have been grinding higher across the morning, but action thus far has been relatively modest. Gains of around 25 ticks at most, to a 128.17 peak. Specifics for the bloc, aside from earnings, relatively light. Bund supply was robust with better demand than the last tap, though it remained sub-2x and still relatively tepid overall.
- **Gilts** gapped higher on the open, lifting by 10 ticks to a 91.11 peak. Thereafter, the benchmark has found itself under gradual pressure, down to a 90.75 low with losses of c. 20 ticks as things stand. Specifics behind this pullback light.
- **JGBs** were bid overnight. Initial gains were exacerbated by a strong 40yr auction, which helped lift the benchmark to a 131.77 peak with gains of just under 50 ticks at best. That aside, focus was on the commentary from Trump around Japan and China always wanting to devalue their currencies. Remarks which may have weighed on Japanese yields from the start of trade.
- **Germany sold EUR 4.604bln vs exp. EUR 6bln 2.90% 2036 Bund: b/c 1.65x (prev. 1.29x), average yield 2.85% (prev. 2.83%), retention 23.3% (prev. 24.3%).**

COMMODITIES

- **Crude** benchmarks continued to steadily bid higher, helped by comments by President Trump stating that a massive Armada is heading to Iran and that time is running out. Benchmarks initially traded choppy following the headline, completely

reversing the initial c. USD 0.50/bbl spike higher, before gradually trending back higher as **WTI** and **Brent** peak at USD 63.52/bbl and USD 67.50/bbl respectively. As the US cash session got underway, Iran stated that they are ready for talks with the US and this weighed in benchmarks. As the European session comes to an end, **WTI** and **Brent** are settling around USD 63/bbl and USD 67/bbl respectively.
- **Spot XAU** extended its historic run during the Asia-Pac session, trending from USD 5173/oz to a peak of USD 5312/oz, as Tuesday's weaker dollar supported the yellow metal. As European trade continued, **XAU** pulled back to a trough of USD 5239/oz before hovering near ATHs heading into the US session. **Spot silver** continued to consolidate throughout the European session, oscillating in a USD 111.26-116.11/oz band. Technicians highlight that the ATH of USD 117.72/oz made before the aggressive selloff on Monday could be the short-term top in the market before gradually falling lower as sellers step in.
- **3M LME Copper** traded with a lack of clear direction, but has managed to hold onto earlier gains as the European session hands over to the US. The red metal bid higher to a peak of USD 13.25k/t in the early hours of the session but fell back lower to a trough of USD 13.08k/t as the session comes to a close.
- **Freeport LNG** is reportedly considering rescheduling cargoes as heating demand spikes, according to Bloomberg reported.
- **Deutsche Bank** said gold prices could climb to USD 6k/oz an ounce this year, driven by a weak US dollar and rising investor demand for non-dollar and real assets.
- **Vitol Asia forecasts H1 2026 crude build of 700k BPD.**
- **China's Shanghai Futures Exchange to adjust price limits and margin requirement for some gold and silver futures contracts from the 30th January closing settlement.**
- **Standard Chartered forecasts copper prices in H1'26 at USD 12.96k compared with USD 11.47k in H2'26; USD softness and sharp moves in gold and silver has supported copper.**

EUROPEAN DATA

- **UK** ONS announces the final ‘Go’ decision for the introduction of supermarket scanner data into consumer inflation statistics.
- **German** GfK Consumer Confidence (Feb) -24.1 vs. Exp. -25.5 (Prev. -26.9, Low. -28, High. -22).
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NOTABLE HEADLINES

- **German Economy** expected to grow 1% in 2026 (prev. 1.3%) and cuts 2027 GDP growth forecast to 1.3% (prev. 1.4%). Fiscal stimulus set to drive two-thirds of German growth this year.

TRADE/TARIFFS

- **China has reportedly approved imports of over 400k NVIDIA (NVDA) H200 chips, according to sources.** Byte dance, Alibaba (BABA) and Tencent (0700 HK) received approvals.
- **China has resumed the purchase of Canadian canola, Bloomberg reported citing sources; crushers in China have booked cargoes for loading in the next few months.**
- **South Korea's Presidential Adviser** said they cannot rule out the possibility of the US mentioning a tariff hike again because of future disagreement over investment.
- **EU and Vietnam in a joint statement** are set to agree on a deeper connection on critical minerals and semiconductors.
- **UK PM Starmer** said the UK and China need to take a "mature approach" to ties; the UK and China have to manage differences.
- **China's Foreign Minister** said China and the EU are partners, not rivals, via Xinhua. Emphasises that both country should step up dialogue and enhance metal trust and deepen cooperation.

CENTRAL BANKS

- **Bank of Canada holds rates at 2.25%, as expected.**
- **BoC MPR: CPI Q2/Q3'25 projections left unchanged, Q4 raised; quarterly GDP projections lifted across 2026.**
- **BoC Governor Macklem's Opening Statement**: forecast for economic growth and inflation in Canada has not changed significantly since our October projection; "current policy rate is appropriate based on our outlook".
- **ECB's Simkus said EUR/USD level does not imply any policy direction; the current ECB stance fits the current situation very well.** Inflation is at target and growth is better, which makes "near-term decisions rather clear". Need to be agile, stick to a meeting-by-meeting and data-dependent approach.
- **ECB's Villeroy said the ECB are closely monitoring the euro and its effect on inflation, adds there is no target for the euro exchange rate.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia, Ukraine and US talks to resume on the 1st of February, according to the IFAX.**
- **The question of Putin-Zelensky meeting** was raised several times in Putin-Trump call, according to reported; Kremlin said Trump suggested they consider such possibility, and are not refusing contacts. Contacts with Zelensky must be well prepared as Putin said, waiting for him in Moscow.
- **Russia's Kremlin Spokesperson Peskov** said work on Ukraine peace talks is underway, however they are very complicated negotiations.
- **"Russia and India to conduct naval exercises in the Indian Ocean in February", Al Arabiya reported citing Tass.**

MIDDLE EAST

- **Iran Mission to UN said Iran stands ready for dialogue, but if pushed will defend itself.**
- **Iran repeats it's ready for talks with the US on mutual respect but will respond to US like never before if pushed.**
- **"Hamas confirms its readiness to transfer the management of Gaza affairs to the Palestinian Technocrats Committee", Sky News Arabia reported.**
- **US President Trump said a massive Armada is heading to Iran. It is moving quickly, with great power, enthusiasm, and purpose; Time is running out; make a deal; The next attack will be far worse.**
- **Israeli department that oversees government activities in Gaza (COGAT) reportedly** said that no date has been set for the opening of the Rafah crossing, Sky News' Parsons reported.
- **Iran's Foreign Minister** said he hasn't been in contact with US Envoy Witkoff recently, adding that there hasn't been any negotiation requests.
- **Military source in the Houthi ranks in Yemen told the Lebanese newspaper that the Houthis will not allow any ship or American aircraft carrier to approach the Red Sea or the Arabian Sea due to the threat to Yemen, via X.**

OTHERS

- **French President Macron reiterates support to Greenland.**
- **EU's Defence Commissioner** said Europe must quickly build their defence independently.
- **"Russia and India to conduct naval exercises in the Indian Ocean in February", Al Arabiya reported citing Tass.**

NOTABLE APAC NEWS

- **South Korea's Presidential Adviser** said that US Treasury Secretary Bessent's earlier comment on KRW reflects views that Korea's investment might become difficult if it raises anxiety in the FX market. Hopes that Korea's US investment bill will be passed in February and will communicate with the US to prevent tariffs from being raised. Alaska LNG project has not been discussed between both countries and will be reviewed under principle of commercial feasibility after investment fund is launched.