

European Market Wrap - 30th January 2026

- US President Trump announces Kevin Warsh as the next Fed Chair; USD firmer, yield curve steepens.
- European bourses broadly firmer; US equity futures pressured as traders weigh the Warsh pick.
- Spot gold briefly slipped below USD 5k/oz; Spot silver slipped below USD 100/oz.

EQUITIES

- **European equities remained mostly firmer**. Not much of a macro fresh catalyst to explain the upside, but the **IBEX 35 (+2.1%)** and **DAX 40 (+1.2%)** outperformed, with the former elevated by **Caixabank(+6.1%)** after the Co. announced that it expects NII to grow in 2026 whilst the latter was underpinned by gains in **Adidas (+6.8%)** after the Co. reported strong Q4 earnings.
- **European sectors were mostly in the green**. Leading were **Banks (+1.6%)**, **Travel & Leisure (+1.3%)** and **Technology(+1.2%)**. Not much newsflow for the upside seen in Travel & Leisure, but Banks have been underpinned by a rise in global long term yields following announcement from stateside that Warsh is set to become the next Fed Chair, whilst tech was underpinned by gains in **Hexagon (+1.5%)** after strong Q4 earnings. On the downside, **Basic Resources (-2.2%)** is by far the biggest loser, weighed down by pressure in metal prices. Also lagging, although marginal, were **Autos (+0.1%)**.
- **US equities are lower across the board; Nasdaq (-0.3%), S&P 500 (-0.4%), Dow Jones (-0.3%) and Russell 2000 (-0.4%)**. Main news in the US was confirmation from US President Trump that **Kevin Warsh is set to become the next Fed Chair**. Warsh is seen as a slightly more hawkish candidate vs other touted candidates.

FX

- **DXY** was firmer for the majority of the session. Initially buoyed on overnight reports that Trump would **pick Kevin Warsh as the next Fed Chair – a report which was proved correct later**. Trump announced the decision on Truth, adding that "On top of everything else, he is "central casting," and he will never let you down". On the official announcement, some modest pressure made itself known in the Dollar – potentially just a slight unwinding/profit taking following the earlier reports. The downside proved fleeting, with the Dollar looking to close the European session towards the upper end of a 96.16-96.76 range. There was some slight strength on the US PPI report, which broadly topped expectations in December – though Pantheon Macroeconomics suggest that there were no major surprises among the PPI components which feed into PCE. The firm's model now sees core PCE inflation increased to 3.0% in December (prev. 2% M/M).
- Also in the rearview was Fed's Waller, who explained his dissent. He noted that policy is still restricting activity too much. On the labour market, he said, it does not look remotely healthy, and while supply was a factor, demand is weak. Markets await Miran's dissent explanation, Musalem and Bowman.
- **EUR** had a slew of EZ data to digest throughout the day. French GDP contracted a touch from the prior, whilst Spanish, Italy and Germany was a little more upbeat. The German figure itself spurred some minor pressure in the single currency at the time, with the pair then trundled lower as the morning progressed. No move to the EZ GDP metrics, which topped expectations but contracted a touch from the prior. German HICP incrementally topped expectations, though the single currency was little moved given the State CPIs had already indicated the mildly hawkish skew. Looks to close the European session at the lower end of a 1.1894-1.1974 range.
- **G10s** were entirely losing against the firmer Dollar, with clear underperformance in the JPY. **USD/JPY** currently trading at the upper end of a 152.86-154.43 range. Two factors for the JPY today; a) widening yield differentials as traders weigh the Warsh pick, b) softer-than-expected Tokyo CPI, better-than-expected Industrial Production and weak Retail Sales.

FIXED

- **Fixed income** was hit early doors by speculation that President Trump would name Warsh as his Fed Chair nominee. This sent **USTs** to a 111-17+ low early doors before the move pared a touch into the US day as Trump confirmed the pick.
- There was no move thereafter to US PPI, which came in hotter-than-expected, or remarks from retiring Fed member Bostic and dissenter Waller. Overall, **USTs** are set to end the European day in the red but off lows, while the curve is steeper with just the 2yr lower, reflecting the fact that while Warsh is hawkish against the other contenders, he still ultimately has a preference for lower near-term rates.
- **Bunds** and **Gilts** followed suit to the above. Gilts gapped lower by 26 ticks before slipping further to a 90.59 trough.
- **Bunds**, in-fitting, were sent to a 128.06 low early doors. A low that printed alongside the stronger-than-expected Q4 German GDP figure, which came alongside hotter-than-expected state Y/Y CPIs. There was no significant move thereafter to the mainland German figure, which conformed to the state skew.
- Fixed, but particularly USTs, now await further Fed commentary, with Bowman and Miran scheduled.
- **One borrower** is contemplating a US IG bond sale, according to Bloomberg.

COMMODITIES

- **Crude** benchmarks initially traded weak, with **WTI** steadily falling from USD 65.55/bbl to a session trough of USD 63.65/bbl, following comments by President Trump, who said he plans to have talks with Tehran. Despite this brief pricing out of geopolitical risk, crude prices failed to hold an offer, with **WTI** and **Brent** returning back above USD 65/bbl and USD 69/bbl

respectively amid a lack of clear driver. If anything, comments throughout the day have been positive that should have driven crude prices lower. Iranian Foreign Minister Araqchi said they are prepared to return to talks with the US, while Ukrainian President Zelensky said Ukraine will not strike Russian energy infrastructure if Russia agrees to do the same. Benchmarks were unreactive following these comments.

- **Precious metals** were hit throughout the European session, with **spot XAU** briefly dipping below USD 5,000/oz while **silver** is set to close the European session near USD 100/oz. This move came amid the reports early in the APAC session that Kevin Warsh was to become the new Fed Chair. This was later confirmed by President Trump when he announced the pick via Truth Social. Markets were unreactive following the announcement as markets already priced in the pick earlier in the session.
- **3M LME Copper**, alongside its precious metal counterparts, fell as a reaction to the stronger greenback. The red metal opened below USD 13.5k/t and drove to a low of USD 13.1k/t, as traders rushed to exit positions after the LME opened an hour late due to a technical issue. As the European session comes to a close, **3M LME Copper** remains contained within the parameters set earlier in the session and comfortably holds above USD 13k/t.
- **Guyana's oil production averaged 892k/BPD in December.**
- **Freeport LNG in Texas on track to take in more natgas today after the liquefaction train shut on Thursday.**
- **OPEC+ likely to keep its pause on oil output increases for March at Sunday meeting, according to sources.**

EUROPEAN DATA

- **German Inflation Rate YoY Prel (Jan) Y/Y 2.1% vs. Exp. 2% (Prev. 1.8%); Core 2.5% (prev. 2.4%).**
- **German Inflation Rate MoM Prel (Jan) M/M 0.1% vs. Exp. 0% (Prev. 0.0%).**
- **German GDP Growth Rate YoY Flash (Q4) Y/Y 0.4% vs. Exp. 0.3% (Prev. 0.3%).**
- **German GDP Growth Rate QoQ Flash (Q4) Q/Q 0.3% vs. Exp. 0.2% (Prev. 0.0%).**
- **German Unemployed Persons (Jan) 2.976M (Prev. 2.977M).**
- **German Unemployment Change (Jan) 0K vs. Exp. 4K (Prev. 3K).**
- **German Unemployment Rate (Jan) 6.3% vs. Exp. 6.3% (Prev. 6.3%, Low. 6.3%, High. 6.4%).**
- **German Import Prices MoM (Dec) M/M -0.1% vs. Exp. -0.4% (Prev. 0.5%).**
- **German Import Prices YoY (Dec) Y/Y -2.3% vs. Exp. -2.6% (Prev. -1.9%).** Destatis "Once again, the decrease in energy prices, at -20.6% compared with December 2024, had the biggest impact on the overall development of import prices in December 2025. Compared with November 2025, energy prices fell by 4.6% on average."
- **Italian PPI MoM (Dec) M/M -0.7% (Prev. 1.0%, Rev. From 1%).**
- **Italian PPI YoY (Dec) Y/Y -1.4% (Prev. -0.2%).**
- **Italian Unemployment Rate (Dec) 5.6% vs. Exp. 5.8% (Prev. 5.6%, Rev. From 5.7%).**
- **Italian GDP Growth Rate YoY Adv (Q4) Y/Y 0.8% vs. Exp. 0.5% (Prev. 0.6%).**
- **Italian GDP Growth Rate QoQ Adv (Q4) Q/Q 0.3% vs. Exp. 0.2% (Prev. 0.1%).**
- **EU Unemployment Rate (Dec) 6.2% vs. Exp. 6.3% (Prev. 6.3%).**
- **EU GDP Growth Rate QoQ Flash (Q4) Q/Q 0.3% vs. Exp. 0.2% (Prev. 0.3%).**
- **EU GDP Growth Rate YoY Flash (Q4) Y/Y 1.3% vs. Exp. 1.2% (Prev. 1.4%).**
- **UK Mortgage Lending (Dec) 4.60B vs. Exp. 4.5B (Prev. 4.59B, Rev. From 4.49B, Low. 4.2B, High. 4.8B).**
- **UK Net Lending to Individuals MoM (Dec) M/M 6.1B vs. Exp. 6.1B (Prev. 6.6B, Low. 6.4B, High. 6.6B).**
- **UK BoE Consumer Credit (Dec) 1.524B vs. Exp. 1.7B (Prev. 2.143B, Rev. From 2.077B, Low. 1.7B, High. 1.9B).**
- Pantheon's Vistesen writes "State CPIs in Germany coming in very hot here, at least relative to our expectations; this will be a bad day for ECB doves, by the looks of it."
- **Spanish Inflation Rate MoM Prel (Jan) M/M -0.4% vs. Exp. -0.3% (Prev. 0.3%).**
- **Spanish Core Inflation Rate YoY Prel (Jan) Y/Y 2.6% (Prev. 2.6%).**
- **Spanish GDP Growth Rate QoQ Flash (Q4) Q/Q 0.8% vs. Exp. 0.6% (Prev. 0.6%).**
- **Spanish Inflation Rate YoY Prel (Jan) Y/Y 2.4% vs. Exp. 2.3% (Prev. 2.9%).**
- **Spanish GDP Growth Rate YoY Flash (Q4) Y/Y 2.6% vs. Exp. 2.7% (Prev. 2.8%).**
- **French Private Non Farm Payrolls QoQ Prel (Q4) Q/Q -0.1% (Prev. 0.0%, Rev. From -0.1%).**
- **French PPI MoM (Dec) M/M 0.2% (Prev. 2.8%, Rev. From 1.1%).**
- **French PPI YoY (Dec) Y/Y -2.00% (Prev. -1.50%, Rev. From -3.3%).**
- **French GDP Growth Rate QoQ Prel (Q4) Q/Q 0.2% vs. Exp. 0.2% (Prev. 0.5%).**
- **French GDP Growth Rate YoY Prel (Q4) Y/Y 1.1% vs. Exp. 1.2% (Prev. 0.9%).**
- **French Household Consumption MoM (Dec) M/M -0.6% vs. Exp. -0.4% (Prev. -0.3%).**

NOTABLE HEADLINES

- **Netherlands government coalition proposes EUR 5.0bln spending increase for defence.**

TRADE/TARIFFS

- **China is to lower tariffs on whisky imports to 5% from February 2nd.**

CENTRAL BANKS

- **US President Trump nominates Kevin Warsh as Fed Chair.**
- **Druckenmiller** said Warsh is not a permanent policy hawk, FT reported; outlining that Warsh thinks it is possible to have growth without inflation.
- **Fed Governor Waller (dissenter) said he dissented in favour of 25bps cut at last meeting because policy is still restricting activity too much.** Labour market remains weak despite solid economic growth. Labour market does not look remotely healthy,

and while supply was a factor, demand is weak. Inflation is elevated from tariffs but monetary policy should look through those effects given anchored expectations. Expects weak job numbers from last year to be revised lower to reflect virtually no growth in payroll employment in 2025. Policy should be closer to neutral, and perhaps around 3% vs. current rate range of 3.50-3.75%. Heard of multiple layoffs planned for 2026 with considerable doubt about job growth and significant risk of a substantial deterioration. Inflation excluding tariffs is near Fed's 2% goal and on path to reach it.

- **Fed's Bostic (Retiring) said inflation is too high and needs to come down, want clear evidence of a return to 2%, via CNBC.** Policy: Fed should be more patient for now. Still think we need to be somewhat restrictive. A case can be made that inflation and job risks are now in balance. Rate decision involves 12 people. Two cuts in 2026 is not the baseline case. Inflation: Still have ways to go on inflation, need to be vigilant. Still tariff effects on prices that have yet to come through. Expects inflation to be stubborn. Labour Market: Downside risk to labour market is much further away than it was. Fed Chair: Do not know Warsh well, but head he is quite thoughtful. Independence of the Fed is always a concern. Balance Sheet: Balance sheet grew in response to crisis, but should back out of MBS. Current balance sheet rise is appropriate and needs to grow with the economy.
- **US Republican Senator Tillis** said he will continue to oppose the confirmation of any Federal Reserve nominee for Chair until the DoJ's inquiry into Chairman Powell is fully resolved.
- **US Senator Warren criticises Trump's nomination of Former Fed Governor Warsh as the new Fed Chair; said no Republican should agree to move forward until Trump stops Fed probe.**
- **BoJ keeps its JGB purchasing plan unchanged for February.**
- **ECB Consumer Expectations Survey (Dec):** Inflation: 1-year CPI expectations 2.8% vs exp. 2.7% (prev. 2.8%). 3-year CPI expectations 2.6% vs exp. 2.4% (prev. 2.5%). 5-year CPI expectations 2.4% vs (prev. 2.2%). Growth: 1-year expectations -1.1% (prev. -1.3%).

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian foreign ministry** said Russia will use all the available means to defend vessels under Russian flags in case their rights are violated.
- **Ukrainian President Zelensky** said there were no strikes on energy facilities overnight. However, they are seeing a shift by Russia to strikes on logistics. A US company's facility in Kharviv was damaged. "... a ballistic missile was used against the Kharkiv region – warehouses belonging to a civilian production facility were damaged, and this is an American company. "
- **Russia's Kremlin said US President Trump personally asked Russian President Putin to halt strikes on Kyiv until Feb 1 and create favourable conditions for negotiations.**
- **Ukraine's President Zelensky said the compromise on territory has not yet been reached; Ukraine will not strike Russian energy infrastructure if Russia halts its attacks on Ukraine's energy infrastructure.** Halting strikes on energy targets is a US initiative and a personal proposal of US President Trump. said he is inviting Putin to Kyiv if Putin "dares". No official ceasefire agreement on energy target exists between both countries. Reiterates readiness for leaders summit in any format, but not in Moscow or Belarus.

MIDDLE EAST

- **Greece has reportedly cautioned shipowners to stay away from Iran's coast where possible, Bloomberg reported citing advisories; direction is to sail closer to the UAE and Oman when transiting the Strait of Hormuz.**
- **Top Iranian security official** said Iran to list armed forces of EU countries that blacklisted revolutionary guards as 'Terrorist'.
- **Israel announces Rafah crossing to open this weekend amid ongoing EU discussions.**
- **Turkish Foreign Minister** said Israel has called on the US to attack Iran, adding that they hope the US does not listen.

NORTH AMERICAN DATA

- **US Chicago PMI (Jan) 54.0 vs. Exp. 44 (Prev. 43.5).**
- **US PPI Ex Food, Energy and Trade MoM (Dec) M/M 0.4% (Prev. 0.2%).**
- **US PPI Ex Food, Energy and Trade YoY (Dec) Y/Y 3.5% (Prev. 3.5%).**
- **US PPI YoY (Dec) Y/Y 3.0% vs. Exp. 2.7% (Prev. 3.0%, Rev. From 3%).**
- **US Core PPI MoM (Dec) M/M 0.7% vs. Exp. 0.2% (Prev. 0.0%, Rev. From 0%).**
- **US PPI MoM (Dec) M/M 0.5% vs. Exp. 0.2% (Prev. 0.2%).**
- **US Core PPI YoY (Dec) Y/Y 3.3% vs. Exp. 2.9% (Prev. 3.0%, Rev. From 3%).**

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