

## European Market Wrap - 3rd February 2026

- European bourses eventually traded lower after coming off best levels seen in the open and slipping into the red as the market neared the close.
- The EU is to offer the US a partnership on critical minerals to counter China's influence, Bloomberg reports, citing sources.
- RBA hiked the Cash Rate by 25bps as expected in a unanimous decision, marking the first hike in over two years.

### EQUITIES

- European bourses were lower, coming off best levels seen in the open and slipping into the red as the market neared the close. Sentiment continued to slide with the **FTSE 100 (-0.9%)** hit first due to lower oil prices following remarks from Russia's PM Novak on Russia's oil surplus, impacting key Co.'s such as **Shell (-1.0%)** and **BP (-0.5%)**. Outside of pressure on crude, it's been hard to pin down why broader sentiment has fallen. However, a report from Bloomberg highlighted that hedge fund companies, especially from APAC, may have added pressure to the downside seen.
- European sectors were mixed to lower. The clear outperformer by a clear margin was **Basic Resources (+2.4%)**, which was underpinned by stronger metal prices as gold, silver and copper continued their rebound, following a price drop from Monday. Also near the top were **Banks (+0.8%)** and **Food Beverage and Tobacco (+0.9%)**. On the downside, **Media (-5.3%)**, **Tech (-2.8%)** and **Retail (-2.6%)** lagged. Media heavily weighed down by losses in **Publicis Groupe (-9.3%)** after the CEO cited uncertainty in the Co.'s outlook due to geopolitical tensions and broader economic activity, following the Co's earnings.
- US equities are mixed with upside in the **Russell 2000 (+0.7%)** and **Dow Jones (+0.4%)**, whilst the **S&P 500 is flat** and the **Nasdaq (-0.3%) is lower**. Aside from earnings, US equities have lacked any fresh catalyst, with remarks from Fed's Barkin and Miran failing to spur any reaction in equities.
- Premarket has seen earnings from key market moving Co.'s. On the upside, Woodward (+15.0%) has seen its shares gain after top and bottom line beat expectations, with the Co. also reporting a strong outlook. Palantir (+6.5%) is also firmer following a stellar Q4 report and strong guidance. On the downside, PayPal's (-17.2%) shares are tumbling after the Co.'s profit and revenue failed to meet expectations. Pharmaceutical giant Pfizer (-4.5%) is lower after providing weak guidance, whilst Merck (+3.5%) is firmer after revenue and profit beat.

### FX

- **USD - DXY** eventually traded flat Tuesday's post-ISM rebound, after paring earlier losses but remaining contained within yesterday's 97.008–97.733 band. Fed commentary today from Barkin and Miran did little to sway the Buck. The partial US government shutdown forced delays to the December JOLTS and January NFP reports, though ING noted data could be released next week if the House passes a funding vote. On that note, US House Speaker Johnson and fellow leadership are indicating that they believe they have the votes to pass the funding package today, Politico's Hill reports, citing sources.
- **EUR - EUR/USD** posted mild gains but drifted off highs as the DXY recovered from lows. Softer-than-forecast French inflation generated incremental EUR selling, leaving the pair well inside yesterday's 1.1776–1.1875 band. Attention turns to Thursday's ECB meeting, where rates are expected to remain unchanged but commentary will be closely parsed. Large near-ATM expiries were noted in the pair.
- **GBP - GBP/USD** was rangebound and uneventful within yesterday's 1.3623–1.3715 band amid limited UK-specific catalysts ahead of Thursday's BoE decision and MPR. A hold is universally expected, though desks are split between a 6–3 or 7–2 vote. Guidance is set to retain the "gradual downward path" framing.
- **JPY - USD/JPY** firmed toward the top of a 155.29–156.08 range after retesting yesterday's 155.79 high, supported by the broader USD recovery and Friday's reclaiming of the 100DMA. Overnight, Japanese Finance Minister Katayama clarified PM Takaichi's weekend remarks, noting the PM spoke about FX effects in general, not specifically favouring a weak JPY.
- **Antipodeans** - AUD and NZD outperformed, with AUD leading on stronger risk appetite, firmer metals, and the RBA's 25bps hike to 3.85%. The Bank signalled inflation would remain above target for some time, while Governor Bullock offered no forward guidance. AUD/USD held most gains despite the DXY rebound, trading within a 0.6945–0.7050 daily range.
- **French Finance Minister said FX volatility is a subject that he hopes to put on the G7 agenda, depending on developments.**

### FIXED

- **A modestly bearish session for fixed income.**
- **JGBs** spent APAC hours under modest pressure, with losses of c. 15 ticks at most in a narrow band. Specifics light as we count down to **Sunday's election**, and the narrative is increasingly pointing to a convincing LDP victory, with a 'super majority' featuring more in discussions around the potential outcome.
- **USTs** under modest pressure overnight, to a 111-15 low early doors and since lower by 1+ ticks more on the back of a **handful of corporate announcements**. Updates that have added to the week's already hefty slate, after ORCL on Monday. Note, today's **JOLTS and Friday's Payrolls have been postponed** amid the US shutdown; a shutdown that is likely to end very shortly, but could begin again as soon as next week.
- **Bunds** down early doors and have been lagging, action that occurred despite a **well-received Green auction** and relatively limited European-specific developments after a short-lived move higher on **cooler prelim. French inflation**. Pressure that is

perhaps a function of the rebound in energy benchmarks across the European day. Lower by 38 ticks at worst, to a 127.56 base.

- **Gilts** gapped lower by 12 ticks given the above, before slipping further to downside of over 20 ticks. However, this proved fleeting with a modest rebound occurring just after a well-received **2035 Gilt auction**, but the benchmark ultimately remains lower and only just above opening levels. Specifics light into **Thursday's BoE**, where the vote split draws initial focus with Ramsden the one to watch.
- **JPM Treasury Client Survey (w/e Feb 2nd): Active clients show the fewest net longs since January 5th, 2026.** All clients (Feb 2nd vs Jan 26th). Long: 20 (vs. 24). Neutral: 60 (vs. 57). Short: 20 (vs. 19). Net longs: 0 (vs. 5). Active Clients. Long: 44 (vs. 56). Neutral: 34 (vs. 33). Short: 22 (vs. 11). Net longs: 22 (vs. 45).
- **Germany sold EUR 1.35bln vs exp. EUR 1.5bln 2.50% 2035 Green Bund: b/c 2.01x (prev. 2.2x), average yield 2.79% (prev. 2.52%), retention 10.0% (prev. 4.2%).**
- **UK sold GBP 4.25bln 4.75% 2035 Gilt: b/c 3.63x (prev. 3.26x), average yield 4.585% (prev. 4.456%), tail 0.2bps (prev. 0.3bps).**
- **Ireland's NTMA** raises EUR 5bln from the sale of its new 10-year benchmark bond.
- **South Korea** is to sell 3-year and 5-year USD-denominated bonds.
- **Italy's Tesoro** opened books to sell new 15-year BTP bond via syndication, with guidance seen +10bps to 2040 BTP.

## COMMODITIES

- **Crude** benchmarks traded on either side of the unchanged mark, failing to provide a clear sense of direction as crude-specific newsflow remained light. Early in the European session, oil prices were pressured briefly following comments by Russia's Novak stating that they have a surplus in fuel supplies. **WTI** and **Brent** fell c. USD 1/bbl following his remarks, but couldn't hold lower prices and steadily reversed heading into the US session. As US trade gets underway, benchmarks are trading at session highs, with WTI and Brent heading towards USD 63/bbl and USD 67/bbl respectively.
- **Spot gold** started Tuesday's trade on the front foot, rising from USD 4677/oz to a high of USD 4948/oz as the European session got underway. However, the yellow metal failed to make any further progress as the session continued, oscillating in a USD 4884-4951/oz band. Similarly, for **spot silver**, the metal gradually trended higher from USD 80/oz and topped around USD 89/oz.
- **3M LME Copper** regained the USD 13k/t handle early in the APAC session and comfortably held above this inflection level. The red metal gained traction early in the session following reports that China is expanding its strategic copper reserves. 3M LME Copper rose just shy of USD 13.5k/t and hovered just below this price point for the majority of the US session.
- **Russian President Putin** held a call with Saudi Crown Prince MBS, Tass reported; the leaders discussed OPEC+, IFX reported; details light.
- **Russian Deputy PM Novak** said oil demand and supply are in balance. OPEC+ sees oil demand increasing in the Spring and Summer. Novak said they have a surplus in fuel supplies, adding that domestic diesel and gas supplies are sufficient.
- **Kazakhstan's KazTrans Oil** said loadings from the **Aktau-Baku-Tbilisi-Kahan pipeline were 106k tonnes in January.** Kazakhstan cuts oil exports by 30% in January and December due to the Tengiz outage and CPC loading restrictions, according to sources.
- **China's Shanghai International Energy Exchange** announces plan to adjust price limits, margin requirements for crude oil and other contracts from the 5th of February closing settlement.
- **China** raises its gas and diesel prices by CNY 205 and 195 respectively, effective February 4th.
- **Shanghai Gold Exchange** to adjust margin ratios to 17% (prev. 16%) for some gold and silver contracts, and widen the daily price limit to 16% (prev. 15%) as of the 4th February settlement.
- **SHFE: Notice Regarding Adjustments to Price Limits and Margin Requirements for Silver Futures Contracts.** "The daily price fluctuation limit for listed silver futures contracts has been adjusted to 19%, the margin requirements for hedging positions have been adjusted to 20%, and the margin requirements for general positions has been adjusted to 21%." as of 4th of February.
- **Indonesian miners have halted spot coal exports** after government proposes deep production cuts.

## EUROPEAN DATA

- **UK Grocery Inflation +4.0% Y/Y, Sales +3.8% Y/Y** in the 4 weeks to January 25, via Worldpanel.
- **French Inflation Rate MoM Prel (Jan) M/M -0.3% vs. Exp. -0.1% (Prev. 0.1%).**
- **French Inflation Rate YoY Prel (Jan) Y/Y 0.3% vs. Exp. 0.6% (Prev. 0.8%).**
- **French HICP Jan: 0.4% Y/Y (exp. 0.6%, prev. 0.7%); -0.4% M/M (exp. -0.2%, prev. 0.1%).**
- **French Budget Balance (Dec) -124.7B (Prev. -155.4B, Rev. From -155.4B).**

## NOTABLE HEADLINES

- **French Finance Minister** said the G7 needs to agree on a joint instrument to address global macroeconomic imbalances. Joint instruments can have a sectoral focus, such as rare earths.
- **French Finance Minister Lescure** said that the 2026 budget will reduce the deficit to 5.0% from 5.4%, GDP growth of 1% so far in 2026 is a good start.

## TRADE/TARIFFS

- **The EU is to offer the US a partnership on critical minerals to counter China's influence, Bloomberg reported citing sources.**
- **USTR Greer** said India's industrial goods tariffs will go to zero from 13.5%; India is maintaining some protection around agricultural goods; have understanding on reducing India's technical non-tariff barriers to trade, recognising US standards.

Have been monitoring India's winding down the purchase of Russian oil. Sees signs of a manufacturing boom.

- **China's Premier Li to meet with Logitech's (LOGN SW) CEO.**
- **EU launches in-depth subsidies probe into China's Goldwind's European wind turbine business; suggests Co. may receive grants, preferential tax measures, and loans that distort competition.**
- **Kremlin's Spokesperson** said Russia has not heard any statement from India about halting Russian oil purchases, adding that they intend to continue developing their relations with India.
- **Russia and China** held a new round of stability talks to support multilateralism.

## CENTRAL BANKS

- **Fed's Barkin (2027 voter) said firms say demand is fine and are not doing layoffs at scale; expects progress on inflation, which remains above target.**
- **Fed's Barkin (2027 voter) said, "as we move into 2026, it feels like the fog is starting to lift — or perhaps our eyes are just starting to adjust."**
- **Fed's Miran said underlying inflation is not a problem; needs to cut rates by about a percentage point this year - Fox News interview.** Better growth in future doesn't need higher interest rates. Sees need to lower rates by 50bps this year. Not reading a lot into metal market volatility. In the long-term would want a smaller Fed balance sheet. To get smaller balance sheet, need more regulations changes. Fed monetary policy is too tight.
- **ECB Bank Lending Survey (Q4)**: Overall credit terms and conditions tightened for loans to firms and consumer credit, while they eased for housing loans.
- **ECB Bank Lending Survey (Jan)**: Banks tightened credit standards for firms, citing higher perceived risks amid lower risk tolerance; Credit standards eased slightly for housing loans, but tightened further for consumer credit.
- **BCB Minutes from Jan 27-28 meeting**: global environment remains uncertain due to the economic policy and economic outlook in the US, altering global financial conditions. Set of domestic indicators continues to show, as expected, a path of moderation on economic growth, while the labour market still shows signals of resilience.
- **BOK Minutes suggests one board member** said further rate cuts should only be considered after risks related to FX and housing markets ease.

## GEOPOLITICS

### RUSSIA-UKRAINE

- **USTR Greer said India's industrial goods tariffs will go to zero from 13.5%; India is maintaining some protection around agricultural goods; have understanding on reducing India's technical non-tariff barriers to trade, recognising US standards.** Have been monitoring India's winding down the purchase of Russian oil. Sees signs of a manufacturing boom.
- **Russian President Putin** held a call with Saudi Crown Prince MBS, Tass reported; the leaders discussed OPEC+, IFX reported; details light.
- **Ukraine's President Zelensky** called for additional support following discussion with NATO's Rutte; said Russia exploited US proposals to briefly halt strikes not to support diplomacy, but to stockpile missiles.
- **Kremlin's Spokesperson** said Russia has not heard any statement from India about halting Russian oil purchases, adding that they intend to continue developing their relations with India.
- **Russia's Deputy Foreign Minister Ryabkov** said the modernisation of their nuclear triad is at a very advanced stage.

### MIDDLE EAST

- **US envoy Witkoff arrived in Israel.**
- **Iran's Vice President** said a new chapter of Iran's nuclear achievements will be unveiled.
- **Iranian official** said that a US aircraft carrier has retreated and is now near Yemen.
- **Iranian diplomatic source** said Tehran's view regarding Istanbul talks is "neither optimistic nor pessimistic"; Istanbul meeting will show whether US "intends to conduct serious and result-oriented" talks; Tehran is at its maximum defensive readiness. Prepared for any scenario.
- **UKMTO has received a report of an incident 16NM north of Oman within the inbound TSS of the Straits of Hormuz.** "A vessel has been hailed on VHF by numerous small armed vessels. The vessel has ignored the request to stop and has continued on its planned route. Authorities are investigating. Vessels are advised to transit with caution and report any suspicious activity to UKMTO."
- **"Lebanon's Deputy Prime Minister to Al-Arabiya: The demarcation of the land border with Syria will begin soon".**

### NORTH AMERICAN DATA

- **US Redbook YoY (Jan/31) Y/Y 6.7% (Prev. 7.1%).**

### NOTABLE US EQUITY HEADLINES

- **Josh D'Amato named next Disney (DIS) CEO, and Bob Iger upon transition to continue to serve as senior advisor and a member of Disney board until his retirement on Dec 31; Dana Walden to become President and Chief Creative Officer.**
- **PayPal Holdings Inc. (PYPL) Q4 2025 (USD): Adj. EPS 1.23 (exp. 1.29), Revenue 8.68bln (exp. 8.79bln).**
- **Pfizer Inc. (PFE) Q4 2025 (USD): Adj. EPS 0.66 (exp. 0.58), Revenue 17.6bln (exp. 16.85bln); FY26 revenue view 59.5-62.5bln (exp. 61.94bln), FY26 EPS 2.80-3.00 (exp. 2.97).**
- **French prosecutors have called Elon Musk and Yaccarino to testify as part of the X investigation.**

## LATAM

- **Mexico's Finance Minister** announces Mexico's public and private investment plan of roughly MXN 5.6tn between 2026 and 2030.

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