

European Market Wrap - 5th February 2026

- European equities look to end the session lower across the board with broad-based losses the majors.
- BoE opted to hold rates via a narrow-than-expected vote split (5-4 vs exp. 7-2); dovish reaction in UK assets.
- ECB held policy settings as expected in a unanimous decision with overall little fresh substance during the presser.

EQUITIES

- **European equities were lower across the board.** A tech-led sell-off from the US, mixed earnings from key European companies, and softer cross-asset signals — from lower metal prices to Bitcoin slipping below 70k — weighed on sentiment. Markets also digested policy announcements from both the BoE and the ECB, with rates left unchanged. Equity markets showed little reaction to the BoE's close 5-4 vote split; moves were more evident in fixed income and FX, particularly in Gilts following the decision.
- **European sectors were mostly in the red.** Tech (+0.2%) outperformed, supported by gains in semiconductor names such as **Infineon (+1.8%)**, after **Alphabet (-4.3%)** announced increased investment in AI following its earnings. Laggards included **Autos (-2.7%)**, **Basic Resources (-1.6%)**, and **Banks (-2.0%)**. Basic Resources were pressured by lower metal prices, Autos were dragged lower by sharp losses in **Volvo (-25.2%)** following weak earnings, while Banks fell on losses in **BBVA (-8.4%)** after a slight miss on Q4 2025 profits.
- **US equities opened lower and are now trading mixed**, with downside in the **S&P 500 (-0.6%)**, **Nasdaq (-0.8%)** and **Dow Jones (-0.6%)**, while the **Russell 2000 (+0.1%)** is modestly higher. Markets digested **US jobless claims data**, with initial, continuing and four-week average claims coming in slightly firmer than expected, though equity reaction was limited. On the stock-specific front, **Nvidia** is reportedly set to delay a new gaming chip due to memory shortages, according to *The Information*. Earnings from several market-moving companies were released pre-market and overnight: **Qualcomm (-8.5%)** fell after issuing weak guidance for next quarter, while **Alphabet (-4.3%)** slipped despite EPS and revenue beating expectations, as investors focused on concerns around increased AI investment. Outside of earnings, **Microsoft (-2.1%)** is trading lower following a broker downgrade by Stifel.

FX

- **USD - DXY** stayed supported as it extended its early-February rebound, though upside was capped by geopolitical noise after conflicting reports on whether US-Iran talks would proceed. DXY was briefly hit as JPY gained and sentiment turned more risk off. Data saw higher-than-expected jobless claims, which also proved to be heavy for the index. Add to that, lower-than-expected JOLTS prompted further downticks in the DXY. The index initially pushed through resistance at 97.70-97.75 to a 97.91 high before returning back to under the 97.70 area.
- **EUR - EUR/USD** held tight in a 1.1781-1.1821 range with little price action seen on an as-expected ECB outing, with the presser also offering little substance for traders.
- **GBP - GBP/USD** underperformed into the BoE, weighed more by UK political pressure—specifically scrutiny over PM Starmer's appointment of Peter Mandelson as US ambassador. The BoE maintained rates as expected but the release was dovish, with a narrower-than-expected vote split (5-4 to hold), with Breeden, Dhingra, Taylor, Ramsden vote for cut to 3.5%. Thereafter, the presser offered little follow-through for UK assets.
- **JPY - USD/JPY** briefly extended higher above 157.00 as yen weakness persisted ahead of Sunday's snap elections, with broader USD strength adding to upward pressure through the week. That being said, JPY saw a bout of strength in conjunction with broader risk tilting lower.
- **Antipodeans - AUD** and **NZD** softened, with AUD the clear G10 laggard as subdued risk appetite and weaker commodities added headwinds.
- **French President Macron plans to discuss strong EUR at the EU summit next week, according to Bloomberg.**

FIXED INCOME

- **USTs began the session with very mild gains**, and traded steadily throughout the session. Thereafter, the US benchmark gradually picked up as the risk tone deteriorated with pressure in Bitcoin (fell below USD 70k), US equity futures (Alphabet - 3.7% extended losses) and after a dovish hold from the BoE (see below). US Jobless Claims (topped expectations) also helped the benchmark higher – but analysts highlight that the uptick could be associated with the recent storms. Sticking with data, Revelio Labs Payrolls fell 13.3k (prev. +71k) whilst **JOLTS Job Openings fell well shy of the prior and expectations**; overall recent data have pointed to a weakening labour market. Attention now turns to the delayed NFP report next week. Currently trading at the upper end of a 111-18+ to 111-31 range.
- **Bunds were essentially unchanged and spent much of the session** within a 127.82-128.21 range. Overall, price action just followed global peers, whilst the ECB policy decision itself had little impact on EGBs. In brief, the Bank kept rates unchanged at 2.00% (as expected) and reiterated its data dependence approach. The presser thereafter also lacked fanfare, but she did mention **that the stronger EUR could bring down inflation more than expected**, further below target, but caveated that by saying that the EUR has been fluctuating within a range and the appreciation has been incorporated in its baseline.
- **Gilts underperformed throughout the session**. Initial downside as Labour MPs launched an attack on PM Starmer, with some

calling for him to resign. Thereafter, the BoE delivered a surprising dovish hold; it kept rates unchanged, but in a more dovish vote split (5-4) vs expectations of 7-2 or 6-3. Whilst Mann opted to hold rates, it is interesting that the usual hawk suggested that lower inflation should push down wage settlements, new analysis moves time for another cut closer. **Gilts jumped from 90.25 to 90.69 in an immediate reaction.** Thereafter, focus turned to the regional politics once again. The Telegraph highlighted that Labour MPs are privately urging Angela Rayner and Wes Streeting to launch a leadership challenge against the PM. Gilts saw mild pressure on this report.

- **Italian Treasury** said it will sell new 6-year Retail BTP between March 2nd-6th.
- **France sold EUR 13.5bln vs exp. EUR 11.5-13.5bln 3.20% 2035, 3.50% 2035, 3.60% 2042 and 3.00% 2049 OAT.**
- **Spain sold EUR 5.838bln vs exp. EUR 5-6bln 2.35% 2029, 3.00% 2033, 3.20% 2035 Bono and EUR 0.646bln vs exp. EUR 0.25-0.75bln 0.70% 2033 IL.**

COMMODITIES

- **Crude** benchmarks traded with no clear direction throughout the European session, as the markets await for the US-Iran meeting on Friday. **WTI** and **Brent** rotated in a USD 63.46-64.67/bbl and USD 67.71-68.94/bbl range throughout the European morning. However, as the risk tone continued to slip, with US tech leading the decline, this weighed on crude prices and broke the lower end of the day's range. Comments by President Trump, stating that Iran is negotiating, further weighed on crude benchmarks. Brent nears USD 67/bbl before slightly rebounding European trade ends.
- **Precious metals** resumed the selloff from the prior session, led by **spot silver**, with the metal returning to the APAC lows of USD 73.55/oz just as the US equity cash session got underway. **Spot XAU** attempted to return back above USD 5k/oz earlier in the session but reversed back lower. Despite losses in silver, the yellow metal oscillated in a USD 4790-4944/oz band for the majority of the European session.
- **3M LME Copper** was initially pressured by the continued selloff in Asia-Pac equities, following on from the tech-led selling stateside. The red metal traded either side of the USD 13k/t handle throughout the European session but is set to end on the low end of the day's USD 12.8k-13.2k/t range as US traders step in.
- **US Government reportedly** plans new mining house to tap Africa's copperbelt.
- **China's Futures Exchange to adjust price limits, margin ratios for copper, aluminium, gold, silver and other future contracts.**
- **China's Shanghai International Energy Exchange to raise limits, margin ratios for international copper futures contracts from the 9th of February closing settlement.**

EUROPEAN DATA

- **EU Retail Sales YoY (Dec) Y/Y 1.3% vs. Exp. 1.6% (Prev. 2.4%, Rev. From 2.3%).**
- **EU HCOB Construction PMI (Jan) 45.3 (Prev. 47.4).**
- **UK S&P Global Construction PMI (Jan) 46.4 vs. Exp. 42 (Prev. 40.1).**
- **UK New Car Sales YoY (Jan) Y/Y 3.4% (Prev. 3.9%).**
- **Italian Retail Sales YoY (Dec) Y/Y 0.9% (Prev. 1.3%).**
- **Italian Retail Sales MoM (Dec) M/M -0.8% vs. Exp. 0.4% (Prev. 0.5%).**
- **Italian HCOB Construction PMI (Jan) 47.7 (Prev. 47.9).**
- **French HCOB Construction PMI (Jan) 43.5 (Prev. 43.4).**
- **French Industrial Production MoM (Dec) M/M -0.7% vs. Exp. 0.2% (Prev. 0.1%, Rev. From -0.1%).**
- **German HCOB Construction PMI (Jan) 44.7 (Prev. 50.3).**
- **German Factory Orders MoM (Dec) M/M 7.8% vs. Exp. -2.2% (Prev. 5.6%, Low. -5%, High. 3%).**

NOTABLE HEADLINES

- **UK Labour MPs are privately urging Angela Rayner and Wes Streeting to launch a leadership challenge against Sir Keir Starmer over the Lord Mandelson scandal,** according to the Telegraph on X.
- **US Vice President Vance** is to meet Italian PM Meloni on Friday in Milan.

TRADE/TARIFFS

- **UK and US signed MoU on critical minerals on 4th February 2026; announcing a partnership to drive investment in critical minerals supply chains.** Government is taking action to ensure no more than 60% of the UK's supply of any one critical mineral is imported from any one country by 2035.
- **India's Foreign Ministry** said they are looking to explore commercial merits of any crude supply, including from Venezuela.
- **India's Trade Ministry Officials** said that India will need to import USD 300bln annual worth of goods and the US will be one of the key suppliers of energy, aircraft and chips.
- **Indian Trade Minister** said we will announce the first tranche of a trade deal agreed with the US.
- **China's Foreign Ministry** said we oppose any country forming small groups to disrupt international economic and trade order.

CENTRAL BANKS

- **ECB: Rates unchanged as expected, reiterates it is not pre-committing to a particular rate path.** Policy framework / reaction function. Policy remains data-dependent and meeting-by-meeting. Decisions will hinge on: Inflation outlook and surrounding risks. Incoming economic and financial data. Underlying inflation trends. Strength of monetary policy transmission.
- **ECB Press Conference:** In her post-meeting remarks, ECB President Lagarde said monetary policy was "in a good place", reiterating that decisions would remain data-dependent and taken on a meeting-by-meeting basis, with no pre-commitment to a policy path. She declined to characterise the stance as hawkish or dovish, stressing instead the agility of policy in returning inflation to target in a symmetric manner. Lagarde said core inflation was evolving broadly as anticipated and remained on a

path towards the 2% target, with recent downside surprises largely reflecting base effects from last year's energy prices. Services inflation was easing modestly, while the ECB continued to see inflation at target over the medium-term, with more data due in March. On the balance of risks, Lagarde said that the ECB no longer frames its guidance around a single balance of risk tilt, arguing that such analysis was more useful during COVID; instead, she said the ECB now sets out both upside and downside risk components, reflecting ongoing debate within the GC over their range and magnitude. She said that policymakers were not seeing a narrowing in the range of risks on the outlook, but added that sentiment among policymakers was that risks were "broadly balanced". She stressed that policy could not be hostage to any single data point, and said the key test for the GC was whether it remained convinced inflation would return to its medium-term target. On growth, Lagarde struck a cautiously constructive tone, pointing to resilient domestic demand, improving consumption and a pick-up in both private and public investment, while net exports remained a drag. She said the labour market remained active, with participation rising, unemployment near "rock bottom" and vacancies growing at a more moderate pace. Given expectations that the central bank was going to hold policy steady at this confab, there was a lot of focus on how Lagarde spoke about the EUR currency, given its recent appreciation vs the USD; the ECB chief said the central bank did not target a specific exchange rate, but kept a close watch on EUR developments given their importance for the economy and inflation pass-through. She noted that the USD had depreciated against the EUR, though it has been more significant since March 2025, with EURUSD fluctuating within a range since the Summer. Lagarde said the impact of the EUR's appreciation since last year had already been incorporated into the policymaker's baseline projections, reiterating that the bank continuously monitors FX movements and their impact on prices.

- **BoE: Rates held at 3.75%, as expected; vote split 5-4 (exp. 7-2; Breeden, Dhingra, Taylor, Ramsden vote for cut to 3.5%).** **GUIDANCE** :BoE said interest rates 'likely to be reduced further'. **COMMENTARY**: BoE Governor Bailey said there is scope for further easing, not clear exactly when, expects 'quite sharp' inflation drop in coming months, sees weaker demand despite more positive surveys. BoE's Deputy Governor Ramsden said demand risk if savings, consumption don't normalise; Ramsden said core disinflation is clearly progressing. BoE's Chief Economist Pill said structural changes mean disinflation slower than expected. BoE's Taylor said revisions keep showing less inflation, more slack. BoE's Dhingra said market-implied path for rates looks too tight, inflation persistence scenario less compelling. BoE's Breeden said policy should be eased faster than market path, new analysis shows lower wage growth, more slack. BoE's Mann said lower inflation should push down wage settlements, new analysis moves time for another cut closer. BoE's Greene said difficult to justify downward revision to slack. BoE's Lombardelli said productivity may prove weaker than BoE predicts. BoE's Greene said future wages, prices, expectations a concern. **FISCAL**: November budget to have expansionary effect on growth. Expects 0.5ppts cut to inflation from labour budget policies.
- **BoE Forecasts (Feb.): Lowers inflation forecasts across horizon, lowers GDP forecast for Q1 26 and Q1 27.** Inflation. 2026 Q1: 3.0% (Prev. 3.1%; exp. GS: 2.9%, MS: 3.0%). 2027 Q1: 1.7% (Prev. 2.2%; exp. GS: 1.8%, MS: 1.8%). 2028 Q1: 1.8% (Prev. 2.1%; exp. GS: 2.2%, MS: 2.0%). 2029 Q1: 2.0% (Prev. N/A; exp. GS: 2.2%, MS: 1.9%). GDP. 2026 Q1: 0.8% (Prev. 1.1%; exp. GS: 0.8%, MS: 0.8%). 2027 Q1: 1.2% (Prev. 1.5%; exp. GS: 1.8%, MS: 1.5%). 2028 Q1: 1.9% (Prev. 1.8%; exp. GS: 1.8%, MS: 1.7%). 2029 Q1: 1.8% (Prev. N/A; exp. GS: 1.7%, MS: 1.7%). GS = Goldman Sachs, MS = Morgan
- **BoE Press Conference:** Governor Bailey (post-meeting statement) said based on current evidence, Bank Rate expected to be reduced further. Cutting too quickly or too much could lead to inflation pressures persisting; waiting too long could come at the cost of a sharper downturn in activity and inflation. BoE Governor Bailey said the mortgage market is one reason the MPC needs to exercise "judgement" on the course of monetary policy, stressing that the MPC did not discuss hiking rates at the meeting and that the question is about what scope there is to ease rates; if there were more persistence than the MPC sees, it would see a different scenario. He said inflation expectations remain elevated for households and businesses, and that MPC needs to see more evidence inflation will sustainably return to target before cutting, adding that as the Bank gets closer to neutral, rate decisions become a closer call. On markets, Bailey said the neutral rate is in the range of 2-4%, that the market curve is a "reasonable profile" right now and fits with his thinking, though it does not condition the timing or scale of moves, and that while he doesn't endorse 3.25%, it is a reasonable market curve. He said there has been some move in Gilts linked to UK political scandal but that moves have been orderly, while Deputy Governor Ramsden said Gilt moves have been in a very narrow range. Bailey said the MPC does not spend its time talking about political risks and will not comment on politics, adding that whatever happens politically, what matters more is the underlying economy. He said the BoE does not welcome unemployment and no one on the MPC wants to see it any higher
- **Czech CNB Interest Rate Decision 3.50% vs. Exp. 3.5% (Prev. 3.50%, Rev. From 3.5%).**
- **CNB Governor Michl** said decision to keep policy steady was unanimous.

GEOPOLITICS

RUSSIA-UKRAINE

- **Kremlin's Spokesperson** said that Russia remains ready for discussions, if the US responds to its proposal on extending nuclear arms limits.
- **US European Command confirms that the US and Russia agree to re-establish high level military dialogue.**
- **Ukrainian President Zelensky** said the next round of talks with Russia to take place in the near future, adds that Ukraine is ready to swap drones for air defence missiles and MiG jets.
- **The US and Russia have agreed to re-establish military-to-military talks, the AP reported.**
- **US and Russia negotiate extensions to New START nuclear pact, Axios reported citing sources.** Two of the sources cautioned that the draft plan still needed approval from both presidents. An additional source confirmed that negotiations had been taking place over the past 24 hours in Abu Dhabi, but not that an agreement had been reached.
- **Ukraine's President Top Aide** said talks with Russia were really constructive, RBC Ukraine reported.
- **Ukrainian official's aide** said Ukraine and Russia talks in Abu Dhabi have ended.

- **Russia** is reportedly open to international cooperation on the Zaporizhzhia nuclear plant, including with the US, but insists the facility must remain Russian, according to Tass.
- **US Envoy Witkoff** said that discussions between US, Ukraine and Russia were productive but "significant work remains"; talks will continue, with additional progress anticipated in the coming weeks; Ukraine and Russia agreed to exchange 314 prisoners.
- **Russia's Kremlin spokesperson** confirms the New START Treaty ends today.
- **Russian Envoy Dmitriev** said Russia-US meetings in Abu Dhabi are positive; progress on a peace deal despite pressure from the EU and UK; active work ongoing to restore Russia-US relations.

MIDDLE EAST

- **US President Trump** said Iran is negotiating.
- **Iran's Revolutionary guards** detain two vessels in the gulf carrying over 1m litres of smuggled fuel, crew of 15 foreigners referred to judiciary, according to the state media.
- **Iranian army spokesperson** said that their access to US bases is easy, increasing their vulnerability; adds that they're ready to defend themselves and it is the US President Trump who must choose between compromise or war.

OTHERS

- **US President Trump** reiterated he is getting along fantastically with Venezuela.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump's administration** finalises US civil services overhaul.
- **BofA Consumer Checkpoint: W/e January 31st** total card spending -3.2% Y/Y (vs. prior week +6.6% Y/Y) and the slowdown was most likely due to Winter Storm Fern.
- **US President Trump** is to launch TrumpRx drug pricing site today, CNN reported.
- **Republican Senator Hawley** is circulating a bill around Congress that would ensure the costs of data centres' energy use is not passed onto consumers, Axios reported citing a bill summary.

NORTH AMERICAN DATA

- **US Continuing Jobless Claims (Jan/24)** 1,844K vs. Exp. 1,850K (Prev. 1,819K, Rev. From 1,827K).
- **US Initial Jobless Claims (Jan/31)** 231K vs. Exp. 212K (Prev. 209K, Low. 205K, High. 219K).
- **US Jobless Claims 4-week Average (Jan/31)** 212.25K (Prev. 206.25K).
- **US Challenger Job Cuts (Jan)** 108.435K (Prev. 35.553K).
- **US JOLTs Job Quits (Dec)** 3.204M (Prev. 3.161M).
- **Revelio Labs** said US Jan Non-farm Jobs -13.3k M/M (prev. +71k in December).

NOTABLE US EQUITY HEADLINES

- **NVIDIA (NVDA)** to delay new gaming chip due to memory chip shortage, **The Information** reported. NVIDIA won't release a new graphics chip for gamers in 2026. It's the first time in 30 years it won't release one in the calendar year. Decision follows a global memory shortage stemming from AI server boom.
- **EU Commission** finds that **Apple (AAPL)** ads and Apple maps should not be designated under the Digital Markets Act.
- **Hims and Hers (HIMS)** said it will sell a copy of Novo's (NOVOB DC) Wegovy pill at USD 49/mnth.

Copyright © 2026 Newsquawk Voice Limited. All rights reserved.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com