

European Market Wrap - 9th February 2026

- European equities were mostly firmer in choppy trade, coming off worst levels seen earlier.
- China is reportedly urging banks to curb US Treasuries exposure amid market risk.
- UK PM Starmer vows to go on and makes clear he's not resigning.

EQUITIES

- **European equities were mostly firmer**, coming off worst levels seen earlier. Trade was a bit choppy, initially opening in the green, but later faced some downward pressure though without any major macro catalyst driver. The **FTSE MIB (+1.3%)** continued to outperform on the back of gains in **USG (+6.3%)** after strong Q4 profit offset a revenue miss, and the affirmation of guidance for FY26 and FY28.
- **European sectors traded mixed**. Leading were **Basic Resources (+1.5%), Industrial Goods & Services (+1.0%) and Travel & Leisure (+0.4%)**. Not much of a macro or stock specific story for the latter two sectors, but Basic Resources has been underpinned by firmer precious metal price. **Energy (+0.3%)** also picked up a bit of steam as crude prices strengthened. At the bottom were, **Optimised Personal Care Drug (-1.0%), Real Estate (-0.9%) and Retail (-0.9%)**, however newsflow has been light to explain the downtick in those sectors.
- US equities opened lower: **Nasdaq (-0.4%), S&P 500 (-0.2%), Dow Jones (-0.2%) and Russell 2000 (-0.3%)**. However, on a stock specific stock, the EU Commission notified **META (+1.1%)** of possible interim measures to reverse exclusion of third-party AI assistants from WhatsApp. Another **MAG-7 Co. Alphabet (-0.3%)** also grabbed some headlines in the pre-market with the Co. filing to sell 7-part USD insurance. **More recently, focus on a significant move in NVIDIA (+3.9%)** which has spiked and dragged the NQ to losses of just a tenth, with the Tech sector surging.
- Movers in the US include **Kroger (+5.4%)** with the Co. shares gaining after naming former **Walmart's (-0.4%)** exec Greg Foran as CEO. Also on the firmer side is **Nexstar (+11.2%)** and **Tegna (+8.6%)** with both Co.'s shares gaining after US President Trump expressed support for mergers for both respective Co. Pharmaceutical giant, **Eli Lilly (+3.0%)** is also firmer after a report broke that the Co. is set to acquire Oma Therapeutic for a deal valued at roughly USD 2.4bln. On the downside, **Hims & Hers' (-26.6%)** shares have continued to tank after the Co. announced it will stop selling a copycat version of **Novo Nordisk's (+5.9%)** Wegovy weight-loss pill.

FX

- **USD - DXY** plumbed the depths to hit the lower end of a 96.88–97.76 band. Pressure stemmed from broad JPY strength post-election and a Bloomberg report that China is urging banks to curb UST exposure, reviving "sell America" concerns. With no meaningful US data today, attention turns to NFP (Wed) and CPI (Fri), where recent labour readings have pointed to softening momentum.
- **EUR** - The euro firmed alongside broader G10 strength against the USD, supported by the softer dollar backdrop and constructive flows into high-beta and low-beta FX alike. EUR/USD gained around 0.8%, with little fresh Eurozone-specific news shaping price action. EUR/USD printed a 1.1803-1.1918 range.
- **GBP** - Sterling gained but lagged its G10 peers despite the weaker USD, weighed by deepening UK political instability. PM Starmer faced renewed pressure after Chief of Staff McSweeney resigned over the Mandelson scandal, with reports suggesting Cabinet resignations are possible unless the PM steps down. Cable was choppy throughout the session amid heavy UK politics newsflow, although PM Starmer reaffirmed he will stay in his position. GBP/USD printed a 1.3586-1.3670 range.
- **JPY** - The yen outperformed. USD/JPY initially gapped higher at the open, briefly topping 157.65, before reversing sharply as JPY buying accelerated, with USD/JPY eventually hitting a low of 155.52. Drivers included expectations of an LDP landslide, higher JGB yields, jawboning from Finance Minister Katayama, rising April BoJ hike odds (~60%), and PM Takaichi's commitment to fiscal discipline. Barclays brought forward its expected 25bps BoJ hike to April and lifted its terminal rate forecast to 1.5%.
- **Antipodeans** - AUD and NZD strengthened in line with broader G10 gains against the dollar, with AUD benefiting most from improved risk tone and the general USD sell-off.

FIXED INCOME

- **Fixed income benchmarks began the week on the backfoot**. **JGBs** hit after the weekend's landslide election victory for LDP/PM Takaichi, as it paves the way for her to pursue a more expansionary fiscal policy. Amidst this, the odds of an April BoJ hike lifted to c. 60% from the low-50s at the end of last week.
- Thereafter, **USTs** came under slightly more pressure amid a Bloomberg report that Chinese banks have been asked to diversify holdings of USTs due to market risks. A report that pushed USTs to a 111-26 low. Note, while off lows, the complex has remained pressured in the later part of the day by corporate issuance, particularly from Alphabet.
- **Bunds** followed the above. While being hit initially on the Bloomberg report, the benchmark quickly pared off 128.03 lows as the update is, technically, a positive for EGBs. That aside, European newsflow was limited apart from the early resignation of ECB's Villeroy; no move to this, however.

- **Gilts** were the main focus point for much of the day. Gapped lower by 42 ticks before stabilising early doors, in reaction to McSweeney resigning amid the ongoing Mandelson/Epstein scandal, which is placing increasing pressure on PM Starmer. Thereafter, a bout of pressure to a 89.82 low as communication director Allan resigned.
- However, this itself proved fleeting with a bounce in Gilts coming on PM Starmer saying he will not resign. More recently, we have seen the Deputy PM and Housing Minister come out and support the PM, though pertinently, the Scottish co-leader Sarwar has called for him to step down.
- We now await comments from other Cabinet ministers, though now that Chancellor Reeves has backed the PM, the immediate concern has perhaps eased. Additionally, the fallout of the briefing by **Starmer to Labour MPs at around 18:00GMT tonight**.
- **BoE to launch an issuance operation to finance FX reserves. A 3yr USD bond, expected in the near future.**
- **China is reportedly urging banks to curb US Treasuries exposure amid market risk, Bloomberg reported citing sources; guidance does not apply to China's state holdings of US Treasuries.**

COMMODITIES

- **Crude** benchmarks lacked clear direction throughout the European session as markets await monthly forecasts from the EIA, OPEC and IEA. **WTI** traded either side of the USD 63/bbl level, with prices finding support after surging higher after Qatar reportedly pushed the start of its LNG expansion to the end of 2026. As the US cash session gets underway, benchmarks are gradually bid higher and are currently trading at session highs, with **WTI** and **Brent** pricing at USD 64.30/bbl and USD 68.80/bbl respectively. Recent upside can be attributed to a report that Venezuela crude production is nearing 1mln bpd.
- **Spot gold** has regained the USD 5k/oz handle after the PBoC increased their gold reserves for a 15th consecutive month. Despite gapping higher, the yellow metal oscillated in a tight USD 4965-5047/oz band despite recent weakness in the greenback.
- **3M LME Copper** failed to bring in any significant volume, heading into the Chinese New Year holiday. The red metal opened above the USD 13k/t range and fluctuated in a USD 12.99k-13.14k/t range throughout the European session.
- **Shanghai Futures Exchange adjusts margin ratios, price limits for contracts including Copper (CU2702), Gold (AU2605) and Silver (AG2702).**
- **Tengiz plans to return to peak production of 120k T per day by February 23rd, according to reports.** Tengiz oilfield had recovered to around 60% of peak production by February 8th. Kazakhstan's overall crude and gas condensate output rose to 1.6mln BPD for February 1st-8th, from January average of 1.27mln BPD. Tengiz oilfield's output was c. 70k Mt/day, or 550k BPD, on February 8th.
- **Qatar reportedly pushes the start of its LNG expansion to the end of 2026.**
- **US Energy Secretary Wright intends to visit Venezuela soon to discuss the future of PDVSA, Politico reported; focussed on improving the management of the Co.** Expects Venezuela to hold elections in 18-24 months.
- **Vitol Group forecasts peak oil demand to be pushed back to the mid-2030s, with peak demand reaching around 112mln bpd.**
- **Shanghai Futures Exchange reportedly to tweak crude oil and copper futures margin requirements.**

EUROPEAN DATA

- **EZ Sentix Investor Confidence Index (Feb) 4.2 vs exp. 0 (prev. -1.8).**
- **Hungarian Budget Balance (Jan) 32.3B (Prev. -1669B).**
- **Norwegian PPI YoY (Jan) Y/Y -7.8% (Prev. -11.4%).**
- **Norwegian GDP Growth Rate YoY (Q4) Y/Y 2.2% (Prev. 2.1%).**
- **Norwegian GDP Growth Mainland QoQ (Q4) Q/Q 0.4% vs. Exp. 0.4% (Prev. 0.1%).**
- **Norwegian GDP Growth Rate QoQ (Q4) Q/Q -0.3% (Prev. 1.1%).**

NOTABLE HEADLINES

- **UK Labour MP Morgan (Welsh 1st Minister) does not intend to speak on PM Starmer today, Guardian's Crerar reported, despite some reporting that she will.**
- **UK Labour MP Sarwar** is reportedly expected to directly call for PM Starmer to resign, BBC's Eardley reported. Press conference with Sarwar expected at 14:30GMT.
- **UK PM spokesperson** said the Prime Minister is delivering change and has no plans to step aside.
- **UK Chancellor Reeves backs PM Starmer.**
- **UK PM Starmer vows to go on and makes clear he's not resigning.**
- **UK PM Starmer's communication director Tim Allan has resigned.**
- **Cabinet ministers are having a live conversation about what to do if Keir Starmer stands down** . That's not to say he will but things are likely to get significantly worse, via The Times. Full Post. Cabinet ministers are having a live conversation about what to do if Keir Starmer stands down. That's not to say he will - the PM made firm fighting on noises during an address to staff - but it is all highly unpredictable. Things are likely to get significantly worse. Cabinet would have to pick an acting prime minister to recommend to the King. The thinking of some is that it would have to be someone who is not expected to have a tilt at the leadership. The most likely candidate being discussed would be David Lammy as DPM. But essentially all bets would be off at that point. None of this is to say that Starmer will quit - allies say it isn't in his nature, he will fight on, etc. But the fact the conversation is happening at all - indeed at Cabinet level - speaks volumes".

TRADE/TARIFFS

- **Mexico's President Sheinbaum** said that no critical minerals deal was signed with the US.

CENTRAL BANKS

- **Former Fed Vice Chair Clarida** said the Fed Chair almost always gets his or her way - Bloomberg TV interview.
- **ECB's Lagarde confirms that Villeroy will be stepping down from the ECB.**
- **ECB's Villeroy to step down as of 1st June 2026**, La Tribune reported; **Emmanuel Moulin** touted as a potential successor, according to reports.
- **ECB's Kocher** said that inflation expectations are fully anchored and FX movements are factored in; **Europe must prepare for a greater financial safe haven role.** Policy is appropriate and it would require a change in the environment to move away from current policy stance.
- **ECB's Simkus** said there's a 50/50 chance that their next move is a hike or cut; rates are at neutral level with growth near potential. Economic environment is fragile.
- **Mexican Core Inflation Rate YoY (Jan) Y/Y 4.52% vs. Exp. 4.50% (Prev. 4.33%).**
- **Mexican Inflation Rate MoM (Jan) M/M 0.38% vs. Exp. 0.41% (Prev. 0.28%).**
- **Mexican Core Inflation Rate MoM (Jan) M/M 0.60% vs. Exp. 0.59% (Prev. 0.41%).**
- **Mexican Inflation Rate YoY (Jan) Y/Y 3.79% vs. Exp. 3.82% (Prev. 3.69%).**
- **Swiss Sight Deposits (w/e Feb 6).** Domestic Banks CHF 430.6bln (prev. 436.6bln), Total CHF 447.4bln (prev. 452.7bln).

GEOPOLITICS

RUSSIA-UKRAINE

- **Indian imports of Russian oil could nearly halve following the White House order**, Bloomberg reported citing sources. Within the order, it stated that India has committed to stop directly or indirectly importing Russian oil or import tariffs will be raised.

MIDDLE EAST

- **Iran's Atomic Chief Eslami** said **Tehran could dilute its highly enriched uranium if all sanctions are lifted**, ISNA reported.
- **Iran's advisor to Supreme Leader** is to visit Oman on Tuesday, Tasnim reported.
- **Iranian Foreign Minister Araqchi** said there is a "wall of distrust" towards the US. Adds, he hopes within next year we will witness the prevalence of diplomacy over war.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump intends to narrow the legal route for fired Federal workers to return to their roles**, proposes ending the workers' right to appeal to an independent board.
- **NEC Director Hasset** said they got inflation way down from the Biden-era, via CNBC; Should expect slightly lower job numbers but it should not trigger panic.

NOTABLE US EQUITY HEADLINES

- **OpenAI CEO Altman** touts **ChatGPT's reaccelerating growth**, CNBC reported. OpenAI is also set to launch an updated chat model this week.
- **Alphabet (GOOGL)** files to sell **7-part USD issuance**. Includes 3-, long 6-, long 15-, 32- and 100-year paper.
- **EU Commission** has notified **Meta (META)** of possible interim measures to reverse exclusion of **third-party AI assistants from WhatsApp**.

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