

European Market Wrap - 12th February 2026

- European bourses traded mixed while the US opened with gains across the board.
- China's Commerce Ministry announces a tariff of up to 11.7% (prev. 42.7%) on EU dairy products; effective from February 13th.
- Muted reaction to US jobless claims, with US CPI due tomorrow.

EQUITIES

- **European bourses** were mostly higher throughout the session, with the **DAX 40 (+1.4%)** leading gains and the **CAC 40 (+1.2%)** following closely behind. The **FTSE 100 (-0.1%)** fell behind its major peers, despite huge gains for **Schroders (+28.8%)**.
- **Sectors** were broadly in the green, with **Financials** and **Telecommunications** continuing to lead the pack throughout the day. As mentioned above, Schroders saw massive upside as Nuveen moves in to buy the company, while **Deutsche Boerse (+2.9%)** sees the purchase of an additional 20% stake in ISS STOXX as accretive to cash EPS by the first full year. **Utilities** sat at the bottom of the pile, but without a clear driver. A possible reason behind this comes from Storm Nils, causing power outages and floods in Western Europe.
- **Siemens (+5.8%)** topped the DAX 40 following a raise in its FY EPS guidance. At the other end, **Mercedes-Benz (-1.0%)** parked near the bottom of the index for most of the session and was seen down as much as 5% after the Co. guided its Adj. ROS far below market expectations. Lifting the CAC 40 was gains in **EssilorLuxottica (+5.9%)**, **Danone (+3.6%)** and **Hermes (+3.2%)**. Both EssilorLuxottica and Hermes posted positive earnings, beating top line estimates, with the latter noting that 2026 price increases would be less than they were in 2025. For Danone, shares saw upside after the EU commission said Chinese tariffs on EU dairy imports were considered unwarranted and unjustified.
- **US cash equities** all started the session on the front foot, but the NQ pared back earlier gains. Upside in memory names such as **Micron (+4%)** and **SanDisk (+6.6%)** lifted US equities earlier, following a positive Kioxia outlook, reflecting a surge in NAND flash memory prices and strong demand for data storage for AI. **Equinix (+13.2%)** also helped to lift equities as it provided a strong next quarter and full year view.

FX

- **USD - DXY** looks to post intraday losses after choppy sideways trade, holding toward the bottom of a 96.77–97.07 range after a choppy prior session shaped by strong NFP data and reports that President Trump is considering exiting the North American trade pact. Further pressure risks a retest of Tuesday's 96.49 low. Little move was seen on the US data, whilst mild fleeting DXY upticks were seen on reports that a Russian memo sees a return to the USD system in a pitch to President Trump.
- **EUR** - The euro strengthened modestly alongside broader G10 gains against the softer USD, with price action largely flow-driven and absent major Eurozone catalysts this morning.
- **GBP** - Sterling firmed modestly, aided by USD softness after an initially mixed reaction to the latest GDP data. December M/M printed in line, while Y/Y and Q4 prelim figures undershot expectations, briefly weighing on cable before buyers stepped back in. ING expects some Q1 rebound due to seasonal effects and says a March BoE cut becomes "highly likely" if growth and labour softness persist. GBP/USD traded near the upper end of a 1.3604–1.3666 band.
- **JPY** - USD/JPY tracked USD moves, sitting mid-range between 152.26–153.76. The underlying tone remains yen-supportive, with markets pricing faster BoJ normalisation. Mizuho's Koshimizu told Reuters the BoJ could deliver up to three hikes this year, starting as early as March or April. Markets assign ~60% odds to a March hike, ~92% to June, and fully price July.
- **Antipodeans** - NZD led G10 gains while AUD lagged slightly, consolidating after recent outperformance. Moves were primarily USD-driven, with no major domestic catalysts for either currency.

FIXED

- **An uneventful session for fixed income** as the day intersects NFP and CPI.
- **Gilts** outperformed after **soft GDP data**, hitting a 91.39 peak with gains of 35 ticks at best. For the BoE, the data works in favour of the doves who wanted to cut last week and somewhat skews the narrative towards a March cut vs current pricing for April. However, pricing didn't really move as we await next week's CPI and employment/wage metrics.
- **Bunds** in the green, but in a narrow 128.62–79 band. Specifics for the space light, no move to ECB speak, which stuck to the script. Note, we do have **ECB's Lane this evening** and while we do not know the topic, a text is expected.
- **USTs** in-fitting. Rangebound overnight towards the mid-point of the post-NFP drop. No move to the weekly and continuing claims metrics coming in above consensus though mixed vs the prior. Enters an **evening of supply, Fed speak** and an appearance by Trump (at the EPA) firmer by a handful of ticks in 112-07+ to 112-12+ confines.
- To recap, **JGBs** returned from their holiday on the backfoot, acknowledging NFP. Thereafter, the benchmark rallied to a 132.02 high before paring and moving into the red. One driver for the move was a Reuters interview with Mizuho's Kozhimizu, who expects as many as three hikes by the BoJ in 2026, and a move as soon as March or April is entirely possible.

- **Bank of America lifts Germany's 10 year yield target to 3% citing stronger growth.**
- **Italy sold EUR 6.25bln vs exp. EUR 5-6.25bln 2.40% 2029, 3.15% 2033, 3.25% 2032 BTP.**

COMMODITIES

- **Crude** - Crude benchmarks were muted through the European session, aside from a brief mid-morning dip of around USD 0.50/bbl. Fresh catalysts were limited, and the market largely shrugged off the IEA's updated forecasts (global oil demand +850k BPD vs +930k prior; 2026 supply growth cut to 2.4mln BPD from 2.5mln). WTI held within USD 63.97-65.11/bbl and Brent in USD 68.66-68.95/bbl. Geopolitical updates—including an FT report on US-Iran flexibility and Russia signalling further Ukraine talks—failed to materially influence price action.
- **Precious Metals** - Spot gold traded near the lower end of a USD 5,076-5,123/oz range, pressured late in the European session by renewed USD strength following reports that a Russian memo proposes re-engaging with the USD system in overtures to President Trump. Outside that brief dip, trading remained lacklustre with limited fresh drivers.
- **Base Metals** - 3M LME copper firmed early in Europe after a mixed APAC session—where Hang Seng and Shanghai Comp diverged—but momentum later flattened amid sparse newsflow. Prices held within a softer USD 13,230-13,339/t range.
- **Russia's Volgograd refinery has reportedly halted oil processing on Wednesday following an overnight drone attack, according to sources.**
- **Ghana** is weighing domestic cocoa pricing overhaul as futures prices plunge.
- **Vitol CEO** said Russia and Iran's oil buyers are reaching for Western supply.
- **Goldman Sachs** sees a boost to mine supply growth slowing considerably in 2027/28 which would the ex-China market into deficit.
- **IEA cuts 2026 global oil demand growth forecast to 850k BPD (prev. 930k BPD); cuts 2026 global oil supply growth forecast to 2.4mln BPD (prev. 2.5mln BPD).** Lowers 2026 forecast for non-OPEC+ supply growth to 1.2mln BPD (prev. 1.3mln BPD). Escalating geopolitical tensions, snowstorms and extreme temperatures in North America, and Kazakh supply disruptions sparked the reversal to a bullish market.

EUROPEAN DATA

- **UK Industrial Production MoM (Dec) M/M -0.9% vs. Exp. 0% (Prev. 1.3%, Rev. From 1.1%, Low. -0.9%, High. 0.3%).**
- **UK GDP 3-Month Avg (Dec) 0.1% vs. Exp. 0.2% (Prev. -0.1%, Rev. From 0.1%, Low. 0.1%, High. 0.2%).**
- **UK Industrial Production YoY (Dec) Y/Y 0.5% vs. Exp. 1.5% (Prev. 2.3%).**
- **UK Manufacturing Production YoY (Dec) Y/Y 0.5% vs. Exp. 1.8% (Prev. 1.3%, Rev. From 2.1%).**
- **UK Manufacturing Production MoM (Dec) M/M -0.5% vs. Exp. 0% (Prev. 1.9%, Rev. From 2.1%, Low. -0.8%, High. 0.4%).**
- **UK GDP YoY (Dec) Y/Y 0.7% vs. Exp. 1.1% (Prev. 1.2%, Rev. From 1.4%, Low. 1.0%, High. 1.2%).**
- **UK Balance of Trade (Dec) -4.340B (Prev. -6.116B).**
- **UK Construction Orders YoY (Q4) Y/Y 28.6% (Prev. 30.5%, Rev. From 29.3%).**
- **UK Business Investment YoY Prel (Q4) Y/Y 2% (Prev. 2.5%, Rev. From 2.7%).**
- **UK GDP Growth Rate QoQ Prel (Q4) Q/Q 0.1% vs. Exp. 0.2% (Prev. 0.1%, Low. 0.0%, High. 0.2%).**
- **UK GDP Growth Rate YoY Prel (Q4) Y/Y 1.0% vs. Exp. 1.2% (Prev. 1.2%, Rev. From 1.3%, Low. 1.2%, High. 1.2%).**
- **UK Business Investment QoQ Prel (Q4) Q/Q -2.7% vs. Exp. 0.4% (Prev. 1.6%, Rev. From 1.5%).**
- **UK Goods Trade Balance (Dec) -22.72B vs. Exp. -22.7B (Prev. -23.58B, Rev. From -23.71B).**
- **UK Goods Trade Balance Non-EU (Dec) -10.99B (Prev. -11.33B, Rev. From -11.46B).**
- **UK Construction Output YoY (Dec) Y/Y -0.3% vs. Exp. 0% (Prev. -0.3%, Rev. From -1.1%).**
- **UK GDP MoM (Dec) M/M 0.1% vs. Exp. 0.1% (Prev. 0.2%, Rev. From 0.3%, Low. -0.1%, High. 0.3%).**
- **German Current Account (Dec) 16.1B (Prev. 14.2B, Rev. From 15.1B).**

NOTABLE HEADLINES

- **Belgian police raid European Commission over sale of properties, FT reported.**
- **Italian PM Meloni** said EU leaders are to discuss EU common debt issuance and measures to lower energy prices.
- **EU Court Advisor** said they should stop the release of c. EUR 10bln in funds for Hungary.

TRADE/TARIFFS

- **US Trade Adviser Navarro** said the USMCA has significant flaws; said Mexico, Canada used as staging areas for China.
- **China's vow to protect its legal interest against the EU's WTO complaint.**
- **EU Commission** said Chinese tariffs on EU dairy imports were considered unwarranted and unjustified, investigations should not have been initiated, there was not sufficient evidence. Is to consider all appropriate next steps, including possible proceedings before WTO.
- **Trump administration reportedly pauses key national security measures targeting China, sources say; Measures reportedly include a finalised ban on China Telecom's US operations and restrictions on Chinese equipment sales to US data centres.**
- **Chinese buyers** are reportedly buying around 1mtn tonnes per month of Australian barley due to a local feed supply shortage, traders report. Chinese buyers are reportedly booked near 2.5mtn tonnes of US sorghum over the past three months to replenish domestic feed grain shortfall, traders report.
- **Indian Trade Minister** said textiles will receive no duties if raw material is from the US.
- **China's Commerce Ministry** announces a tariff of up to 11.7% (prev. 42.7%) on EU dairy products; effective from the 13th of February.
- **China's Commerce Ministry, on Canada canola anti-dumping tariffs, said investigation period extended to March 9th.**

- China's Commerce Minister said China and the US are to maintain close communication at all levels through trade and economic consultation mechanisms.

CENTRAL BANKS

- US Treasury Secretary Bessent agreed with the suggestion that the Senate Banking Committee could investigate Fed Chair Powell, instead of the Department of Justice, Semafor reported citing sources; to see if Tillis (R) would lift his block on Fed nominees. Some cited said this could be a good compromise. However, others were sceptical that this would be enough to get Tillis to remove the block.
- Citi (C) expects the Fed to deliver first rate cut of the year in April (prev. March), following jobs data.
- UBS said easing US inflation should keep the Fed on track for rate cuts despite strong jobs data; expects two 25bps cuts in June and September, supporting equities, bonds, and gold.
- ECB's Makhlouf said that the ECB is in a good place, adding that inflation is currently on target.
- ECB's Cipollone said preserving monetary sovereignty has been a key objective of our single currency.
- ECB's Villeroy said expected France's economic growth in Q1 to be between 0.2-0.3%, and in line with the 1% annual growth expected in 2026.
- BoE's Breeden said it is reasonable to expect rate cuts across the next couple of meetings if the economy evolves as expected.
- NBP's Kotecki said March is a good time for more rate cuts.
- CBRT raises its end-2026 inflation forecast to 15-21% (prev. 13-19%).

GEOPOLITICS

RUSSIA-UKRAINE

- Ukraine's Air Force warns of a likely launch of Russian intermediate-range ballistic missile.
- Russia's Kremlin announce that they expect the next round of peace negotiations with Ukraine to take place soon.

MIDDLE EAST

- Vitol CEO said Russia and Iran's oil buyers are reaching for Western supply.
- Sounds of explosions at the US base in the countryside of Al-Hasakah, Syria, due to the explosion of mines, Al Arabiya reported citing sources; details light.

NOTABLE NORTH AMERICAN NEWS

- US President Trump administration expands efforts to revoke US citizenship for foreign born Americans, as it works to curb immigration.
- Punchbowl, on the US fiscal situation: "Barring some dramatic turnaround, Congress will leave town today without having funded DHS, triggering a shutdown of the department."
- Japan is said to have requested US Fed/NY Fed JPY rate check back in January.

NORTH AMERICAN DATA

- US Continuing Jobless Claims (Jan/31) 1862K vs. Exp. 1850K (Prev. 1841K, Rev. From 1844K).
- US Initial Jobless Claims (Feb/07) 227K vs. Exp. 222K (Prev. 232K, Rev. From 231K, Low. 210K, High. 235K).
- US Jobless Claims 4-week Average (Feb/07) 219.50K (Prev. 212.50K, Rev. From 212.25K).

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