

European Market Wrap - 17th February 2026

- European bourses were almost entirely in the green; US stocks slipped after the open.
- Crude benchmarks are set to finish lower today as geopolitical tension appears to ease following the end of the second round of talks between the US and Iran.
- GBP fell following a dovish labour-market report.

EQUITIES

- European bourses (STOXX 600 +0.1%) were entirely in the green, ex. AEX (-0.2%). The SMI (+0.9%) led its European peers, helped by a rebound in Health Care and Insurance names like Swiss Re (+1.7%). The FTSE 100 (+0.4%) managed to hold onto the majority of its gains seen at the start of the session, despite miners weighing heavily on the index, following the weaker jobs report from the UK.
- Sectors were mixed but tilted slightly positively, with Health Care (+1.3%) leading gains and closely followed by Real Estate (+1.2%). Real Estate was boosted today following the dovish UK jobs report, which hinted to a faster pace of BoE rate cuts than previously thought. On the other hand, Health Care was boosted following comments by USTR Greer saying that the US will adjust to any SCOTUS ruling. Health Care was one of the sectors heavily hit by US tariffs when they first came into effect in April last year. Sitting at the bottom of the sector list was Basic Resources (-2.5%), weighed on by softer metals prices. Metals did initially rebound, and helped miners pare back earlier losses, but then returned lower as geopolitical risk premium was gradually priced out of metals following positive commentary by Iranian Foreign Minister Araqchi. - **Key movers today included AXA (+1.9%) and miners, which include Antofagasta (-6.0%) and Fresnillo (-3.8%).** AXA managed to hold onto earlier gains after RBC reinitiated the Co. with an outperform rating. For miners, Fresnillo dipped on silver prices slipping, while Antofagasta slipped despite posting positive FY earnings that beat sales estimates due to rising copper prices.
- US equities kicked off their first cash trading session of the week on the frontfoot, immediately reversing the losses seen pre-market and then slipping dramatically, with big tech leading the losses.
- BofA Fund Manager Survey: Commodity overweight at the highest since December 2022, Equity overweight at the highest since December 2024.

FX

- USD - DXY was flat for most of the morning but then rose to the upper end of a 97.072-97.40 range as US markets returned from the long weekend, and with sentiment deteriorating. Focus stayed on geopolitics with upside in the DXY seen during and following the meeting, after Iran dubbed the talks as positive, although issues remain. Datawise, weekly ADP provided very little impetus.
- EUR - EUR/USD drifted slightly lower and eventually dipped further under 1.1850 in Dollar-driven trade. Mixed EU industrial production data and a soft German ZEW reading saw only a modest reaction, with the pair confined to 1.1828-1.1852.
- GBP - GBP slipped initially following a dovish labour-market report: unemployment rose to 5.2% (just shy of the BoE's 5.3% peak forecast) and wage growth slowed across both key measures. GBP/USD later recovered before falling again amid a firmer USD, within 1.3519-1.3633 at the time of writing.
- JPY - JPY outperformed as risk sentiment in Japan deteriorated at the open, helped by haven flows ahead of US-Iran talks and as US yields softened. Comments from former BoJ board member Adachi, who sees a reasonable chance of a 25bps hike in April, added support. USD/JPY stayed within the established four-day range, today trading between 152.70-153.75, with the pair upside later facilitated by a firmer USD.
- Antipodeans - Eventually lower amid the softer risk, with AUD and NZD showing little sustained reaction to the RBA Minutes. The Minutes reiterated that uncertainty remained too high to commit to any particular policy path and that inflation would have been stickier had the Board not hiked earlier this month. Traders now look ahead to the RBNZ in the upcoming session.

FIXED INCOME

- USTs are looking to close the European session around the unchanged mark vs an initial bullish bias earlier this morning. Earlier strength was associated with a cautious risk tone, as geopolitical uncertainty clouded markets and in tandem with JGB strength; Japanese bonds were bid following dovish Japanese GDP.
- As the morning progressed, USTs gradually petered off best levels, before ticking lower on remarks via the Iranian Foreign Minister who said that they have reached an understanding on main principles with the US. He did caveat that no agreement will be made soon, but the path has started; no date yet for the next round of talks, but reports suggest they will occur in the "near future". Sticking with geopolitics, no significant newsflow related to the US-Russia-Ukraine talks, whilst the WSJ reported that the US plans to deploy more missile systems in the Philippines, challenging China. On the data front, no move to the Weekly ADP figures, which printed at 10.25k (prev. 6.5k). USTs now look to close the European day at the bottom end of a 113-03 to 113-14 range; the 10yr yield was initially eyeing the 4.00% mark, but has pulled away from that level to a current 4.044%. Nonetheless, the 10yr is currently trading at levels not seen since earlier December 2025.
- Bunds look to close the European session firmer by a dozen ticks, within a 129.13 to 129.47 range. Initial strength following peers, and then took another leg higher on weak German ZEW metrics. Thereafter, price action once again followed peers,

and dipped as the risk tone improved a touch following the aforementioned Iran comments.

- **Gilts were the outperformer throughout the session, with UK paper digesting a dovish jobs/wages report** . It showed a further deterioration in the labour market, as the unemployment rate ticked up to 5.2% and is just a tenth shy of the BoE's 5.3% peak forecast (a view that was increased in the February MPR). Furthermore, wage data showed a moderation from the prior for both metrics and markedly so for the measure incl. bonuses. As for market pricing, the next cut remains priced for April, but March is now up to -21bps (-20.3bps pre-release) while the timing for a second 2026 cut has been brought forward to November from December. As a reminder, we await the inflation series on Wednesday before a final call can be made on March vs April; note, Retail Sales and PMIs will also factor into the deliberations, but to a lesser extent.
- **Barclays (BARC LN) to sell USD-denominated four part noted.**
- **UK DMO sold GBP 750mln 4.25% 2032 Gilt via Tender: b/c 4.17x (prev. 4.35x), average yield 3.952% (prev. 4.109%).**
- **Germany sold EUR 4.59bln vs exp. EUR 6.0bln 2.10% 2028 Schatz: b/c 1.77x (prev. 2.1x), average yield 2.02% (prev. 2.14%), retention 23.5% (prev. 22.8%).**
- **UK sold GBP 500mln 0.125% 2028 Gilt via Tender: b/c 4.05x (prev. 3.77x), average yield 3.336% (prev. 3.443%), tail 0.7bps (prev. 0.6bps).**

COMMODITIES

- **Crude** benchmarks are set to finish lower today as geopolitical tension appears to ease following the end of the second round of talks between the US and Iran. Comments via the Iranian Foreign Minister that they have reached a general agreement on a set of principles with the US saw immediate pressure in the crude complex, touching session lows. WTI was down 0.4% at USD 62.25 and Brent fell 1.6% at roughly USD 67.57. WTI and Brent trade at the lower range of USD 62.18-63.96/bl and USD 67.27-69.05/bbl. Sticking with geopolitics, no significant newsflow related to the US-Russia-Ukraine talks, whilst the WSJ reported that the US plans to deploy more missile systems in the Philippines, challenging China.
- **Gold** remains constrained below the USD 5000/oz mark. Similar to the trend in crude benchmarks, the yellow metal has been weighed down by easing geopolitical tension, with havens slipping off best levels. XAU and XAG trades at the lower range of USD 4.858-4,911.91/oz and USD 72.288-73,993/oz, respectively. Outside of geopolitics, US ADP data failed to move the gold complex.
- **Copper** price action remains subdued with China, its largest market, away on holiday. 3M LME Copper trades within a tight range of USD 12.626-12.651k/t mark.

EUROPEAN DATA

- **UK Claimant Count Change (Jan) 28.6K vs. Exp. 22.8K (Prev. 2.7K, Rev. From 17.9K).**
- **UK HMRC Payrolls Change (Jan) -11K (Prev. -6K, Rev. From -43K).**
- **UK Average Earnings excl. Bonus (3Mo/Yr) (Dec) 4.2% vs. Exp. 4.2% (Prev. 4.4%, Rev. From 4.5%, Low. 4.2%, High. 4.6%).**
- **UK Average Earnings incl. Bonus (3Mo/Yr) (Dec) 4.2% vs. Exp. 4.6% (Prev. 4.6%, Rev. From 4.7%, Low. 4.4%, High. 4.8%).**
- **UK Employment Change (Dec) 52K (Prev. 82K).**
- **UK Unemployment Rate (Dec) 5.2% vs. Exp. 5.1% (Prev. 5.1%, Low. 5.1%, High. 5.2%).**
- **UK Labour Productivity QoQ (Q4) Q/Q -0.6% vs. Exp. -0.6% (Prev. 0.6%, Rev. From 0.7%).**
- **German ZEW Current Conditions (Feb) -65.9 vs. Exp. -65.7 (Prev. -72.7, Low. -71.1, High. -65).**
- **German ZEW Economic Sentiment Index (Feb) 58.3 vs. Exp. 65 (Prev. 59.6, Low. 59, High. 74.3).**
- **German Inflation Rate MoM Final (Jan) M/M 0.1% vs. Exp. 0.1% (Prev. 0.0%, Low. 0.1%, High. 0.1%).**
- **German Inflation Rate YoY Final (Jan) Y/Y 2.1% vs. Exp. 2.1% (Prev. 1.8%, Low. 2.1%, High. 2.1%).**
- **EU ZEW Economic Sentiment Index (Feb) 39.4 vs. Exp. 45.2 (Prev. 40.8).**

NOTABLE HEADLINES

- **Italy deputy PM** called for bank contribution to fund Government measures to cut energy bills, ANSA reported.
- **The German Chamber of Industry and Commerce** raises its 2026 GDP growth forecast from 0.7% to 1.0%.
- **Swedish Finance Minister** said they are not expecting to join the Euro in the coming years.

TRADE/TARIFFS

- **USTR Greer** said we will see and adjust to any SCOTUS ruling on President Trump's IEEPA tariffs, steel and aluminium tariffs is to stay in place and do not want overwhelming compliance costs.
- **French President Macron** said to sign roadmap with India on critical raw materials.
- **EU launches full-scale probe into Shein, under the Digital Service Act.**

CENTRAL BANKS

- **Fed's Goolsbee (2027 voter)** said there has been some progress and some points of "warning" re. inflation, want to see more information - CNBC. Progress on the shelter side of things, still concerned about services inflation. Inflation/Rate Path/Neutral. The recent CPI was, partially, pulled down due to base effects. Hopes that the impact of tariffs is a one time thing on inflation; could be a "yes", if it doesn't move through to services. Still several more rate cuts that could happen in 2026. But, need to see progress on data. said, if inflation runs persistently high, then they are being looser than they otherwise would be. Sees 3% as a "loose" neutral estimate. Warsh Nomination Big fan of him, known him for a long time. Thing he is a reputable person.
- **NBP Member Dabrowski** said April would be safer to cut rates than in March, a policy rate of 3.5% in 2026 is achievable.

GEOPOLITICS

RUSSIA-UKRAINE

- The negotiations on Ukraine in Geneva will start within an hour, a part of the Russian delegation will also arrive at the negotiation site soon, reported suggest.
- Russia's Kremlin said the three way talk with US and Ukraine in Geneva will continue tomorrow with no news expected today.
- Russian Defence Ministry said Russia carried out a massive strike on military targets in Ukraine, IFX reported.
- Russian President Putin advisor Patrushev said Russia is preparing measures to respond to seizures of its trading vessels, IFX reported.

MIDDLE EAST

- Iran's Foreign Minister said we have reached understanding on main principles with the US, the two parties will welcome potential agreement documents and exchange them, does not mean an agreement will be reached soon but the path has started. Date for the next round of talks with the US have not yet been decided.
- Iran's Foreign Ministry, when exiting talks with the US, said "There is no trust between the two parties, we have to continue the negotiations in these conditions". Adds "We have entered certain details related to both the lifting of sanctions and nuclear subjects," and "We are ready to continue these talks as long as it takes, the issues are complicated. There is no trust between the two parties, we have to continue the negotiations in these conditions,".
- Iran-US talks are expected to continue in the near future, Press TV reported.
- Iranian channels are reporting that Tehran has floated the old idea of a regional consortium for production of nuclear fuel plates in the latest round of talks with US and Iran insists that fuel plate production must remain on its soil.
- Senior US official said the second round of talks with Iran has ended, Axios reported.
- WSJ's Lawrence Norman said that convoys are exiting the US-Iran talks in Geneva. Not yet clear if it's over at this point.
- Iran's Supreme Leader Khamenei said the type and range of Iranian missiles have nothing to do with US, Fars reported.
- Iran and Russian energy ministers meet in Iran, covering oil, energy, transport, and trade.
- Iran reportedly floats new ideas in Nuclear talks, but not the proposal that interests Trump, according to WSJ; Iranian officials have floated pausing uranium enrichment, but fall short of a pledge to stop enrichment. Officials have reportedly signalled that they could offer to pause enrichment for up to three years.
- UKMTO said it has received a report of an incident 70 NM southwest of Yemen's Aden; vessel was approached and hailed by one White Skiff.
- Commander of Iran's IRGC said if it comes to closing the Strait of Hormuz, this force will carry out the operation in the shortest possible time. Full comment, "The weapons that arrive on the battlefield on a day of war are different from what is presented in the exercise. The decision to close the Strait of Hormuz is in the hands of our senior officials, but I, as a soldier of this people, say that we are ready to carry it out whenever our senior officials give the order.".
- Iran is ready to stay for days and weeks in Geneva in order to reach an agreement, Al Jazeera reported citing the Iranian Foreign Ministry spokesman.
- Iran announced its readiness to reduce uranium enrichment, Al Hadath reported citing Iran's ambassador in Cairo; adds "The contradiction of the US statements is proof of its lack of seriousness in the negotiations".
- Iran's IRGC is holding military exercises in the Strait of Hormuz and the Sea of Oman at the same time as US-Iran nuclear talks, Iran International reported.
- Iranian Supreme Leader Khamenei said, in relation to the US, "The strongest army in the world may sometimes be slapped so hard that it cannot get up.". Full quote attributed to Khamenei, "It seems to them that the US President keeps saying that our army is the strongest army in the world. The strongest army in the world may sometimes be slapped so hard that it cannot get up. They keep saying we sent an aircraft carrier towards Iran. Well, an aircraft carrier is certainly a dangerous device, but more dangerous than the carrier is the weapon that can sink this carrier to the bottom of the sea. The US President in one of his recent speeches said that for 47 years America has not been able to destroy the Islamic Republic; he complained to his own people. For 47 years America has not been able to destroy the Islamic Republic. This is a good admission. I say: you will not be able to do this either.".
- "Iran approves IAEA visit to nuclear facilities", Al Arabiya reported.
- Russian President's Aide said Russia, Iran and China sent ships to the Strait of Hormuz to participate in the "Security Belt 2026" exercise, Al Jazeera reported (as expected).

OTHERS

- US reportedly plans to deploy more missile systems in the Philippines, challenging China, according to WSJ. "The U.S. plans to deploy more advanced missile systems and other weapons in the Philippines to deter Chinese aggression in the South China Sea, the State Department said Tuesday, affirming a policy that has angered Beijing.". "Senior officials from the U.S. and the Philippines met in Manila this week for annual talks on their alliance, which rests on a mutual-defense treaty signed in 1951. Their strongly worded statement—which condemned what it said were Beijing's illegal and deceptive activities in the South China Sea—comes when the Trump administration has increased pressure on, and at times openly questioned, other longstanding defense alliances, especially in Europe.".

NORTH AMERICAN DATA

- US NY Empire State Manufacturing Index (Feb) 7.10 vs. Exp. 7 (Prev. 7.70).
- US ADP Employment Change Weekly 10.25K (Prev. 6.5K).
- Canadian CPI Median YoY (Jan) Y/Y 2.5% vs. Exp. 2.5% (Prev. 2.6%, Rev. From 2.5%, Low. 2.4%, High. 2.6%).
- Canadian CPI, BoC average (Jan): 2.53%.

- **Canadian** CPI Common YoY (Jan) Y/Y 2.7% (Prev. 2.8%).
- **Canadian** Core Inflation Rate MoM (Jan) M/M 0.2% (Prev. -0.4%).
- **Canadian** Core Inflation Rate YoY (Jan) Y/Y 2.6% (Prev. 2.8%).
- **Canadian** Inflation Rate MoM (Jan) M/M 0.0% vs. Exp. 0.2% (Prev. -0.2%, Low. 0.0%, High. 0.3%).
- **Canadian** CPI Trimmed-Mean YoY (Jan) Y/Y 2.4% vs. Exp. 2.6% (Prev. 2.7%, Low. 2.6%, High. 2.6%).
- **Canadian Inflation Rate YoY (Jan) Y/Y 2.3% vs. Exp. 2.4% (Prev. 2.4%, Low. 2.3%, High. 2.6%).**
- **Canadian** Wholesale Sales MoM Final (Dec) M/M 2.0% vs. Exp. 2.1% (Prev. -1.8%).

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