European Market Wrap - 18th February 2026

- **European bourses traded in the green for the entire European session.**
- **The Trump administration is closer to a major war with Iran than people realise, Axios reported citing sources.**
- **NZD underperformed post-RBNZ; GBP was hit after UK inflation data.**

EQUITIES

- **European bourses (STOXX 600 +0.9%)** traded in the green for the entire European session, with the **FTSE MIB, FTSE 100 and IBEX (+1.1%)** holding onto earlier gains. **CAC 40 (+0.3%)** is the laggard, weighed on by the likes of **Carrefour (-5.7%), Pernod Ricard (-4.6%) and EssilorLuxottica (-4.1%).**
- **Sectors** were mixed with a slight bias to the upside, with **Basic Resources (+2.9%), Energy (+2.1%) and Banks (+2.0%)** sitting pretty at the top. Basic Resources was helped by the rebound in metals and positive earnings by Glencore (+4.2%), while Monte dei Paschi (+2%) is planning to fully integrate Mediobanca and delist the Co., ifts the Banking sector. The Energy sector was driven by rising oil prices following an Axios report, which cited sources, stating the Trump administration is closer to a major war with Iran than people realise. For sectors sitting at the bottom, **Chemical (-1.5%)** have been weighed on following IMCD (-6.4%) missed FY revenue estimates.
- Key movers include **BAE Systems (+4.5%)**, which has held onto strong gains after posting record sales growth in 2025 and **Carrefour**, which missed Q4 revenue expectations.
- **US cash equities** have given back the majority of the gains made in the futures session but are still holding onto modest gains as European trade closes.

FX

- **USD** - DXY edged higher during the session, and currently trades at the upper end of a 97.118-97.32 range, holding just above its 21 DMA at 92.20, while further upside could see a test of the prior day's high at 97.54. Gains came amid the cautious risk tone after Axios reported that the Trump administration is closer to a major war with Iran than people realise. Ahead, traders will be eyeing the FOMC Minutes.
- **EUR** - Largely moved on the back of the USD, with EUR/USD softer intraday but yet to test yesterday's low at 1.1805, currently in a 1.1812-1.1858 range.
- **GBP** - Softer intraday amid 1) UK inflation report, and 2) USD strength. UK inflation was hotter-than-expected Services and Core metrics, while the headline printed in line with the market consensus at 3.0% Y/Y - slightly above the BoE's 2.9% forecast for the period. ING sticks with its call for a March cut and then another by June. Market pricing shifted a little dovishly, with the probability of a March cut now seen at 95% vs 84% pre-release. Cable initially knee-jerked lower, and then immediately reversed that move to print a session peak at 1.3577; the upside then gradually petered out, to now trade within a 1.3532-1.3582 range.
- **JPY** - Among the laggards, with USD/JPY rising to a 154.44 peak from a 153.07 trough, with little driving price action for the JPY throughout the European morning.
- **Antipodeans** - NZD was the clear underperformer this morning, following the RBNZ's decision to keep rates steady (as expected), though the accompanying commentary held a dovish skew. NZD/USD dipped under 0.60 and resides towards the bottom of a 0.5978-0.6053 range.

FIXED INCOME

- **USTs look to close the European morning at the bottom end of a 112-29+ to 113-05+ range**. US specifics lacking, but potentially some concession heading into a 20yr auction later and then the FOMC Minutes thereafter. Earlier, some updates from a geopolitical standpoint; in brief, trilateral talks in Geneva ended, with reports suggesting that further talks will be held soon. Officials have suggested that negotiations were substantive, though they highlighted that discussions were tough. Elsewhere, some focus on an **Axios report which suggested that the Trump administration is closer to a major war with Iran than people realise**, according to sources. No move in US paper at the time, but it did lift the crude complex, which could also be weighing on USTs, given the inflationary implications. On the data front, US Industrial Production (M/M) topped expectations, which spurred little action.
- **Gilts also lower by a handful of ticks, and set to close the day at the midpoint of a 92.03 to 92.32 range**. Opened lower by 17 ticks and then fell one more to a 92.03 trough in reaction to the morning's CPI data, as while the headline Y/Y was in-line with market consensus, it was hotter than the BoE's view; additionally, core and services figures came in hotter than the market forecast. However, the net takeaway from the release is that it doesn't definitely solve the March vs April debate, with the decision in March looking like another 5-4 with Bailey to tie-break. Note, Retail Sales and Flash PMIs on Friday might provide the final input and sway pricing either way.
- **Bunds also spent the day on the backfoot, within a 129.15 to 129.39 range**. No move to the morning's Final French CPI series. The main point of focus for the EZ is reporting in the FT, among others, that ECB President Lagarde could step down before her term ends in October 2027. The FT outlines, citing sources, that this would ensure both French President Macron and German Chancellor Merz are in power and have a significant say in appointing a successor.

- **EFFR at 3.64% (prev. 3.64%), volumes at USD 97bln (prev. USD 90bln) on February 17th.**
- **SOFR at 3.71% (prev. 3.66%), volumes at USD 3.254tln (prev. USD 3.169tln) on February 17th.**
- **Germany sold EUR 4.238bln vs exp. EUR 5.5bln 2.90% 2036 Bund: b/c 1.46x (prev. 1.65x), average yield 2.73% (prev. 2.85%), retention 22.9% (prev. 23.3%).**
- **Kenya reportedly intends to issue additional USD denominated noted, potentially in multiple series, Bloomberg reported.**

COMMODITIES

- **Crude** surged over 3% today amid a report from Axios which stated that US President Trump admin is closer to a major war with Iran than most people expect.
- Elsewhere in geopols, Russia and Ukraine concluded another round of talks in Geneva during the early European session, with Zelensky telling reports that they've agreed to continue peace discussions.
- In the precious metal space, **gold** and **silver** continued to climb, following prior day losses, with the yellow metal hovering just below the **USD 5,000/oz** mark and silver touching **USD 77/oz.** Reports by axios which highlighted the ongoing geopolitical tension between the US and Iran has increased haven demand for precious metals.
- **Copper** continued to firm in tandem with global broader risk sentiment. 3M LME copper trades within the upper range of 12.65-12.79k/t.
- **Libya has reportedly brought in western companies to supply fuel as part of a broader industry overhaul, according to sources.**
- **Hungarian Foreign Minister** said MoL has ordered 500k tonnes of crude, which will be sent to a Croatian port.
- **Russian oil drilling has reportedly dropped to the lowest in three years in 2025.**
- **Slovakian refiner Slovnaft** said it has ordered supplies that will allow operations at full capacity from April.
- **Hungarian PM Orban confirms the release of crude oil from strategic reserves.**
- **Constellium** expects demand trends to continue into at least early 2026 and that overall macroeconomic environment remains relatively stable.
- **Hungary** seeks EU approval to import Russian seaborne crude, said the Hungarian Minister of Foreign Affairs and Trade.
- **Slovakia has declared an oil emergency and will release oil from its state reserves.**

EUROPEAN DATA

- **French** Inflation Rate MoM Final (Jan) M/M -0.4% vs. Exp. -0.3% (Prev. 0.1%).
- **French** Inflation Rate YoY Final (Jan) Y/Y 0.3% vs. Exp. 0.3% (Prev. 0.8%).
- **UK Core Inflation Rate MoM (Jan) M/M -0.6% vs. Exp. -0.7% (Prev. 0.3%, Low. -0.8%, High. -0.6%).**
- **UK Inflation Rate YoY (Jan) Y/Y 3.0% vs. Exp. 3.0% (Prev. 3.4%, Low. 2.9%, High. 3.5%).** ONS:. "Inflation fell markedly in January to its lowest annual rate since March last year, driven partly by a decrease in petrol prices". "Airfares were another downward driver this month with prices dropping back following the increase in December. Lower food prices also helped push the rate down, particularly for bread and cereals and meat. These were partially offset by the cost of hotel stays and takeaways.
- **UK** Retail Price Index YoY (Jan) Y/Y 3.8% vs. Exp. 3.9% (Prev. 4.2%, Low. 3.7%, High. 4.1%).
- **UK Inflation Rate MoM (Jan) M/M -0.5% vs. Exp. -0.5% (Prev. 0.4%, Low. -0.6%, High. -0.4%).**
- **UK Core Inflation Rate YoY (Jan) Y/Y 3.1% vs. Exp. 3.1% (Prev. 3.2%, Low. 2.9%, High. 3.3%).**
- **UK** Retail Price Index MoM (Jan) M/M -0.5% vs. Exp. -0.4% (Prev. 0.7%, Low. -0.6%, High. -0.2%).
- **UK** PPI Output YoY (Jan) Y/Y 2.5% (Prev. 3.1%, Rev. From 3.4%).
- **UK** PPI Input MoM (Jan) M/M 0.4% vs. Exp. 0.4% (Prev. -0.5%, Rev. From -0.2%).
- **UK** PPI Input YoY (Jan) Y/Y -0.2% (Prev. 0.5%, Rev. From 0.8%).
- **UK** PPI Core Output YoY (Jan) Y/Y 2.9% (Prev. 3.1%, Rev. From 3.2%).
- **UK** PPI Core Output MoM (Jan) M/M 0.2% (Prev. -0.2%, Rev. From -0.1%).
- **UK** PPI Output MoM (Jan) M/M 0% vs. Exp. 0.2% (Prev. 0%).
- **UK Services Inflation Rate (Jan) Y/Y 4.4% (exp. 4.3%, Prev. 4.5%).**

CENTRAL BANKS

- **German Chancellor Spokesperson** said Germany could propose a German for ECB chief.
- **ECB's Villeroy said the ECB has won the battle against inflation, domestic French inflation is undershooting on temporary factors but it is not too low.**
- **Pantheon Macroeconomics on the BoE, post-CPI, writes " Inflation miss too small to stop a March rate cut, but stubborn services inflation means a second cut this year is far from certain.".**
- **Mohamed A. El-Erian writes, following the dovish UK jobs report earlier in the week, "today's inflation numbers reinforce the likelihood that the Bank of England will resume interest rate cuts next month.".**
- **Riksbank Governor Bunge** said recent cyclical indicators have been mixed, developments are in line with forecasts. Recent outcomes indicate inflationary pressures may be low even when excluding certain effects. Several factors, including uncertain global geopolitical situation, could affect inflation, economic outlook, and policy rate.

GEOPOLITICS

RUSSIA-UKRAINE

- **Chief Russian negotiator Medinsky** held a closed door two hour meeting with Ukraine, following the end of formal talks in Geneva, RIA reported.

- **Ukraine and China plan ministry level meetings; Ukraine interested in leaders-level dialogue with China, Tykhyi reported.**
- **Russian oil drilling has reportedly dropped to the lowest in three years in 2025.**
- **Hungary** seeks EU approval to import Russian seaborne crude, said the Hungarian Minister of Foreign Affairs and Trade.
- **Ukraine's President Zelensky tells reporters that they've agreed to continue peace discussions, adds that talks were difficult and positions are different for now.** Both sides will discuss political issues in new talks.
- **Head of Russian delegation** said talks were difficult, but business like, RIA reported.
- **Update of new round of Ukraine talks** is that there's been no concrete date set, IFX reported.
- **The top Russian negotiator** said the talks were difficult but business-like, RIA reported.
- **Ukraine talks in Geneva have ended, new round of talks will be held soon, RIA reported.**
- **The trilateral meeting between the US, Russia and Ukraine have resumed in Geneva, RIA reported.**

MIDDLE EAST

- **The Trump administration is closer to a major war with Iran than people realise, Axios reported citing sources; a military operation would likely be a massive, weeks long campaign that will be a joint US-Israeli attack.**
- **US Energy Secretary Wright** said they are looking to end Iran's progress towards nuclear weapons and want IEA nations to focus on energy security.
- **Iran and Russia** are reportedly said to conduct navy drills in the Sea of Oman and Northern Indian Ocean on February 19th.
- **Iranian Foreign Minister Araghchi while expressing gratitude for IAEA Chief Grossi's participation in the Geneva talks, emphasized Iran's focus on developing an initial and coherent framework to advance future discussions.**
- **Iranian Foreign Minister discusses with IAEA director the results of the latest round of nuclear negotiations in Geneva, Sky News Arabia reported.**

NOTABLE NORTH AMERICAN NEWS

- **US White House Economic Advisor Hassett on CNBC** said consumers have been made better off by US President Trump's tariffs. said NY Fed study on tariffs is the worst in history and should be disciplined. Thinks' there's plenty of room for the Fed to cut rates even more.

NORTH AMERICAN DATA

- **US Durable Goods Orders MoM (Dec) M/M -1.4% vs. Exp. -2% (Prev. 5.3%, Low. -5%, High. 1%).**
- **US** Durable Goods Orders Ex Transp MoM (Dec) M/M 0.9% vs. Exp. 0.3% (Prev. 0.4%, Rev. From 0.5%, Low. 0.2%, High. 0.5%).
- **US Housing Starts (Dec) 1.404 vs. Exp. 1.33.**
- **US Housing Starts (Nov) 1.322M (Prev. 1.246M, Low. 1.25M, High. 1.39M).**
- **US Building Permits Prel (Dec) 1.448M vs. Exp. 1.40M (Prev. 1.388M).**
- **US** Housing Starts MoM (Dec) M/M 6.2%.
- **US Building Permits Prel (Nov) 1.388M (Prev. 1.411M, Low. 1.3M, High. 1.44M).**
- **US** Manufacturing Production YoY (Jan) Y/Y 2.4% (Prev. 2%).
- **US** Industrial Production MoM (Jan) M/M 0.7% vs. Exp. 0.4% (Prev. 0.2%, Rev. From 0.4%, Low. -0.2%, High. 0.6%).
- **US** Manufacturing Production MoM (Jan) M/M 0.6% vs. Exp. 0.4% (Prev. 0.0%, Rev. From 0.2%, Low. 0.2%, High. 0.6%).
- **US** Industrial Production YoY (Jan) Y/Y 2.3% (Prev. 2%).
- **US** Capacity Utilization (Jan) 76.2% vs. Exp. 76.5% (Prev. 75.7%, Rev. From 76.3%, Low. 76%, High. 76.7%).
- **US** Redbook YoY (Feb/14) Y/Y 7.2% (Prev. 6.5%).
- **US** Building Permits MoM Final (Nov) M/M 4.3%.
- **US** Building Permits Final (Nov) 1.448 vs. Exp. 1.448.
- **US** Building Permits MoM Prel (Nov) M/M -1.6% (Prev. -0.3%).
- **US** Housing Starts MoM (Nov) M/M 3.9% (Prev. -4.6%).
- **US** Durable Goods Orders ex Defense MoM (Dec) M/M -2.5% (Prev. 6.6%).
- **US** Building Permits MoM Prel (Dec) M/M 4.3% vs. Exp. -0.2%.
- **US** MBA Mortgage Market Index (Feb/13) 339.0 (Prev. 329.9).
- **US** MBA Mortgage Applications (Feb/13) 2.8% (Prev. -0.3%).
- **US** MBA 30-Year Mortgage Rate (Feb/13) 6.17% (Prev. 6.21%).
- **US** MBA Mortgage Refinance Index (Feb/13) 1375.9 (Prev. 1284.6, Rev. From 1284.6).
- **US** MBA Purchase Index (Feb/13) 157.1 (Prev. 161.5).
- **NY** Fed Services Survey (Feb): Business activity -25.7 (prev. -16.1), Business Climate -41.7 (prev. -34.4). Number of employees -9.7 (prev. -5.5). Wages: 37.4 (prev. 30.0). Prices Paid 62.6 (prev. 63.9). Prices Received 29.9 (prev. 27.6). Capital Spending -7.8 (prev. -6.1). Supply availability -9.2 (prev. -3.2). Forward Looking, six months. Business activity 17.5 (prev. 12.4). Business climate -3.9 (prev. -6.1). Number of employees 15.7 (prev. 16.4). Wages 37.7 (prev. 50.5). Prices Paid 52.5 (prev. 54.9). Prices Received 25.2 (prev. 35.2). Capital Spending 6.0 (prev. 5.7). Supply availability -3.4 (prev. -3.7).

NOTABLE US EQUITY HEADLINES

- **NVIDIA (NVDA) CEO Huang** said the GTC 2026 chip is an innovation the world has never seen before, we are working very closely with SK Hynix (000660 KS).
- **Panasonic (6752 JT), Murata, Mizuho (8411 JT) and Goldman Sachs (GS) are reportedly set to join Softbank (9984 JT) led consortium for US gas power project, according to Nikkei.**

EM DATA

- South African Core Inflation Rate YoY (Jan) Y/Y 3.4% (Prev. 3.3%).
- South African Core Inflation Rate MoM (Jan) M/M 0.3% (Prev. 0.1%).
- South African Inflation Rate MoM (Jan) M/M 0.2% (Prev. 0.2%).
- South African Inflation Rate YoY (Jan) Y/Y 3.5% vs. Exp. 3.4% (Prev. 3.6%).