

European Market Wrap - 20th February 2026

- European bourses are set to end the last trading day of the week entirely in the green.
- US President Trump said he is considering a limited strike on Iran.
- Ukrainian President Zelensky said no progress on territory discussions; All sides agreed on next meeting within 10 days.

EQUITIES

- European bourses (STOXX 600 +0.4%) are set to end the last trading day of the week entirely in the green, with the FTSE MII (+1.3%) set to be the outperformer today, followed closely by the CAC 40 (+0.8%). Positive flash PMIs across the continent supported European indices, with German manufacturing being the standout metric, finally returning to expansion territory for the first time in over 3.5 years.
- Sectors held a positive bias, as Consumer Products and Services (+1.6%) and Chemicals (+1.4%) sat comfortably at the top of the table. As Moncler (+11.9%) beat FY top line estimates, this lifted other luxury names like LVMH (+3.5%) and Hermes (+2.4%). For the latter, Air Liquide (+3.9%) confirmed its 2026 margin guidance and raised its 2027 operating margin target by 100bps. This move overshadowed the relatively poor FY report that saw revenue and operating income miss estimates. On the other hand, Energy (-0.7%) lagged after oil prices pulled back from Thursday's gains.
- Other key movers included defence names like Dassault Systemes (-1.1%) and BAE Systems (-0.6%), and Diageo (2.9%). Defence names were hit throughout the European session after the US DoD warned that it would retaliate if the EU restricts American arms makers under proposed "Buy European" procurement rules. For Diageo, the FT reported that CEO Lewis is planning an overhaul at the Co. in an attempt to make "wholesale changes."
- US equities (ES U/C, NQ +0.2%, RTY -0.4%) was initially on the backfoot but has pared back earlier losses. The initial downside came following a report that Blue Owl reportedly failed to secure financing for a USD 4bln data centre project due to CoreWeave's (CRWV) creditworthiness. Further weakness came following weak Q4 GDP figures and Dec. Core PCE printing hotter-than-expected but has bounced as cash trade got underway.

FX

- USD - DXY edged firmer, trading around the midpoint of a 97.78–98.07 range heading into the European close, with the day's high matching the week-to-date peak and the index hovering near its 50DMA at 97.96. The macro backdrop remains dominated by US–Iran tensions, with President Trump stating a 15-day deadline for a deal and WSJ reporting he is weighing a "limited" strike to force Tehran's hand. The DXY briefly rose following the slew of US data amid the hotter-than-expected PCE, although gains were capped by the below-forecast GDP.
- EUR - EUR/USD trades flat in a 1.1743–1.1783 range heading into the European end of the week. EZ PMIs reaffirmed a tentative recovery, with a strong German release giving a brief lift before fading. Additional ECB colour from the WSJ—Lagarde signalling intent to finish her term and emphasising institutional stability—had little sustained impact.
- GBP - GBP was marginally firmer to flat after a strong batch of UK data. Retail Sales surged, driven by artwork/antiques and online jewellers, with broader contributions from household goods and clothing. A January PSNB surplus also beat expectations, though seasonal distortions apply. Strong PMIs briefly pushed cable to 1.3478 before the market refocused on labour-market softness in the sub-indices. BoE expectations barely moved: March cut priced at ~88%, April fully priced.
- JPY - JPY weakened slightly on firmer USD tones and a dovish-leaning Japan inflation report. National CPI printed 1.5% (exp. 1.6%), supercore came in a touch soft, and Pantheon argued the data "justifies" BoJ patience. PMIs were better than expected, helped by post-election optimism. USD/JPY held within 154.87–155.64 range.

FIXED INCOME

- Gilts were the main movers today after data releases. In brief, the lead from retail sales was bearish while the bias from PSNB was bullish. Ultimately, and unsurprisingly, the lead from PSNB won with Gilts gapping higher by 19 ticks and then climbed the same amount again to a 92.59 peak, notching a fresh WTD and MTD high, just shy of the YTD and H26 contract high of 92.95.
- Bunds spent the morning firmer. Notched gains of 20 ticks at best, hitting a 129.45 peak, strength that appeared to be a continuation of recent price action. Thereafter, the benchmark moved to near-enough unchanged following PMIs. Series that were generally strong and particularly so for manufacturing, which unexpectedly returned to expansionary territory for Germany for the first time in over 3.5 years.
- USTs contained pre- and post-PCE/GDP. PCE was hotter-than-expected while GDP was softer-than-expected, with the shutdown weighing on Q4 Real GDP by around 1pp. Data that spurred some modest UST action, but the benchmark ultimately remained contained in thin c. five tick parameters. More recently, no real move to Flash PMIs.
- We now await the SCOTUS update which, as always, could but is not guaranteed to feature tariffs. Additionally, any further geopolitical developments after POTUS confirmed he is "considering" a limited strike on Iran.

COMMODITIES

- WTI and Brent are trading slightly softer as we approach the end of the European day. Although trade was slightly more subdued, the crude complex was still trading at a 6-month high due to geopolitical risk premium from escalating US-Iran

tension. There were some comments from the Iranian FM who highlighted that the US are not their enemy though they do highlight that US policies against Iran are hostile. Most recently, US President Trump said he is considering a limited strike on Iran, spurring fleeting pressure in the complex; lack of reaction given it essentially confirmed a recent WSJ article. WTI and Brent are trading at the lower range of USD 65.82-67.05/bbl.

- **Precious metals** continued to trade firmer, also underpinned by geopolitical risk premiums. The yellow metal also saw mild upward pressure following US data, which saw weaker GDP and hotter than expected PCE. **XAU** and **XAG** trade at the upper range of USD 4981.5-5041/oz and USD 77-271-80.534/oz. Elsewhere, Services PMIs printed a touch below expectations, whilst Composite was a touch below the prior. Little move in spot gold on this.
- **Copper** prices were marginally firmer as the European market neared the close. Not much of a fresh catalyst as the Chinese market remains close but the red metal did pick up some slight momentum from the US GDP and PCE data at 13:30. **.3M LME copper** trades at the tight range of USD 12.781-12.895K/T.
- **Slovnafit and MOL Group announce that they can import Russian crude oil by sea in compliance with EU and US sanction if the Druzhba pipeline is out of operation.**
- **BHP Group (BHP AT) and Faraday Copper sign letter of intent to explore pathways to unlock US copper basin development.**
- **Iranian Oil Minister** said cooperation with the US on oil is possible.
- **Hungarian government to release 250k tonnes of crude oil from its strategic reserves after Druzhba oil flow stopped.**
- **US ambassador to India** said active negotiations are underway with India's Energy Ministry on the import of Venezuelan oil.

EUROPEAN DATA

- ECB EZ Indicator of Negotiated Wages (Q4) 3.00% (exp. 2.9%).
- UK S&P Global Manufacturing PMI Flash (Feb) 52.0 vs. Exp. 51.5 (Prev. 51.8, Low. 51, High. 52.5).
- UK S&P Global Composite PMI Flash (Feb) 53.9 vs. Exp. 53.3 (Prev. 53.7, Low. 52.8, High. 53.9).
- UK S&P Global Services PMI Flash (Feb) 53.9 vs. Exp. 53.5 (Prev. 54.0, Low. 52.8, High. 54.2).
- UK Retail Sales ex Fuel YoY (Jan) Y/Y 5.5% vs. Exp. 3.6% (Prev. 2.5%, Rev. From 3.1%, Low. 3.2%, High. 4.2%).
- UK Public Sector Net Borrowing Ex Banks (Jan) 30.4B surplus vs. Exp. 23.8B surplus (Prev. -11.58B borrowing).
- UK Retail Sales MoM (Jan) M/M 1.8% vs. Exp. 0.2% (Prev. 0.4%, Low. -0.6%, High. 1.0%). "Growth in January 2026 was partly because of artwork and antiques sales, alongside continued strong sales from online jewellers."
- UK Retail Sales ex Fuel MoM (Jan) M/M 2.0% vs. Exp. 0.2% (Prev. 0.3%, Low. -0.1%, High. 0.9%).
- UK Retail Sales YoY (Jan) Y/Y 4.5% vs. Exp. 2.8% (Prev. 1.9%, Rev. From 2.5%, Low. 2.4%, High. 3.6%).
- EU HCOB Composite PMI Flash (Feb) 51.9 vs. Exp. 51.5 (Prev. 51.3, Low. 51.3, High. 52).
- EU HCOB Services PMI Flash (Feb) 51.8 vs. Exp. 51.9 (Prev. 51.6, Low. 51.4, High. 52.3).
- EU HCOB Manufacturing PMI Flash (Feb) 50.8 vs. Exp. 50 (Prev. 49.5, Low. 49.4, High. 50.5).
- German HCOB Services PMI Flash (Feb) 53.4 vs. Exp. 52.3 (Prev. 52.4, Low. 51.8, High. 53).
- German HCOB Composite PMI Flash (Feb) 53.1 vs. Exp. 52.3 (Prev. 52.1, Low. 51.8, High. 52.7).
- German HCOB Manufacturing PMI Flash (Feb) 50.7 vs. Exp. 49.5 (Prev. 49.1, Low. 49.2, High. 50.2).
- German PPI MoM (Jan) M/M -0.6% vs. Exp. 0.3% (Prev. -0.2%, Low. -0.1%, High. 0.5%).
- German PPI YoY (Jan) Y/Y -3.0% vs. Exp. -2.1% (Prev. -2.5%, Low. -2.4%, High. -1.9%).
- French HCOB Manufacturing PMI Flash (Feb) 49.9 vs. Exp. 51 (Prev. 51.2, Low. 51, High. 51.5).
- French HCOB Composite PMI Flash (Feb) 49.9 vs. Exp. 49.7 (Prev. 49.1, Low. 49.1, High. 50.5). "
- French HCOB Services PMI Flash (Feb) 49.6 vs. Exp. 49.2 (Prev. 48.4, Low. 48.2, High. 49.7).
- Swedish CPIF MoM Final (Jan) M/M 0.3% vs. Exp. 0.2% (Prev. 0.1%).
- Swedish CPIF YoY Final (Jan) Y/Y 2.0% vs. Exp. 2% (Prev. 2.1%).

NOTABLE HEADLINES

- **German Defense Minister** said nuclear deterrence will be provided by the US for the "foreseeable future"; Germany will support France with conventional weapons and not by participating in nuclear deterrence.

TRADE/TARIFFS

- **Indonesian Energy Minister** said Indonesia is to give equal opportunities to the US and other countries on critical minerals investment, following the recent trade deal.
- **German Chancellor Merz** said we are open to a new partnership with the US but we know we must shape our own fate.
- **India's Trade Minister** said they expect the US to issue a notice on lowering the import tariff to 18% during February.
- **India's Trade Minister** said they expect the trade deal with the UK to come into effect by April.

CENTRAL BANKS

- **RBI Minutes: Chief Malhotra said that given the present state of the economy and its outlook, the current policy rate is appropriate.** Chief Malhotra: Domestic drivers of growth continue to be robust. Member Bhattacharyya: Inflation, excluding precious metals, is expected to remain benign for the foreseeable future. Member Gupta: Another rate cut doesn't seem warranted at this point. Inflation seen benign for the next 2 quarters.
- **CNB Vice Governor Zamrazilova** said if price developments in services and real estate calm down, there may be room for a 25bp cut.
- **NBP Member Zarzecki** said he sees some basis for a 25bp rate cut.

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukrainian President Zelensky** said that we are counting on another round of negotiations being as early as February and that this could be truly productive. No progress on territory discussions. All sides agreed on next meeting within 10 days and military talks are constructive.
- **EU's Kallas** said we will aim to adopt the 20th sanctions package against Russia on Monday 23rd.
- **EU diplomats** said envoys have failed to agree on the 20th sanctions package against Russia.
- **Russia's Kremlin** reiterates that there's no confirmed date set for a new round of talks with Ukraine.
- **Russia's Foreign Minister Lavrov** discusses Iranian nuclear program with Iranian counterpart, TASS reported.
- **Ukraine's President Zelensky** said he's ready to discuss with the US about compromises.
- **Next round of Russia-Ukraine talks** is reportedly possible next week, via TASS.
- **UK and European allies** to construct low-cost air defence weapons to protect NATO skies.

MIDDLE EAST

- **US President Trump** says he is considering a limited strike on Iran.
- **Iran** plans to prepare a draft of potential nuclear agreement within 2-3 days for consultations with the US.
- **Iranian Foreign Minister Araghchi** said they do not consider Americans as their enemy, but consider the government's policies as hostile against Iran; when the hostilities stop, then they can perhaps consider a different kind of relationship.
- **Iran's Foreign Minister Araghchi** said that the US has not asked Iran for zero uranium enrichment, talks aim to ensure that Iran's nuclear program is peaceful.
- **Diplomats** said US President Trump's deadline for Iran may be shorter than 10-15 days, Al Hadath reported citing CBS.
- **An Iranian Air Force plane** has reportedly been involved in an accident during a training exercise in Iran's Hamedan Province, Tehran Times reported.
- **Semafor**, on US President Trump reviewing his options regarding Iran, writes "He hasn't made a decision yet, though people close to the president see an attack as growing more likely by the day."
- **Commander of the Iranian Navy** said "The effective and responsible presence of the naval forces ensures the stability and pathways of energy and vital trade", via Sky News Arabia. "The active and responsible presence of naval forces guarantees the stability of vital energy and trade routes."

NOTABLE NORTH AMERICAN NEWS

- **US President Trump** said the Democrat shutdown cost the US at least two points in GDP and that is why they are doing it, in mini form, again; reiterates criticisms against Fed Chair Powell and called for lower interest rates. Full Post: "The Democrat Shutdown cost the U.S.A. at least two points in GDP. That's why they are doing it, in mini form, again. No Shutdowns! Also, LOWER INTEREST RATES. "Two Late" Powell is the WORST!!! President DJT".

NORTH AMERICAN DATA

- **US PCE Price Index MoM (Dec)** M/M 0.4% vs. Exp. 0.3% (Prev. 0.2%, Low. 0.2%, High. 0.4%).
- **US Personal Spending MoM (Dec)** M/M 0.4% vs. Exp. 0.4% (Prev. 0.4%, Rev. From 0.5%, Low. 0.1%, High. 0.5%).
- **US Personal Income MoM (Dec)** M/M 0.3% vs. Exp. 0.3% (Prev. 0.4%, Rev. From 0.3%, Low. 0.0%, High. 0.7%).
- **US PCE Price Index YoY (Dec)** Y/Y 2.9% vs. Exp. 2.8% (Prev. 2.8%, Low. 2.7%, High. 2.9%).
- **US Core PCE Price Index YoY (Dec)** Y/Y 3.0% vs. Exp. 2.9% (Prev. 2.8%, Low. 2.8%, High. 3.1%).
- **US Core PCE Price Index MoM (Dec)** M/M 0.4% vs. Exp. 0.3% (Prev. 0.2%, Low. 0.2%, High. 0.4%).
- **US GDP Growth Rate QoQ Adv (Q4)** Q/Q 1.4% vs. Exp. 3.0% (Prev. 4.4%, Low. 1.7%, High. 4.4%). BEA on the shutdown impact: "The full effects of the partial federal government shutdown on the fourth-quarter estimates cannot be quantified... However, BEA did estimate the effects of a reduction in the labor services supplied by federal employees. BEA estimates that this reduction in services provided by the federal government subtracted about 1.0 percentage point from real GDP growth in the fourth quarter."
- **US GDP Price Index QoQ Adv (Q4)** Q/Q 3.7% vs. Exp. 2.8% (Prev. 3.7%, Low. 2.0%, High. 3.7%).
- **US GDP Sales QoQ Adv (Q4)** Q/Q 1.2% (Prev. 4.5%).
- **US PCE Prices QoQ Adv (Q4)** Q/Q 2.9% vs. Exp. 2.8% (Prev. 2.8%).
- **US Real Consumer Spending QoQ Adv (Q4)** Q/Q 2.4% (Prev. 3.5%).
- **US Core PCE Prices QoQ Adv (Q4)** Q/Q 2.7% vs. Exp. 2.6% (Prev. 2.9%, Low. 2.4%, High. 2.8%).
- **US Building Permits MoM Final (Dec)** M/M 4.8% (Prev. -1.6%).
- **US Building Permits Final (Dec)** 1.455M vs. Exp. 1.448M (Prev. 1.388M).
- **US S&P Global Manufacturing PMI Flash (Feb)** 51.2 vs. Exp. 52.6 (Prev. 52.4, Low. 51.9, High. 53.5)
- **US S&P Global Composite PMI Flash (Feb)** 52.3 (Prev. 53.0, Rev. From 53)
- **US S&P Global Services PMI Flash (Feb)** 52.3 vs. Exp. 53 (Prev. 52.7, Low. 53.0, High. 53.8)
- **Canadian PPI YoY (Jan)** Y/Y 5.4% (Prev. 4.3%, Rev. From 4.9%).
- **Canadian PPI MoM (Jan)** M/M 2.7% vs. Exp. 0.2% (Prev. -0.9%, Rev. From -0.6%).
- **Canadian Retail Sales MoM Final (Dec)** M/M -0.4% vs. Exp. -0.5% (Prev. 1.2%, Rev. From 1.3%, Low. -0.5%, High. 0.4%).
- **Canadian Retail Sales Ex Autos MoM (Dec)** M/M 0.1% vs. Exp. -0.3% (Prev. 1.6%, Rev. From 1.7%, Low. -0.8%, High. 0.2%).
- **Canadian Retail Sales YoY (Dec)** Y/Y 0% (Prev. 3.1%).
- **Canadian Retail Sales MoM Prel (Jan)** M/M 1.5%.

NOTABLE US EQUITY HEADLINES

- **Citi multi-asset strategists** downgraded Technology stocks to Neutral, aiming to diversify away from the Magnificent 7 and increasing stakes in US small caps.

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