

European Market Wrap - 23rd February 2026

- European bourses (STOXX 600 -0.1%) were mixed for the majority of the day but finished the European session broadly in the green.
- US President Trump says any country that wants to "play games" with the SCOTUS decision will be met with a much higher tariff, and worse, than what they recently agreed to.
- European Parliament has reportedly agreed to postpone its vote on EU-US trade deal, according to two sources.

EQUITIES

- European bourses (STOXX 600 -0.1%) were mixed for the majority of the day but finished the European session broadly in the green, ex-DAX 40 (-0.4%). The IBEX (+1.4%) outperformed following a flurry of broker upgrades for European Banks, while SAP (-2.4%) and Rheinmetall (-1.8%) weighed on the DAX.
- Sectors were mixed, with a slight bias to the upside. **Basic Resources (+1.8%) led, followed by Banks (+1.7%, mentioned above) and Utilities (+0.9%)**. Supporting Basic Resources was the rise in metals prices and a Telegraph report highlighting that the UK Government might hold talks with the likes of Glencore, Rio Tinto and Anglo American to secure the supply of critical minerals. For **Utilities, Enel (+7.1%) updated its 2026-28 strategic plan** in which the Co. raised its investment figure and announced a new tranche of its share buyback programme. **Health Care (-1.8%)** was weighed on by shares in **Novo Nordisk (-15.9%)**, after the Co.'s CagriSema demonstrated a 23% weight loss in obese people but failed to meet its primary endpoint.
- **Other key movers include luxury names (Kering +3.3%, LVMH +1.6%, Burberry +2.2%)**, which have benefited from the tariff revision, and **ASML (-0.2%)**. ASML was originally hit at the start of the session after OpenAI plans to spend less on compute than previously cited. Losses in the Co. slightly pared back into the afternoon after a report that it could nearly double the power of its EUV light source, which would enable 50% more chips by 2030.
- **US equity futures** initially traded on the backfoot after President Trump raised the baseline tariff to 15% from 10% over the weekend, but have completely reversed losses as the cash session gets underway.

FX

- **USD - DXY** drifted slightly lower, trading within a 97.35-97.85 band, with downside risks pointing toward its 21DMA at 97.15. Markets were fully focused on President Trump's decision to impose a sweeping 15% Section 122 import tariff after SCOTUS ruled IEEPA tariffs unlawful. Section 122 offers 150 days of tariff certainty; extensions require congressional approval. Key uncertainties now centre on replacing lost tariff revenue, international retaliation, and potential deployment of alternative trade tools (Sections 301, 338, 232). Further, Trump recently posted that any country that wants to "play games" with the SCOTUS decision, especially those who ripped off the US, will be met with a much higher tariff, and worse, than what they recently agreed to.
- **EUR** - The euro firmed, aided by broader USD softness and upbeat German Ifo data, which topped expectations, reinforcing the region's early-stage recovery narrative. Political risk lingered as the European Parliament's trade chief signalled plans to freeze ratification of the EU-US trade agreement until Washington clarifies its policy stance.
- **GBP** - Sterling outperformed modestly, supported by the weaker USD and improved sentiment across G10 FX. UK-specific catalysts were limited, with moves largely driven by the broader dollar tone following the tariff announcement. On the central banking front, **BoE's Taylor said that they are approaching neutral**, "but not there yet" – adding that there are still 2-3 more cut until neutral. He, alongside Bailey, Greene and Pill will appear at the TSC hearing on Tuesday.
- **JPY** - USD/JPY traded just below 155.00, with the pair briefly topping its 100 DMA (154.90) when it printed its 155.04 high. Commentary from Japan's LDP tax chief Onodera, calling the US tariff situation "a real mess," added political colour but drove little price action. The pair remained orderly as traders assessed global tariff fallout.
- **Antipodeans** - AUD underperformed slightly as the new Section 122 tariff structure removed Australia's previously negotiated 10% IEEPA rate advantage. NZD fared better, supported by broad G10 demand outside the USD.
- **Barclays month-end rebalancing model sees moderate USD buying against all majors.**

FIXED INCOME

- **Global benchmarks opened firmer** and continued to remain bid throughout the European session, with the haven buoyed by renewed trade tensions. In brief, US President Trump raised the blanket tariff rate to 15% from 10% over the weekend, following **SCOTUS ruling against IEEPA tariffs on Friday**. In response, the EU agreed to postpone its vote on the EU-US trade deal. Given the earlier reporting of such a move, US President Trump said any country that wants to "play games" with the SCOTUS decision, will be met with a much higher tariff. Despite the threat, benchmarks were little moved – perhaps traders are now accustomed to the "TACO trade".
- **USTs look to close the European day firmer** by a handful of ticks, to trade within a 112-27+ to 113-03+ range. Price action was more or less sideways for much of the session, but then gradually picked in late afternoon trade. US data included Chicago Fed National Activity Index (January figure improved from the prior month); but, there was more focus on Fed speak via Waller. He highlighted that it may be appropriate to hold policy rate at current levels if downside labour risks have diminished, but suggested that if January labour strength is revised away, then he would support a 25bps in March. US paper was little

moved on his remarks.

- **Bunds followed peers higher**. Set to close the day around the upper end of a 129.30-129.51 range. Desks note that the EU face proportionally larger increases under a flat 15% levy versus prior negotiated arrangements. Under the old system, their 15% rate was a "special" lower rate compared to rivals (like China or Brazil) who faced much higher duties. Now that everyone is at 15%, their relative advantage has disappeared. In response, the European Parliament has agreed to postpone its vote on the EU-US trade deal.
- **Gilts gapped higher by 11 ticks, and continued to hold an upward bias throughout the day**. UK paper is set to close the day at the upper end of a 92.40-92.61 range. Upside that comes as the 15% global effective tariff lifts the UK above the 10% it used to be subject to, and thus skews the bias towards a March vs April cut by the BoE. On the central banking front, **BoE's Taylor said that they are approaching neutral**, "but not there yet" – adding that there are still 2-3 more cut until neutral. He, alongside Bailey, Greene and Pill will appear at the TSC hearing on Tuesday.
- **Spain has mandated a new 30yr syndication**.
- **Slovenia's Treasury Director General** said they expect to issue a Panda bond in 2026 in a CNY 2-4bln range, Econostream reported. Demand is best in the 10yr, selective appetite for longer maturities.
- **EU sold EUR 6.092bln vs exp. EUR 7bln 2.625% 2028, 3.125% 2030 and 3.375% 2038 EU Bond**. EUR 1.93bln 3.375% 2038: b/c 1.16x (prev. 1.42x), average yield 3.319% (prev. 3.38%). EUR 2.18bln 3.125% 2030: b/c 1.17x, average yield 2.454%. EUR 1.986bln 2.625% 2028: b/c 1.19x (prev. 1.15x), average yield 2.185% (prev. 2.128%).

COMMODITIES

- **Crude** benchmarks picked up some momentum during the latter end of the European session following the subdued action earlier. On that note, news that US Secretary of State Rubio postponed his Saturday trip to Israel to Monday, coincided with WTI and Brent rising to session highs. **WTI** and **Brent** are trading within the tight range of USD 65.38-67.15/bbl and 70.69-72.72/bbl, respectively.
- **Precious metals** have also continued to gain as a haven with ongoing geopolitical tension between the US and Iran. The weaker USD following the SCOTUS decision and Trump's decision to increase global tariffs to 15% has further underpinned the yellow metal. **XAU** and **XAG** are trading at the upper range USD 5107.83-5199.18/oz and USD 85.17-88.03/oz.
- **Copper** prices remained elevated, as markets digested the latest tariff developments, with US President Trump's 15% flat-rate tariff seen as benefiting countries such as China and Brazil the most, while weighing on longer-term allies. **3M LME copper** trades at the upper range of USD 12,881.43-13,063.00/t. On an update, the Chinese market is expected to be fully opened tomorrow, likely increase activity for the red metal.
- **Chevron (CVX)** announces an agreement for Iraq's West Qurna 2 oil field.
- **Morgan Stanley** raises its near-term Brent forecasts as geopolitical risk premium likely persists for a period, still expects prices to soften to USD 60/bbl later in 2026.
- **JPMorgan forecasts a copper deficit of 130k tonnes in 2026**.

EUROPEAN DATA

- **Italian** Inflation Rate YoY Final (Jan) Y/Y 1.0% vs. Exp. 1% (Prev. 1.2%).
- **Italian** Inflation Rate MoM Final (Jan) M/M 0.4% vs. Exp. 0.4% (Prev. 0.2%).
- **German** Ifo Expectations (Feb) 90.5 vs. Exp. 90.3 (Prev. 89.5).
- **German** Ifo Current Conditions (Feb) 86.7 vs. Exp. 86.3 (Prev. 85.7).
- **German Ifo Business Climate (Feb) 88.6 vs. Exp. 88.4 (Prev. 87.6)**.
- **Swiss** Producer & Import Prices MoM (Jan) M/M -0.2% vs. Exp. 0.1% (Prev. -0.2%).
- **Swiss** Producer & Import Prices YoY (Jan) Y/Y -2.2% (Prev. -1.8%).
- **Swiss Sight Deposits (w/e Feb 22)**. Domestic Banks CHF 440.6bln (prev. 437bln), Total CHF 457.6bln (prev. 452.7bln).

TRADE/TARIFFS

- **US President Trump said any country that wants to "play games" with the SCOTUS decision, especially those who ripped off the US, will be met with a much higher tariff, and worse, than what they recently agreed to.**
- US President Trump posted "I do not have to go back to Congress to get approval of Tariffs. It has already been gotten, in many forms, a long time ago!".
- **European Parliament has reportedly agreed to postpone its vote on EU-US trade deal**, according to two sources.
- **US President Trump** posted "Mexico must step up their effort on Cartels and Drugs!". Full post "Great interview of American Patriot Derek Maltz, by wonderful Fox & Friends host Lawrence Jones, who is terrific! Mexico must step up their effort on Cartels and Drugs!".
- **EU Trade Commissioner Sefcovic** said he is in touch with his US counterpart to get reassurances.
- **UK Government Spokesperson** said nothing is off the table in response to US tariffs; is discussing tariffs with the US administration at all levels; talks will continue.
- **US President Trump criticises the Supreme Court, he said recent ruling gave him far more powers and strength than he had prior to the tariff ruling**. Can use licenses to do "terrible things" to other countries, but he cannot charge them a license fee. "The court has also approved all other Tariffs, of which there are many, and they can all be used in a much more powerful and obnoxious way, with legal certainty, than the Tariffs as initially used.". "The next thing you know they will rule in favor of China and others, who are making an absolute fortune on Birthright Citizenship". "this supreme court will find a way to come to the wrong conclusion, one that again will make China, and various other Nations, happy and rich".
- **The EU** said it will accept no increase in US tariffs, a deal is a deal.
- **EU to delay 'Made in Europe' plan over the project's scope**.

- EU Trade Commissioner Sefcovic is to hold a call with the G7 later today on tariffs.
- EU is set to freeze trade deal approval over US President Trump's tariff risk, Bloomberg reported.
- EU envoys to discuss trade relations with the US at a meeting scheduled for Monday afternoon.
- India is studying the implications of the bilateral trade deal with the US.
- India confirms it will be amending its tax treaty with France, dropping the most favoured nation clause.
- South Korea's Finance Minister said the trade deal with the US is still valid.

CENTRAL BANKS

- Fed Governor Waller said he would support a 25-basis-point reduction in March if January labour strength is revised away or evaporates but may be appropriate to hold if downside labour market risks have diminished. Policy bias / rate signal: Waller said he dissented in January and favoured another cut. Waller said he did this because job gains slowed and downside risks to employment increased amid somewhat elevated inflation. Waller said he favoured another cut in January to bring policy rate closer to a neutral setting. Waller said balance of risks in January were weighted toward further policy easing. Forward guidance. Waller said it may be appropriate to hold policy rate at current levels if downside labour risks have diminished. Waller said it would support a 25-basis-point reduction in March if January labour strength is revised away or evaporates. Waller said he will need to see the February report due March 6 before forming any judgment on labour rebound. Waller said before March 17-18 meeting he will get February employment and inflation data, plus job openings and retail sales.
- BoE's Taylor said we will be close to CPI target sustainably, weaker forecasts in terms of output gap and joblessness. CPI has been slightly concerning in recent months. Services CPI has not fallen as quickly or as far as hoped. Looking for services inflation to normalise along with wage growth this year. Expect services CPI to normalise along with pay. More reassured that we are proceeding towards inflation normalisation at a reasonable pace. Jobs forecasts are converging on a pessimistic outlook. Sees risk of inflation undershooting. Are approaching the neutral level, but not there yet. There are 2-3 more cuts until neutral. Youth Unemployment rise is mostly cyclical.
- BoK Governor Rhee said FX market conditions have improved but still need to be stabilised.

GEOPOLITICS

RUSSIA-UKRAINE

- Russian Defence Ministry said Russian forces struck Ukrainian transport, energy and fuel infrastructure.
- EU Foreign Representative Kallas said she is not optimistic regarding potential progress in peace talks with Russia. Strong statements from Hungary indicate they will not change their stance on Russian sanctions today.

MIDDLE EAST

- Iran's Deputy Foreign Minister said Iran chooses diplomacy but we are fully prepared to defend our sovereignty and people, credible negotiations must respect the rights of all states.
- US Secretary of State Rubio postpones his Saturday visit to Israel, now scheduled for Monday.
- Iran said any US attack, including limited strikes, will be considered an act of aggression.
- Iran Foreign Ministry spokesperson said there are discussions about the presence of IAEA's Grossi in the third round of negotiations, Iran International reported; adds that Iran is working on a draft for any possible understanding.
- Iran's Foreign Ministry said they hope to have another round of talks with the US in the coming days. Regarding IAEA Grossi's view that there cannot be an agreement unless the inspection of bombed nuclear facilities is allowed, Iran said it does not accept that precondition.

NOTABLE NORTH AMERICAN NEWS

- US debt crisis is set to reach unprecedented levels, with the CBO projecting a cumulative federal budget deficit of USD 23tn between 2026 and 2035, up USD 1.4tn from prior forecast.
- US Senate Minority Leader Schumer will today state that Senate Democrats will not support the extension of Section 122 tariffs beyond the initial 150-day window, Punchbowl reported.
- Goldman Sachs currently tracking Q1 2026 at 3.4%, though incorporates a 1.3pp contribution from the end of the government shutdown in Q4 '25; GS continues to forecast 2.5% GDP growth for 2026 Q4/Q4.

NORTH AMERICAN DATA

- US Chicago Fed National Activity Index (Dec) -0.21 (Prev. -0.04).
- US Chicago Fed National Activity Index (Jan) 0.18 (Prev. -0.21).

NOTABLE US EQUITY HEADLINES

- Apple (AAPL) reportedly enters test production for the iPhone 18, Electrek reported.
- US Secretary of War Hegeseth is reported to meet Anthropic's CEO on Tuesday, according to Axios citing sources; meeting will be "tense", related to terms for military use of Anthropic's Claude.

