

European Market Wrap - 3rd March 2026

- European bourses were entirely in the red, with many indices having their worst day since 'Liberation Day'.
- Crude and Nat Gas prices remained firm as the Iran conflict entered its fourth day.
- Senior Israeli official said it is estimated that Saudi Arabia will attack Iran soon after it was attacked yesterday, Kann News reported.

EQUITIES

- European bourses (STOXX 600 -3.2%) were entirely in the red, with many indices having their worst day since 'Liberation Day'. The IBEX 35 (-4.8%) and FTSE MIB (-4.3%) continue to get hit aggressively, as Banks and Insurance weigh on the indices. A hotter-than-expected CPI print for the Eurozone and a 'non-event' Spring Statement failed to support equities.
- Sectors were weak across the board, with the aforementioned **Banks (-5.0%) and Insurance (-4.2%)** being hit hard, while **Retail (-4.2%), Basic Resources (-4.2%), and Utilities (-3.9%)** also sat near the bottom of the pile. Basic Resources fell due to weaker metals prices while Utilities suffered due to worries about limited LNG supply following QatarEnergy's halt in production. **Energy (-1.7%)** was the least affected sector, as surging oil prices support the sector. However, similarly to Nat Gas, there have been worries of oil supply as Iran closed the Strait of Hormuz and oil production at Iraq's Rumaila oil field (world's second largest oil field) suspend production.
- In a day with broad losses, **Lottmatica (+3.3%)** managed to post positive gains after the Co. announced an annual revenue rise of 14% and raised its dividend by EUR 0.30.
- **US equity futures (ES -1.6%, NQ -1.8%, RTY -2.9%)** are entirely in the red, following the sentiment seen across Europe. Key movers today include, Target (+5%, earnings beat exp.), Amazon (-2%, AWS warned of prolonged service disruptions after drone strikes damaged 3 data centres in the Middle East).

FX

- DXY continued to extend higher, with the geopolitical environment remaining turbulent, and with recent US commentary suggesting no near-term solution to the war. In brief, the IRGC continues to threaten any ship attempting to pass through the Strait of Hormuz, whilst President Trump warned of larger strikes against Iran. For the time being, DXY resides at the upper end of a 98.43 to 99.38 range, and is now trading at levels not seen since late Jan'26; another leg higher could see the retest of the January 19 high at 99.47, and then the round 99.50 mark thereafter.
- EUR and GBP continue to remain pressured by the ongoing Iranian war – both are net-importers of energy, and as such, have been considerably pressured in the past couple of sessions. Geopolitics aside, the EUR saw some very modest upticks on the hotter-than-expected HICP – this is a bit stale, given the ECB will likely have to consider the inflationary/growth impacts of higher energy prices. For GBP traders, the UK Spring Statement offered little volatility. In brief, the OBR downgraded its 2026 growth & inflation view; the implied headroom is estimated at 23.6bln (exp. 20-25bln).
- JPY continues to weaken against the USD. USD/JPY now trades around 157.82, and is gradually edging its head back towards the touted intervention zone of 158-160. Further upside would likely see the resurgence of jawboning via Japanese officials. This perhaps explains why the JPY is holding up better vs peers (albeit it is still lower vs USD). Earlier, Japanese Unemployment ticked a touch higher in January, but had little impact on the currency. Finally, **Antipodeans** underperformed, pressured by a) the risk tone and b) pressure across the metals complex.

FIXED INCOME

- **A bearish session for fixed benchmarks.** Action driven by energy prices as Dutch TTF lifts by over 30% on the session, having eclipsed EUR 65/MWh at best.
- At worst, **Bunds down to a 128.53 low** with losses in excess of a full point at most. If the move continues, we look to 128.03 from the week of February 13th before the figure and then a cluster of lows from the first few weeks of the year between 127.51 and 127.82. If those are taken out, the YTD base is 126.98 before the 126.75 March contract low.
- **Gilts gapped lower by just over 54 ticks, and then fell over a full point further to a 91.14 trough with downside of over 180 ticks** at most. Action-driven as the benchmark caught up to overnight price action, and with traders significantly paring the odds of near-term BoE easing.
- The main UK event today was the **Spring Statement**. As Chancellor Reeves wanted, this was essentially a non-event for markets. Though there was some modest upside seen in Gilts on the OBR forecasts, which hit before the lower, but as expected, DMO remit.
- **USTs directionally in-fitting but with magnitudes a little more contained** ahead of a potential **energy announcement** this evening and as participants await further **Middle East updates** and remarks from **Fed's Williams** (due at the time of publication) and **Kashkari**, with a text and Q&A expected from both. Currently, the benchmark holds at lows of 112-30 with downside of 17 ticks on the day.
- **The Netherlands sold EUR 6.99bln vs exp. EUR 6-7bln 2.75% 2036 DSL Auction via DDA: b/c 3.45x.**
- **Germany sold EUR 3.825bln vs exp. EUR 5.0bln 2.50% 2031 Bobl: b/c 1.19x (prev. 1.65x), average yield 2.43% (prev. 2.40%), retention 23.5% (prev. 23.8%).**

COMMODITIES

- **Crude** - WTI and Brent remained firm within USD 70.41–77.98/bbl and USD 76.74–81.83/bbl as the Iran conflict entered its fourth day. The IRGC threatened to target vessels transiting the Strait of Hormuz, while President Trump warned of larger strikes. ING noted price gains have been relatively modest given supply at risk, as markets had already priced in a sizeable risk premium and appear to expect any disruption to be short-lived and absorbable. Secretary of State Rubio said Treasury Secretary Bessent and Energy Secretary Wright will outline mitigation steps, though reports indicated no immediate SPR release is planned. It was also reported IEA is ready to stabilize oil market, roiled by the Iran war and held a meeting on the Iran situation.
- **Natural Gas** – Nat gas surged on war-related risk and Qatar's output shutdown. Qatar accounts for roughly one-fifth of global LNG supply, with analysts estimating each week of downtime removes 1.6–1.8mln tonnes from the market. Dutch TTF jumped intraday (last up ~32%) to highs above EUR 65/MWh, up sharply from ~EUR 32/MWh on February 27th.
- **Precious Metals** – Precious metals softened despite geopolitical tension, but amid a firmer USD and potential profit taking. Spot gold slipped almost 4% within USD 5,073–5,379.73/oz, while silver fell ~9% within USD 77.96–91.35/oz. Ongoing USD strength weighed on the complex, with some desks citing profit-taking. BMI Research forecasts gold above USD 5,600/oz this week, with scope toward USD 5,850–6,500/oz if the conflict extends 2–3 weeks.
- **Base Metals** - Base metals weakened amid deteriorating global risk appetite and firming USD. 3M LME copper traded within USD 12,733.90–13,281.00/t. Upside was seen in aluminium futures following reports that QatarEnergy would stop output of some downstream products, including urea, polymers, methanol, aluminium and others.
- **CMA CGM decided to suspend booking with immediate effect for ports in Bahrain, Kuwait, Qatar and some ports in UAE, Saudi Arabia and Iraq until further notice.**
- **Oil production has been fully suspended at the Rumaila oil field, Iraq's largest and the world's second-largest oil field, local sources told Shafaq News.**
- **Egyptian Prime Minister** said gas supplies to the industry will not be cut.
- **Aramco reportedly explores plan to export oil via Red Sea to avoid Strait of Hormuz, according to Bloomberg.**
- **IEA ready to stabilize oil market roiled by Iran war and to hold meeting on Iran situation at 13:00GMT/08:00EST; IEA monitoring situation in Middle East, including Hormuz risk.**
- **Oil storage co. VTTI** said it has suspended operations at the Fujairah terminal, via co. statement.
- **Saudi's Aramco has reportedly informed crude buyers that cargoes must be loaded from Yanbu on the Red Sea coast.**
- **Iraq's Kirkuk crude oil loadings at Turkey's Ceyhan port stopped on March 3rd, according to a shipping source.**
- **Saudi Aramco will reportedly review alternative routes for exports, including via pipeline to Red Sea, to avoid Strait of Hormuz.**
- **Commerzbank** said if the Strait of Hormuz is completely blocked, this would cause supply to fall by 20%, leading to a likely rise of over USD 100/bbl for oil prices.
- **Shanghai International Energy Exchange** are to adjust trading limits for some crude oil, low-sulfur fuel oil and shipping index futures from March 3rd.
- **Morgan Stanley** said it remains bullish on aluminium prices; forecasts price to reach USD 3,700/t in FY 2026.
- **Oil production at Kazakhstan's Tengiz (CVX) field reportedly dropped by 30% on the 1st of March from February's average output to 415k/BPD, sources reported.**
- **Turkey** is reportedly assessing the revival of a fuel tax mechanism aimed at cushioning consumers from rising oil prices, Bloomberg reported citing sources.
- **Russian oil product exports from Black Sea port of Tuapse** planned at 755k tonnes in March (vs 312k tonnes in February schedule), traders suggest.
- **India** is reportedly rationing nat gas supply to industries following on from Qatar halting production, according to sources.
- **Some Asian oil refiners** are reportedly considering run cuts of 20-30% amidst the Middle Eastern conflict, and the difficulties relating to shipping through the Strait of Hormuz, Bloomberg reported citing sources.

EUROPEAN DATA

- **EU Inflation Rate MoM Flash (Feb) M/M 1.7% (Prev. -0.6%).**
- **EU Core Inflation Rate YoY Flash (Feb) Y/Y 2.4% vs. Exp. 2.2% (Prev. 2.2%, Low. 2.0%, High. 2.3%).**
- **EU Inflation Rate YoY Flash (Feb) Y/Y 1.9% vs. Exp. 1.7% (Prev. 1.7%, Low. 1.6%, High. 1.9%); Services 3.4% (prev. 3.2%).**
- **Worldpanel UK grocery inflation (4-weeks to Feb 22nd) 4.3% (prev. 4.0%).**
- **French Budget Balance (Jan) -9.7B (Prev. -124.7B, Rev. From -124.7B).**
- **Portuguese Unemployment Rate (Jan) 5.6% (Prev. 5.6%).**
- **Italian Inflation Rate YoY Prel (Feb) Y/Y 1.6% (Prev. 1.0%, Rev. From 1%).**
- **Italian Inflation Rate MoM Prel (Feb) M/M 0.8% vs. Exp. 0.2% (Prev. 0.4%).**

NOTABLE HEADLINES

- **UK OBR Forecasts:** Sees GBP 17.8bln less borrowing between FY25/26 – FY30/31 vs November. Bank rate expectations and gilt yields have fallen slightly since the November forecast. Scenario where UK equity prices fall by 15% in 2026/27 would leave government borrowing GBP 15bln higher in 2027/28. Government's commitment that defence spending should reach 3.5% of GDP by 2035 could cost around an additional GBP 40bln in today's money. Expect weak labour market demand to continue in the near term. Inflation. 2026: 2.3% (prev. 2.5%, BoE exp. 2.0%). 2027: 2.0% (prev. 2.0%, BoE exp. 1.8%). 2028: 2.0% (prev. 2.0%). 2029: 2.0% (prev. 2.0%). 2030: 2.0% (prev. 2.0%).
- **UK DMO Remit: 2026/27 Gilt issuance of GBP 252.1bln (exp. c. 250bln, prev. 303.7bln).** Breakdown (GBP):. T-bill: 5bln (prev.

11bln). Short: 97.3bln. Medium: 57.8bln. Long: 8bln (exp. 20bln, FY25/26 was 31.3bln). I/L: 16.5bln).

- **UK OBR forecasts imply headroom of GBP 23.6bln vs. Exp. 20-25bln (prev. 21.7bln).**
- **UK Chancellor Reeves (Spring Statement): to outline reforms to tackle youth unemployment in the near term; to outline proposals for closer trade ties with Europe in the next few weeks.**
- **UK OBR Forecasts (provided verbally by Chancellor Reeves):**. Growth. 2026: 1.1% (prev. 1.4%), BoE 0.9%. 2027: 1.6% (prev. 1.5%), BoE 1.5%. 2028: 1.6% (prev. 1.5%). 2029: 1.5% (prev. 1.5%). Unemployment To peak in 2026, then fall in every year of the forecast period, ending it at 4.1%. Deficit (% of GDP). 2026: 4.3%. 2027: 3.6%. PSNB. 2027/28: 2.9% (prev. 3.0%). 2028/29: 2.5% (prev. 2.6%). 2029/30: 1.8% (prev. 1.9%).
- **UK Chancellor Reeves (Spring Statement): said the OBR expects inflation to fall faster than they forecast in the Autumn Budget.** Growth forecasts largely unchanged over the period.
- **UK Chancellor Reeves (Spring Statement): the global environment has become more uncertain in recent days.** To speak with North Sea business leaders in the near term. Confirms there will be just one formal fiscal event per year. Inflation and borrowing are down.
- **EU Commission Spokesperson** said the EU are to propose Industrial Accelerator Act on Wednesday.
- **Two UK government aligned think tanks** are reportedly working on the options to reform student loans, Politico reported citing sources.

TRADE/TARIFFS

CENTRAL BANKS

- **Fed's Bowman (Voter) said liquidity framework does not look enough at bank stress.** said discount window is a critical but underutilised liquidity backstop requiring fundamental reform. said stigma, weekly aggregate disclosure and above-market rates deter discount window use. noted discount window operates through primary credit for strong banks and secondary credit with stricter terms. On the balance sheet: said liquidity hoarding increases demand for reserves, requiring the Fed to maintain a larger balance sheet. noted excessive high-quality liquid asset holdings may reduce credit availability to the economy. On Market Operations: said each of the 12 Reserve Banks set its own discount window rules and lending decisions. noted fragmentation in discount window processes may exacerbate banking system fragilities.
- **Ireland government** said to nominate Gabriel Makhoul for re-appointment as central bank governor.
- **ECB's Stournaras said should the Iran war continue, then there will be an upward pressure on EZ inflation; no rush to change rates.**
- **ECB's Villeroy said French economic exposure to tensions in the Middle East is limited, would be a mistake to predict a rate move in a hurry.**
- **PBoC purchased CNY 50bln worth of sovereign bonds in February on the open market.**
- **Riksbank's Thedeén** said inflation is close to target, interest rates have come down and the labour market has started to improve. Core inflation may trail forecast in 2026.
- **Turkish Inflation Rate YoY (Feb) Y/Y 31.53% vs. Exp. 31.55% (Prev. 30.65%).**
- **Turkish Inflation Rate MoM (Feb) M/M 2.96% vs. Exp. 3% (Prev. 4.84%).**

GEOPOLITICS

MIDDLE EAST

- **Senior Israeli official said it is estimated that Saudi Arabia will attack Iran soon after they were attacked yesterday, Kann News reported.**
- **Office building of Iran's Council of Experts was attacked, according to Iranian press.**
- **Iran's Ambassador to UN in Geneva said for the time being we are very doubtful about the usefulness of negotiation with the US.** Only language for talking with US is language of defence, not time for negotiation.
- **Iran's Ambassador to the UN** said it is not acceptable that the land of neighbours is being used to facilitate aggression against Iran; if any base is used to attack and invade other countries, that would be a legitimate target. Will continue defence until the point of aggression is stopped.
- **Iran is open to talks but will not compromise on dignity, according to a representative of Khamenei.**
- **US President Trump posted, re. Iran, "Their air defense, Air Force, Navy, and Leadership is gone. They want to talk. I said "Too Late!""**
- **NATO Secretary General Rutte** said Iran close to getting hands on nuclear capability; All better off with Iran nuclear capability degraded.
- **Ryanair (RYA ID) CEO** said Iran war will have impact on bookings to Gulf; too early to say if war in Iran will have an effect on summer bookings.
- **Israel's Home Front announce early warning issue after detecting the launch of missiles from Iran toward central Israel, Al Jazeera reported.**
- **Israeli defence forces reportedly did not deploy ground troops in Iran, Israeli source report.**
- **Iran's military said it targeted the Al Udeid base with missiles.**
- **The IDF announces that they have struck Iran's leadership compound in Tehran.**
- **ECB's Stournaras said should the Iran war continue, then there will be an upward pressure on EZ inflation; no rush to change rates.**
- **IAEA confirms recent damage to entrance buildings of Iran's underground Natanz fuel enrichment plan.**

- Iran's ICG said they targeted the aircraft carrier "Lincoln" with 4 cruise missiles; The aircraft carrier "Lincoln" headed towards the southeastern Indian Ocean, Al Arabiya reported.
- "Israel worked on the ground last night in Iran with the participation of Mossad", Al Hadath sources report.
- Earthquake of magnitude 4.3 strikes Gerash in Iran, USGS reported.
- Israeli Military Spokesperson said it is not likely that Israel will deploy ground forces to Iran as it is not practical.
- Member of Iran's Assembly of Experts said choosing a successor to Supreme Leader Khamenei "won't take long", according to ISNA.
- The new Iranian defence minister has reportedly been eliminated; details light.
- QatarEnergy to stop output of some downstream products, including urea, polymers, methanol, aluminium and others.
- Senior Hezbollah Official said if the enemy wants an open war then let it be an open war.
- The Lebanese army is reportedly not withdrawing from its positions on the border but instead redeploying to a number of new points due to the escalation, according to Middle Eastern press citing Lebanese military sources.
- Emirate of Fujairah (east coast of the UAE) said shrapnel from the drone caused a fire in the Fujairah Petroleum Industries Zone; Controlling the fire in the Fujairah Petroleum Industries Area and returning to normal work.
- Israeli Ministry of Defence said they are preparing for potential expansion of fronts.
- Oman announces that fuel tanks at the commercial port of Duqm were attacked by several drones, Sky News Arabia reported; damage has been contained, Al Jazeera reported.
- France is reportedly planning to send anti-missile and anti-drone systems to Cyprus, Cyprus news agency reported.
- Israeli Defence Minister said they approved enabling the army to advance and control additional strategic areas inside Lebanon, Al Jazeera reported.
- An explosion sounded in the Isfahan province in the centre of the country, Al Jazeera reported citing Iranian media.

RUSSIA-UKRAINE

- Ukraine's Energy Minister said the Druzhba oil pipeline was severely damaged as a result of a fire after the Russian strike.
- European Commission has reportedly asked Ukraine to consent to a visit to prove that they are working to restore oil flows via the Druzhba pipeline, FT reported citing officials.
- Russian Kremlin spokesperson Peskov on Ukraine talks, said it's hardly possible to talk about meeting, adding that there's no certainty on venue or timing.

OTHERS

- UK to send a warship to Cyprus, The Times reported; very likely that HMS Duncan will be sent, will take around a week to arrive.
- Several House Democrats are seen as sceptical of any vote to limit Trump's war powers, Punchbowl reported. This includes Reps. Henry Cuellar (Texas), Greg Landsman (Ohio), Jared Golden (Maine) and Sharice Davids (Kan.), according to Democratic lawmakers and aides, Punchbowl said.

NOTABLE NORTH AMERICAN NEWS

- Two leading Republican senators are reportedly asking the Trump admin to pass a USD 200bn tax cut without congressional approval, Washington Post reported citing a draft; GOP seeks improving its economic approval rating ahead of the mid-term elections. Two senators incl. Ted Cruz and Tim Scott. Aims to reduce some of the taxes paid on capital gains.

NOTABLE US EQUITY HEADLINES

- Target (TGT) Q4 2025 (USD): adj. EPS 2.44 (exp. 2.15), Revenue 30.5bln (exp. 30.47bln); SSS: -2.5% (exp. -2.4%).
COMMENTARY: Target saw a healthy, positive sales increase in February, serving as an important milestone on its path back to growth this year, and reinforcing its confidence in the momentum. GUIDANCE: Q1 EPS seen flat-to-up marginally (exp. 1.51). FY EPS view 7.50-8.50 (exp. 7.64).
- Amazon's (AMZN) cloud unit warned of prolonged disruptions to its services after revealing that drone strikes damaged three of its data centres in the Middle East in recent days, Bloomberg reported.

NOTABLE GLOBAL EQUITY HEADLINES

- Citi's equity markets positioning model noted conviction concentrates in KOSPI and FTSE. Citi writes that as geopolitical and macro uncertainty remains elevated, the combination of extended longs on FTSE and KOSPI, weakness in the US and China, builds a case for a continued selective risk approach. The bank noted that global equity positioning continues to turn increasingly polarised, with select European and Asia indices emerging as clear favorites. "The US shows a growing bearish undercurrent despite the seemingly resilient headline flows," and "S&P 500 flows were positive but normalised positioning have hardly changed, while Nasdaq positioning trended lower." In Europe, Citi said that the FTSE holds max long, with elevated profit levels. In Asia, the KOSPI continues to be supported by new long risk flows, a trend also seen in Nikkei positioning. China A50 and Hang Seng positioning remains weak.

