

## European Market Wrap - 20th March 2026

- European bourses continued to trade with losses and are set to end with a third straight week of losses.
- Fixed income slipped as markets price in further rate hikes globally.
- Crude stabilised ahead of another weekend of high uncertainty.

### EQUITIES

- **European Equities** were poised to close in the red. After early gains at the open, the upside was fully erased following an Axios report that the United States was planning to pressure Iran to reopen Hormuz. As the US cash session began, losses deepened as indices tracked moves on Wall Street. The STOXX 600 was set to post a third straight week of losses, its longest losing streak since March 2025.
- **Sectors** are entirely in the red. Construction and Materials are faring better than others, while Industrial Goods and Services are underperforming. Energy also sat near the bottom of the pile, as oil prices traded choppy.
- **Other key movers** included **Gerresheimer**, **Infineon** and **Smiths Group**. Smiths cut its 2026 organic revenue growth forecast to 3-4% from 4-6%. During the session, sourced reports said Silgan (SLGN) had signalled interest in acquiring Gerresheimer, sending shares in the German company sharply higher. Infineon, meanwhile, was upgraded to overweight from neutral at JPMorgan.
- **US equity futures** continued to edge lower, with the ES around 6,600 at pixel time. That came as 2-year UST yields surged, driving hawkish money market pricing for the implied Fed rate path, with markets now pricing in a 50% probability of a Fed rate hike by October.

### FX

- **USD** rose on Friday but remained on course for weekly losses, trading below 100. The dollar moved with oil prices and yields on Friday, while short-end yields also rose again. Fed Governor Christopher Waller, a voter and dove who had called for rate cuts at recent meetings but aligned with the majority this week in backing unchanged rates, said on Friday the Iran conflict had changed things. He warned that if oil prices stayed high for months, there was a risk this could feed into core inflation, adding that a high and persistent oil shock would not be transitory and the Fed would not be able to look through it. He suggested he would wait to see how the situation evolved before deciding on rate cuts later this year. He said he would advocate cuts again later in the year if the labour market weakened and did not think there was currently any need to consider rate hikes. Money markets were pricing a 50% probability of a Fed hike by year-end.
- **JPY** weakened as USD strength pushed USD/JPY up 0.8% and short-end U.S. yields rose, although the JPY remained below 160 at pixel time. Analysts said the BoJ's unchanged stance this week may renew concerns that it is falling behind the curve, leaving the currency vulnerable to further declines.
- **EUR** was affected as a volley of officials hit the wires on Friday. Notably, Nagel warned that the central bank would need to raise rates in April if the price outlook soured, while ECB's Muller said the duration of high energy prices would be key for the April decision. Villeroy also said the ECB would remain vigilant and had the ability to act as needed. Meanwhile, Rehn and Kazaks were more circumspect. Still, the EUR did not manage to gain on Friday, with the USD dictating the tone in FX as rate differentials supported the dollar. Meanwhile, spreads in Europe are also worth noting, with the Bund-BTP gap widening to the highest since September 2025.
- **GBP** neared 1.3300. After rising following the hawkish BoE policy announcement on Thursday, when no policymakers called for rate cuts, swaps markets at one point on Friday were pricing in three full BoE rate hikes this year as yields edged higher and energy prices swung. Still, GBP was trading lower and, like other G10 peers, price action was driven by the tone in the USD and Treasury yields.
- **AUD** was heading for weekly gains following the RBA's rate hike, but was softer on Friday. Analysts said the AUD could find support on dips given the central bank's hawkish tone. That said, the broader macro tone on Friday did not help spur dip-buying in European and U.S. hours. The Aussie also found little support from base metals, with copper prices also coming under pressure.

### FIXED

- **USTs** slipped, with yields firmer across the curve while the curve saw further bear flattening in the wake of the hawkish leaning central bank decisions this week. T-note futures gave up the gains seen Wednesday in wake of the de-escalatory comments from Israeli PM Netanyahu. However, reports from Axios that Trump is considering a plan to occupy Iran's Kharg Island has raised geopolitical concerns again. Fed speak saw Bowman reveal she pencilled in three rate cuts this year, while Waller appeared more hawkish than usual given the inflationary risks in wake of the US/Iran war.
- **Bunds** were choppy on Friday with pressure seen in the morning after the aforementioned Axios reporting around Kharg Island while several hawkish ECB speakers also kept German yields afloat. Muller and Nagel said a hike may be needed if inflation is persistent, while Makhlouf said every meeting is live. Villeroy noted decisions will be made meeting by meeting and Vujcic said ECB is in a good position. Bunds pared from lows despite the commentary as oil prices moved off highs.
- **Gilts** were lower on Friday as the fallout from the hawkish BoE on Thursday continues to keep UK borrowing costs rising,

seeing the 10yr yield hit the highest level since 2008, trading just shy of 5%. Money markets are fully pricing in three 25bps rate hikes from the BoE this year, despite Bailey's attempt post-BoE on Thursday to temper rate hike expectations. The plethora of central bank activity has seen global central banks lean hawkish amid the US/Iran war due to the impact on energy prices. Going ahead, any indications of a prolonged, or short-lived war, will likely dictate the central bank reaction functions.

## COMMODITIES

- **Crude** futures traded higher but were volatile through European and early US trade. WTI moved in a USD 92.47-96.45/bbl range, while Brent traded on either side of the USD 109/bbl mark. The main driver for energy markets was an Axios report that the United States was considering plans to occupy or blockade Iran's Kharg Island to pressure Tehran to reopen the Strait of Hormuz. Prices rose steadily in the 20 minutes after the report, but later reversed lower. The pullback followed comments from US Energy Secretary Wright, who said unsanctioned Iranian oil would be absorbed in the next 30-45 days, although the retreat from session highs was not severe.
- **Spot gold** was set to post its biggest weekly loss in six years as hawkish market pricing weighed on the yellow metal. Gold peaked at USD 4,736/oz early in the session before extending losses as the US day began, and was set to close below USD 4,600/oz. Another factor behind the sell-off was profit-taking by investors seeking to fund losses from the surge in oil prices and the pullback in equities, according to analysts.
- **Base Metals** also moved lower, with 3M LME copper set to close below USD 12k/t. The red metal is often seen as a proxy for global growth, and higher energy prices have pushed copper down from a peak of USD 13.54k/t before the start of the Iran war.
- **US Energy Secretary Wright said unsanctioned Iranian oil would be absorbed in the next 30-45 days.** With the unsanctioning, oil will start arriving in ports. Within three or four days, that oil will start to arrive at ports. Releases from SPR will occur over the next few months. Oil is needed more in Asia but they are playing a part in coordinated release.
- **IEA Head** said even if the war ends soon "it will take a long time to have oil and gas rehabilitated. It will be six months for some [sites] to be operational, others much longer", FT reported. On previous oil release, pointed out that such releases would not solve the loss of Middle Eastern energy. "The single most important action is the resumption of transits through the Strait of Hormuz," he said.
- **IEA Head has warned it could take six months to restore oil and gas flows from the Gulf, FT reported; said that politicians and markets were underestimating the scale of the disruption.**
- **Shell (SHEL LN) confirms no damage to QatarEnergy N4 LNG train.**
- **Serbian President Vicic** said they are to cut excise duties on crude oil.
- **Eni (ENI IM) in talks with Algeria to renegotiate contracts; Algeria said to ask Italy to buy extra fuel on the spot market.**
- **Italy's Energy Minister** said Italy are in talks with other countries to offset stop in gas supply from Qatar; on Russian gas, agrees with the EU that it must not return to Europe. The fall in gas supply from the Middle East has created a much tighter gas market for everyone, with increased competition.
- **SinoChem (600500 CH) reportedly** cut throughput at its 300k BPD Quanzhou refinery to ~60%, sources say; also reduces operations at steam cracker to ~60%; seeking prompt delivery crude oil, including Russian oil under waver, to cover the supply gap.
- **Spain** is to reduce VAT on fuel from 21% to 10% to mitigate the impact of the Iran war, Ser Radio reported.
- **South32 (S32 AT) pauses production at the world's biggest manganese mine due to cyclone threat.**
- **Guangzhou futures exchange** is to adjust the minimum order size, price limit and margin requirements for some platinum and palladium futures contracts from March 24th.
- **Shanghai Futures Exchange** said nickel futures and options to open to foreign traders from April 22nd.
- **Global primary aluminium output at 5.685mtn metric tonnes in February, via IAI.**

## EUROPEAN DATA

- **UK Public Sector Net Borrowing Ex Banks (Feb) 14.3B vs. Exp. 8.5B (Prev. -30.4B).**
- **German PPI MoM (Feb) M/M -0.5% vs. Exp. 0.3% (Prev. -0.6%, Low. -0.1%, High. 0.7%).**
- **German PPI YoY (Feb) Y/Y -3.3% vs. Exp. -2.7% (Prev. -3%, Low. -3.1%, High. -2.1%).**
- **EU Balance of Trade (Jan) -1.9B vs. Exp. 12.8B (Prev. 12.6B).**
- **EU Current Account (Jan) 13.0B (Prev. 34.6B).**
- **Italian Current Account (Jan) -1785M (Prev. 3109M).**

## TRADE/TARIFFS

- **Pressure grows on UK PM Starmer to drop EU 'red lines', FT reported; Some senior Labour figures want the party to drop promises not to rejoin customs union or single market.**
- **Germany reportedly to streamline arms exports for 6 months.**
- **Chinese media, SCMP, writes that the White Houses' Section 301 investigations may be less dramatic than war, but they risk retaliation and trade breakdowns.**

## CENTRAL BANKS

- **Fed Governor Waller said he thought he would be dissenting after the last jobs report, but Iran conflict changed things; now expects labour force growth to be close to zero, which changes the breakeven level of job growth.** Closure of Hormuz has suggested more inflation pressure. If oil stays high for months, at some point it bleeds into core inflation. High and persistent oil shock would not have a transitory impact on inflation. Would advocate for cuts again late in the year if labour market is weak. Fed is making progress on taming structural inflation, which may be close to 2% now but it is held higher by tariffs.

Does not think there is a need to consider rate hikes.

- Fed Vice Chair of Supervision Bowman said it is too early to say what the Iran war means for the Fed. She also pencilled in three interest rate cuts for 2026; is still concerned about the labour market.
- ECB's Vujcic said uncertainty is exceptionally high, the ECB is in a good position and can maintain price stability.
- ECB's Makhlouf said the ECB is currently managing extreme uncertainty, adds that action will be taken if facts point to action, every meeting is a live meeting via Bloomberg interview. Determined to achieve 2% inflation. Two price hikes are part of the ECB's baseline scenario. Hadn't contemplated cuts before the Iran War. Doesn't think ECB has a tightening bias.
- ECB's Muller said ECB hike may be needed if inflation is persistent.
- ECB's Rehn said no decision has been locked in ahead of time.
- ECB's Villeroy said ECB will remain vigilant and has the ability to act as needed.
- ECB's Nagel said the ECB would need a hike in April if the price outlook sours, will act with necessary resolve.
- ECB's Muller said duration of high energy prices is key for ECB.
- ECB's Kazaks said we know that inflation will go up and economy will slow, and will take stock in April.
- Barclays now forecasts ECB will raise rates by 25bps each in April and June vs. previous hold outlook.
- UBS pushes back BoE cut called; now expects the BoE to deliver two 25bps cuts each in November 2026 and February 2027 (prev. 25bps cuts in April and July 2026).
- Markets are now fully pricing in 3 rate hikes by the BoE in 2026.
- Money markets are fully pricing 3 rate hikes in 2026 by the ECB.

## GEOPOLITICS

### MIDDLE EAST

- The Trump Administration is reportedly considering plans to occupy or blockade Iran's Kharg Island to pressure Iran to reopen the Strait of Hormuz, Axios reported, citing sources. Such an operation, if approved, would also require more troops. Three different Marine units are on their way to the region. The White House and the Pentagon are considering sending even more troops soon, a US official said. Such an operation would only be launched after the US military further degrades Iran's military capacity around the Strait of Hormuz, Axios said; "We need about a month to weaken the Iranians more with strikes, take the island and then get them by the balls and use it for negotiations," a source with knowledge of the White House thinking said.
- US President Trump said without the US, NATO is a "paper tiger"; they complain about the high oil prices but don't want to help open the Strait of Hormuz; says NATO are cowards and that the US will remember this.
- Pentagon sending three warships and thousands of additional marines to the Middle East, even as US President Trump insists he will not put American boots on the ground in Iran, according to WSJ citing US officials.
- No tankers loaded with crude oil have sailed through Hormuz in the past 24 hours, according to data; Two Indian-flagged tankers loaded with LPG are preparing to sail through Hormuz in the coming days.
- Iranian Military spokesman said Israeli and American officials and military personnel won't be safe in "resorts and tourist centres around the world" after Iranian officials killed in strikes, State Media reported.
- Iran announces the death of IRGC spokesperson Narini.
- Iran's Foreign Minister told his UK counterpart that providing military bases for the US will be considered as participation in aggression.
- Iranian Supreme Leader Khamenei said officials must compensate for the loss of the Iranian Minister of Security, Al Hadath reported.
- Iranian President said "the flames of war against us will affect many if the international community does not stand up to the aggression", Al Jazeera reported.
- Iran's IRGC spokesman, responding to Israeli PM, insists Tehran is still building missiles, AP reported.
- NATO mission in Iraq to start evacuating temporarily due to regional circumstances, according to state news agency citing sources.

### RUSSIA-UKRAINE

- US President Trump says Ukraine's Zelensky is more difficult to deal with than Russia's Putin.
- Ukraine President Zelensky said Ukraine and US work on bilateral documents continues; negotiating group will discuss details at upcoming meeting.
- Ukrainian President Zelensky said Ukraine to have a bilateral meeting with the US on March 21st, Saturday.

### NOTABLE NORTH AMERICAN NEWS

- US President Trump reiterates that the Senate must pass the SAVE act.
- White House releases national AI framework; Trump called on congress to remove barriers to AI deployment.
- The Trump administration has delayed an executive order that could have required banks to collect and report more information on the immigration status of their customers, after Wall Street push-back, WaPo reported.

### NORTH AMERICAN DATA

- Canadian Retail Sales YoY (Jan) Y/Y 1.5% (Prev. 0%).
- Canadian Retail Sales MoM Prel (Feb) M/M 0.9% (Prev. 1.5%).
- Canadian Retail Sales Ex Autos MoM (Jan) M/M 0.8% vs. Exp. 1.2% (Prev. 0.1%, Low. 0.2%, High. 1.8%).
- Canadian PPI MoM (Feb) M/M 0.4% vs. Exp. 1.1% (Prev. 2.7%, Low. 0.7%, High. 2.0%).

- **Canadian PPI YoY (Feb) Y/Y 5.4% (Prev. 5.4%).**
- **Canadian New Housing Price Index MoM (Feb) M/M 0.3% vs. Exp. -0.2% (Prev. -0.4%).**

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