

European Market Wrap - 1st April 2026

- European bourses were stronger, DXY pressured and energy prices slipped on geopolitical optimism.
- US President Trump told NBC News on Iran war "it is coming to an end".
- US President Trump to deliver a nationwide address on Wednesday to give an important update on Iran at 21:00EDT/02:00BST, according to the White House.

EQUITIES

- European bourses (STOXX 600 +2.3%) are set to end with a third straight day of gains, as risk sentiment improves following comments by President Trump overnight that the Iran war is nearing an end. Italy's **FTSE MIB** was the outperformer, while the **SMI** lagged behind its peers.
- Sectors held onto its positive bias, with **Energy** the only sector in the red. **Banks** held onto the top spot while **Industrial Goods and Services** followed closely behind, with the sector boosted following a Telegraph interview with President Trump stating that he is strongly considering pulling the US out of NATO after it failed to join the war in Iran, lifting European defence names (**Leonardo, Rheinmetall**)
- **Key movers** included **Berkeley, Babcock and Ferrexpo**. In a trading update, Berkeley forecasted softer earnings in the medium term while halting buying land "due to the continuous increase in the tax and regulatory burden on residential development." For Ferrexpo, shares plummeted after it delivered a trading update stating that its cash is sufficient until at least the end of June 2026, while adding that if withholding of VAT refunds continue, it could give rise to material consequences. Finally, for Babcock, the defence name was upgraded to buy from neutral at Citi.
- **US equity futures** has held onto pre-cash gains as US traders enter the fray. **ES** has held onto the 6,600 handle but could find resistance at the 20-SMA at 6,671 if price continue to rise. **Nike (-12.9%)** opened trade with significant losses after warning of persistent weakness in China.

FX

- **DXY was weaker throughout the session**, with price action facilitated by optimism surrounding easing geopolitical tensions, which has pressured the crude complex. To recap, US President Trump said to NBC News regarding the Iran war that "it is coming to an end", with a White House official suggesting Trump is confident an agreement will be reached soon. Interestingly, from the Iranian side, President Pezeshkian noted that Iran seeks to end the war with guarantees against further attacks. It is worth highlighting some fleeting pressure in the index following a President Trump Truth Social post stating that he was asked by his Iranian counterpart for a ceasefire, but will only consider it once the Strait is open. Attention now on President Trump's nation address later tonight at 21:00 EDT / 02:00 BST.
- **Domestically, US ADP Employment Change rose 62k**, a miss on the consensus 40k, and a touch below the prior. The data appears to indicate some stabilisation in the labour market, but traders will await the NFP report on Friday for confirmation. Perhaps a little untimely given the Iran conflict, but Retail Sales rose 0.6% in February (exp. 0.4%, prev. -0.2%), indicating that consumers were in a good place heading into the conflict. On the activity side of things, **US PMI Manufacturing** was revised a touch lower to 52.3 (prev. 52.5); the accompanying report suggested that the data "indicates that producers anticipate only a short-term and modest impact from the war". Thereafter, headline **ISM Manufacturing PMI** printed a touch above the expected at 52.7 (prev. 52.4), with particular strength in the Prices Paid component. Some modest strength in the DXY was seen on the report itself.
- **G10s were stronger against the USD to varying degrees**. The CHF led, benefiting from the lower energy prices – which also helped buoy the **GBP** and **AUD**. For the **GBP** specifically, the UK government confirmed new measures to ease the cost-of-living pressure are to come into force today. **On the monetary policy front, BoE Governor Bailey noted he still thinks markets are getting ahead of themselves by pricing in rate hikes**, according to a Reuters interview. This spurred some mild pressure in the GBP, albeit short-lived.
- **JPY** also gained vs **USD**, albeit to a lesser degree vs peers. The seemingly easing Iran tensions has benefited the JPY, which builds on the strength seen in recent sessions, facilitated by jawboning and a hawkish-leaning BoJ SOO earlier this week. As for today, Japan's Tankan survey was mostly stronger-than-expected, which supports the case for an April BoJ rate hike. USD/JPY set to end the European session at the mid-point of a 158.27-159.01 range.

FIXED

- **A firmer start for fixed income**, as the energy complex retreated markedly in the European morning as coverage intensified around a potential near-term end to the war, despite the caveats around such reporting and the uncertainty into Trump's speech later.
- **USTs** as high as 111-14+, firmer by c. 15 ticks at best. Action that pushed the **2yr yield** to a 3.73% low, the lowest in 11 sessions when a 3.65% trough hit. Similarly, the **10yr** was down to a 4.261% base, vs a conflict-peak of 4.48%.
- **Bunds** peaked at 126.26, firmer by just under a full point, while **Gilts** as is usually the case, are directionally in-fitting but with larger magnitudes, hitting a 89.34 high, with gains of 155 ticks.
- However, as the day progressed and energy lifted markedly off worst levels, fixed income gave back much of the initial gains.

There wasn't a single driver behind the uptick in the energy complex across the day, with the move potentially a function of participants adjusting positions into the data and Trump's appearance later.

- **ADP** sparked some modest UST pressure, the headline was above consensus but broadly in-fitting with the prior. On the activity side of things, **US PMI Manufacturing** was revised a touch lower to 52.3 (prev. 52.5); the accompanying report suggested that the data "indicates that producers anticipate only a short-term and modest impact from the war". Thereafter, headline **ISM Manufacturing PMI** printed a touch above the expected at 52.7 (prev. 52.4), with particular strength in the Prices Paid component. A report which spurred mild pressure in the US benchmarks.
- **Germany sold EUR 3.025bln vs exp. EUR 4.0bln 2.50% 2032 Bund: b/c 1.11x (prev. 1.51x), average yield 2.78% (prev. 2.60%), retention 24.3% (prev. 20.1%).**

COMMODITIES

- **Crude futures** traded choppy with a lack of direction after multiple updates throughout the European session. To start, President Trump told NBC late in Tuesday's session that the Iran war is coming to an end. Although this didn't spur a reaction initially, downside was seen in benchmarks as the European session got underway, with **Brent Jun'26** falling from USD 103.40/bbl to a trough of USD 98.35/bbl during the 7 o'clock hour. Prices then rebounded and rotated around the USD 100/bbl handle.
- Other geopolitical headlines included the Iranian Deputy Parliament Speaker stating that Hormuz will never be opened and there will be no negotiation, while more recently, President Trump stated in a Reuters interview that "we've had full regime change in Iran." This comes ahead of his nationwide address at 21:00EDT/02:00BST.
- **Spot gold** continues to rebound, with the yellow metal regaining the USD 4,700/oz handle as the dollar weakens and traders price out Fed hikes. Ahead of the jobs report on Friday, the ADP employment change for March beat expectations but this failed to materially move the precious metal.
- **3M LME Copper** oscillated in a tight USD 12.34-12.50k/t band throughout the European session. The red metal gapped higher as the risk tone brightened at the start of APAC trade but gains were capped following softer Chinese manufacturing PMI data. Since then, copper has traded either side of USD 12.4k/t and is set to end the session with mild gains.
- **China to purchase frozen pork for state reserves again, and China's NDRC vows to boost pork stockpile for stable market.**
- **Petrobras (PBR)** raises its jet fuel prices by approximately 55%.
- **UAE aluminium smelter** seeks to sell feedstock after plant hit.
- **Saudi Arabia's oil exports dropped by around 50% in March amid the closure of the Strait of Hormuz by Iran, reported suggest.**
- **Indian government official** said Indian rules do not allow crude oil exports.
- **Saudi Aramco and Sonatrach raise LPG prices for April by between 38% and 80%.**
- **South Korea President Lee orders ways to ship crude oil from the Red Sea, Blue House said.**
- **Indian government official** said prices of agro commodities are broadly stable and closely monitored; states are being asked to use fertilisers judiciously.
- **The first LNG deliveries from Oman to Germany have started despite the Iranian war, German Magazine Capital reported.**
- **UK PM Starmer** said the fuel duty will remain where it is until September. Prepared to take leadership role in reopening Hormuz.
- **Malaysian Government Spokesperson** said a few ships in queue to pass the Strait of Hormuz and will not pay any toll.

EUROPEAN DATA

- **EU Unemployment Rate (Feb) 6.2% vs. Exp. 6.1% (Prev. 6.1%).**
- **EU S&P Global Manufacturing PMI Final (Mar) 51.6 vs. Exp. 51.4 (Prev. 50.8, Low. 51.4, High. 51.4).**
- **UK S&P Global Manufacturing PMI Final (Mar) 51.0 vs. Exp. 51.4 (Prev. 51.7, Low. 49.9, High. 51.9).**
- **Italian Unemployment Rate (Feb) 5.3% vs. Exp. 5.2% (Prev. 5.1%).**
- **Italian S&P Manufacturing PMI (Mar) 51.3 vs. Exp. 50.8 (Prev. 50.6).**
- **German S&P Global Manufacturing PMI Final (Mar) 52.2 vs. Exp. 51.7 (Prev. 50.9, Low. 50.9, High. 51.7).**
- **French S&P Global Manufacturing PMI Final (Mar) 50.0 vs. Exp. 50.2 (Prev. 50.1, Low. 50.2, High. 50.2).**
- **Spanish S&P Manufacturing PMI (Mar) 48.7 vs. Exp. 50.5 (Prev. 50.0).**
- **Swedish Swedbank Manufacturing PMI (Mar) 56.3 (Prev. 56.1).**

NOTABLE HEADLINES

- **French government** is watching the Pernod (RI FP)-Brown-Forman (BF.B) talks 'closely', Bloomberg reported.
- **Germany's VDMA** said German Engineering Orders -8% in Dec-Feb Y/Y (Domestic Orders -6%, Foreign Orders -8%).
- **German Economic Institutes confirm cutting 2026 and 2027 GDP growth forecasts.**

TRADE/TARIFFS

- **Swiss government dismisses US accusations in trade investigations related to alleged excess capacity and production in manufacturing sectors.**

CENTRAL BANKS

- **Fed's Musalem (2028 voter) said US monetary policy 'well positioned,' should hold in place 'for some time'.** War shocks have increased risks to the economy and inflation. Can see scenarios to both raise and cut interest rates. Monetary policy is currently at the low end of the neutral range. Supply shocks carry greater inflation risks in the current environment. He is cautious about looking through the impact of energy shocks. Tariffs are still an inflation driver, but their impact should wane.

The economic outlook is highly uncertain. The baseline case sees good growth, moderating inflation, and stable unemployment. He sees unfavourable risks for both inflation and jobs. Financial conditions are broadly accommodative. He does not see broad stress from private credit issues.

- **Fed's Barkin (2027 voter) said consumer spending still seems resilient, do not see inflation expectations at risk of breaking out.** Barkin expects slow progress on inflation, not a quick return to target. Goods firms feel pricing power is limited, but services firms feel they have it. Households and firms see oil shock as short-term.
- **Fed's Barr (voter) says inflation has been brought down from 2022 highs** to about 3% today, but emphasises the Fed has more work to do to get it down to 2% via continued rate adjustments.
- **BoJ new Board Member Asada does not comment on any specific stance.** Rising oil prices put upward pressure on inflation while weighing on growth, creating a stagflationary trend.
- **ECB's Makhlouf said he's not ruling anything in or out; a prolonged war would bring the ECB's adverse scenario closer.**
- **ECB's Stournaras said if oil prices rise over USD 150/bbl Europe could face a recession.**
- **ECB's Dolenc said ECB's adverse scenario is more likely to be the next baseline and current baseline is more like the best-case scenario.**
- **BoE Governor Bailey said he still thinks markets are getting ahead of themselves by pricing in rate hikes, according to a Reuters interview.** We will have to act if appropriate but tackling source of energy price shock is most important. If we have prolonged high energy prices and supply disruption, it will strain many countries "quite seriously". I'm very clear we need to return inflation to target in way that causes least damage to growth and jobs. We look at inflation expectations very carefully, but short-run often follows headline inflation. Businesses I speak to say they have "a real lack of pricing power". UK growth is below potential, labour market softening. MPC may debate case for a precautionary rate rise, but need to judge that in context of remit and how to return inflation to target. Gilt market moves "orderly but stretched", we're watching it hourly. Need to watch out for investor loss of confidence in private credit.
- **BoE FPC Minutes: Investor sentiment relating to risky credit markets, particularly private credit, had worsened before the conflict started.**

GEOPOLITICS

RUSSIA-UKRAINE

- **IEA Chief Birol said more than 12mln BPD of oil supply has been lost so far due to the Middle East crisis; the current crisis is worse than the 1970s oil shocks and the loss of Russian gas in 2022 combined.**
- **Russia's Kremlin, when asked if Russia has given Ukrainian troops two months to leave Donbas, said Ukrainian President Zelensky should have taken the decision to withdraw his forces "yesterday".**
- **US extended a Russian oil transit license via Kazakhstan to China until March 2027, according to IFX cites Kazakh Energy Ministry.**

MIDDLE EAST

- **US President Trump ahead of speech this evening, said 'we've had full regime change' in Iran, according to Reuters interview.** 'We're going to be out of Iran pretty quickly,' won't give a timeline. Have some more targets left; if we have to, we'll come back to do spot hits. Reiterates that Iran will not have a nuclear weapon, nor do they want one. Will express disgust with NATO in his speech today. 'Absolutely' considering withdrawing the US from NATO. Does not care about nuclear material; will watch by satellite.
- **US President Trump said new Iran President has asked for a ceasefire; US will consider when Hormuz is open.** "Iran's New Regime President, much less Radicalized and far more intelligent than his predecessors, has just asked the United States of America for a CEASEFIRE! We will consider when Hormuz Strait is open, free, and clear. Until then, we are blasting Iran into oblivion or, as they say, back to the Stone Ages!!! President DJT".
- **US President Trump said he is strongly considering pulling the US out of NATO after it failed to join his war on Iran, The Telegraph reported.**
- **US President Trump ahead of speech this evening, said 'we've had full regime change' in Iran, according to Reuters interview.** 'We're going to be out of Iran pretty quickly,' won't give a timeline. Have some more targets left; if we have to, we'll come back to do spot hits. Reiterates that Iran will not have a nuclear weapon, nor do they want one. Will express disgust with NATO in his speech today. 'Absolutely' considering withdrawing the US from NATO. Does not care about nuclear material; will watch by satellite.
- **Iran says Strait of Hormuz won't reopen based on Trump's 'absurd' display and only Iran and Oman will decide the future of the Strait of Hormuz.**
- **Iran has struck Amazon (AMZN) servers in Bahrain.**
- **Iranian Foreign Minister, when asked about the status of negotiations with the US, said "No decision has been made yet. We have many considerations. Our conditions for ending the war are very clear. We do not accept the ceasefire; We seek a complete end".**

NORTH AMERICAN DATA

- **US ISM Manufacturing PMI (Mar) 52.7 vs. Exp. 52.3 (Prev. 52.4, Low. 50.6, High. 53.5)**
- **US ISM Manufacturing New Orders (Mar) 53.5 (Prev. 55.8)**
- **US ISM Manufacturing Prices (Mar) 78.3 vs. Exp. 72.5 (Prev. 70.5, Low. 71, High. 80)**
- **US ISM Manufacturing Employment (Mar) 48.7 (Prev. 48.8)**
- **US S&P Global Manufacturing PMI Final (Mar) 52.3 vs. Exp. 52.4 (Prev. 51.6)**

- **US Retail Sales MoM (Feb) M/M 0.6% vs. Exp. 0.4% (Prev. -0.2%, Low. 0.2%, High. 0.8%).**
- **US Retail Sales YoY (Feb) Y/Y 3.7% vs. Exp. 2.9% (Prev. 3.2%).**
- **US Retail Sales Ex Autos MoM (Feb) M/M 0.5% vs. Exp. 0.3% (Prev. 0%, Low. 0.0%, High. 0.5%).**
- **US Retail Sales Ex Gas/Autos MoM (Feb) M/M 0.4% (Prev. 0.3%).**
- **US Retail Sales Control Group MoM (Feb) M/M 0.5% (Prev. 0.3%).**
- **US ADP Employment Change (Mar) 62K vs. Exp. 40K (Prev. 63K, Low. 35K, High. 96K).** Median pay changes: Job stayers wage growth 4.5% (unch). Job changers 6.6% (prev. 6.3%).
- **US MBA Mortgage Applications (Mar/27) -10.4%.**
- **US MBA 30-Year Mortgage Rate (Mar/27) 6.57%.**

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