

European Market Wrap - 2nd April 2026

- European bourses dragged lower given the risk tone; Euro Stoxx 50 -2.2%.
- Overnight, President Trump dampened expectations of de-escalation; he stated that the US will hit Iran very hard over the next 2-3 weeks.
- WTI and Brent both soar beyond USD 105/bbl, to the detriment of fixed benchmarks.

EQUITIES

- **European bourses (STOXX 600 -1.3%)** are set to end the last trading session of the week entirely in the red, however holding onto this week's gains. To add, the STOXX 600 is to finish with its biggest weekly gains since November 2025. The FTSE 100 is to finish with as the outperformer, being supported by **oil names (BP, Shell)**, while the DAX 40 remained the laggard.
- **Sectors** held its negative bias, with **Energy and Food, Beverages and Tobacco** remaining as the only sectors with gains. **Technology** held onto its morning losses, while **Banks and Basic Resources** also underperformed.
- Downgrades for **Akzo Nobel and Lufthansa** drove shares lower, with Akzo Nobel downgraded to neutral from buy at Goldman Sachs while the latter was downgraded to equal weight from overweight at Morgan Stanley. For **Bayer**, the Co. was under pressure following an FT report stating that the Trump administration is preparing to impose 100% tariffs on certain medicines in a push to bring pharmaceutical manufacturing to the US.
- **US equity futures** began the cash session with losses between 1.5-2% and is set for its 10th consecutive Thursday of declines. **Blue Owl (OWL)** saw pressure pre-market after the Co. announced that it has received withdrawal requests estimated at 21.9% of the fund's shares in Q1. For **Tesla (TSLA)**, the Co. released Q1 total deliveries that missed analyst estimates, resulting in shares slipping heading into the cash session.

FX

- **DXY surged overnight after US President Trump** poured cold water on market optimism surrounding a near term end to the Iranian conflict. He said that the mission in Iran will be finished very fast and the **US will hit Iran very hard over the next 2-3 weeks. Trump also warned that the US will strike Iran's electric plants if there is no deal and could also target its oil facilities.** From a geopolitical angle, markets will await any clarity on what direction the conflict is heading – Good Friday tomorrow heading into the weekend, before **Trump's Iran deadline on April 6.**
- **From a data perspective, challenger job cuts rose to 60.62k (prev. 48.307k)**, with approximately 25% of the layoffs associated to firms shifting budgets to AI rather than staffing. Sticking on the labour market, jobless claims printed at 202k, beneath the expected 215k, but overall highlight the ongoing **"low fire, low hire"** theme. Some modest pressure was seen in the index following the challenger job cuts report, but little moved on the claims figure. **Good Friday will see the NFP report be published as usual** – expectations are for the economy to add 65k jobs in March, with the unemployment rate to remain steady at 4.4%. (A full preview can be found in the Research Suite)
- **G10s were entirely lower against the USD.** High-beta currencies such as the **Antipodeans** and **SEK** are underperforming this morning, given the risk tone; **CAD** fared better vs peers. **GBP** also sat right towards the foot of the G10 pile and underperformed vs the **EUR**. A Wednesday rally in Gilts and traders believing the BoE may be slower vs the ECB in containing the energy shock may explain the slight underperformance between the two. **Cable** set to end the European session at the lower end of a 1.3181-1.3320 range.
- **CHF** was also amongst the worst performers against the USD, but was incrementally losing against the EUR. Earlier, a cooler-than-expected (but hotter-than-prior) **Swiss inflation report** spurred some modest pressure in the Franc, before then reversing soon after. In a bit more detail, headline Y/Y printed at 0.3% (exp. 0.6%, prev. 0.1%); M/M 0.2% (exp. 0.5%). Much of the upside was facilitated by stronger energy prices, leading inflation to the strongest in over a year, and back away from the lower end of the SNB's 0-2% target. For the time being, this will help alleviate fears at the Bank of bringing back negative interest rates, though policymakers have long reiterated that there is a high bar for such a move.
- **South Korean Vice Finance Minister** said they are closely monitoring FX market as speculative trading is being seen; to respond sternly to excessive herd-like behaviour FX markets.

FIXED

- **A bearish session for fixed income** after Trump's primetime address reignited tensions into the long weekend; note, March BLS NFP report due on Good Friday.
- As it stands, **benchmarks are set to end the day well into the red**, with losses of around five ticks for USTs, vs 15+ at most; 50 ticks for Bunds, vs 65 at most; and, 60 ticks for Gilts, vs 90 at most.
- Specifics for the space, since Trump's address, have been relatively light. The **complex has managed to move marginally off worst levels despite further pressure being seen in the energy space** across the day.
- **No significant move to data** across the day. US weekly claims were below consensus and fell from the prior while Challenger job cuts for March lifted to just over 60k from 48k.
- Ahead, **we await Fed speak** from Logan (2026) and Bowman (voter); text and Q&A expected from Logan, who has not provided comments since the conflict began.

- Finally, to briefly recap, APAC trade saw **JGBs** follow suit to the bearish bias but with the added catalyst of Berkshire mandating banks for potential benchmark Yen-denominated bond issuance.

COMMODITIES

- **Crude futures** have surged higher during the European session, with **WTI May'26** extending above USD 110/bbl and potentially setting up for its biggest daily climb since March 2021. Price action was initially driven by President Trump's nationwide address in which he failed to de-escalate any tensions with Iran. He stated that Iran will be finished very fast and hit very hard over the next 2-3 weeks, while threatening to strike electric plants, and possibly oil facilities, if there is no deal. This prompted Iranian officials to warn of increased missile strikes, further attacks on US-linked steel and aluminium facilities in Gulf states and American army bases.
- The day's surge in oil prices comes ahead of the OPEC+ JMMC meeting on Sunday 5th. The group is to decide whether to proceed with a planned 206k BPD output increase or maintain or extend cuts to stabilise markets amid heightened volatility. Reuters citing sources suggested that **OPEC+ is likely to consider a further oil output quota hike** to prepare for any easing of Hormuz export constraints.
- **Spot gold** has slipped back below the USD 4,600/oz handle as the stronger dollar and further supply-driven inflation fears weigh on the yellow metal. The initial claims figure and trade data failed to stoke a move in gold as investors de-risk heading into an extended weekend.
- **3M LME copper** came under pressure throughout European trade as the global risk tone sours. The red metal is set to close at the bottom end of a USD 12.2k-12.5k/t range. News that President Trump is expected to overhaul US steel and aluminium tariffs, with finished goods made from imported metals potentially facing a 25% duty has also weighed on the broader metals space.
- **Brazil's President Lula** said government considering repurchasing Bahia refinery for Petrobras (PBR); we will annul latest Petrobras LPG auction due to high prices.
- **Russia is likely to experience oil production cuts following drone attacks, Reuters reported citing sources.**
- **OPEC+ is likely to consider a further oil output quota hike at its Sunday meeting to prepare for any easing of Hormuz export constraints, Reuters reported citing sources.**
- Colonial has restarted its gasoline pipeline after its damage in Georgia.
- South Korea's Blue House denies the report regarding considering fees on passing through Hormuz.
- Iraq's oil ministry said it has begun exporting oil through Syria.
- The 8 members of the OPEC+ group still plan to hold their virtual meeting on the 5th of April, according to Kpler's Bakr.
- China has reportedly asked private refiners to maintain fuel output at all costs.
- Russia imposes ban on gasoline exports for producers until the end of July, IFX reported.
- Citi sees Q2'26 average forecast for Brent at USD 95/bbl in the base case and USD 130/bbl in the bull case.

EUROPEAN DATA

- Italian Retail Sales MoM (Feb) M/M 0.0% vs. Exp. 0.4% (Prev. -0.8%).
- Italian Retail Sales YoY (Feb) Y/Y 1.6% (Prev. 2.3%).
- French Budget Balance (Feb) -32.1B (Prev. -9.7B).
- Swiss Inflation Rate MoM (Mar) M/M 0.2% vs. Exp. 0.5% (Prev. 0.6%, Low. 0.2%, High. 0.9%).
- Swiss Inflation Rate YoY (Mar) Y/Y 0.3% vs. Exp. 0.6% (Prev. 0.1%, Low. 0.1%, High. 1.0%); Core 0.4% (prev. 0.4%). Domestic Products 0.4% (prev. 0.6%). Imported Products 0.5% (prev. -1.6%). Energy & fuels 0.5% (prev. -4.4%). Diesel 3.5% (prev. -4.4%). Petrol -0.2% (prev. -5.8%).

NOTABLE HEADLINES

- French President Macron reiterates it is unrealistic to free the Strait of Hormuz by military means.
- French Finance Minister Lescure said new measures to support data centre installations in France will be announced soon.

TRADE/TARIFFS

- The EU is discussing setting up digital tech dialogue with the US and reiterates that digital legislation is not up for negotiation.
- China's MOFCOM said they are to enhance communications with the US on trade.

CENTRAL BANKS

- ECB's Panetta said leading indicators are pointing towards a slowdown in the economy; tensions in energy markets are a cause for concern not only for the immediate impact, but also on growth. Non-bank financial intermediaries in some sectors show levels of leverage and liquidity which could prove inadequate during periods of acute stress.
- ECB Economic Bulletin Issue 2, 2026: The risks to the growth outlook are tilted to the downside, especially in the near term.
- ECB's Simkus said caution is needed on rates and it is too early to say what is needed at the April meeting.
- BofA Global Research expects the BoE to deliver two 25bp rate hikes in June and July 2026 (vs prior forecast of cuts in June and September); expects the BoE to deliver three 25bp rate cuts in April, July and November 2027.
- BoE DMP (Mar): 1yr ahead CPI expectation 3.5% (prev. 3.00%), 3yr ahead CPI expectation 2.7% (prev. 2.8%). Overall uncertainty rose, with 57% of firms reporting that the overall level of uncertainty facing their business was high or very high, up by 10 percentage points from February. Firms are adjusting their expectations as a result of the recent increases in energy prices.
- PBoC said it conducted net purchases of sovereign bonds worth CNY 50bln in March on the open market.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian President Putin** held a call with Saudi Crown Prince MBS, discussed oil operations within OPEC+ alongside the Middle East situation, Russia's Kremlin said via IFX and RIA.
- **Russia is likely to experience oil production cuts following drone attacks, Reuters reported citing sources.**
- **Russian President Putin** is to hold a call with Saudi Crown Prince MBS, Tass reported.
- **Russian President Putin** said Russia and Egypt could discuss creating grain and energy hubs in Egypt, according to Ifx.
- **Russia imposes ban on gasoline exports for producers until the end of July, IFX reported.**

MIDDLE EAST

- **IRGC say they targeted US-linked steel and aluminium facilities in Gulf states, state media reported; adds that the strikes were a warning and that if Iranian industries are hit again, Tehran's next response will be more painful.** The following targets were struck and their key sections destroyed: US steel industries located in Abu Dhabi, UAE. US steel facilities in Abu Dhabi, UAE. Undamaged sections of the US aluminium industries in Bahrain. Rafael Weapons Industries. Hideouts of the US "terrorist army" forces near the city of Manama. Post adds: "In this missile and drone operation, dozens of American "terrorists" were killed and injured. The impact sites were immediately quarantined by security forces, but ambulance traffic continued for hours to evacuate the wounded."
- **Iran's Ghalibaf** said in less than a week, country has brought forward around 7mln Iranians who have already stepped up and declared they're ready to pick up arms and stand in defense of Iran.
- **Philippines** said Iran has assured safe passage of vessels.
- **Israeli sources say they have not been given the green light from the US yet for Israel to target infrastructure in Lebanon, Al Hadath reported.**
- **Iranian President Pezeshkian** said attacking Iran's vital infrastructure shows an inability to achieve a sustainable solution, IRNA reported.
- **Iran's military spokesperson said bigger, wider and more damaging attacks are coming soon, Tasnim reported.**
- **US Embassy in Baghdad has told US citizens to leave Iraq with expectations of Iran-aligned militia to carry out attacks in central Baghdad within 24-48 hours.**
- **UAE Minister** said the UAE is ready to participate in any measures to secure navigation in Hormuz, via Al Hadath; It is not possible to coexist with an Iranian regime that possesses military capabilities threatening the countries of the region.
- **Pakistan foreign ministry spokesperson said there is no confirmation so far of any US delegation arriving for talks.**

NOTABLE NORTH AMERICAN NEWS

- **IMF** said near term risks to economic activity and employment are broadly balanced in the US, though the outlook for global energy prices poses upside risks to inflation. US growth projected to rise to 2.4% in 2026, fading tariff effects and lower oil prices should bring core PCE inflation back to 2% during H1'27.
- **US Senate** said to reject House version of DHS funding bill.

NORTH AMERICAN DATA

- **US Continuing Jobless Claims (Mar/21) 1841k vs. Exp. 1840k (Prev. 1819k).**
- **US Balance of Trade (Feb) -57.30B vs. Exp. -59.2B (Prev. -54.5B, Low. -73B, High. -52.1B).**
- **US Initial Jobless Claims (Mar/28) 202k vs. Exp. 215k (Prev. 210k, Low. 197k, High. 216k).**
- **US Jobless Claims 4-week Average (Mar/28) 207.75K.**
- **US Imports (Feb) 372.1B vs. Exp. 364B (Prev. 356.6B).**
- **US Exports (Feb) 314.8B vs. Exp. 304B (Prev. 302.1B).**
- **US Goods Trade Balance Adv (Feb) -84.6B vs. Exp. -84B (Prev. -80.8B).**
- **US Challenger Job Cuts (Mar) 60.620K (Prev. 48.307K).**

NOTABLE US EQUITY HEADLINES

- **Blue Owl (OWL) :** Credit Income Co. received withdrawal requests estimated at 21.9% of the funds shares in Q1; Technology Income Co. received withdrawal requests estimated at 40.7% of fund shares in Q1. Credit Income Co. Resulted in USD 116mln net outflows, less than 1% of NAV as of end-2025. Liquidity of c. 11x the amount to be redeemed. To fulfill tender offer for 5% of the fund's shares. Technology Income Co. Resulted in USD 52mln of net outflows, less than 2% of NAV as of end-2025. Liquidity of c. 7x the amount to be redeemed. To fulfill tender offer for 5% of the fund's shares.

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