

European Market Wrap - 20th April 2026

- European bourses pressured after the Strait was shut once again; energy gained, fixed pressured.
- US President Trump says VP Vance and US delegation on route to Islamabad for Iran talks, NYP reports.
- Senior Iranian official said Iran is positively reviewing participation in peace talks with the US, though no final decision has been made yet.

EQUITIES

- **European bourses (STOXX 600 -0.8%)** are to end the session with notable losses, spurred primarily by the weekend development that Iran has shut the Strait of Hormuz. A slight reprieve was seen after Reuters reported that a senior Iranian official said positive efforts have been started by Pakistan to end the US blockade and ensure Iran's participation in talks. However, this didn't unseat the **DAX 40 (-1.0%)** and the **SMI (-1.1%)** as the underperformers.
- **Sectors** held its negative bias. **Energy** maintained the top spot while **Autos and Travel & Leisure** lagged.
- **Banks** were in focus after Barclays downgraded Deutsche Bank to equal weight from overweight; their analysts cut the 2028-28 EPS estimate by 4-8%. On the other hand, Commerzbank, Julius Baer and UBS were upgraded by Barclays, with Commerzbank benefiting from a "valuation floor" placed from UniCredit's offer, while UBS was helped by reduced Credit Suisse integration risk.
- **US equity futures** started the cash session with only modest gains, after being down as much as 1% due to the weekend geopolitical updates. Pertinent US updates thus far, include **GOOGL** in talks with **MRVL** on two AI chips and **META** layoffs.

FX

- **FX began the session with a risk-off bias** amid geopolitical escalation and the subsequent energy follow-through. However, **the mood improved throughout the session**, especially around the US cash equity open where we saw DXY slip into negative territory surrounding reports that the US VP is en route to Pakistan for the second round of US-Iran talks.
- **CHF performed well**, the weekly Sight data implied that the SNB is not currently intervening in the market. Barclays, in a note on Sunday, said "we expect the SNB to remain reluctant to cap franc strength via either negative rates and/or persistently large FX interventions after geopolitical tensions ease." Elsewhere, CAD was unreactive to the softer-than-expected March inflation data. Citi said its house view is for the BoC to continue with 50bp rate cuts in H2 2026.
- Elsewhere, **GBP was resilient against both the EUR and the Buck**. **The UK PM is set to address the Commons at 15:30 BST**, with other political developments; the Sun reporting that Manchester Mayor Burnham met with Former UK Deputy PM Rayner on Friday, not doing much to sway the currency. As mentioned earlier, fortunately for UK assets, few expect any movement from the Parliamentary Labour Party (PLP, the body able to oust the PM), according to POLITICO. MUFG wrote this morning: "So far the negative impact on the pound has been limited, but UK political developments have the potential to trigger a sharper sell-off in the month ahead." Rabo Bank said: "GBP net short positions have fallen slightly. Markets are downplaying the war's impact, but persistent oil supply disruptions are set to push up inflation and weigh on growth, especially in the UK." **Tuesday sees the release of the UK Labour Force Survey for Feb/March.**
- **JPY was the worst performer in the G10 space**, though USD/JPY is to end the European day at a 158.57 low given the recent USD move. In a note on Sunday, **Barclays said it shifted its BoJ hike forecast to June from April**, following harsh (for the BoJ) repricing at the beginning of last week amid a lack of hawkish commentary from Ueda. **JPMorgan also adjusted its call for the April meeting, suggesting it would be a "hawkish hold"**. This morning NHK reported a 7.4 magnitude earthquake off the north-east coast of Japan and a subsequent tsunami warning, though Japanese assets were unreactive.
- **Votes on the digital Euro scheduled for May in the European Parliament** are likely to be delayed, Handelsblatt reported, citing sources. Members of Parliament want to improve the European Commission's draft legislation in approximately 1,500 places. According to insiders, several aspects remain unresolved.
- **RBI reportedly eases some curbs on banks' FX market transactions, Bloomberg reported.**

FIXED

- **Global fixed benchmarks were lower throughout the European session**, with pressure facilitated by higher energy prices amidst the volatile geopolitical environment. In brief, over the weekend **Iran shut the Strait of Hormuz** (after reopening it on Friday), with reporting regarding a second round of talks currently mixed. **Some suggest that the Iranian delegation will be in Islamabad on Tuesday**, though the Foreign Ministry have suggested that no decision has been yet. *Please see the geopolitical section for more details.*
- Updates in today's session were broadly constructive, which helped the fixed complex clamber off lows. Earlier, **a Senior Iranian Official said that Iran is positively reviewing participation in peace talks with the US**, though no final decision has been made yet. A factor which helped USTs lift a few ticks higher to the day's peaks. Most recently, **US President Trump said that VP Vance and US delegation is on route to Islamabad for Iran talks**, via NYP. This helped lift global benchmarks towards highs of the day.
- **USTs** were lower throughout the session, but picked up off lows as the day progressed; currently, US paper is set to end the European day off by around 3 ticks, towards the upper end of a 111-12+ to 111-20 range.

- **Bunds** followed the above, extended losses of c. 40 ticks in early morning trade, bottoming at 125.66 before then reversing back towards losses of around 10 ticks at the time of writing. Geopols aside, focus overnight was on some hawkish **ECB speak via Demarco and Kazaks whilst Kocher** was a bit more cautious. Sticking with the ECB, a recent survey of monetary policy experts by the OMFIF suggested that former **ECB member de Cos is the "most qualified candidate"** in the race to succeed President Lagarde.
- **Gilts** underperformed vs peers. Action ultimately similar to peers, initially lower before clambering off troughs as the session progressed; nonetheless, Gilts are set to end the European day off by around 50 ticks. **UK paper** has continuously seen bouts of underperformance when oil prices rise, given its high dependence on external energy. But also adding to the downbeat narrative was domestic politics, with continued focus on PM Starmer's future. **The Sun reported that Manchester Mayor Burnham met with Former Deputy PM Rayner on Friday**, which has fuelled rumours of the pair launching a leadership challenge.
- **Pakistan upsizes its Eurobond issuance to USD 750mln (prev. USD 500mln), with greenshoe option exercised.**

COMMODITIES

- **A bullish session for energy benchmarks** in reaction to Iran over the weekend reversing the reopening of the Strait of Hormuz, while on Sunday, the US disabled and boarded an Iranian vessel that was attempting to pass the US blockade.
- As it stands, **the main focus is Tuesday's potential US-Iran meeting in Pakistan**. However, reporting around the talks is mixed, and we are yet to get confirmation that they will be going ahead.
- Amidst this, **WTI and Brent got as high as USD 89.60/bbl and USD 97.50/bbl respectively**, with gains in excess of USD 5.00/bbl. However, across the day, as the rate of headlines eased a touch and amid some constructive updates regarding talks, upside pared with benchmarks set to end the European day over USD 1.00/bbl off best.
- For reference, **a chunk of the pullback occurred after US President Trump, according to the NY Post, said VP Vance and the broader delegation were on the way to Islamabad.**
- Moving to metals, **spot gold and silver** came under pressure amid the renewed disruption in Hormuz and attached inflation concerns, at most XAU down to a USD 4737/oz trough, with losses of c. USD 100/oz at most.
- **Base metals** were also in the red. Reacting to the firmer USD, risk-off tone and in a pullback from the strongest close since early-February last week. However, **Iron Ore** bucked the bearish trend and benefited from reports of firm Chinese demand.
- **US President Trump tells the Hill that he disagrees with US Energy Secretary Wright's** assessment about gas prices not dropping to USD 3 until next year, sees prices coming down when the war ends.
- **Kuwait has reportedly announced a force majeure on oil exports due to the halt in shipments through the Strait of Hormuz.**
- **ENI (ENI IM) and Repsol (REP SM) reach deal to start exporting Venezuela gas in 2031, Bloomberg reported.**
- **India's Oil Ministry** said the fire at the crude distillation unit at the HPCL refinery has been brought under control.
- **US to host further G20 talks on the war's impact on food and fertilizer, according to reported.**
- **Spanish Energy Minister** said the nation's jet fuel stocks are at a maximum.
- **A fire has reportedly broken out at an oil refinery in India's Rajasthan.**
- **Three tankers sailed through the Strait of Hormuz on Monday, according to ship tracking data.**
- **Kpler believes the "jet fuel market is structurally short, with around 700 kb/d of Middle Eastern and Chinese supply removed and refinery runs now declining, tightening balances further."**
- **Iraq's Oil Ministry** said exports through the Kirkuk-Ceyhan pipeline will resume within days at 500k BPD, according to Al Jazeera.
- **Dutch Government reportedly allocates EUR 950mln for energy price compensation.**
- **EU will propose measures to optimise jet fuel distribution, and help secure alternative supplies as flows through the Strait of Hormuz remain halted, Bloomberg reported.** The European Commission is expected to announce on Wednesday that the measures could be proposed as early as next month.
- **ENEOS (5020 JT)** said checking the impact of earthquake on Sendai Refinery (155k BPD).
- **China's silver imports hit record levels in March amid strong demand from retail investors and the large solar industry.** Investors turned to silver bars as a cheaper alternative to gold, while manufacturers front-loaded production ahead of tax rebate changes.
- **Indonesian Government Minister** said no longer see LNG deficit this year.
- **Ukraine's Drone Force Commander** said Russia's Tuapse oil refinery was struck overnight.
- **Hungary's Outgoing PM Orban signalled his readiness to lift Hungary's blockade of the EUR 90bln loan to Ukraine, if Ukraine restores oil deliveries to Hungary.**

EUROPEAN DATA

- **German PPI MoM (Mar) M/M 2.5% vs Exp. 1.4% (Prev. -0.5%).**
- **German PPI YoY (Mar) Y/Y -0.2% (Prev. -3.3%).**

NOTABLE HEADLINES

- **UK Government reportedly to raise taxes on wind and solar farms to push them onto fixed-price contracts for difference, FT reported.**
- **UK PM Starmer unknowingly misled parliament, according to Guardian citing PM spokesman.** "The prime minister would never knowingly mislead Parliament or the public. He's clear, though, that this information should have been provided to Parliament. It should have been provided to him, it should have been provided to other government ministers.. "But he clearly did not have this information - that is the crucial fact - he clearly did not have this information when he previously spoke to Parliament."

- **German industry** is expected to stagnate at best in 2026, BDI industry association said. Germany has fallen every year since 2022, and a recovery is not expected for 2026. BDI cited higher energy costs, supply chain risks, and domestic structural weaknesses, including high labour, tax, bureaucracy, and energy costs, as factors eroding Germany's competitiveness. Warned that the manufacturing sector could contract for a fifth straight year if shipping disruptions persist, and urged the government to agree on a reform package by summer to spur growth and investment.

TRADE/TARIFFS

- **Chile Government** announces the agreement with the US on mining and security.
- **India's Commerce and Industry Minister** said India is discussing preferential access mechanism in US FTA.
- **China** said it has submitted comments to the European Commission on proposed revisions to the Cybersecurity Act, warns that the changes would harm trade ties and that Beijing could take countermeasures, according to a statement.
- **German Chancellor Merz** said there is potential in Brazil for critical metals and Germany can offer tech support.

CENTRAL BANKS

- **BoJ** is reportedly likely to keep rates on hold at April's meeting, Reuters reported citing sources; decision due to prolonged impact of Middle East war. The report said that the BoJ may still signal a readiness to hike given increasing price pressures, potentially as early as June.
- **ECB's Rehn** said there is no set rate path, starting point is reasonably balanced.
- **BCB Economist Poll: 2026 Selic rate 13.00% (prev. 12.5%), 2027 Selic rate 11.0% (prev. 10.50%).**

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukraine's Drone Force Commander** said Russia's Tuapse oil refinery was struck overnight.
- **Hungary's Outgoing PM Orban** signalled his readiness to lift Hungary's blockade of the EUR 90bn loan to Ukraine, if Ukraine restores oil deliveries to Hungary.

MIDDLE EAST

- **Iran** reversed the brief reopening of the Strait of Hormuz and said the waterway had returned to "strict control" after accusing the US of not meeting its obligations and refusing to lift the blockade on Iranian ports, with at least three attacks reported on commercial ships following the re-closure, including Iranian gunboats firing on a tanker and an attack on a cargo vessel near the strait that damaged containers on board.
- **US President Trump** said on Saturday that Iran got "a little cute" by closing the Strait again, but added there were still "very good conversations" going on.
- **US President Trump** announced on Sunday an Iranian-flagged cargo ship named TOUSKA tried to get past the US naval blockade, but the Navy Guided Missile Destroyer USS SPRUANCE intercepted it in the Gulf of Oman and gave a warning to stop. The Iranian crew refused, after which the US Navy ship disabled the vessel by blowing a hole in the engine room. Trump added that US Marines have custody of the vessel, and they are seeing what's on board. It was separately reported that Mehr News Agency claimed US forces fired on an Iranian merchant ship to force it to return to territorial waters, but were then forced to flee after the rapid response of IRGC naval units.
- **US President Trump** posted on Sunday that "Iran decided to fire bullets yesterday in the Strait of Hormuz – A Total Violation of our Ceasefire Agreement!", while Trump stated that his representatives are going to Islamabad and will be there on Monday evening for negotiations.
- **US President Trump** said **VP JD Vance**, Special Envoy Witkoff and Jared Kushner will head to Islamabad, Pakistan, for fresh talks with Iran, and will arrive on Monday evening, according to a White House official.
- **A US senior official** said that if there is no breakthrough soon, the Iran war could resume in the coming days, and that the situation with Iran is at a critical point.
- **Pakistan Army Chief Munir** spoke to **President Trump** and told him that the Hormuz blockade is a hurdle to talks, according to a Pakistani security source cited by Reuters; Trump reportedly told Munir that he would consider his advice.
- **Iran will send a delegation to a second round of talks** with the US despite the latest escalation in the Strait of Hormuz, Anadolu Agency reported, citing two Pakistani sources.
- **Pakistani Journalist Mallick** posted "To my understanding, regardless of the statements and posturing, the second round of talks in Islamabad are to go ahead as per schedule and what is that schedule, only the parties know about the exact schedule."
- **Iranian authorities** have expressed willingness to send a delegation for a second round of talks in Islamabad this week, two Pakistani officials said Monday via AP.
- **Senior Iranian official** says positive efforts have been started by Pakistan to end the US blockade and ensure Iran's participation in talks, Reuters reports.
- **US President Trump** says **VP Vance** and **US delegation** on route to Islamabad for Iran talks, NYP reports, and he was willing to meet with senior Iranian leaders if a breakthrough is reached.
- **Israeli and Lebanon representatives** are to hold talks in Washington on Thursday 23rd, according to Reuters citing Israeli sources; Israel to be represented by Ambassador to the US

NOTABLE NORTH AMERICAN NEWS

- **White House strategists, on gasoline prices, said "if we don't see the USD 3/gallon of gas, we're gonna get killed" at the Midterms, Politico reported.** The report said the administration is starting to prepare a longer-term strategy. Politico said that alarm bells are ringing for Republicans in battleground districts after comments from energy Secretary Wright which suggested prices could remain above USD 3.00/gallon until next year.
- **Iran is reviewing the US proposal delivered via Pakistan, ISNA reported.**
- **US Administration officials told Punchbowl, Congress needs to pass the Senate's DHS funding bill by the end of April; "This coming pay period, which ends Friday, is the last that the administration feels it can handle with its executive authority".**

NORTH AMERICAN DATA

- **Canadian CPI Common YoY (Mar) Y/Y 2.6% (Prev. 2.4%).**
- **Canadian Core Inflation Rate YoY (Mar) Y/Y 2.5% (Prev. 2.3%).**
- **Canadian Inflation Rate YoY (Mar) Y/Y 2.4% vs. Exp. 2.5% (Prev. 1.8%).**
- **Canadian Core Inflation Rate MoM (Mar) M/M 0.2% (Prev. 0.4%).**
- **Canadian CPI Trimmed-Mean YoY (Mar) Y/Y 2.2% vs. Exp. 2.3% (Prev. 2.3%).**
- **Canadian Inflation Rate MoM (Mar) M/M 0.9% vs. Exp. 1% (Prev. 0.5%).**
- **Canadian CPI Median YoY (Mar) Y/Y 2.3% vs. Exp. 2.3% (Prev. 2.3%).**
- **Canadian CPI Average of Common, Median and Trimmed (Mar, Y/Y): 2.37% (prev. 2.33%).**

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