

- European bourses were broadly lower; DXY slightly gained, JPY strengthened on a hawkish BoJ announcement, before reversing on Governor Ueda.
- US President Trump is reportedly not satisfied with and is unlikely to accept the Iranian proposal; CNN reports that the US and Iran are not as far apart as they seem.
- UAE announces it will quit OPEC and OPEC+, as of the 1st of May. To bring additional production to the market, in a "gradual and measured manner, aligned with demand and market conditions"

EQUITIES

- European bourses began the morning on a modestly softer footing, hit by crude upside, AI concern re. OpenAI and with numerous earnings throughout the early morning. Performance didn't change significantly across the European day, with bourses set to end it with modest losses; Euro Stoxx 50 -0.2%.
- Individual European movers included: Bayer, -2.9%, after SCOTUS appeared dividend on if the name can be sued or not regarding Roundup; Barclays, -0.4%, beat but set aside over GBP 200mIn provision relating to MFS; Novartis, -0.8%, after missing on top- and bottom-lines for Q1, but did confirm guidance; BP, +0.2%, mixed metrics, but broader energy action overshadowing.
- Stateside, futures were indicative of a softer open and US futures have opened lower, ES -0.3%. The Nasdaq -0.7% lags given AI-related concerns after a report that OpenAI missed its own internal targets for both new users and revenue; an update that his hit the likes of NVDA -2.2%, TSM -2%, AVGO -3.4%, ORCL -3.6% and more.
- Otherwise, the US day thus far has been dominated by earnings. General Motors, -0.7%, beat on metrics and lifted its FY EBIT view. Coca-Cola, +6%, posted a strong report. UPS, -4.4%, hit despite Q1 metrics topping and its guidance being confirmed, as its profit fell some 28% Y/Y.

FX

- FX began the London session risk-off and continued this way as DXY moved higher in tandem with crude prices. Early action dictated by reports that Trump is "unlikely" to accept Iran's three-stage proposal. Thereafter, in the European afternoon, the UAE announced it would quit OPEC and OPEC+ as of the 1st of May, an update which saw crude benchmarks lower by USD 2/bbl, and as such, saw DXY knocked from session highs of 98.87 to a current 98.70. Nonetheless, the index still posts gains of 0.2% on the session. Another leg lower in the index could see a test of its 100- and 200-DMA levels at 98.48 and 98.53, respectively.
- USD/JPY held within a busy 158.96-159.78 range today. Overnight, the pair sank post-BoJ, which was more hawkish than expected, but then entirely reversed the move after Governor Ueda avoided any overt language to timings of the next hike. In a bit more detail, the BoJ stood pat on rates in a more hawkish-than-expected 6-3 vote split; the Bank also lifted its inflation forecast for 2026. Thereafter, in the post-announcement presser, Ueda noted that by June, there will probably not be big upward pressure visible in CPI data.
- GBP lags peers as the political landscape sours ahead of a crucial vote on whether PM Starmer should be referred to the Privileges Committee. (Full primer at 09:05 BST). Citi writes "Strategists continue to favor EURGBP upside on potential central bank divergence and political/fiscal risks in the UK". EUR/GBP rose for most of the European session, though the move stalled at 0.8678, marking session highs. For Europe specifically, the ECB SCE was hawkish - 1yr-ahead inflation is seen rising to 4% (prev. saw 2.5%) - this is the highest level since October 2023. Focus now turns to the ECB on Thursday, where circa. 70bps worth of hikes is priced in for the year.

FIXED

- Fixed under pressure early doors as energy climbs and with some influence from a hawkish hold from the BoJ. Thereafter, no real respite from Governor Ueda being non-committal around the timing of the next move or a significant, but somewhat short-lived, drop in crude as the UAE left OPEC.
- USTs hit a 110-22+ low, into an evening that is likely to be dominated by geopolitics, earnings and looking ahead to the FOMC on Wednesday. We do get supply, 2yr FRN and a 7yr note offered, following a strong 2yr and mixed 5yr on Monday. Note, President Trump is involved in numerous events with the UK King today.
- Bunds bottomed out at 124.84, posting losses of just under 50 ticks at most. The low printed just after the ECB SCE, which was hawkish, but somewhat offset by the BLS findings at the same time; net, the surveys point to a stagflationary environment.
- Gilts gapped lower by 21 ticks and then fell to an 86.45 trough, posting modest underperformance into and during the debate on whether UK PM Starmer should be referred to the Privileges Committee or not. No set time for the vote; however, the indication is that Starmer will not be referred, a point which may provide some short-term relief to UK assets.
- UK sold GBP 1.25bn 4.25% 2032 Gilt Tender: b/c 3.67x (prev. 4.17x), average yield 4.575% (prev. 3.952%), tail -- (prev. 0.1bps).
- UK sold GBP 1bn 0.125% 2028 Gilt via tender: b/c 4.28x (prev. 4.05x), average yield 4.219% (prev. 3.336%), tail 0.3bps

(prev. 0.7bps).

- **China** said to be weighing a second green sovereign bond sale, Bloomberg reported.

COMMODITIES

- **Crude prices started the European morning with gains of around 2%**, and continued to extend higher as the session progressed. **WTI** is set to end the European session higher by around 4.2%, marginally outperforming **Brent** +3.5%. Focus today was on a) **lack of progress between US-Iran, and b) UAE to exit OPEC and OPEC+, effective 1st May** .
- Starting with the former, overnight, **CNN reported that President Trump is not satisfied with the Iranian proposal, adding that he is unlikely to accept it**. But the piece did suggest that the US and Iran are not as far apart as they seem. Thereafter, Pakistani journalist **Mallick reported that Iran's Foreign Minister would not return to Pakistan following his visit to Russia** , adding that he would only head back to the region if his team thinks there is "headway in talks". This spurred some modest strength in the crude complex at the time. Most recently, **US President Trump posted that "Iran has just informed us that they are in a "State of Collapse", adding that "they want us to open the Hormuz Strait"**. Immediate pressure was seen in energy benchmarks, but the downside was ultimately short lived.
- **Some of the divergence in the crude benchmarks today can be explained by the UAE's historic decision to leave the OPEC+** . There was a knee-jerk lower in contracts, before the move soon pared back as UAE reassured markets that additional production would be brought to the market in a **"gradual and measured manner, aligned with demand and market conditions "**. Recent sources have suggested that nothing really changes in the immediacy.
- **Spot gold was pressured throughout the day** , hampered by broader USD strength, and amidst higher energy prices which has boosted inflationary expectations. The yellow-metal is set to end the European session at the bottom end of a USD 4,554-4,701/oz range. Elsewhere, **base metals** were modestly lower in early morning trade, but have continued to slip as the day progressed – a move which followed the broader action in the energy space. **3M LME Copper** briefly slipped below the USD 13k/t mark, to make a trough of USD 12,938.5/t (vs peak of 13,264/t).
- **UAE announces it will quit OPEC and OPEC+, as of the 1st of May. To bring additional production to the market, in a "gradual and measured manner, aligned with demand and market conditions"**. Decision taken after looking at the strategies for the UAE in relation to the energy field, the petroleum sector and other areas. Will enable work to occur with partners and investors to ensure future requirements are being met. See that the world will demand and need more energy. Doing this at the correct time, without significantly impacting the market, due to constraints around the Strait of Hormuz. Did not directly consult with anyone on this decision. Decision taken at a time when consumers need attention, facing an unprecedented period where strategic energy reserves are being depleted to a "scary" level. "This decision does not alter the UAE's commitment to global market stability or its approach based on cooperation with producers and consumers".
- **China** is stepping up customs inspections to enforce its new fertilizer export controls as gaps widen between domestic and international prices that have surged after disruptions linked to the closure of the Strait of Hormuz, Reuters reported.
- **Saudi Aramco extends suspension of LPG deliveries through May**.
- **Commerzbank** said if the increase in oil prices continue, gold prices could fall back towards USD 4,500/oz. said zinc prices have already risen too high, expects another slight correction before it starts to rise again in the medium term; sees little room for lead price to recover, with it likely to end the year at USD 2,100 per ton. Expects palladium prices to rise to USD 1,800 by end-2026.
- **Iranian aluminium production has not changed significantly under war conditions, with output and stock exchange offerings continuing as before, Tasnim reported**. Weekly aluminium ingot supply is typically 5.7-6K tons, with producers able to raise supply to 6.5-7K tons, though downstream demand is insufficient, the report adds.
- **Saudi Arabia reportedly may cut its official June crude selling prices to Asia as spot premiums eased and demand eased**, Reuters reported.
- **ADNOC has told some oil buyers to pick up Gulf supply outside the Strait of Hormuz, as producers look to diversify to other routes and bring their oil to the market, Bloomberg reported**. ADNOC has told customers of the availability of cargoes for loading off Fujairah.

EUROPEAN DATA

- **UK Grocery Inflation (Apr): 3.8% (prev. 4.3%), Worldpanel**.
- **Italian PPI MoM (Mar) M/M 4.4% (Prev. -0.4%)**.
- **Italian PPI YoY (Mar) Y/Y 4.2% (Prev. -2.7%)**.
- **Italian Industrial Sales YoY (Feb) Y/Y 0.5% (Prev. -1%)**.
- **Italian Industrial Sales MoM (Feb) M/M 0.60% (Prev. -0.3%)**.
- **Spanish Retail Sales YoY (Mar) Y/Y 4.1% (Prev. 2.2%)**.
- **Spanish Unemployment Rate (Q1) 10.83% vs. Exp. 9.8% (Prev. 9.93%)**.
- **Spanish Retail Sales MoM (Mar) M/M 1.2% (Prev. -0.1%)**.

NOTABLE HEADLINES

- **UK government has ruled out a temporary rent freeze, FT reported**.
- **Govt sources suggesting only a handful of rebels will vote with the Conservatives this evening to refer UK PM Starmer to the Privileges Committee. Around 20 could abstain, they added, via iPaper reporter Donaldson**.
- **UK Chancellor Reeves** said she will do all she can to help renters when asked about a possible freeze for private-sector rents.
- **Germany** is reportedly preparing a draft budget for 2027 with EUR 110.8bn in borrowing in core budget, +98bn in 2026, Reuters reported citing sources; total borrowing of EUR 196.5bn, incl. special funds.
- **Ahead of the UK Privileges Committee debate, The Times Swinford reported "Morgan McSweeney said that he was**

concerned that Lord Mandelson was not telling the 'full truth'".

- ECB Consumer Expectations Survey: 1yr CPI expectations 4% (exp. 2.8%, prev. 2.5%), 3yr CPI expectations 3.0% (exp. 2.6%, prev. 2.5%).

TRADE/TARIFFS

- China to grant zero tariffs from 1st May 2026 to 30th April 2028 for 20 African countries with diplomatic ties, excluding least-developed nations.
- Indian government official said it is seeking the elimination of import tax on rayon-grade wood pulp.
- Indonesia's Economy Minister said they are going to cut the import duty for naphtha to 0%.

CENTRAL BANKS

- BoJ maintains its short-term interest rate at 0.75%, as expected; vote split 6-3 to hold (exp. near-unanimous); Nakagawa, Takata and Tamura voted to hike by 25bps to 1.0%.
- BoJ Governor Ueda said there are possibilities of a rate hike if either upward risks to prices emerge or downside risks to the economy are limited. By June, probably no big upward pressure appears in consumer price data. It is possible to decide before confirming upward price pressure in price data. Communicating closely with government on monetary policy. When asked if a rate hike is not possible while the Strait of Hormuz is closed, the decision would depend on inflation risks and the economy beyond that. Not thinking there is a high likelihood of the current situation resembling the early 1970s. If the trend inflation overshoots by 2% by a big margin, then strong tightening could be required. In the process of adjusting rates towards neutral, all other conditions being equal. Japan's exposure to private credit is not big; it requires caution, given transparency in the sector is low. Unless significant downside pressure to the economy, a rate hike is possible. Rate hike decision and QT adjustment will be separate. Inflation upward risk could be a reason for raising rates, but not the only reason. Can not say how many months it would take to gauge timing of next rate hike, will look to see if underlying inflation has a clear upward risks. Need to be mindful of further economic slowdown depending on supply shock levels; Japan economy has some degree of endurance.
- BoJ Outlook Report: Real GDP: Fiscal 2026 median forecast 0.5% (prev. 1.0%). Fiscal 2027 median forecast 0.7% (prev. 0.8%). Fiscal 2028 median forecast 0.8%. Core CPI. Fiscal 2026 median forecast 2.8% (prev. 1.9%). Fiscal 2027 median forecast 2.3% (prev. 2.0%). Fiscal 2028 median forecast 2.0%. Dissenters (voted for 25bps hike).
- ECB BLS: Banks tightened credit standards across all loan categories, driven by higher perceived risks and lower risk tolerance. Banks tightened credit standards across all loan categories, driven by higher perceived risks and lower risk tolerance. Banks expect to also tighten credit standards in the second quarter, influenced by geopolitical tensions, energy developments, and higher funding costs. Loan demand from firms and households expected to decrease, resulting from reduced financing for fixed investments, lower consumer confidence, and decreased spending on durables. Nearly half of euro area banks use securitisation to grant new loans, manage credit risk and enhance liquidity and funding, relying on non-bank financial entities to purchase securitised loans.
- PBoC guided banks to increase lending in April, according to sources.
- Hungarian Interest Rate Decision 6.25% vs. Exp. 6.25% (Prev. 6.25%).

MIDDLE EAST

- US President Trump has told advisers he is not satisfied with Iran's latest proposal to reopen the Strait of Hormuz and end the war, NYT reported; a US official said that accepting it [the Iran proposal] could appear to deny Trump a victory. The proposal also called on the United States to end its naval blockade, but would have set aside questions about what to do with Iran's nuclear program. A US official also said that accepting it [the Iran proposal] could appear to deny Trump a victory. US officials say Iran's leadership has not authorised its negotiators to make concessions on the nuclear deal, frustrating any attempts to forge a compromise or peace agreement. At the heart of the debate over whether to accept the Iranian proposal were discussions in the Trump administration about the issue of economic leverage and what further American military operations would be needed to get Tehran to make significant concessions in negotiations. Some administration officials believe that continuing the blockade for two more months would cause significant long-term damage to Tehran's energy industry. "Without a resumption of military action, there is little reason to think the Iranian position will shift."
- US President Trump is reportedly sceptical of Iran's Strait of Hormuz proposal, WSJ reported citing sources; said White House will continue to negotiate with Iran; White House expected to provide its response and counterproposals in the coming days. President Trump and his national security team are sceptical of Iran's offer to open the Strait of Hormuz in exchange for tabling discussions on its nuclear work, according to US officials. Trump discussed the offer with aides on Monday morning, expressing doubts about Iran's good faith and its willingness to meet his key demand of ending nuclear enrichment and committing never to develop a nuclear weapon. The US plans to continue negotiations with Iran, with the White House expected to provide its response and counterproposals in the coming days. White House spokeswoman stated that the US will not negotiate through the press and that anything not announced by President Trump or the White House should be considered speculation.
- US and Iran are not as far apart as they seem, and that the first part of any potential agreement will focus on opening the Strait of Hormuz without restrictions or fees, CNN reported, citing sources. The US and Iran may not have met for a second round of talks in Pakistan, but the two sides are not as far apart as they seem, according to sources familiar with the mediation process. Intense diplomacy continues behind the scenes, the sources say, and ongoing talks are centred around a staged process in which the first part of a potential deal would focus on returning to the status quo before the war and reopening the Strait of Hormuz without restrictions or tolls. The issue of Iran's nuclear program – which both the US and Israel cited as their casus belli – would be addressed later. US President Donald Trump has previously said that any deal would require Iran to forfeit its

supply of near bomb-grade uranium and give up enrichment, demands Iran has steadfastly refused to accept. According to the sources, mediators are applying pressure on both sides to reach an agreement, with the next few days being especially crucial. Hanging over it all is the chance that the US may decide to disengage and return to war.

- **US President Trump said "Iran has just informed us that they are in a "State of Collapse" They want us to "Open the Hormuz Strait", as soon as possible as they try to figure out the leadership situation".** Full Post: "Iran has just informed us that they are in a "State of Collapse." They want us to "Open the Hormuz Strait," as soon as possible, as they try to figure out their leadership situation (Which I believe they will be able to do!). Thank you for your attention to this matter! President DONALD J. TRUMP".
- **Iran Defense Ministry Spokesman** said Hormuz will resume after the end of the conflict only if it does not threaten Iran's security, via Tass.
- **Bloomberg's Blas** posted "Something big seems to be cooking in the Middle East: Multiple Emirate commentators are softening the ground for a major diplomatic announcement.". Adds, "Aside Iran, the UAE has been dissatisfied with several neighbors and its membership in several organisations.".
- **A Japanese oil tanker passes through the Strait of Hormuz with Iran's coordination; Idemitsu is an oil tanker that was carrying 2mln bbls of crude oil; it had been stationed in Saudi Arabia since late February.**
- **US Energy Secretary Wright** said administration is focussed on getting the right deal with Iran. noted Iran does not have a huge amount of storage capacity. Not considering an export ban on US energy products. Iran has no need for uranium at 60% enrichment. To announce "historic" pipeline agreements today.
- **US officials are said to be concerned about being drawn into a frozen conflict of no war and no deal with Iran, Axios reported.** US President Trump is vacillating between launching new military strikes or waiting to see if his financial sanctions make Iran more inclined to negotiate an end to its nuclear weapons program, according to advisers. The advisor described POTUS as "frustrated but realistic". Regarding Monday's talks, sources say no decisions were made. Trump was not inclined to accept Iran's proposal, as it would postpone nuclear talks.
- **Israeli PM Netanyahu reportedly told US President Trump the Israel-Lebanon ceasefire is fragile, N12 reported** citing sources. Netanyahu told Trump that he believes that the strategy he has chosen is correct for now, but that it can only succeed if there is no compromise with the Iranians regarding the Strait of Hormuz. Israel and the US see eye to eye on the Iranian issue. n discussions in Israel, the Iranian difficulty in pumping oil from the wells is raised, which puts them in great distress.
- **Iran's Deputy Defence Minister Talaei-Nik** said Tehran is ready to share its defensive weapons capabilities with members of Shanghai Cooperation Organisation.
- **"Iran's Foreign Minister is NOT returning to Pakistan following his Russia visit", journalist Mallick reported; "team is currently in consultation mode and will return when there to Islamabad, soon, when they think there is headway in talks."**

NORTH AMERICAN DATA

- **US S&P/Case-Shiller Home Price YoY (Feb) Y/Y 0.9% vs. Exp. 1% (Prev. 1.2%).**
- **US House Price Index YoY (Feb) Y/Y 1.7% (Prev. 1.6%).**
- **US House Price Index MoM (Feb) M/M 0.0% vs. Exp. 0.2% (Prev. 0.1%).**
- **US S&P/Case-Shiller Home Price MoM (Feb) M/M 0.4% (Prev. -0.1%).**
- **US House Price Index (Feb) 441.4 (Prev. 441.0).**
- **US Redbook YoY (Apr/25) Y/Y 7.7%.**
- **US ADP Employment Change Weekly 39.25K (prev. +40.3K); noted that after strengthening trend, hiring was downwardly revised in the first week of April.**

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