newsquawk

European Market Wrap - 4th May 2026

- **European bourses broadly lower; US equity futures modestly mixed.**
- **Crude benchmarks jumped after Fars reported that two missiles hit a US patrol boat, after earlier warnings were disregarded; later denied by US CENTCOM.**
- **DXY incrementally firmer, JPY whipsawed overnight, but has since pared back towards the 157.00 mark.**

EQUITIES

- **European bourses** opened tentatively on either side of the unchanged mark, but gradually edged lower as the session progressed, alongside continued strength in the energy complex. Markets reacted to **Trump's new plan to "guide" ships through the Strait**; this was met with rejection from the Iranians, **with an official verbally threatening any US attempts of traversing the Strait**. Then, into the afternoon, reports suggested that **two missiles hit a US patrol boat**, later denied by US CENTCOM.
- **European sectors** held a mostly negative bias. **Media** marginally held afloat, joined closely by **Energy** and **Basic Resources**. To the downside, **Autos** underperformed after Trump threatened the EU with 25% tariffs on European cars/trucks, after suggesting that the bloc is not complying with the trade deal. The likes of **BMW** (-1.9%) and **Mercedes** (-1.9%) traded lower throughout the session, whilst **Stellantis** (U/C) managed to stay afloat. The divergence is explained by **BMW/Mercedes** importing many of their cars into the US through European factories, whilst **Stellantis** has a higher industrial presence within the region.
- **US equity futures** (ES -0.1%, NQ +0.2%, RTY -0.2%) are mixed, but ultimately trade tentatively on either side of the unchanged mark. Tier 1 data has been lacking today, but will pick up from tomorrow with **ISM Services** and labour market metrics, which will precede the NFP report at the end of the week. As for key stories today, **GameStop** (-4%), made an offer to buy **eBay** (+9%) for c. USD 56bln, or USD 125/shr in cash & stock; EBAY closed Fri. at 104.07. Elsewhere, **AMD** (-0.7%) slips after a downgrade at HSBC, whilst **Norwegian Cruise** (-5%) steers lower after dismal profit guidance.

FX

- **G10s were broadly flat/mildly lower against the USD this morning**. The **Kiwi** (flat) held towards the top of the pile, whilst the Loonie was the marginally laggard. Price action throughout the morning has been fairly lacklustre; the USD moved at the whim of geopolitical newsflow, whilst JPY traders remained on intervention watch overnight.
- **DXY** looks to end the European session with incremental gains, and towards the upper end of a 97.97 to 98.48 range; the peak matched its 100-DMA. A further bout of upside could see a test of its 200-DMA (98.54) and then 21-DMA (98.56). The HoD was made after reports suggested **that two missiles struck a US patrol boat, but this was later denied by the US CENTCOM, which saw the index reverse gains**. Tier 1 data is lacking for the remainder of the day, but with focus on Fed's Williams and President Trump later. Attention then turns to ISM Services on Tuesday, and then the start of labour market indicators, which will precede NFP on Friday.
- **Focus overnight was on the JPY**, whereby a sharp dip of circa. 38 pips were seen in **USD/JPY** overnight, but this move mostly pared as the session progressed. Touted intervention at this time, but markets will look for confirmation. **USD/JPY** currently trades around 157.00 (vs 155.70 trough). The potential intervention today didn't quite lead the pair down to the recent trough made last week (155.48).
- **India** is reportedly mulling steps to make Dollar inflows more attractive, to help the weak INR, sources suggest; non-resident FX deposit scheme and tax reliefs on foreign government bonds are reportedly being looked into.

FIXED

- **A slightly bearish start for fixed benchmarks gave way to marked downside** as geopolitical updates drove energy higher; see Commodities/Geopolitics for details.
- **USTs** and **Bunds** to lows of 110-10+ and 124.82 respectively, softer by 10 and 48 ticks.
- Enter the US afternoon off, but still in proximity to, the above lows. However, the docket arguably picks up now with **Fed's Williams, Treasury Financing Estimates and then an appearance from President Trump** at a small business summit.
- As a reminder, there was no overnight cash US trade, JGB trade or Gilt trade on Monday due to multiple market closures.

COMMODITIES

- A busy start to the week for energy, with today's **updates enough to lift Brent Jul'26 to a USD 114.30/bbl peak with gains of jus over USD 6/bbl on the day**.
- Overnight action was choppy amid reporting around the Strait of Hormuz and then on Trump saying that while he would review Iran's proposal, it was unlikely to be accepted, and Iran needed to suffer more.
- **Energy was driven higher across the morning** on commentary from **Iran's Major** that any foreign armed force approaching or ir the Strait of Hormuz would be attacked. Thereafter, Fars reported that **two missiles hit a US patrol boat**. Updates that helped lift benchmarks to fresh highs.
- Note, a pullback did occur on a US denial, but the **energy space remains firmer into the European close** with gains of USD

2.80/bbl for **Brent** and **Dutch TTF** around EUR 46.70/MWh vs a peak of EUR 47.63/MWh earlier in the session.

- **Spot gold** has performed inversely to the USD, which itself has largely tracked energy prices and accompanying inflation expectations. Down to USD 4526/oz at most, but enters the US afternoon around USD 30/oz clear of that, but in the red by nearly USD 60/oz.
- **Base metals** followed the risk tone but with action thin on account of several holidays overnight, including Mainland China, and with no LME trade given the UK holiday.
- **German Finance Minister Klingbeil** said they will continue to push for a windfall tax on energy profits.
- **QatarEnergy extended force majeure on its liquefied natural gas supply through mid-June.**
- **EU Commission Spokesperson** said EU commission does not have access to information on commercial contracts of jet fuel; Will issue guidance for airlines on jet fuel this week. Will issue guidance for airlines on jet fuel this week. Upcoming guidance will include use of type A jet fuel.
- **Japan** is reportedly seeking oil supplies from Kazakhstan.

EUROPEAN DATA

- **EU S&P Global Manufacturing PMI Final (Apr) 52.2 vs. Exp. 52.2 (Prev. 51.6)**
- **German S&P Global Manufacturing PMI Final (Apr) 51.4 vs. Exp. 51.2 (Prev. 52.2)**
- **French S&P Global Manufacturing PMI Final (Apr) 52.8 vs. Exp. 52.8 (Prev. 50.0).**
- **Italian** S&P Global Manufacturing PMI (Apr) 52.1 vs. Exp. 51.6 (Prev. 51.3).
- **Spanish** S&P Global Manufacturing PMI (Apr) 51.7 vs. Exp. 49.5 (Prev. 48.7).
- **Swedish** Swedbank Manufacturing PMI (Apr) 57.2 (Prev. 56.3).

NOTABLE HEADLINES

- **Spanish Economy Minister hopes the US honours trade agreement signed last summer, and EU reserves the right to respond to any breach with tools at their disposal.**

TRADE/TARIFFS

- **French Finance Minister Lescure** said France is willing to keep working with the US on trade deal in good faith, other options are on the table with the US if needed. No tariffs will be imposed on the UK.
- **Polish PM** said they will be signing a security agreement with the UK at the end of May.
- **UAE confirms ongoing discussions with the US on an FX swap agreement.**
- **EU Commission President von der Leyen** said the Canada-EU partnership is strengthening.
- **EU Parliamentary Delegation to the US Chair Benifei** said he will call for the European Commission to bring out the "trade bazooka", as they need a mechanism that makes violating trade agreements too costly for the US.

CENTRAL BANKS

- **ECB's de Guindos said it is important to have a cool head when it comes to setting policy. Middle East shock may be impacting inflation to a greater degree than growth.**
- **ECB's Kazimir said policy tightening in June is all but inevitable.** Europe is increasingly likely to face a prolonged period of broad-based price increases, with higher energy prices set to spread to the rest of the economy. Does not comment on any fixed path for rates.
- **ECB's Simkus said it is clear that they have deviated from the baseline scenario.**
- **ECB Survey of Professional Forecasters (Q2'26): Headline and core HICP inflation revised up in the near term, while remaining unchanged further out.** Headline and core HICP inflation revised up in the near term, while remaining unchanged further out. Real GDP growth expectations revised down for 2026 and 2027, but unchanged thereafter. Unemployment rate expectations unchanged.
- **ECB's Villeroy said they are facing an unprecedented shock. Expects France to have a deficit of 5% of GDP, should avoid a recession.**
- **ECB's Muller said ECB rate is at more-or-less neutral level and allows time to wait.**

GEOPOLITICS

- **Two missiles hit a US patrol boat, after earlier warnings were disregarded, Fars News Agency reported citing local sources. Incident occurred in proximity to the Jask island.**
- **Senior Iranian official said Iran fired a warning shot against a US warship to prevent its entry into the Strait of Hormuz, Reuters reported; unclear whether there was any damage.**
- **"Senior US official denies a US ship was hit by Iranian missiles", Axios' Ravid reported.**
- **US CENTCOM said no US navy ships have been struck; US forces are supporting Project Freedom and enforcing the naval blockade on Iranian ports.**
- **Iranian Major Abdullahi said any foreign armed forces, particularly the US, would be attacked if they approach and enter the Strait of Hormuz.**
- **The US has handed over 22 crew members from the seized Iranian container ship MV Touska to Pakistan, journalist Mallick reported citing the Foreign Ministry of Pakistan.**
- **A US official said the rules of engagement for US forces in the region have been changed and they were authorized to strike immediate threats against ships that cross the strait, like IRGC fast boats or Iranian missile positions, via Axios.**
- **IRGC unveils a new map of the Strait of Hormuz area which is under Iranian control.** From the south of the line between Mount Mubarak in Iran and south of Fujairah in the UAE. From the west of the line between the end of Qeshm Island in Iran and Umm

Al-Qawin in the UAE.

- **US Treasury Secretary Bessent said US is opening up the strait, we have absolute control of the strait.** Iranians do not have control of the strait. Project freedom was not done in coordination with Iran. If Iranians want to escalate, we are willing to do so. US is firing only when fired upon. It is a good time for US partners to step up and pressure Iran. Think market will be very well supplied. Every carrier through Hormuz has about 2mln bbls. World in a 8-10mln bbl oil deficit. China. Trump and Xi have discussed Iran in their phone called. China has been buying 90% of Iranian energy. Urges China to join us in Hormuz operation. Lets see China step up diplomacy on Iran. Aims to keep US-China relationship stable. Summit next week is a chance for Trump-Xi to share views, push forward consensus from agreement last year in South Korea.

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