newsquawk

European Market Wrap - 5th May 2026

- **European bourses were broadly firmer, as energy prices moved lower; Brent Jul'26 -2.9%.**
- **DXY was incrementally lower, AUD initially jumped post-RBA, but reversed as markets began pricing out near-term hikes; JPY was volatile.**
- **Israel is coordinating with the US as escalating tensions in the Strait of Hormuz have put the Iran ceasefire at risk, according to an Israeli source cited by CNN.**

EQUITIES

- **European bourses** opened mixed, but gradually moved higher as the session progressed to display a positive picture, ex- **FTSE 100**. Sentiment was boosted alongside pressure in the crude complex, though the UK index returned from holiday and digested the weekend's geopolitical updates.
- **European sectors** held a positive bias. **Tech** took the top spot, joined closely by **Construction** and then **Industrials**. To the downside, **Travel & Leisure** and **Optimised Personal Care**. As for key movers today: **HSBC** (-5%, Q1 profit miss and estimates of higher-than-expected credit losses), **UniCredit** (+6%, strong profit and robust investment income), **Ferrari** (-2%, earnings were strong, though some fear redelivery delays).
- **US equity futures** were stronger across the board, following the sentiment seen across Europe. In terms of key movers this morning: **Paramount Skydance** (+1%, Rev. topped w/ better than exp. FY top line guidance), **Pinterest** (+19%, EPS, rev. beat w/ stronger-than-exp. guidance, higher user monetisation, & AI-driven ad platform improvement), **Shopify** (-7%, Op. profit well short of exp.).

FX

- **G10s** were broadly flat against the **USD** through the European morning, but are now set to end the European session modestly higher against the **Dollar** (ex-JPY). The **Antipodeans** topped the pile whilst the **JPY** underperformed.
- **DXY** traded a touch lower and within a very busy 98.38 to 98.57 range. Throughout the session, the index reacted to a number of mixed geopolitical headlines. Strength was seen on a report via CNN which suggested that **Israel and the US are coordinating on the preparation for a potential new round of strikes on Iran**. Thereafter, the upside reversed on a WSJ report which suggested that **President Trump appears to be softening his nuclear stance** . The index currently trades just shy of its 100-DMA at 98.46.
- On the data front, US ISM Services printed at 53.6 (exp. 53.8), and the inner components saw New Orders fall, whilst Employment rose a touch. As for the JOLTS metrics, it was more-or-less in-line with expectations. In reaction, the DXY saw two-way action, but was ultimately little moved.
- Focus was on the **Aussie** this morning, after the RBA decided to hike rates by 25bps (as expected), whilst the accompanying statement was net-hawkish. However, markets began to price out the chance of a near-term hike, with Governor Bullock suggesting the policy can allow them to wait and see. Market pricing currently assigns a 70% chance of a hike in August, whilst fully pricing in a move in September. The **AUD** initially jumped on the announcement, before reversing soon after; the Aussie then clambered out of the red as the risk-tone gradually improved.
- **JPY** had a volatile European session. A sharp move higher was seen in **USD/JPY**, taking the pair to a session peak at 157.89, a move which was ultimately short-lived. Thereafter, an aggressive move lower in the pair was then noticed, again, proved fleeting. Ultimately, **JPY** is weaker on the session and set to end the European day at the upper end of a 157.07-157.89 range. Markets will be cognizant of any further attempts of intervention from the MoF, there may be some chance officials decide to excerabate a favourable US NFP report on Friday.

FIXED

- **A relatively contained session for fixed benchmarks** , though with unsurprising but still notable underperformance in Gilts as they play catch up to Monday's Bank Holiday and look to Thursday's local elections.
- **Gilts** down to 85.76, notching a fresh contract low and lifting the 10yr yield to a 5.10% peak, near-enough matching the 5.12% high from late-March. Pressure is a function of the benchmark catching up to Monday's USD 6/bbl at-most upside in Brent, and as we look to Thursday's elections and the ongoing ratcheting up of pressures on PM Starmer.
- In comparison, **USTs** and **Bunds** are near-enough unchanged. USTs enter the US afternoon firmer by a handful of ticks in slim sub-10 tick parameters, towards the lower end of Monday's confines. While Bunds have posted a slightly larger range, but are set to end the European day with downside of c. five ticks.
- Ahead, the docket features remarks from **Fed's Bowman and Barr**, intersected by a text release from **ECB Chief Economist Lane**. US data saw **JOLTs** just below consensus while the **ISM Services** headline was softer than expected, employment improved but remained in contractionary territory while prices were steady at elevated levels. USTs ticked up by a few ticks, but remain shy of the earlier 110-13 peak.
- **Alphabet (GOOGL)** to offer Canadian Dollar noted in four-parter.
- **Alphabet (GOOGL)** set to raise at least EUR 9bln in its record Euro bond issuance.
- **Germany sold EUR 0.993bln vs exp. EUR 1.0bln 2.10% 2029 and EUR 0.483bln vs exp. EUR 0.5bln 2.50% 2035 Green Bunds.**

- **Alphabet (GOOGL)** commences a six-part EUR-denominated bond offer.

COMMODITIES

- **Energy on the backfoot**, paring the marked gains seen on Monday though still comfortably clear of the week's opening levels.
- Significant updates thus far are a little light, as we await formal commentary from the US on the Iranian proposal, whether the incidents around Hormuz will provoke escalation/retaliation by either side and if the visit by Iranian Foreign Minister Araghchi to China spurs any development.
- **Brent Jul'26 down to USD 110.85/bbl at worst**, retreating from Monday's contract high, with downside in excess of USD 3.50/bbl at the time of publication. However, still **comfortably clear of the week's USD 106.60/bbl open**.
- **Dutch TTF** in-fitting, lower and holding around EUR 47.50/MWh vs a EUR 49.23/MWh peak on Monday; as a reminder, the WTD peak is markedly shy of recent levels which run up to EUR 73.41/MWh.
- **Spot gold firmer**, benefitting from the discussed lower energy prices in a continuation of the inverse correlation that was in play on Monday, with USD pressure also assisting. No real move in XAU to the US data, which saw JOLTs just below consensus, while the ISM Services headline was softer than expected, employment improved but remained in contractionary territory, while prices were steady at elevated levels. No real follow-through from the data.
- **Base metals firmer** as LME returns, tracking the broader risk tone and somewhat shrugging off Monday's pressure on energy, as discussed. 3M LME Copper continues to climb and is above USD 13.1k, vs a USD 12.9k close last week.
- **Portugal's Environment Minister Carvalho** said they are to present a plan to "substantially" reduce fossil fuel dependency "very soon", LUSA reported.
- **Russia's Kirishi oil refinery has halted oil processing following Ukrainian drone attacks, according to reported, citing sources.**
- **EU Energy Commissioner comments on global energy crisis, stating it could be the worst ever faced.** EU countries have spent more than USD 35bln extra on fuel imports since the outbreak of the war without receiving any additional supplies.
- **A proposed Alberta-to-Wyoming crude pipeline by South Bow and Bridger Pipeline** is close to minimum shipper commitments, Reuters reported citing sources. Oil companies have committed at least 400K BPD, about 72% of initial capacity, with a target near 450K BPD. The project could eventually move up to 1.13mln BPD.
- **Iraq** is offering term buyers discounts of USD 33.40/bbl on Basrah Medium for May loading, Bloomberg reported citing a 3rd of May notice.

EUROPEAN DATA

- **Spanish** Unemployment Change (Apr) -62.7K vs. Exp. -18.6K (Prev. -22.9K).
- **Swiss Inflation Rate YoY (Apr) Y/Y 0.6% vs. Exp. 0.6% (Prev. 0.3%, Low. 0.2%, High. 0.4%).**
- **Swiss Inflation Rate MoM (Apr) M/M 0.3% vs. Exp. 0.4% (Prev. 0.2%, Low. 0.2%, High. 0.7%).**

NOTABLE HEADLINES

- **UK Government Spokesperson** said Chancellor Reeves and US Treasury Secretary Bessent have a good relationship; had constructive talks since US visit.
- **French President Macron** said all options are being considered in response to US tariff threats, hoping for a reasonable outcome in trade relations between France and the US.

TRADE/TARIFFS

- **US begins its second review of China IP policies under Section 301.**
- **EU sounds out industry over new trade weapon against China's overcapacity, SCMP reported.**

CENTRAL BANKS

- **RBA hikes its Cash Rate by 25bps as expected to 4.35%; via 8-1 vote (one voted to maintain rate at 4.10%);** said inflation likely to remain above the target and risks remain tilted to the upside. DECISION. Board assessed that inflation is likely to remain above target for some time and that the risks remain tilted to the upside, including to inflation expectations. It was therefore judged appropriate to increase the cash rate target. The Board will be attentive to the data and the evolving assessment of the outlook and risks to guide its decisions. Having raised the cash rate three times, monetary policy is well placed to respond to developments. It will do what it considers necessary to achieve that outcome. INFLATION. Inflation picked up materially in the second half of 2025, and information since the beginning of this year confirms that some of this increase reflected greater capacity pressures. There are early signs that many firms experiencing cost pressures are looking to increase prices of their goods and services. Short-term measures of inflation expectations have also risen. There are plausible scenarios where inflation is higher and activity lower than envisaged under the baseline forecast. MIDDLE EAST. A longer or more severe conflict could put further upward pressure on global energy prices; this would push up near-term inflation and could also increase inflation further out as these costs are passed through and if price rises get built into longer term inflation expectations.
- **RBA Governor said if second round effects move through to expectations it could result in a need for higher rates. Current cash rate is a "bit" restrictive, provides some space to see how the Middle East situation develops.** Have the policy space to wait and see. Extensive debate about the decision to hike.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia's Kirishi oil refinery has halted oil processing following Ukrainian drone attacks, according to reported, citing sources.**

MIDDLE EAST

- **Israel is coordinating with the US as escalating tensions in the Strait of Hormuz have put the Iran ceasefire at risk, according to an Israeli source cited by CNN; The coordination includes preparation for a potential new round of strikes on Iran.**
- **US War Secretary Hegseth said ceasefire is not over.** Would urge Iran to be prudent in any actions they take. Will not entangle Iran war into some nation-building project. Hopes South Korea steps up. In contact with South Korea over the ship hit by Iran. There is a line of safe passage that commercial shipping can flow through.
- **US General Caine said Iran has fired at commercial vessels nine times and seized two container ships since the ceasefire was announced; Iran continues to launch attacks on its neighbouring countries.** Iran attacks have all been below the threshold of restarting major combat operations at this point. Reiterates the joint force remains ready to resume major combat operations if ordered to do so.
- **US President Trump appears to soften stance on Iran's missile programme, via WSJ.** President Trump said his focus was on preventing Iran from obtaining a nuclear weapon as he appeared to play down the chances of being able to impose strict caps on Tehran's missile program.
- **CENTCOM** said as of today, 51 vessels have been directed to turn around or return to port in order to stop commercial ships from entering or leaving Iran.
- **Iran official Sheikh al-Kaabi told Al-Mayadeen: We have not given up on diplomacy and we have a long-term perspective in this area, but our hand is on the trigger.**
- **IRGC deputy chief** said the US would suffer severe repercussions if it escalates tensions against Iran, would face consequences if it "ups the ante" against Iran, Press TV reported.
- **US Ambassador Waltz said US and Gulf Arab nations are drafting a UN Security Council resolution to condemn Iran for blocking the Strait of Hormuz.**
- **Iranian President Pezeshkian has requested an immediate and emergency meeting with Supreme Leader Khamenei to ask him to stop IRGC attacks on Persian Gulf nations and prevent a recurrence, Iran International reported.** Pezeshkian reportedly outlined that the IRGC attack on the UAE occurred without the knowledge of the government.
- **Mohammad Mokhber, advisor and assistant to the leader of the Islamic Republic, said the Strait of Hormuz has been closed and will not be reopened except by the will of the Islamic Republic.**

NORTH AMERICAN DATA

- **US** RCM/TIPP Economic Optimism Index (May) 42.6 vs. Exp. 42 (Prev. 42.8).
- **US** New Home Sales MoM (Feb) M/M 8.9% (Prev. -17.6%).
- **US** New Home Sales (Feb) 635 (Prev. 0.587).
- **US** New Home Sales MoM (Mar) M/M 7.4%.
- **US** JOLTs Job Quits (Mar) 3.171M (Prev. 2.974M). Quits Rate 2.0% (prev. 1.9%). Vacancy Rate 4.1% (prev. 4.2%).
- **US** New Home Sales (Mar) 682 vs. Exp. 0.668.
- **US JOLTs Job Openings (Mar) 6.866M vs. Exp. 6.87M (Prev. 6.882M, Low. 6.6M, High. 7.1M).** Quits Rate 2.0% (prev. 1.9%). Vacancy Rate 4.1% (prev. 4.2%).
- **US ISM Services Prices (Apr) 70.7 (Prev. 70.7).**
- **US ISM Services Business Activity (Apr) 55.9 (Prev. 53.9).**
- **US ISM Services Employment (Apr) 48.0 (Prev. 45.2).**
- **US ISM Services New Orders (Apr) 53.5 (Prev. 60.6).**
- **US S&P Global Composite PMI Final (Apr) 51.7 vs. Exp. 52.0 (Prev. 50.3).**
- **US S&P Global Services PMI Final (Apr) 51.0 vs. Exp. 51.3 (Prev. 49.8).**
- **US** Redbook YoY (May/02) Y/Y 7.8%.
- **US Balance of Trade (Mar) -60.30B vs. Exp. -59.0B (Prev. -57.3B).**
- **US Imports (Mar) 381.2B (Prev. 372.1B).**
- **US Exports (Mar) 320.9B (Prev. 314.8B).**
- **US** Building Permits MoM Final (Mar) M/M -11.4%.
- **US** Building Permits MoM Final (Feb) M/M 11% (Prev. -4.7%).
- **US** Building Permits Final (Mar) 1.363M.
- **US** Building Permits Final (Feb) 1.538M (Prev. 1.386M).
- **Canadian** S&P Global Composite PMI (Apr) 49.9 (Prev. 47.6).
- **Canadian** S&P Global Services PMI (Apr) 49.2 (Prev. 47.2).
- **Canadian Exports (Mar) 72.77B (Prev. 66.31B).**
- **Canadian Balance of Trade (Mar) 1.78B vs. Exp. -2.8B (Prev. -5.74B).**
- **Canadian Imports (Mar) 70.99B (Prev. 72.05B).**