

European Market Wrap - 7th May 2026

- Europe mixed as participants await further US-Iran updates.
- Crude slipped on reports of a potential agreement on the Strait of Hormuz.
- Markets await Iran's response to the US proposal.

EQUITIES

- **European bourses** were broadly modestly firmer in early morning trade, before then trundling lower as the session progressed. Early morning saw markets react positively to reports which suggested a breakthrough could be made soon, on the Strait of Hormuz; but not seen any updates on the matter recently. There was no real driver for the move lower across stocks, with the crude complex residing at lows, and geopolitical updates lacking.
- **European sectors** were mixed. **Consumer Products** took the top spot, joined by **Travel & Leisure** and then **Autos**. To the downside, **Energy** is the clear underperformer, dragged down by losses across underlying oil prices. A factor which has weighed on energy-giant **Shell** (-2.3%), despite reporting strong EPS and Revenue whilst also announcing a USD 3bln buyback.
- **As for key movers:** **Henkel** (+4.8%, sales topped exp.), **Rheinmetall** (-4.5%, missed on Q1 EPS, but reaffirmed outlook), **Telecom Italia** (+2.6%, revenue +1.4% amidst strong Brazil growth).
- **US equity futures** are mixed with mild gains seen in the **ES/NQ**, whilst the **RTY** lags. On the data front, contracts were little moved to a stable Jobless Claims figure, whilst the Revelio Labs Payrolls metric rose 66.4k (prev. +19.4k). Overall, resilient labour metrics heading into the NFP report on Friday.
- As for key US movers today: **Datadog** (+31%, Stellar Q results w/ better than exp. next Q & FY outlook), **Arm** (-7%, Q numbers beat w/ firm guidance, but concerns over AI chip supply offset enthusiasm for AI server opportunities), **Snap** (-2%, Issued cautious guidance, the end of its Perplexity partnership & uncertainty from Middle East headwinds). **Moderna**, +6%, potentially benefitting from coverage around and growing cases of hantavirus, as the Co. has been working on a mRNA-based vaccine for it since 2023.

FX

- **USD** - USD softened as DXY drifted lower amid renewed downside in crude prices on reports of a potential US-Iran breakthrough on the Strait of Hormuz. The index traded within a 97.814-98.058 range, remaining inside the prior session's 97.625-98.342 band.
- **EUR** - EUR/USD moved higher, reclaiming 1.1750 and trading within a 1.1741-1.1778 range, with price action driven by broader USD weakness tied to geopolitical optimism.
- **GBP** - GBP/USD rose back above 1.3600 but remained within the prior session's range, with attention also on UK local elections and potential political implications for PM Starmer.
- **JPY** - USD/JPY edged lower within a tight 156.02-156.53 range. Japanese participants returned from Golden Week, with some brief JPY strength following comments from FX diplomat Mimura, while upcoming US-Japan meetings on FX remain in focus.
- **Antipodeans** - Antipodeans were firmer, supported by improved risk sentiment and gains across metals, with both AUD/USD and NZD/USD trading towards the upper end of their previous ranges.

FIXED INCOME

- **A modestly bullish session for fixed**. The complex was lifted to incremental new WTD highs in the early European morning on a handful of constructive geopolitical updates which weighed on the energy space.
- **USTs and Bunds hit highs of 111-03+ and 126.14 respectively**, but are set to end the European day just off these levels but still with gains of c. 10 and 30 ticks respectively.
- No move to the day's data, supply or central bank officials thus far, with the **focus very much on what emerges from either the US or Iran** regarding the potential MOU to end the conflict.
- **Gilts** directionally in-fitting, saw some modest outperformance with gains of c. 50 ticks at best. For the UK, we are **counting down to polls closing in local elections at 22:00BST tonight** and then results trickling in across the night and into the morning. Updates that could well spark a formal leadership challenge against PM Starmer in the days/weeks ahead, and as such will likely influence Gilts over the next few days.
- **Saudi Arabia's PIF** is offering three-, seven- & 30yr USD benchmarks bonds, Bloomberg reported citing sources; IPTs are USTs +130-170bps.

COMMODITIES

- **Crude** - Crude slipped on reports of a potential US-Iran breakthrough on the Strait of Hormuz, raising expectations of resumed flows. Furthermore, there were unconfirmed headlines on HEU transfer and ongoing negotiations, with Trump signalling optimism but leaving the door open to military action. Markets await Iran's response today. Brent traded towards the lower end of a USD 96.03-102.55/bbl range, while WTI sat near the bottom of a USD 89.85-96.48/bbl band.

- **Precious Metals** – Spot gold strengthened, breaking above Wednesday's USD 4,723/oz high to reach USD 4,758.17/oz, supported by the pullback in energy prices. The 100 DMA sits at USD 4,774.67/oz. Spot silver topped USD 81/oz, +5% intraday.
- **Base Metals** - Copper was flat, consolidating within a USD 13,331.58–13,448.83/t range after recent gains, while the broader base metals complex was mostly firmer as softer crude supported risk sentiment and growth expectations.
- **No jet fuel shortages have currently been** reported in the EU, according to draft EU Commission guidance.
- **UAE reportedly slips hidden oil tankers through the strait of Hormuz, according to reported.**
- **Ukraine's military** said it struck a Russian oil refinery in Perm.
- **Chinese Gold Reserves at 74.64mln troy oz at end-April (prev. 74.38mln in March); extends gold buying streak to 18 months.**
- **US DoJ investigating a series of suspiciously timed trades in the oil market just ahead of major announcements by President Trump about the war against Iran, via ABC citing sources.** The DoJ, along with the Commodity Futures Trading Commission, is probing at least four of these trades where traders made a total of more than USD 2.6bln betting that oil prices would drop right before they did.

EUROPEAN DATA

- German New Car Registrations YoY (Apr) Y/Y 2.7% (Prev. 16%).
- German HCOB Construction PMI (Apr) 42.1 (Prev. 48.0).
- German Factory Orders MoM (Mar) M/M 5.0% vs. Exp. 1.1% (Prev. 0.9%, Low. -1.5%, High. 5%).
- EU Retail Sales YoY (Mar) Y/Y 1.2% vs. Exp. 1% (Prev. 1.7%, Low. 0.2%, High. 1.5%).
- EU Retail Sales MoM (Mar) M/M -0.1% vs. Exp. -0.4% (Prev. -0.2%, Low. -1%, High. 0.3%).
- EU HCOB Construction PMI (Apr) 41.7 (Prev. 44.6)
- UK S&P Global Construction PMI (Apr) 39.7 vs. Exp. 46.2 (Prev. 45.6) .
- Norwegian Norges Bank Interest Rate Decision 4.25% vs. Exp. 4.25% (Prev. 4%, Low. 4%, High. 4.25%).
- Swedish Riksbank Rate Decision 1.75% vs. Exp. 1.75% (Prev. 1.75%, Low. 1.75%, High. 1.75%).
- Italian HCOB Construction PMI (Apr) 44.8 (Prev. 46.8).
- French HCOB Construction PMI (Apr) 38.1 (Prev. 38.4).
- French Balance of Trade (Mar) -6.9B vs. Exp. -5.6B (Prev. -5.8B).
- French Current Account (Mar) -8.20B (Prev. -1.8B).
- French Exports (Mar) 52.5B (Prev. 52B).
- French Imports (Mar) 59.3B (Prev. 57.8B).
- Swiss Unemployment Rate (Apr) 3.0% vs. Exp. 3% (Prev. 3.1%, Low. 3%, High. 3.1%).

NOTABLE HEADLINES

- European Commission statement said it has approved the EUR 5bln German state aid scheme to support decarbonisation.

TRADE/TARIFFS

- Chinese Commerce Ministry, on the EU ban on funding projects, urges the EU to remove "unfair and discriminatory" practices against Chinese products.
- China's Foreign Ministry said they are prepared to work for an improvement in relations with the US.

CENTRAL BANKS

- Fed's Collins (2028 voter) still expect interest-rate cuts 'down the road' and expect PCE inflation to move above 3.5%, and year-end near 3%. 'Strongly supportive' of decision to hold rates. Expect rates to be on hold 'for a longer period'. Odds of worse inflation scenario have increased. Preferred to adjust wording that signals cutting bias. Alternative scenario could make Fed consider a hike.
- BoJ data up to April 30th shows Japan spent around JPY 4.68tn to support the JPY.
- ECB's Villeroy said they must be data dependent.
- ECB's Nagel said likely to raise interest rates unless the outlook improves markedly.
- ECB's Kocher said ECB is to consider hikes in the next months if there is no improvement; ECB is in data-dependent meeting-by-meeting mode.
- Norges Bank hikes rates by 25bps to 4.25% (prev. 4.00%); "The Committee judges that a higher policy rate is needed to return inflation to target within a reasonable time horizon".
- Riksbank maintains its Policy Rate at 1.75% as expected, "there is scope to wait until there is a clearer picture", "current level of the policy rate gives a good initial position to adjust monetary policy if required to safeguard the inflation target"
- NBP Governor Glapinski said central bank has PLN 160bln unrealised profit on gold holdings and currently holding 600 T of gold.
- Czech CNB Interest Rate Decision 3.50% vs. Exp. 3.5% (Prev. 3.5%).
- CNB: Board voted 7-0 to hold rates, meeting inflation target still requires relatively restrictive policy at present. Forecasts Average inflation. 2.2% in 2026 (prev. 1.6%). 2.4% in 2027 (prev. 2.1%). GDP. 2026 at 2.5% (prev. 2.9%). 2.7% in 2027 (prev. 2.9%). Average Exchange rate (EUR/CZK). 24.3 in 2026 (prev. 24.4). 24.4 in 2027 (prev. 24.5).

GEOPOLITICS

MIDDLE EAST

- Saudi Arabia will restrict US access to bases and airspace until the US provides proper protection from Iran's attacks,

according to Gulf sources cited by i24News.

- **Pakistani sources** said US President has demanded Iran's "immediate response" to Washington's peace proposal, and that Tehran will probably provide this response today through Islamabad, Tasnim reported citing Al Arabiya sources. "This source clarified that the communication with the Iranian authorities continues and there is no obstacle to the continuation of the called or the exchange of answers between the parties."
- **Pakistani Foreign Ministry Spokesperson** said "We have not yet received a response from Iran regarding the US amendments", Al Jazeera reported.
- **"Pakistani source to Al Arabiya said Iran may hand over its response to the US proposal to the Pakistani mediator today", Al Arabiya.** "No arrangements for any direct meetings between the Iranians and the Americans so far.". "Contacts with the Iranians are ongoing and there are no obstacles hindering continued". "Discussions are ongoing regarding the status of the Strait of Hormuz, and reaching understandings is still possible".
- **Pakistani Foreign Ministry** said "We expect an urgent agreement between Iran and the United States", Al Araby reported.
- **"Israel was informed that Iran has agreed to transfer its stockpile of 60% enriched uranium to a third country that remains unknown", Sky News Arabia reported citing Israeli Channel 12.**
- **Pakistani Foreign Ministry spokesperson, on US-Iran agreement, said "we would expect an agreement sooner rather than later", Pakistani journalist Mallick posted.** "We will welcome any settlement wherever that takes place, if it takes place in Islamabad, it would be an honor and privilege."
- **Lebanon presidency** seeks to discuss a final cessation of hostilities agreement; Lebanese official source to Al Jazeera the negotiation rounds at the delegation level will kick off next week in Washington.
- **US President Trump "badly wants the war to end," reported Politico citing senior Gulf Arab official; "But the Iranians so far refusing to give him what he needs to save face and leave. And he does not seem to understand that they need to save face, too".**
- **A source outlines that the Al Jazeera report on details relating to the Strait of Hormuz transit mechanism are unfounded, Mizan reported; referencing an email sent by the PGSA with details/instructions for passing through Hormuz.**
- **Iranian Speaker of Parliament's advisor, on US President Trump's post on May 5th about pausing Project Freedom, said "Any reasonable person understands that at 5 a.m., in the middle of the night in Islamabad, no diplomatic event had taken place".** "According to Mehdi Mohammadi, "Any reasonable person understands that at 5 a.m., in the middle of the night in Islamabad, no diplomatic event had taken place—this was a false claim by Trump. The reality was that they attempted to reopen the Strait of Hormuz militarily but failed.""
- **Iranian President** said despite the presence of criticisms and complaints, the priority now is to prevent internal division, Al Jazeera reported.
- **Iranian President** held a meeting lasting two and half hours with the Iranian Supreme Leader Khamenei, IRNA reported.
- **Explosions** were heard on the outskirts of Erbil, Iraqi Kurdistan, Al Mayadeen reported.
- **On the 4th May, a Chinese oil tanker was attack in the Strait on Hormuz, Caixin reported.**
- **UAE intends to cut relations with the Arab League, Nournews reported.**
- **"Arabic sources: Reaching understandings regarding easing the siege in exchange for the gradual opening of the Strait of Hormuz ", Al Arabiya reported; "The coming hours will witness a breakthrough for the situation of the ships stuck in the strait".**
- **Pakistani Foreign Ministry spokesperson** said, "We do not talk about war and instead talk about dialogue and diplomacy. However, if any aggression similar to what we saw last year, we will respond; Pakistan will respond just as it did", Mallick posted.

RUSSIA-UKRAINE

- **Russian Kremlin** said President Putin will make a Victory Day speech.
- **Ukraine's military** said it struck a Russian oil refinery in Perm.
- **Russian Kremlin spokesperson** said they remain open to contacts with Ukraine.
- **Romanian Defence Ministry** said a drone briefly breached Romanian airspace during a Russian attack on Ukraine.

NOTABLE NORTH AMERICAN NEWS

- **Chinese Premier Li Qiang, in meeting with US Senator Daines, said Taiwan issue is core of China's interest, CCTV reported; Taiwan issue is red line that cannot be crossed in China-US relations.**

NORTH AMERICAN DATA

- **US Used Car Prices MoM (Apr) M/M -1.6% (Prev. 1.4%).**
- **US Used Car Prices YoY (Apr) Y/Y 1.8% (Prev. 6.2%).**
- **US Unit Labour Costs QoQ Prel (Q1) Q/Q 2.3% (Prev. 4.4%).**
- **US Initial Jobless Claims (May/02) 200k vs. Exp. 199k (Low. 190k, High. 220k).**
- **US Nonfarm Productivity QoQ Prel (Q1) Q/Q 0.8% vs. Exp. 1% (Prev. 1.8%, Low. 0%, High. 2.3%).**
- **US Continuing Jobless Claims (Apr/25) 1766k vs. Exp. 1800k (Prev. 1785k, Low. 1750k, High. 1879k).**
- **US Jobless Claims 4-week Average (May/02) 203.25K.**
- **Revelio Labs Nonfarm Payrolls (April): +66.4k (prev. +19.4k, rev. +20k).**
- **BofA Weekly Total Card Spending (w/e May 2) +2.7% (prev. +7.2% W/W);** adds that with the tax refund tailwind fading, higher gas prices might also be taking their toll.
- **US Challenger Job Cuts (Apr) 83.387K (Prev. 60.62K).** "Technology companies continue to announce large-scale cuts and are leading all industries in layoff announcements. They are also often citing AI spend and innovation. Regardless of whether

individual jobs are being replaced by AI, the money for those roles is,". "Tariffs, an ongoing war in Iran, automation and AI, and shifting consumer behavior are all impacting manufacturing companies in a way that is likely to cost jobs,". (re. 2026)
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LATAM

- **Mexican Core Inflation Rate YoY (Apr) Y/Y 4.26% (Prev. 4.45%).**
- **Mexican Inflation Rate MoM (Apr) M/M 0.20% (Prev. 0.86%).**
- **Mexican Core Inflation Rate MoM (Apr) M/M 0.31% (Prev. 0.38%).**
- **Mexican Inflation Rate YoY (Apr) Y/Y 4.45% (Prev. 4.59%).**
- **Brazilian Industrial Production MoM (Mar) M/M 0.1% (Prev. 0.9%).**
- **Brazilian Industrial Production YoY (Mar) Y/Y 4.3% (Prev. -0.7%).**

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