

European Market Wrap - 11th May 2026

- European bourses mixed, whilst US equity futures gain modestly.
- G10s mixed against USD, JPY and CHF lagged; GBP/Gilts reacted to West's move to push out PM Starmer.
- Brent +1.6% after President Trump called Iran's response to the peace plan as "totally unacceptable".

EQUITIES

- **European bourses (STOXX 600 U/C)** end the first trading session of the week mixed, with the **FTSE 100** the outperformer amid energy gains and despite political uncertainty, while the cyclical-heavy **CAC 40** lagged. Geopolitics were the initial driver, with President Trump rejecting Iran's response to the peace plan, calling it totally unacceptable. Market-moving updates throughout the session were limited, however fleeting downside was seen after reports that Iran has deployed deep-roaming submarines in the Strait of Hormuz.
- **Sectors** also pointed to a mixed picture. **Telecoms** topped the pile, driven by gains in **Airtel Africa (+17%)** after its biggest shareholder considers raising its stake from 63%. **Consumer Products & Services** continue to underperform in the current geopolitical/high energy environment.
- **Key movers included Compass (+3%)**, after the Co. raised its FY profit guidance to "above" 11% from "around" 10%; **Delivery Hero (+12%)**, with Prosus selling a 5% stake in the Co. to Aspex Management at EUR 22/shr; **Hannover Re (-2.4%)**, following its Q1 earnings that showed profit jump by 48% however disappointing P&C business weighed on shares.
- **US equity futures** began the cash session with modest losses but surged immediately as they continue to outperform its European peers. Analysts note that with European valuations looking less attractive against its US peers due to the longer-term pressure of higher energy prices, the STOXX 600-S&P 500 price ratio is expected to decline further (currently at levels not seen since the 1980s).

FX

- **Snapshot: G10s** have moved at the whim of energy action this morning. The **USD** remained firmer thanks to the bid in energy prices, which has also assisted the **Loonie**; the **JPY** and **CHF** sat at the foot of the G10 list given their net-importer of energy statuses. **GBP** had regional politics to digest, with a Labour backbencher gathering support for a scheduled exit for the PM.
- **DXY** was incrementally firmer throughout the European session, and traded within a 97.89-98.15 range. The index ultimately benefited from renewed geopolitical risk, after **President Trump called Iran's latest peace offer as "totally unacceptable"**. Markets will await further geopolitical developments, heading into a key US CPI report on Tuesday.
- **JPY** and **CHF** underperformed this morning, driven lower by their net-importer of energy statuses. For the **USD/JPY** specifically, it trades back towards the 157.00 mark, within a 156.55-157.17 range; further upside could see the pair head back towards its 100-DMA at 157.38. Domestic updates were light today, but focus will turn to **Treasury Sec Bessent**, who is reportedly to meet PM Takaichi at 08:00BST on Tuesday. There is some probability Bessent will provide commentary in support of the **JPY** (given recent intervention attempts); perhaps even confirmation that the US itself intervened on behalf of Japan. There was a Bloomberg piece last week which suggested that Japan could have sold **USTs**, to fund **JPY** purchases – a point which also may be touched on by Bessent.
- **GBP** was incrementally lower vs **USD**, and traded within a 1.3557-1.3623. Early morning saw **Cable** gradually dip as markets reacted to a lackluster PM Starmer address; but has since moved off worst levels into the afternoon. In brief, **Starmer's speech left Labour MPs unsatisfied**, which led to Labour backbencher **West** to form a letter to gather support for a scheduled exit for the PM. The main point of concern for this latest move is whether **Burnham** will be an MP before the leadership challenge is called. MUFG writes, "we continue to believe that a shift to the left for the Labour party would trigger at least a temporary period of pound selling".

FIXED

- **A bearish session for fixed income**, driven lower by the elevated yield environment on the lack of geopolitical progress over the weekend.
- Updates in today's session have largely been somewhat incremental, see Commodities for more. As it stands, **USTs are lower by a handful of ticks** but off a 110-15 trough.
- Similar for **Bunds**, posted downside of 38 ticks early doors to a 125.32 trough, but is set to end the day around 10 ticks off that base.
- **Gilts** underperform as they are weighed on by the above and the domestic political backdrop. Hit early doors ahead of PM Starmer's reset speech, which was broadly as-expected and failed to change the narrative around him. Since, the formal launch of the stalking horse move against him by MP West sent Gilts to an 86.82 low. Levels ahead include 85.90 and then the 85.76 contract trough.
- For the UK, we are now awaiting details on Burnham's path back to the House of Commons, whether Streetering will launch a challenge in the meantime, and continue to tally the West stalking horse.
- **Some 14 borrowers** are looking to raise fresh capital in the US IG primary market on Monday, according to an informal survey of underwriters cited by Bloomberg; syndicate desks likely advised to move forward ahead of US CPI on Tuesday.

- **Alphabet (GOOGL)** has filed for five-part JPY denominated notes with size undisclosed, SEC Filing.
- **Rolls Royce (RR/ LN)** planning to sell EUR-denominated bonds, **Bloomberg** reported citing sources.

COMMODITIES

- **Energy benchmarks bid** at the start of the week and remain so, given the lack of geopolitical progress over the weekend as the US and Iran essentially rejected each other's proposals. Though, reports from Pakistan suggest diplomacy continues. As a reminder, US President Trump is meeting with Chinese President Xi this week.
- **WTI and Brent** were as high as USD 100.37/bbl and USD 105.99/bbl, respectively. As it stands, they remain in the green with gains of c. USD 1.50/bbl but at the lower-end of USD 96.40-100.37/bbl and USD 102.86-105.99/bbl parameters.
- **Dutch TTF** directionally in-fitting, peaked just over EUR 46/MWh, before easing from best; though, the European benchmark remains much closer to highs than its crude peers.
- **Spot gold** is in a relatively narrow range, moving at the whim of the USD and general risk tone. Most recently, the metal has managed to find some upside, potentially on a wider airing of reports around Iranian submarine activity in Hormuz. Base peers bid, despite the relatively tepid European risk tone.
- **Saudi Aramco CEO** said Yanbu North and South have a 5mln BPD export capacity and are in the process of expanding it. Almost 900k BPD of refined products are exported from the Western region. Yanbu's export capacity is for crude, have existing terminals for products.
- **Saudi Aramco CFO Al-Murshed** said the company has a reserves base of about 250bln barrels of oil equivalent, around five times the combined reserves of international oil majors.
- **Saudi Aramco CEO Nasser** said the company can reach its maximum sustainable oil production capacity of 12mln bpd within three weeks if needed. Even if the Strait of Hormuz reopens today, it would still take months for the oil market to rebalance. The energy shock that began in Q1 is the largest the world has seen. If the Hormuz disruption continues for several more weeks, oil market normalisation may not occur until 2027. Aramco CEO said the company produced 12.6mln barrels of oil equivalent per day in Q1.
- **Libya's NOC** has signed a final settlement with Trasta, ending the foreign partner's stake in LERCO and restoring full Libyan ownership of the Ras Lanuf Refinery & Petrochemical Complex, **Libyan journalist** reported.
- **Saudi crude oil supply to China** is set to fall to a record low of about 10mln barrels in June, sources say.

EUROPEAN DATA

- **Norwegian Inflation Rate YoY (Apr) Y/Y 3.4% (Prev. 3.6%).**
- **Norwegian Core Inflation Rate YoY (Apr) Y/Y 3.2% (Prev. 3%).**
- **Norwegian Inflation Rate MoM (Apr) M/M 0.4% (Prev. 0.2%).**
- **Norwegian Core Inflation Rate MoM (Apr) M/M 0.7% (Prev. 0.1%).**

NOTABLE HEADLINES

- **Greater Manchester Mayor Burnham** could stand for Labour leader (i.e. PM) under MP West's plan to replace UK PM Starmer, **iNews' Singh** reported. West's plan, if she hits the 81 MP threshold, is to call for a new leader to be named in September. The idea would be for a contest to start ASAP, but nominations could open around July for a September switch.
- **UK PM Starmer acknowledged frustration of last week but we will be judged on actions not just words; we need to be better, Burnham should have never been blocked.** Full Post: RAYNER: The PM acknowledged frustration of last week but we will be judged on actions not just words..it's no good acknowledging mistakes if they not put right. We need to do better. We need to put common interest ahead of factionalism. Burnham should have never been blocked.
- **Labour MP Catherine West** tells Sky News she think it's too far gone for UK PM Starmer due to the extent of the losses around the country and has written to MPs.
- **UK's West** said I am hereby giving notice to No10 that I am collecting the names of Labour MPs to call on the PM to set a timetable for the election of a new leader in September, **BBC** reported.
- **Times Cole** reported UK Labour MP West will send a letter to MPs today, but will not state her candidacy. Instead, she will canvas support for a timetable for PM Starmer to stand down and allow a transition.
- **UK Labour MP West** will move ahead with her stalking horse challenge against PM Starmer, **ITV's Peston** reported.
- **Times Swinford** posted, on UK PM Starmer's speech, it "does not seem to have gone down particularly well with many Labour MPs, who were hoping for something more radical. The numbers calling on him to go continue to rise".
- **A soft-left UK Labour MP, following PM Starmer's speech, describes it as "utterly inadequate", journalist Schofield** reported. Additionally, Labour MP Smith has now called for the PM to resign.
- **UK Cabinet Minister** responds to PM Starmer's speech, saying "It wasn't radical enough", via **Mail on Sunday's Hodges**. Journalist Hodges adds, "Told the cabinet were not asked to attend the speech.".
- **Talk of UK Cabinet resignations today. However, Mail on Sunday's Hodges** expects such interventions to start later in the week, would be surprised to see any today.
- **UK Manchester Mayor Burnham** said to have identified a specific MP who is on board with a plan to stand down and let him run, **POLITICO** reported, citing sources.
- **France's Europe Minister** said France will not bow to pressure to conclude the EU's budget negotiations by the end of 2026, **Politico** reported. Opposes fast-tracking negotiations at any cost and the only priority is to have a good budget.
- **EU Commission Spokesperson** said we have good exchanges with Anthropic, and we are not at a stage where we can speculate on potential access to AI model.
- **Eurasia Group's Rahman** questions whether UK PM Starmer's proposed EU reset centred on an ambitious youth experience scheme is "a joke".

TRADE/TARIFFS

- **US White House NEC Director Hassett** said, "**we are going into the Trump-Xi meeting very ambitious**".
- **Indian official** said the US trade team will reach India soon for discussions; there is no plan to hike duties on gold and silver imports.
- **Trump to address Xi on selling weapons to Iran** ; Beijing has considered shipping air defence systems to Iran via other countries to mask its involvement, something Trump has threatened to punish with 50% tariffs, according to The Telegraph

CENTRAL BANKS

- **Japan's Council on Economic and Fiscal Policy** have reportedly warned the BoJ against higher borrowing costs, as it could impact small- and mid-size firms, amidst the Iran conflict.
- **ECB's Kocher** said the risk of stagflationary trend cannot be ruled out.
- **BoE's Greene** said it is worth waiting a little while to see what happens with the Middle Eastern war and how it will propagate through the economy, speaking to Bloomberg's Odd Lots podcast.
- **PBoC Q1 Monetary Policy Implementation Report: Will continue to implement appropriately loose monetary policy.**
- **PBoC** said it will boost international use of the Yuan.
- **NBP's Wnorowski** said that rising inflation is not enough to justify fast interest rate hikes. Higher inflation hardens the stance, but rates to stay on hold for now.
- **CNB Vice Governor Zamrazilova** said the next rate step is either a hold or a hike.
- **CNB** announces that new forecasts include alternative scenarios of higher and lower energy prices. Higher energy prices would imply Pribor around 4.5% by year-end. Lower prices would imply small rate decline by year-end. A scenario of economic downturn would imply Pribor dropping below 3% in 2027.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian Defence Ministry** said Ukraine has violated the ceasefire.

MIDDLE EAST

Diplomacy:

- "**Diplomacy and back-channel talks and contacts between Iran and US to work out a draft agreement continues to be in the works -- Diplomacy is not dead**", **Journalist Mallick** posted.
- **Pakistani Foreign Minister** expressed hope that ongoing diplomatic efforts would contribute to peace and stability in the region, **Pakistani journalist Mallick** reported.

Iran:

- **Iran Foreign Ministry Spokesperson** said "our mediator is still Pakistan.. Other countries, including Qatar, also have contacts with both sides and share ideas and opinions they deem necessary with the Foreign Minister Araqchi".
- **Iran has reportedly deployed deep-roaming submarines in the Strait of Hormuz.**
- **Iranian Spokesman for the National Security Committee** said **Bahrain and the UAE are still on the wrong path, Al Mayadeen reported; "We will not allow the formation of the UAE-Israel axis in the region"**.
- **Chairman of the Iranian Parliament's Energy Commission** said Iran's oil export is unstoppable; "The production in various oil fields of the country continues continuously and there is no special problem in the field of production".
- **Iranian Spokesman for the National Security Committee** said **there is no clear horizon for a political agreement with the US, Al Mayadeen reported.** "Not a single litre of fuel will leave the Strait of Hormuz without Iran's permission".
- **Iran's oil minister** said the oil sector has faced issues since the US blockade, but prepared countermeasures are still being implemented, state TV reported.
- "**Fars News Agency: Explosion destroys a house in Arak, which houses one of Iran's largest nuclear facilities, and investigations are ongoing**", **Al Hadath reported; Nour News reported it was a "residential house"**.
- **Iranian and Saudi Foreign Ministers** held a phone call on the latest developments related to the current diplomatic processes between Iran and the US with the mediation of Pakistan, **IRIB reported.**
- **A member of Iran's parliament** said that ships should not be allowed to pass through the Strait of Hormuz without Iran's permission, **ISNA reported.**
- **Iran's Foreign Ministry spokesperson Baghaei** said "**currently, we are focusing our discussions on ending the war and the uranium issue, which we will discuss later**", **Al Mayadeen reported.**
- **Iran's Foreign Ministry spokesperson Baghaei** said Iran has continuous contact with China "**as one of our strategic partners**".
- **Iran's Foreign Ministry spokesperson Baghaei** said Iran's proposal to the US "**was not excessive,**" and that the US continues to have "**unreasonable demands.**"
- **Tehran reiterates "its main condition for the ceasefire is the cessation of conflicts on all fronts, from Gaza and Lebanon to Yemen"**, **Mehr reported.**
- **Senior Advisor to Iran's Supreme Leader** warns Arab states against cooperating with Israel, **Press TV reported.**

US:

- **US White House NEC Director Hassett** said he would guess China would want to reinspect its Iran relations. Iran's economy is on the brink of collapse.

- **Semafor reported that lawmakers are considering a potential congressional authorisation for military action if the US-Iran ceasefire ends.**
- **Iranian Foreign Minister Baghaei** said they have not yet had the opportunity to settle the score with those who acted against Iran.
- **US officials cited by Iran International** said Iran's response to the US proposal has blocked the path to a diplomatic solution with Tehran; "The next steps by Trump after receiving Iran's negative response are still unclear".
- **Washington-based diplomats reportedly fear China could offer to help reopen the Strait of Hormuz in exchange for US concessions on Taiwan, Politico sources say.** A person close to the White House said there would be "no consequence" for President Trump in "selling out Taiwan."

NOTABLE NORTH AMERICAN NEWS

- **US White House NEC Director Hassett** said inflation is going down at a microeconomic level; core inflation averaging 2.6% past six months. Fed.: Not going to give advice about Fed rates. Guess off-ramp for Chair Powell is inspector general report.
- **US housing lenders and state agencies** are raising concerns that the Trump administration could wind down a financing programme, Semafor reported; the FY27 budget projects no new commitments for the programme.

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