

European Market Wrap - 13th May 2026

- European bourses were broadly firmer, US equity futures are mixed.
- DXY gained following a strong PPI report, AUD benefited from higher copper prices whilst the Kiwi lagged.
- UK traders digest domestic politics, with **Streeting** reportedly to launch a leadership challenge as soon as Thursday.
- All eyes on the Trump-Xi meeting, scheduled to start at 03:15 BST / 22:15 EDT.

EQUITIES

- **European bourses (STOXX 600 +0.3%)** initially started the session on the front foot but pulled back as trade progressed, set to end mixed. The **AEX** and **DAX** outperformed peers, mainly driven by positive earnings (see more below). On the flip side, the **CAC 40** underperformed as Eiffage weighed on the index.
- **Sectors** lacked a clear bias. **Basic Resources** topped the sector pile as metals rebounded, while **Media** and **Real Estate** lagged
- There was a flurry of earnings pre-market: **Siemens**, beat orders estimates and announced EUR 6ln share buyback but missed revenue expectations; **Merck**, topped top- and bottom-line estimates and raised FY adj. EPS guidance; **ABN AMRO**, beat net income estimates and improved its FY cost guidance.
- Outside the earnings picture, **Intertek (+6.5%)** surged after reporting that it will accept EQT's improved GBP 10.6bn takeover offer. For **Airtel Africa (-14%)**, shares slumped after Bharti Airtel approved a plan to increase its stake through a USD 2.9bn stock swap.
- **US equity futures** pulled back from ATHs pre-market following the hot PPI print but started the cash session broadly higher. US PPI surged to 6% Y/Y (exp. 4.9%, prev. 4%), resulting in US equities to pull back from session highs as traders reignite hawkish bets. This follows on from Tuesday's CPI print, which came in slightly hotter-than-expected. On the earnings front, US-listed shares of **Alibaba (+3.5%)** gained, with focus on growth in AI and cloud.

FX

- **DXY** was firmer throughout the entire London session as oil prices firmed despite light newsflow, and amid the hot US PPI metrics. The index rose above both 100 and 200 DMAs at 98.45 and 98.52 respectively, before slipping below the latter a touch - still set to complete the London session firmer by 0.2%.
- Several key risk events are ahead, with Fed speak, and the Trump/Xi summit. On the latter, no breakthrough is expected in US-China relations, though the situation in Iran will likely be one of the core topics, with some fearing an Iran-for-Taiwan bargain. (Full analysis on the Newsquawk headline feed). In terms of **Fed speak**: Collins (2028 voter, neutral) will speak on the economic outlook. Kashari (2026 voter, hawk) will participate in a moderated discussion. Logan (2026, Hawk) will also participate in a moderated discussion
- **GBP** was one of the worst G10 performers throughout the London session amid continued uncertainty around the future of the PM. As it stands, Health Secretary **Streeting** reportedly told allies that he is preparing to resign and trigger a leadership contest as soon as Thursday. Nothing is expected today, given the King's Speech. Parliament returned to debate at 14:30BST, where **eyes will be on the Badenoch-Starmer debate**, due imminently. With regards to Burnham, it is currently unclear whether he has a seat lined up. Sky News reported late last night, "Andy **Burnham** doesn't have an MP ready to quit". Prior to this, The Telegraph reported, "Two sources familiar with Burnham's thinking said he had now identified an MP who was willing to stand down and trigger a by-election, allowing him a path back into Westminster."
- **EUR/GBP** set to finish London unchanged after chopping in 0.8647-0.8676 parameters. **MUFG** wrote this morning, "We were already assuming EUR/GBP would drift higher to 0.8850 by year-end, but if this uncertainty persists and we do see new leadership and a shift left in policy, higher levels through 0.9000 are possible." **ING** wrote, "High yields are probably providing sterling with a little insulation at the moment, but we would expect good demand in EUR/GBP under 0.8650." **TS Lombard** also wrote, "While the Gilt market is discounting near-term risks around the present government leadership, the present risk premium looks potentially attractive"
- **Kiwi** was the worst performer in the G10 space after stagflation concerns were brought back into light as inflation expectations data for New Zealand rose from 2.6% to 3.4% for the year ahead. **Aussie was helped** by the Kiwi weakness, with the cross set to handover to New York higher by 0.5%.

FIXED

- **Global fixed benchmarks** were flat for much of the European session, but then broadly turned negative as the day progressed, following a hotter-than-expected US PPI report and with Gilts hit by Streeting reports.
- **USTs** traded in a narrow 109-28 to 110-04 range, with the trough of the day made following **US PPI**. Early morning action was lacklustre and ultimately reflected a slight reprieve from the pressure seen in the prior session. Thereafter, **US PPI Y/Y jumped 6% (exp. 4.9%)**, given the continued strength in energy prices. There also appear to be some early signs that the surge in energy is filtering through into transportation costs. **Oxford Economics outlined that following both CPI and PPI, its PCE "nowcast points to a 3.8% y/y rise in headline prices.** This would be the hottest PCE inflation has been since May 2023". Attention now turns to a number of Fed speakers, and then the Trump-Xi meeting set to begin at 03:15 BST / 22:15 EDT.
- **Gilts initially gapped higher at the open**, attempting to bounce back from the losses seen on Tuesday as markets digested

domestic politics. Markets were expecting a quiet session, as politicians wanted to avoid drama surrounding the King's speech – though source reports suggested that Streeting told allies he is preparing to resign on Thursday, and launch a leadership challenge. A piece which pressured UK paper. **Gilts** are set to end the day towards the lower end of an 85.69 to 86.31 range.

- **Bunds** are set to close the European day off by around 7 ticks, and towards the mid-point of a 124.57 to 124.87 range. Earlier traders digested strong Wholesale Prices, whilst EZ GDP was subject to no revisions – no move in the German benchmark was seen on the reports.
- Tomorrow, **Japan will auction a 30yr JGB**. Yields for the long-end have remained elevated throughout the Iranian conflict and amidst growing fears of further fiscal expansion. **PM Takaichi recently pledged to resume household electricity subsidies**, though the government has attempted to alleviate fears by suggesting it would not need a supplementary budget. The elevated yields may see the outing garner strong demand, but a hawkish BoJ SOO and the close proximity to the recent Golden Week holiday may weigh on demand.
- **About six companies** are considering new capital raises in the US investment-grade primary market on Wednesday, according to Bloomberg citing an informal poll of syndicate underwriters. noted this is a slowdown vs 24 issuers flooded the market for the past two sessions, selling more than USD 33bln.
- **Germany sold EUR 1.14bln vs exp. EUR 1.5bln 2.50% 2054 and EUR 0.986bln vs exp. EUR 1bn 3.40% 2047 Bund.**
- **Italy sold EUR 7.5bln vs exp. EUR 6.25-7.5bln 2.40% 2029, 3.30% 2033 and 2.95% 2038 BTP.**

COMMODITIES

- **Crude futures** – Crude trimmed earlier losses as markets digested escalating US–Iran rhetoric and tighter supply projections. Trump reiterated Iran must “make a deal or be decimated”, while Tehran outlined strict preconditions for talks. IEA forecasts pointed to a sharp 3.9mln BPD supply drop in 2026 and inventories depleting at a record pace, whilst the OPEC MOMR was slightly more outdated. Brent held in a USD 106.09–108.28/bbl range.
- **Natural Gas** – Dutch TTF was choppy, initially recovering from sub-EUR 46/MWh lows to trade above EUR 46.50/MWh and then back under the round figure.
- **Precious Metals** – Precious metals were subdued following hot US PPI data. Spot gold traded within a USD 4,675–4,727/oz range, remaining inside the prior session's band, with the 100 DMA at USD 4,786.96/oz. Spot silver paused after six consecutive gains, easing from resistance near USD 87.80/oz, while the Shanghai Futures Exchange raised the price limit for AG2705 silver futures to 17%.
- **Base Metals** – Base metals were firmer despite a stronger USD, supported by cautiously positive risk sentiment. 3M LME copper traded above USD 14k/t within a USD 14,086.58–14,191.48/t range.
- **OPEC MOMR (Apr – Does not incorporate UAE leaving): In April, crude oil production by countries participating in the DoC decreased by 1.74mln BPD M/M to average about 33.19mln BPD, according to available secondary sources.**
- **Ukraine's military said it struck Russian oil refinery in Yaroslavl.**
- **German Government Spokesperson** said reserves of Kerosene are sufficient for this year, there were no problems with the country's energy supply.
- **Sweden's government** announced a further tax cut on petrol and diesel of SEK 3/litre.
- **Russia's Perm oil refinery (260k BPD) has halted operations after May 7th drone attack, sources say.**
- **French Finance Minister Lescure** said there is no plan for a discussion on an oil stock release at the G7. Though, the topic may be brought up.
- **Shanghai Futures Exchange adjusts price limit for AG2705 silver futures contract to 17%.**
- **IEA OMR: world oil supply to fall by 3.9mln bpd in 2026 assuming Strait of Hormuz flows gradually resume from June (prev. forecast 1.5mln bpd fall); Sees total world oil supply 1.78mln bpd lower than demand in 2026 (vs. prev forecast 0.41mln bpd higher).**
- **Russia's Astrakhan oil refinery** is on fire after drone strike, regional governor said.
- **UAE's ADNOC has set June Murban crude OSP at USD 104.44/bbl, USD -6.31/bbl from May.**
- **Kuwait lowers June crude prices for Asia, a pricing document shows.**
- **Japan Petroleum Exploration Co executive** said they have secured three LNG cargoes for FY2026 as substitute for Middle Eastern supplies.

EUROPEAN DATA

- **German Current Account (Mar) 23.6B (Prev. 22B).**
- **German Wholesale Prices MoM (Apr) M/M 2% vs. Exp. 1% (Prev. 2.7%).**
- **German Wholesale Prices YoY (Apr) Y/Y 6.3% (Prev. 4.1%).**
- **EU Employment Change QoQ Prel (Q1) Q/Q 0.1% vs. Exp. 0.2% (Prev. 0.2%, Low. 0%, High. 0.2%).**
- **EU GDP Growth Rate YoY 2nd Est (Q1) Y/Y 0.8% vs. Exp. 0.8% (Prev. 1.2%, Low. 0.8%, High. 0.8%).**
- **EU GDP Growth Rate QoQ 2nd Est (Q1) Q/Q 0.1% vs. Exp. 0.1% (Prev. 0.2%).**
- **EU Industrial Production YoY (Mar) Y/Y -2.1% (Prev. -0.6%).**
- **EU Employment Change YoY Prel (Q1) Y/Y 0.5% (Prev. 0.7%).**
- **EU Industrial Production MoM (Mar) M/M 0.2% vs. Exp. 0.3% (Prev. 0.4%).**
- **French Inflation Rate YoY Final (Apr) Y/Y 2.2% vs. Exp. 2.2% (Prev. 1.7%, Low. 2.2%, High. 2.2%).**
- **French Inflation Rate MoM Final (Apr) M/M 1.0% vs. Exp. 1% (Prev. 1%, Low. 1%, High. 1.1%).**
- **French Unemployment Rate (Q1) 8.1% vs. Exp. 7.8% (Prev. 7.9%, Low. 7.7%, High. 7.9%).**
- **Swedish CPIF MoM Final (Apr) M/M -0.6% vs. Exp. -0.6% (Prev. -0.6%).**
- **Swedish CPIF YoY Final (Apr) Y/Y -0.1% vs. Exp. 0.8% (Prev. 1.6%).**

NOTABLE HEADLINES

- **UK Health Secretary Wes Streeting has told allies that he is preparing to resign and trigger a leadership contest as soon as Thursday, The Times reported.** An ally of Streeting's said "He is going to go for it. He's going tomorrow." another source said they expect a move "before the end of the week".
- **Sky's McDaid hears from MPs that UK Chancellor Reeves is trying to persuade them from not backing Health Minister Streeting.**
- **UK's PM Starmer spokesperson** said PM has full confidence in Health Minister Streeting, and won't comment on content of meeting.
- **Guardian's Crerar** posted that, despite some reporting against this, UK Health Secretary Streeting has the support of 81 Labour MPs.
- **UK PM Starmer** said he will contest and leadership challenge.
- **UK Health Secretary Streeting's team has failed to deny a report by The Times that he is preparing to resign as health secretary as soon as tomorrow, Sky news reported.**
- **German Chancellor Merz** plans to convene another coalition meeting in June, to explore the positions of trade unions and employers on reforms to pensions, taxes, and the working time law and how these reforms can be implemented.
- **ITV's Peston corroborates the Times report that UK Health Secretary Streeting is poised to launch a leadership challenge on Thursday.**
- **Several UK Labour sources suggesting a resumption of hostilities after the monarchical interlude, Spectator's Heale reported.**
- **Guido hears that UK Manchester Mayor Burnham** was denied an attempt to take former Minister Josh Simons' Makerfield constituency seat.
- **SNP to force a vote on UK PM Starmer via an amendment to King's Speech debate.**
- **UK Health Secretary Streeting remains in his role as Health Secretary, according to i Paper's Donaldson.**
- **UK Minister Wes Streeting leaves 10 Downing street after less than 20 minutes, Sky reported.**
- **UK Labour-affiliated union group TULO said labour can not continue on this path, is it clear the PM will not lead Labour into the next election.**
- **German VDA Auto Association** expects larger job cuts than previously thought amid a location crisis, Die Zeit reported.
- **UK's Labour-affiliated unions** are on Wednesday expected to issue a joint statement saying the Labour party "at some stage" needs to put a plan in place to elect a new leader, according to The Guardian.

TRADE/TARIFFS

- **EU lawmakers have reached a provisional deal to make the EU-US trade agreement suspendable in the event of a market disruption caused by a surge in US imports, via Euronews citing sources.**
- **US and China are said to be weighing tariff cuts on USD 30bln of imports, Reuters sources say; Presidents Trump and Xi are to discuss managed trade push in Beijing; US reportedly shifts its focus to numerical trade targets over model reform.**
- **The US White House has reportedly not ruled out potential Chinese direct investment in the US, Semafor reported.**
- **China and the US held candid, in-depth and constructive exchanges, CCTV reported.**
- **EU Commission has outlined a potential compromise to break the EU-US trade deal deadlock, with specific reference to the sunrise clause, Politico reported.**

CENTRAL BANKS

- **UBS sees the Fed to cut 25bps in December 2026 and March 2027 (prev. forecast cuts in September and December).**
- **Ex-BoJ Governor Kuroda** said 10-year JGB has recently risen to around 2.58%, describing that as being a natural level given Japan's inflation is moving to around 2-3% mark and given the BoJ tightening. USD/JPY around 120-130 is seen as equilibrium based on Japan's economic fundamentals.
- **BoJ said there was no meeting held between the US Treasury Secretary Bessent and BoJ Governor Ueda.**
- **ECB's Kocher said cannot call June hike the baseline; "we decide meeting by meeting"; a 50bp hike in June is a very unlikely scenario from today's perspective, Econostream reported.** On timing of potential hike: "There are several meetings until the end of the year". After a first hike, barring improvement, "my bias would be: one-and-watch". If the ECB hikes in June, "September could be the natural next point," but too soon to talk about now. Keeping rates unchanged until year-end is difficult absent price improvement. ECB must avoid both unnecessary hike and postponing necessary action.
- **ECB's Muller said EU has not fallen into stagflation.**
- **ECB's Elderson said banks need to update resilience plans to cater for the higher probability of severe disruptions because of Anthropic's Mythos AI tool.** Euro Area banks currently do not have access to Mythos.
- **ECB's Dolenc said can expect consumer expectations from inflation to rise.** Energy prices have a limited effect on the economy for now.
- **ECB's Radev said once again, seeing an external price shock.**
- **ECB's Rehn said inflation expectations are still anchored.**
- **ECB's Villeroy said the ECB must be ready to intervene on second round effects; underlying inflation is currently under control.**
- **BCB's Galipolo** said supply shocks are posing a challenge, resulting in dissonance in official numbers.
- **CNB** said headline inflation has picked up and will be between 2-3% for the remainder of 2026 due to the Middle East conflict; policy is restrictive despite the recent rise.
- **NBP's Litwiniuk** said a rate rise is more likely than a rate cut this year.
- **Riksbank Minutes: Market expectations regarding central bank policy rates have been closely interlinked with the inflation risks stemming from energy prices.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian President Putin** said Russia will continue to develop missile systems capable of overcoming all current and future missile defence systems; will continue to modernise and develop its strategic nuclear forces, TASS reported.
- **Ukraine's military** said it struck Russian oil refinery in Yaroslavl.
- **Russia's Perm oil refinery (260k BPD)** has halted operations after May 7th drone attack, sources say.
- **Russia's Astrakhan oil refinery** is on fire after drone strike, regional governor said.

MIDDLE EAST

- **Iran Army Spokesperson** said Strait of Hormuz is under strategic control of Iranian Armed Forces; We will no longer allow American weapons to pass through the Strait of Hormuz and enter bases in the region. Any country that wants to pass through this waterway must be under the supervision of the Iranian armed forces and must pass without harm. The west of the strait is under the control of the IRGC Navy, and the east is under the control of the Army Navy.
- **Iran Army Spokesperson** said control over the Strait of Hormuz will bring economic benefits twice as much as oil revenues.
- **US intelligence** reportedly indicates that Iran has restored operational capacity at 30 missile sites across the Strait of Hormuz, Semafor reported citing NYT.
- **A Chinese supertanker** crossed the Strait of Hormuz without paying tolls after, WSJ reported. Iran allowed a COSCO tanker passage without a USD 2m fee.
- **Israel's Mossad head** visited the UAE on at least two separate occasions in March and April, WSJ reported citing sources; purposes was coordination about the war.
- **Iranian Foreign Ministry spokesman** said Iran will obtain a more accurate assessment of the American position through Pakistani mediators, Al ArabyTV reported. said Tehran rejects maximalist demands regarding its Nuclear Program and considers them unjust.
- **Journalist Stein**, citing 'Captain Louis' Telegram channel, reported " A double-digit number of US Air Force B-52 bombers at Al-Odeid Air Force Base in Qatar" and "A very unusual amount of bombers of this type that are within striking distance of Iran".
- **Swiss Government** said US has presented options for proceeding with procurement of the Patriot long-range ground-based air defence system. Switzerland is continuing to withhold payments to the US government due to key questions on delivery dates and costs, which remain unresolved.
- **A group of bipartisan US senators** is writing to Secretary of State Rubio to pledge their support for the Taiwan Relations Act, Semafor reported; Twelve senators signed the letter.
- **"Pakistan's Foreign Ministry** is all set to hold a consultative meeting of its envoys in Middle East, West Asia and important capitals on Thursday in Islamabad", Pakistani journalist Mallick posted.
- **PM will hold a limited security discussion tonight**, Israeli journalist Stein reported.

NORTH AMERICAN DATA

- **US PPI Ex Food, Energy and Trade YoY (Apr) Y/Y 4.4% vs. Exp. 3.7% (Prev. 3.6%).**
- **US Core PPI MoM (Apr) M/M 1.0% vs. Exp. 0.3% (Prev. 0.1%).**
- **US PPI YoY (Apr) Y/Y 6.0% vs. Exp. 4.9% (Prev. 4%).**
- **US Core PPI YoY (Apr) Y/Y 5.2% vs. Exp. 4.3% (Prev. 3.8%).**
- **US PPI MoM (Apr) M/M 1.4% vs. Exp. 0.5% (Prev. 0.5%).** Nearly 60% of the April rise in final demand prices can be attributed to a 1.2% advance in the index for final demand services.
- **US PPI Ex Food, Energy and Trade MoM (Apr) M/M 0.6% vs. Exp. 0.3% (Prev. 0.2%).**

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com