newsquawk

European Market Wrap - 14th May 2026

- **European bourses were broadly in the green; NQ +0.5%, led higher by NVIDIA on reports of US approval to sell H200 chips to 10 Chinese firms.**
- **DXY firmer, USD/JPY subject to a potential rate check/intervention, AUD lagged.**
- **Saudi Arabia floats Middle Eastern non-aggression pact with Iran, FT reports.**

EQUITIES

- **European bourses (STOXX 600 +0.5%)** held onto their gains formed earlier in the session. The **DAX** held the top spot, as Infineon and Siemens support the German index. Lagging its peers was the **FTSE 100,** primarily weighed down by shares of **3i Group and Burberry, offsetting the gains in Legal & General** (see more below). The **SMI** was closed for Ascension Day Holiday, expect outperformance on the re-open on Friday.
- **Sectors** were entirely in the green, ex **Financial Services** (losses in 3i Group). **Media and Tech** topped the sector pile, as AI optimism stateside passes through the equities across the Atlantic.
- Key movers included **Tate & Lyle (+45%),** received a 615p/shr (GBP 2.7bln) takeover offer from Ingredion; **3i Group (-12.6%),** FY total return missed estimates; **Burberry (-6%),** slumps despite Q4 retail comp sales beat expectations; **Legal & General (+5.9%),** CEO denies reports of possible sale.
- **US equities** started the cash session on the front foot, opening entirely in the green. There was a lack of pre-market earnings; however, after-hours, **Cisco (+16%)** reported earnings and revenue that beat estimates and issued stronger-than-expected guidance. **NVIDIA (+2.0%)** lifts after a report that the US approved around 10 Chinese firms to buy its H200 chips.

FX

- **DXY was bid through the entire London FX session** following a constructive US/China summit, lack of US/Iran updates, hot US PPI on Wednesday, and broadly hawkish data today with Import prices and Jobless Claims rising above previous and expected, and Retail sales in line with expectations. On US/China, the US readout had no mention of Taiwan and showed agreement that the Strait of Hormuz must remain open.
- On geopolitics, Axios reported that Trump's team is now discussing options for military escalation to break the deadlock. One option is to resume "Project Freedom," while another is to launch a new bombing campaign focusing on Iranian infrastructure. **Fed speak ahead**, see primer on the headline feed.
- **JPY** was broadly unchanged against the buck for most of the London session before **marked USD strength was sharply reversed in a potential intervention/rate check move**. The pair chopped c. 85 pips without a clear driver, from 158.17 to 157.31. Now, we have mostly faded the move. Overnight, USD/JPY fell around 45 pips on hawkish remarks from BoJ's Masu, who said the central bank needed to raise rates "at the earliest stage possible". Masu, at the last BoJ confab, was not one of the three hawkish dissenters, meaning the vote split could theoretically be 5-4 should former dissenters maintain their votes. Markets are reluctant to fully price a June meeting hike, with just 15bps of tightening expected. The move seen on Masu's remarks has since faded as oil prices remain high. USD/JPY set to complete the London session at 158.17
- **Sterling** was in the limelight for another session with the kicker today being potential leadership challenger Streeting resigning from his post as Health Secretary. Streeting was widely expected to resign from the cabinet today; some reports suggest the speech for a leadership launch could be between 17:00 and 17:30 BST today. If Streeting does launch a contest, PM Starmer has made clear he will challenge it. Now, we are attentive to several points: **1)** Will Streeting challenge Starmer **2)** Does Starmer announce a timeline for standing down **3)** if there is a challenge, and Burnham cannot compete, do Rayner/Miliband run **4)** if Burnham can compete, does Rayner contest anyway **5)** which, if any, candidates commit to keeping Chancellor Reeves in her position. GBP/USD set to complete the London session lower by 0.2%.
- UK GDP data this morning was overlooked by the Political situation. Cable saw a short-lived upside on the release as it only shows c. one month of the Middle East conflict. ING, in its morning note, explained the usual caveats to the strong data, writing that they "aren't convinced by the UK's first quarter growth performance", and the outlet also said the data won't change much for the BoE, which is singularly focused on the impending inflation spike and the risk of it spilling into wage growth. Citi notes, "Our trader continues to hold his core EURGBP long".

FIXED

- **USTs** are set to end the EU day at the top end of a 110-02 to 110-10 range, rebounding from the troughs (109-26) seen on Wednesday. Focus for today was on the Trump-Xi summit, **with the mood music following initial meetings positive**. Recent reports are suggesting that the **US is clearing H200 chip sales to Chinese firms**, whilst Treasury Secretary Bessent suggested that un-tariffing China would begin with a cut on USD 30bln of imports. **On the data front**, Retail Sales printed in-line with expectations, Export Prices surprised to the upside, whilst Jobless Claims topped expectations. Some very modest pressure was seen in **USTs** following the report.
- **Gilts digest further updates** to domestic politics, after **Health Minister Streeting** announced his resignation from the cabinet, though did not immediately launch a leadership contest. Attention now turns to when/if he does decide to launch a formal challenge against PM Starmer, but this could potentially lead to the likes of **Rayner, Miliband, Carns and, depending on the**

timeline of a contest, Burnham, also entering the race. Now, we are attentive to several points: **does Streeting challenge Starmer; does Starmer announce a timeline for standing down**; if there is a challenge, and Burnham cannot compete, do Rayner/Miliband run; if Burnham can compete, does Rayner contest anyway; which, if any, candidates commit to keeping Chancellor Reeves in her position.

- **In terms of market reaction, Gilts** saw some pressure on Streeting's announcement, but this proved fleeting given expectations he would resign – and more pertinently that he didn't go for an immediate challenge vs Starmer. UK paper currently trades within an 86.14 to 86.70 range. In terms of potential market reactions, fund managers cited by the FT, suggested that Burnham would be the most negative for Gilts, whilst Streeting is seen as the most market-friendly. Further out, **Mizuho outlines that "the term premium in Gilts likely has further to run, particularly at the long end"** .
- **Bunds** are set to end the European session stronger by around 50 ticks, and at the upper end of a 124.80 to 125.21 range. German paper essentially followed peers today, with domestic updates lacking given the Ascension Day holiday across parts of Europe.
- **JGBs** underperformed vs peers, following hawkish commentary from BoJ's Masu, who stated that there is a need to raise rates at the earliest stage possible. The 10yr now resides at levels not seen since 1997. Elsewhere, the 30yr auction overnight gave an indication that demand remains strong at these elevated yields, as the b/c rose to 3.49x (prev. 3.12x). However, the wider tail suggests that some buyers are potentially holding out for a 4% yield.
- **India** is reportedly mulling reducing taxes on taxes on foreign bond investments.

COMMODITIES

- **Crude futures** initially held a mild upward bias but eased off best levels and more, residing in the red heading into the European close. Both the US and Iran signalled a preference for diplomacy. Benchmarks were also initially supported by constructive US–China rhetoric, though uncertainty around Hormuz and China's potential role in influencing Iran capped upside. **WTI July** traded within USD 95.12–98.13/bbl, while **Brent July** held in a USD 103.88–107.13/bbl range.
- Some mild pressure was seen in the complex after the FT reported that **Saudi Arabia floats a Middle Eastern non-aggression pact with Iran**.
- **Spot gold** traded choppily within a narrow USD 4,668.71–4,718.88/oz range, largely holding within the prior session's parameters after briefly dipping under support near Wednesday's low. Spot silver slipped back under USD 85/oz after earlier trading above USD 87/oz following a seven-session winning streak, while HSBC raised its average silver price forecasts for 2026 and 2027.
- **Base Metals** saw subdued trade. **3M LME Copper** pulled back from record levels despite improved risk sentiment, briefly dipping below USD 14,000/t and trading within a USD 13,887.50–14,132.78/t range.
- **China** set normal sow inventory target at c. 37.5mln head.
- **US Treasury Secretary Bessent reiterates his view that oil prices will be lower in six-months, cites the market curve.**
- **Fujairah's media office** announces that smoke at the oil zone was the result of pipeline maintenance.
- **HSBC** raises average silver price forecasts to USD 75/oz in 2026 and USD 68/oz in 2027.

EUROPEAN DATA

- **Spanish Core Inflation Rate YoY Final (Apr) Y/Y 2.8% vs. Exp. 2.8% (Prev. 2.9%).**
- **Spanish Inflation Rate MoM Final (Apr) M/M 0.4% vs. Exp. 0.4% (Prev. 1.2%).**
- **Spanish Inflation Rate YoY Final (Apr) Y/Y 3.2% vs. Exp. 3.2% (Prev. 3.4%).**
- **UK GDP YoY (Mar) Y/Y 1.2% vs. Exp. 0.7% (Prev. 1%, Low. 0.7%, High. 0.9%).**
- **UK** Industrial Production YoY (Mar) Y/Y 0.0% (Prev. -0.4%).
- **UK** Business Investment QoQ Prel (Q1) Q/Q 0.7% vs. Exp. 1.1% (Prev. -2.5%).
- **UK** Manufacturing Production MoM (Mar) M/M 1.2% vs. Exp. -0.2% (Prev. -0.1%).
- **UK GDP MoM (Mar) M/M 0.3% vs. Exp. -0.2% (Prev. 0.5%, Low. -0.3%, High. 0%).**
- **UK GDP Growth Rate QoQ Prel (Q1) Q/Q 0.6% vs. Exp. 0.6% (Prev. 0.1%).**
- **UK** Goods Trade Balance Non-EU (Mar) -15.195B (Prev. -7.1B).
- **UK Balance of Trade (Mar) -9.658B vs. Exp. -3.4B (Prev. -0.720B).**
- **UK** Construction Orders YoY (Q1) Y/Y -11.9% (Prev. 28.6%).
- **UK** Construction Output YoY (Mar) Y/Y -0.3% (Prev. -1%).
- **UK** Manufacturing Production YoY (Mar) Y/Y 1.2% (Prev. -0.5%).
- **UK Goods Trade Balance (Mar) -27.22B vs. Exp. -20B (Prev. -18.79B).**
- **UK GDP 3-Month Avg (Mar, Q1) 0.6% vs. Exp. 0.5% (Prev. 0.5%, Low. 0.5%, High. 0.6%).**
- **UK GDP Growth Rate YoY Prel (Q1) Y/Y 1.1% vs. Exp. 0.8% (Prev. 1%, Low. 0.6%, High. 0.7%).**
- **UK** Industrial Production MoM (Mar) M/M -0.2% vs. Exp. -0.3% (Prev. 0.5%).

NOTABLE HEADLINES

- **UK Health Minister Streeting has resigned from the cabinet; he does not immediately launch a leadership contest.** On the next steps, "It needs to be broad, and it needs the best possible field of candidates. I support that approach and I hope that you will facilitate this.".
- **UK Health Minister ally said to Sky's Rigby, Streeting has not decided to trigger a challenge/immediate contest, PM Starmer needs to set out a timetable; Mail's Hodges said "I am told the bulk of the cabinet will now move in behind this position as well".**
- **Allies close to UK PM's Chief Secretary Jones, say he is backing the PM and wants to get on with the job (contrasts earlier**

reporting), Bloomberg's Mayes reported.

- **Speculation that the speech for a leadership bid by UK Labour MP Streeting will be between 17:00-17:30BST, Times' Kendix reported.**
- **Allies of UK MP Streeting** are claiming that ministers who were prevented from raising their concerns about the Prime Minister's leadership during a Cabinet meeting on Tuesday will head to No 10 this afternoon, Telegraph reported.
- **Germany's VDA** expects additional job losses in the auto sector; expects a loss of 225k jobs by 2035, more than 35k more than previously assumed, Handelsblatt reported.
- **UK Cabinet Minister said Chancellor Reeves is looking to decouple from PM Starmer, Mail on Sunday's Hodges reported citing a cabinet source.**
- **UK Cabinet Ministers and MPs** are reportedly pointing towards the statement by the Unions call for a timetable, as a potential trigger for a "second wave" of called for UK PM Starmer to step down, reported Mail on Sunday's Dan Hodges.
- **At least four cabinet ministers, including those close to both UK Health Sec Streeting and Manchester Mayor Burnham, deny reported that they will go to PM Starmer today to tell him to go, reported Bloomberg's Wickham.**
- **Allies of UK Health Secretary Streeting believe his leadership announcement could be pre-empted by PM Starmer announcing a timetable for his departure, possibly today, ITV's Peston; adds, less-partisan sources say "in the end game".** Peston also noted: "Downing Street is saying the ball is in Streeting's court and there is no chance of the PM announcing a departure timetable today. And that if Streeting wants a leadership contest, he will have to trigger it.".
- **UK's Labour MP Jones, the top-aide to the PM, is reportedly telling MPs that PM Starmer is going to go, Bloomberg's Wickham reported citing allies of Health Secretary Streeting.** Full post:. Supporters of Wes Streeting claim he has the numbers. BUT they say "things are shifting" They claim MPs who signed the loyalty letter told the PM last night he has to go. They claim cabinet ministers are going in to Downing Street today tell Starmer to go. They claim Darren Jones is telling MPs the PM is going to go".
- **UK Mail on Sunday's Hodges** posted "All eyes on Streeting. I'm being told to watch the cabinet.".
- **Allies of UK Health Secretary Streeting say he has the numbers but "things are shifting", Sun's Elsom reported; allies also claim Cabinet Ministers will head to No10 today to tell the PM to quit.**
- **Messages between UK PM Starmer's team and former US Ambassador Mandelson** are expected to be published next week, POLITICO reported.
- **Backers of UK Manchester Mayor Burnham** are pushing Labour's NEC to agree to an extended leadership contest timetable, POLITICO reported, citing sources. If the NEC agrees, it would lead to a three-month (or longer) leadership election.
- **Afzal Khan, UK MP for Manchester Rusholme, told Sky News he has no plans to give up his seat for Manchester Mayor Burnham.**
- **UK Labour NEC member Hurst** said "If a contest started right now, I just don't see how it's physically possible for Andy Burnham to participate in that.", Sky reported.
- **Mail on Sunday's Hodges hears from UK MPs that leadership candidates are considering making an early statement that Chancellor Reeves would actually be retained as Chancellor to secure market stability in the event of a longer leadership contest.**
- **UK Chancellor Reeves** said it is not the time to put economic stability at risk.
- **Former UK Deputy PM Rayner is prepared to put her herself forward in any leadership race if required, Sky News' Rigby reported citing sources.**
- **Former UK Deputy PM Rayner said she's been cleared of any tax wrongdoing by the HMRC.**

TRADE/TARIFFS

- **US President Trump said it has been a fantastic day; had extremely positive and productive meetings; things discussed are good for China and the US; Invites Chinese President Xi to the White House for September 24th.** US-China relationship is one of the most consequential in world history. Have a chance to create a future of great prosperity. called US-China relationship "very special".
- **US Treasury Secretary Bessent, on un-tariffing Chinese trade, said the idea is to start with USD 30bln.**
- **Chinese President Xi said China-US ties have been stable via talks with US President Trump; had in-depth exchange of views with Trump today.** We both believe China-US ties are the most important bilateral ties in the world.
- **Chinese President Xi, at the state banquet with the US, said this is a historic visit; rejuvenation of China and "Make America Great Again" can go hand in hand.**
- **US Treasury Secretary Bessent** said soybeans are all taken care of.
- **US Treasury Secretary Bessent on China** said the Board of Investment will discuss nonstrategic, nonsensitive areas where the Chinese could invest; pushes back against USD 1tln number. Bessent said US President Trump told Chinese President Xi that he wants to open up China.
- **China People's Republic Chair Qiang** said the US and China should focus on cooperation, and continue to be friends.
- **China renews US beef-plant import licenses.**
- **Export licenses to China for hundreds of US beef plants that had just been renewed now listed as expired, Chinese customs said.**
- **US approved around 10 Chinese firms to buy NVIDIA (NVDA) H200 chips, Reuters sources say.** US approved Chinese buyers of NVIDIA chips include Alibaba (BABA/ 9988 HK), ByteDance, Tencent (TCEHY/0700 HK), JD.com (JD/ 9618 HK).
- **Chinese President Xi** said China and the US are to build stable relations as a new positioning of bilateral ties, CCTV reported.
- **EU officials** said they are open to collaboration with the UK, but the UK will need to relax its trade and economic integration stance in order to progress towards a more ambitious deal, Politico reported.
- **US President Trump said talks with Xi were great and that China is beautiful.**

CENTRAL BANKS

- **Fed's outgoing Miran does believe that PCE inflation, particularly with housing, and will converge down to normal levels and reiterates his rate cut called based on the lag of monetary policy.**
- **US Treasury Secretary Bessent thinks incoming Fed Chair Warsh will bring an open mind to the Fed; adds that there may be one or two hot inflation numbers, followed by disinflation.**
- **ECB's Kazaks said can't yet see full impact of Iran war on inflation, and the situation is a bit worse than the ECB's baseline scenario.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia** is looking forward to direct contacts with Chinese President Xi that are not linked to US President Trump’s visit to China, TASS reported.
- **Russia's Kremlin** said President Putin's trip to China will happen very soon, preparations are complete.

MIDDLE EAST

- **Negotiations between Israel and Lebanon commenced recently, journalist Stein reported citing an Israeli official.**
- **"The ceasefire between Israel and Lebanon will be extended for an indefinite period", Sky News Arabia reported.** "Israel intends to expand the buffer zone in southern Lebanon to a depth exceeding 10 kilometers".
- **Israeli Defence Minister Katz said the Iran mission is not over; Israel is prepared for the possibility that we may need to act again.**
- **Russian Intelligence** said negotiation to end Iran's war are ongoing, but no end in sight, Al Arabiya reported. Renewed US attacks against Iran cannot be ruled out. The likelihood of the conflict related to Iran ending remains out of reach.
- **Iran's Foreign Minister criticises UAE for being an active partner in Israeli aggression, IRIB reported.**
- **US Secretary of State Rubio** said US policy on Taiwan is unchanged, according to NBC News; Trump and Xi found common ground on Iran. Policies on Taiwan have not changed. Arms sales to Taiwan not prominent in China talks. Iran:. US and China agree that the Strait of Hormuz should not be militarised. US not asking China for help with Hormuz.
- **Iran’s Revolutionary Guards said around 30 vessels have crossed the Strait of Hormuz with Tehran’s permission since Wednesday evening, according to state media.**
- **US Army used Kuwait’s Bubiyan Island during the recent aggression against Iran, Press TV reported citing sources.**
- **The transit of Chinese vessels through the Strait of Hormuz started on Wednesday following an understanding over Iran's management protocols, Fars News reported.**
- **Iran's Deputy Secretary of the National Security Council Bagheri said "although this war began with Iran, it is not limited to Iran and will spread and expand if there is inaction and inaction against it. Any weak response is an invitation to more war".**
- **Pakistani Foreign Ministry spokesperson, on US-Iran not coming to an agreement said, "we are not discouraged", "we remain positively engaged".**
- **Lebanon** is reportedly looking to push Israel to a ceasefire at talks in the US, Reuters reported citing sources.
- **US President Trump on Tuesday appeared to suggest prioritising stopping Iran from obtaining a nuclear weapon even if it carries domestic economic costs - advisers cited by Axios** said the wording was poor and likely to be used in Democratic campaign ads.
- **Israel** is to inform the Lebanese delegation that its strategy that it will not be committing to a comprehensive ceasefire, Al Hadath reported citing sources; Israel may offer to avoid bombing northern Bekaa and Beirut.
- **US Secretary of State Rubio** said China trying to take Taiwan would be a mistake, AP reported.
- **US Treasury Secretary Bessent said President Trump will have more to say on Taiwan in the coming days; Trump will be resolute in his answers.**
- **US Treasury Secretary Bessent thinks China will do what it can regarding the Strait of Hormuz.**
- **Pakistan Foreign Ministry said the peace process is intact, its holding on, we remain engaged and hopeful, Journalist Mallick reported.**
- **US President Trump's team is now discussing options for military escalation to break the deadlock, Axios reported; US officials don't expect Trump to take any dramatic steps during his trip but think he could make his next move immediately afterwards.** OPTIONS. US officials say one option is to resume "Project Freedom," with the Navy attempting to break the logjam in the Strait of Hormuz. Another is to launch a new bombing campaign focusing on Iranian infrastructure, as Trump has repeatedly threatened. ISRAELIsraeli officials say they'll be on high alert this weekend in case Trump decides to resume the war. Any such operation would take place in coordination with the Israeli military, the officials say.
- **US Pentagon has not signed new contracts to replenish its munitions supplies, NBC reported.**
- **UKMTO reported an incident 38 nautical miles northeast of Fujairah, UAE; vessel has been taken by unauthorised personnel whilst at anchor and now bound for Iranian territorial waters.**
- **Iranian Foreign Minister Araghchi** said "In our view, the Strait of Hormuz is open to all commercial ships, but they must cooperate with our naval forces"; adds "hope this situation will end with the lifting of this illegal blockade imposed by America".
- **Iranian Foreign Minister Araghchi said although Iranian forces are ready to "deliver a crushing and devastating response to foreign aggressors", "We do not seek war", remarks made at BRICS summit.**

NOTABLE NORTH AMERICAN NEWS

- **US President Trump has arrived at state banquet in Beijing, CCTV reported.**

- **US President Trump's proposals** are reportedly facing opposition in Congress, Semafor reported; these include a gas tax holiday and federal funding for a new ballroom in the White House.

NORTH AMERICAN DATA

- **US** Jobless Claims 4-week Average (May/09) 203.75K.
- **US Continuing Jobless Claims (May/02) 1782.0k vs. Exp. 1790k (Prev. 1766k).**
- **US Initial Jobless Claims (May/09) 211.0k vs. Exp. 205k (Prev. 200k).**
- **US** Export Prices YoY (Apr) Y/Y 8.8% (Prev. 5.6%).
- **US** Retail Sales YoY (Apr) Y/Y 4.9% vs. Exp. 3.3% (Prev. 4.0%).
- **US** Import Prices YoY (Apr) Y/Y 4.2% (Prev. 2.1%).
- **US** Retail Sales Ex Autos MoM (Apr) M/M 0.7% vs. Exp. 0.6% (Prev. 1.9%).
- **US** Retail Sales Ex Gas/Autos MoM (Apr) M/M 0.5% (Prev. 0.6%).
- **US** Retail Sales Control Group MoM (Apr) M/M 0.5% (Prev. 0.7%).
- **US Import Prices MoM (Apr) M/M 1.9% vs. Exp. 1% (Prev. 0.8%).**
- **US Export Prices MoM (Apr) M/M 3.3% vs. Exp. 1.1% (Prev. 1.6%, Low. 0.1%, High. 2%).**
- **US Retail Sales MoM (Apr) M/M 0.5% vs. Exp. 0.5% (Prev. 1.7%, Low. -0.3%, High. 1%).**
- **BofA** Institute Total Card Spending (w/e May 2) +7.1% (vs +2.7% Y/Y, +4.8% Y/Y during April); Ex-gas spending +5.8% Y/Y; BofA suggests Mothers' Day could've impacted spending.