European Market Wrap - 18th May 2026

- **European bourses opened in the red, but are set to end the day broadly firmer amidst positive geopolitical updates.**
- **Brent Jul'26 -1% and hovers around USD 104/bbl (vs peak USD 112/bbl) as reports suggest the US have agreed to lift Iran's oil sanctions during the negotiation period - markets await confirmation.**
- **Global yields remain elevated, but off highs as the risk tone improves.**

EQUITIES

- **European bourses** (STOXX 600 +0.6%) began the European session broadly in the red, but gradually moved higher as markets digested positive geopolitical updates. Indices opened lower after President Trump's weekend comments, **where he warned that "the clock is ticking for Iran".** Since then, Tasnim reported that the US had agreed to **lift Iran's oil sanctions during the negotiation period.** Thereafter, Al Arabiya, citing leaks, **suggested that Iran had agreed to a long-term nuclear freeze instead of a complete dismantling**. The piece also suggested it had withdrawn its demand for compensation, instead demanding economic concessions. Both were seen as positive developments, which lifted sentiment across markets.
- **European sectors** opened with a clear negative bias, but are now set to close broadly in the green. **Telecoms** took the top spot, joined closed by **Media** and **Travel & Leisure**. The latter was initially weighed down by higher energy prices and post-earnings losses in Ryanair. But this flipped amidst the flurry of positive geopolitical updates. As for the bottom of the pile, **Health Care** and **Construction & Materials**.
- **Key movers**: **Publicis** (+4.5%, Confirms 2026, raises 2027 and 2028 guidance; announces the acquisition of LiveRamp), **Anglo American** (+0.6%, Agrees sale of steelmaking coal business for up to USD 3.875bln in cash; will use the cash proceeds to reduce net debt), **Commerzbank** (-0.8%, downgraded at Keefe Bruyette).
- **US equity futures** (ES/NQ U/C, RTY -0.3%) are flat/softer across the board. **US-specific newsflow is lacking this morning**, and the docket ahead remains light. Attention for the remainder of the week will be on **FOMC Minutes** and **NVIDIA** earnings. Key movers: **Regeneron** (-11%, Melanoma combo fails Phase 3 primary endpoint), **Ford** (U/C, Plans to launch seven new vehicle models in Europe by 2029), **ServiceNow** (+4%, BofA reinstated coverage with a 'Buy' rating and $130 PT)

FX

- The Buck continues to be driven by oil/yields with **geopolitical reporting propelling the Greenback lower throughout the session**. DXY rose throughout Asia, though was offered throughout the London session as optimistic reporting emerged: "Iran had agreed to a long-term nuclear freeze and conceded its demands for compensation". Oil, at the time of writing, trades around 5 bucks off highs, and as such, the Dollar Index also trades lower (by -0.2%), with support stalling the move lower at 99.98, where DXY's 50DMA lies. The session was absent of any economic data/speakers, similar to the rest of the week, which sees weekly ADP jobs on Tuesday, FOMC Minutes + NVIDIA earnings on Wednesday, Jobless Claims, PMIs on Thursday and UoM on Friday.
- **GBP** was one of the best G10 performers throughout the domestic session. **Outperformance was likely a factor of technicals rather than political optimism**, which was sparse. **EUR/GBP** reversed from 0.8730 resistance with 0.87 remaining support, while **Cable** bounced off the 1.33 level and was bound to the 1.33/34 band. The week ahead sees LFS on Tuesday, CPI on Wednesday, then Retail sales and PSNB on Friday. Mizuho wrote this morning, "Until the political noise floor drops, rallies still look like sells and the long end remains the pressure point."
- **JPY** underperformed as yields continue to spook participants with previous intervention threats seemingly the only thing capping losses at the moment. Several outlets reported the **Takaichi government was looking to issue fresh debt to fund an extra budget** amid the Iranian conflict, pushing yields higher, particularly on the long end; as such, **USD/JPY was unchanged** despite a weak Buck, with the pair peaking at 159.07 at the APAC open but then **reversing on intervention fears**.
- **High-beta Antipodeans were the best performers** amid the improving risk environment and rebound in metals prices. The bird was the best performer in the G10 space for the entire session, with **NZD/USD** (+0.8%) reversing some losses made at the latter end of last week, and **AUD/NZD** set to hand over to New York -0.2%.

FIXED

- **A bearish start to the week for fixed** amid a Trump-driven bout of energy upside over the weekend. As POTUS made clear that Iran is running out of time. However, despite making contract lows early on, benchmarks have all lifted into and are set to end the day in the green amid a number of constructive updates on the negotiating process, which have weighed on energy and yields.
- **Early doors, USTs and Bunds hit contract lows of 108-30 and 123.74 respectively**. With downside of around 10 and 53 ticks, respectively. At the open, Gilts were near-enough flat as they acknowledged the rebound in benchmarks by that point with USTs just into the green, and after weekend developments around PM Starmer were limited. Though, and potentially factoring initially, weekend press focused on how the main leadership contenders were looking for closer EU ties.
- However, sticking with **Gilts**, the contained open then **gave way to modest pressure as the benchmark hit an 84.96 low, and also notched a fresh contract base.**
- **As the day progressed, geopolitical updates were generally constructive** following Iran sending, via mediators, its latest

proposal to the US, while the latest US exchange seemingly included new text to lift Iranian sanctions during talks. Details then emerged on the Iranian concessions, which included withdrawn compensation demands and some progress on the nuclear issue; note, we wait to see what the US's view on this is.
- Developments that weighed on energy/yields and supported fixed. As such, **USTs, Bunds and Gilts are set to end the European day with gains** of three, 12 and 50 ticks respectively, into a week packed with US events (FOMC Minutes, 20yr, speakers), UK data and the NEC announcement on whether Burnham will be the Labour candidate or not.

COMMODITIES

- **Crude futures** have ended the session in the red, after a stronger start on Trump's weekend rhetoric, getting as high as USD 104.37/bbl and USD 112/bbl respectively for **WTI** and **Brent**. An initial leg of downside was initiated after Tasnim reported that the **US have agreed to lift Iran's oil sanctions within the negotiating period.** After the USD 2/bbl leg lower, a second leg lower followed c. 1 hour later after **Iran reportedly agreed to a long-term nuclear freeze instead of a complete dismantling.** Further within the Al Arabiya report, it stated that Iran wants a long-term, multi-stage truce while demanding economic concessions instead of compensation. WTI and Brent are **set to end the European session below USD 100/bbl and 108/bbl, respectively**.
- As it stands, we await a US source/official on the day's progress.
- **Spot gold** finished European trade with modest gains, after briefly slipping below the USD 4500/oz handle early in the session. The upside was spurred by a softer dollar amid falling energy prices.
- **3M LME Copper** completely pared back the Asia-Pac losses and is set to end the session at the upper end of its USD 13.4-15.6k/t range. After finding support at the key inflection level, the red metal could return to the USD 14k/t handle before reaching new ATHs beyond USD 14.53k/t if the dollar continues to soften and rhetoric out of the Middle East remains positive.
- **Iran** plans to rebuild and modernize the refinery and petrochemical infrastructure of the South Pars region, via ISNA.
- **Rosatom head** said the Zaporizhzhia nuclear power plant situation is rapidly approaching the point of no return, IFX reported.
- **Brazil Foreign Minister** said they are ready to boost crude oil exports to Japan, Nikkei reported.
- **EU Commission Spokesperson** said steel safeguards should apply to all EU partners including Switzerland.
- **IEA Chief Birol** said commercial oil inventories are depleting rapidly, with only weeks left.

EUROPEAN DATA

- **Italian** Balance of Trade (Mar) 4.709B (Prev. 4.944B).
- **Swiss** GDP Growth Rate QoQ Flash (Q1) Q/Q 0.5% (Prev. 0.2%).

NOTABLE HEADLINES

- **UK Greater Manchester Mayor Burnham** said Brexit has been damaging, but the last thing we should do now is re-run Brexit arguments; not proposing UK consider rejoining EU and respect decision of Brexit referendum.
- **The UK's No.10 declines to deny report saying fuel duty rise** planned for September to be scrapped.
- **IMF upgrades the UK's 2026 GDP view to 1.0% (prev. 0.8%). Risks to growth are tilted to the downside.**
- **UK PM Starmer has decided not to announce a departure timetable unless and until Andy Burnham wins the Makerfield by-election, ITV's Peston reported.**
- **UK Deputy PM Lammy** said PM Starmer will not be announcing a timetable for departure, speaking to Sky News.

TRADE/TARIFFS

- **India reportedly considering an edible oil import duty hike to support farmers, according to Bloomberg.**
- **EU reportedly** plans tougher trade measures to rebuff China's export surge, Bloomberg reported.
- **US Treasury Secretary Bessent** said had a very successful visit in China, will call on G7 to follow sanctions regime to keep financing away from the Iranian war regime. Will discuss global economy, imbalances, terror financing, and critical minerals.

CENTRAL BANKS

- **BoE's Greene said some of the global economic resilience to the Iran war is due to inventories; second round effects of the energy price shock will not show up for another year.** Should not be looking through negative supply shocks.
- **PBOC recently released the "Administrative Measures for the List of Entities with Serious Dishonesty in Fields Managed by the PBOC"; which strictly stipulates the criteria for inclusion on the list of entities with serious dishonesty...** ....and strengthens the constraints and penalties for dishonest behavior.
- **BCB poll: Economists see 2026 interest rate Selic at 13.25% (prev. 13.00%); sees 2027 Selic rate at 11.25% (prev. 11.25%).**
- **The Riksbank's Financial Markets Survey: The Swedish fixed-income and foreign exchange markets are functioning well.** Most participants in the Swedish foreign exchange and fixed-income markets consider that the market is functioning well. However, the war in the Middle East has led them to reduce their risk-taking compared to autumn 2025. This is shown in the Riksbank's Financial Market Survey in spring 2026.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia's Kremlin spokesperson** said Russian President Putin and Chinese President Xi's phone call will discuss the most sensitive issues in bilateral relations. Power of Siberia 2 pipeline will be discussed in detail.
- **Rosatom head** said the Zaporizhzhia nuclear power plant situation is rapidly approaching the point of no return, IFX reported.

MIDDLE EAST

- **Iran has agreed to a long-term nuclear freeze instead of a complete dismantling, Al Arabiya reported citing sources/leaks. Want a long-term, multi-stage truce. Iran has withdrawn its demand for compensation, instead they are demanding economic concessions.** Working on a condition transfer of enriched uranium to Russia instead of the US. Seeking multiple international guarantees for any agreement. Wants Pakistan and Oman to have a 'role' in any 'clash' in the Strait of Hormuz. Seeking a gradual and safe re-opening. Seeking a political formation that allows Iran to save face. Separate the maritime route from nuclear issues.
- **A source close to the negotiating team told Tasnim that, unlike their previous texts, the Americans have agreed in the new text to lift Iran's oil sanctions during the negotiation period.** Waiving sanctions means temporarily lifting sanctions. Iran insists that lifting all sanctions on Iran should be part of the US's commitments. However, the US has proposed suspending OFAC until a final understanding is reached.
- **Iranian Official did not immediately comment on whether the US has agreed to waive oil sanctions during the talks, according to Reuters.**
- **Senior Iranian Source says US has shown flexibility in ongoing discussions** , including over limits to Iran's nuclear work, according to Reuters. Washington has so far only agreed to unfreeze 25% of Iran's funds on a phased time frame. Iran's revised proposal demands permanent end to war and lifting sanctions, alongside reopening the Strait of Hormuz. Tehran will discuss its nuclear issue in later stages.
- **Iranian Foreign Ministry Spokesperson Baghaei said have made great efforts for safe movement and protection of the Strait of Hormuz, in constant contact with Oman to develop a mechanism, Mehr reported; Talks with the US continue through Pakistani mediation.** Do not need any party to recognize our right to uranium enrichment. Will not discuss our right to uranium enrichment during negotiations with the US. Fees for transit through Hormuz have legal and logical basis. Discussion of releasing Iranian assets is a demand, not a condition. When questioned about the US' threatening language, said don't worry we know how to answer.
- **Iranian Deputy Chairman of the National Security Commission** said "soon, by vote of the members of parliament, a significant reward will be considered for the person who brings Trump, the gambler, and Netanyahu, the child killer, to justice". "The evil American Zionist authorities and the leaders of the countries in the region should know that this time, if there is an attack, we will destroy them along with their palaces".
- **Iran has delivered a new text in 14 paragraphs to Pakistani mediators, which will be presented to the US, Tasnim reported; Iran's new text focuses on the issue of end-of-war negotiations and confidence-building measures by the American side.**
- **Pakistan's Interior Minister Mohsin Naqvi** was in Tehran this weekend, around the same time Iran shared a revised proposal to the US via Pakistan, Journalist Mallick reported.
- **"Al Jazeera correspondent, quoting a source in the Pakistani Interior Ministry: Pakistani efforts are currently focused on trying to ensure the continuation of the truce", Al Jazeera reported.**
- **Pakistan shared revised Iranian proposal to end the war with the US on Sunday night, according to Pakistani sources.** "We don't have much time," the source said, when asked if it would take time to close gaps, adding that both countries "keep changing their goalposts".
- **US President Trump, in an interview to Fortune, said Iran is dying to sign a deal.**

NOTABLE NORTH AMERICAN NEWS

- **US President Trump drops USD 10bln lawsuit against the IRS.**
- **Over 60 allies of US President Trump have urged him to test and approve the most powerful AI models before its released, Axios reported citing sources.**