

European Market Wrap - 19th May 2026

- European bourses (STOXX 600 +0.3%) were broadly firmer, whilst US equity futures slip; NQ -0.6%, RTY -1.4%.
- Crude benchmarks pulled back as Trump delayed strikes on Iran; Brent Jul'26 -1%.
- Global yields continue to rise; US 10yr 4.66%, whilst the US 30yr now heads back to levels not seen since the GFC.

EQUITIES

- **European bourses (STOXX 600 +0.3%)** have held onto their earlier gains despite fixed income at lows and energy prices clambering off lows. Its outperformance vs US peers seems to be helped by the lack of a major IT sector in Europe, which has been weighed on stateside in recent trade amid higher yields. The **DAX** outperformed, while the **FTSE MIB** is set to end flat.
- **Sectors** highlighted the positive bias. **Financial Services** overtook **Media** to take the top spot, while **Food, Beverage & Tobacco** followed closely behind. **Basic Resources** were the clear laggards as precious metals pared Monday's gains (spot gold -1.2%, silver -3.6%).
- Key movers included: **Airbus** (+1.0%), reportedly targeting 10% cost units in planemaking unit and its headquarters; **Currys** (+13%), raises its FY adj. profit guidance; **Standard Chartered** (-1.5%), plans to cut 15% of support staff by 2030.
- **US equity futures** started the cash session under pressure but have lifted immediately, with the NQ rising the sharpest despite US yields hovering at multi-decade highs (US 30yr at 5.186%).

FX

- **USD** benefitted from underperformance in G10 peers, with DXY set to hand-over to New York higher by 0.4% after rising from the **50DMA at 99.00**. It was a fairly quiet US session, which saw nothing pertinent from Fed dove Waller and no market reaction to ADP weekly payrolls, which rose on a weekly basis. Oil was weaker, but losses were modestly pared through the session, further helping the Buck. **USD/JPY** moved higher throughout the session, with remarks from Bessent doing little to derail the trend, with 50pips of downside pared immediately. JPY remains within the zone of previous intervention, but traders will keep a keen eye on terms of trade and reports of a supplementary budget, the bearish factors which JPY digests. **Wednesday sees FOMC Minutes and NVIDIA earnings, alongside supply from the US and Japan.**
- The **Loonie** was resilient against the Greenback with headline inflation accelerating less than expected. The soft inflation prints, particularly core inflation, will be a welcome sign by the BoC, particularly as it faces risks to inflation from higher energy prices, and also risks to growth from potential further trade restrictions from the US with the USMCA review scheduled to begin on July 1st, 2026. **USD/CAD** is set to complete the London session higher by 0.2%, after modest upside in the pair was mostly sustained in the wake of Canada's inflation print.
- **Aussie** was the worst G10 performer throughout the London session, looking to price in the weak Chinese data on Monday, as the start of the week risk-induced rally pared. RBA minutes overnight indicated a wait-and-see approach among members that voted for a hike, reinforcing market pricing of just c. 5bps of tightening for June 16th's meeting. ANZ said the minutes would encourage the Board to leave the cash rate on hold. Kiwi was also weaker, given the risk environment. **AUD/NZD - 0.2%, AUD/USD -0.9%**.

FIXED

- **Global fixed benchmarks** were initially firmer across the board in early morning trade, though **USTs/Bunds** then turned negative as the session progressed. Initial strength was facilitated by pressure across the energy complex as markets digested Trump's decision to delay Iranian strikes, though fixed income benchmarks then moved lower as energy prices moved off worst levels.
- **USTs** started the European session with gains of around 6 ticks, but now look to end the European session off by around 4 ticks. **US paper** traded within a 108-27 to 109-11+ range, with a lack of US-specific newsflow; **Fed's Waller** did not touch on monetary policy, whilst the latest weekly **ADP Employment metrics** continues to indicate a solid US labour market. From a yield perspective, the **US 10yr** has risen to fresh multi-month highs (4.65%), with the next level to the upside at 4.69% (16th Jan 2025 high). Some analysts have speculated that a decisive breach above 4.50% point could see the yield begin to spiral upwards.
- **Gilts** outperformed vs peers, and set to end the EU day at the lower end of an 85.79 to 86.40 range. A trifecta of factors drove the action today: a) lower energy prices, b) Manchester Mayor Burnham (touted to challenge for PM) saying that changing fiscal rules would not be an option, and c) a downbeat UK jobs report.
- **Bunds** followed **USTs** into the red, and look to close the European session off by around 10 ticks. **EU-specific newsflow** was lacking today, aside from some ECB speak from **Villeroy** and **Nagel**. The former stuck to the data-dependency script, whilst the latter provided some hawkish commentary; Nagel stated that **"the energy supply shock has been more persistent"**.
- **Citi strategists** said 5.5% may be the next key level for 30yr US Treasury yields after they rose to the highest since 2007. said inflation and stronger US growth are weakening traditional Treasury dip-buying demand.
- **Indonesian finance minister** said they are aiming to raise between USD 2-3bln from global bonds issuance.
- **Germany sold EUR 3.844bln vs exp. EUR 5bln 2.50% 2031 Bobl: b/c 1.32x (prev. 1.04x), average yield 2.85% (prev. 2.74%),**

retention 23.12% (prev. 20.9%).

- **The UK** sold GBP 1.25bln 0.125% 2031 I/L Treasury Gilt: b/c 3.75x, real yield 0.651%.

COMMODITIES

- **Crude futures** softened after US President Trump delayed the planned Iran strike at the request of Gulf states, citing ongoing talks, although he reiterated readiness for a "full-scale assault" if negotiations fail. Some upside was seen on reports that explosions were heard on Qeshm Island, Iran, although these explosions were then said to be controlled ammunition explosions. **WTI Jul** traded within USD 102.12–104.71/bbl range and **Brent Jul** within USD 109.01–111.56/bbl band, ending the European session near session highs.
- **Dutch TTF** trimmed earlier losses and turned firmer by c. 1% before maintaining gains, trading on either side of EUR 51/MWh (vs lows sub-49.50/MWh).
- **Precious Metals** weakened as the USD remained supported by inflation concerns linked to elevated oil prices. Spot gold traded near the lower end of a USD 4,465–4,589/oz range, while spot silver extended below USD 74/oz (USD 78.84–72.93/oz range).
- **Base Metals** were pressured by inflation concerns and energy-driven USD strength. **3M LME copper** traded within a USD 13.42k–13.65k/t range.
- **Shell (SHEL LN) Chair** said they do not expect a significant change to its LNG strategy as a result of the Middle East war. Will form a view on possible Final Investment Decision of LNG Canada Phase 2 in coming months. CEO said have seen a real increase in demand for gas in transport, especially in China and in India.
- **Ukraine's military** said it struck a Russian oil refinery in Nizhny Novgorod region and a Russian oil pumping station in the Yaroslavl region.
- **Qatar** said only two LNG tankers have crossed the Strait of Hormuz, but that does not mean normal traffic has resumed; there are no special arrangements currently in place for the export of energy products.
- **Indian Oil Corp** said it has over a month of crude oil inventory and is operating refineries at full capacity.
- **India** is reportedly considering reducing or withdrawing its cotton import duty.
- **Angola reportedly** to cut July crude exports to 889k bpd.
- **The EU** is set to unveil an action plan to bolster fertiliser supplies and mitigate food price inflation, the FT reported citing draft proposals.

EUROPEAN DATA

- **EU Balance of Trade (Mar)** 7.8B vs. Exp. 6.5B (Prev. 11.5B).
- **UK Labour Productivity QoQ (Q1)** Q/Q 0.4% (Prev. -0.6%).
- **UK Average Earnings excl. Bonus (3Mo/Yr) (Mar)** 3.4% vs. Exp. 3.4% (Prev. 3.6%, Low. 3.4%, High. 3.7%).
- **UK Claimant Count Change (Apr)** 26.5K vs. Exp. 27.3K (Prev. 26.8K).
- **UK Average Earnings incl. Bonus (3Mo/Yr) (Mar)** 4.1% vs. Exp. 3.8% (Prev. 3.8%, Low. 3.6%, High. 3.9%).
- **UK Employment Change (Mar)** 148K vs. Exp. 107K (Prev. 25K, Low. 40K, High. 240K).
- **UK Unemployment Rate (Mar)** 5% vs. Exp. 4.9% (Prev. 4.9%, Low. 4.7%, High. 5.1%).
- **UK HMRC Payrolls Change (Apr)** -100K vs. Exp. -26K (Prev. -11K).

NOTABLE HEADLINES

- **German Chancellor Merz** said they must be careful that debt does not rise too much, and Germany plays important role in stability of Euro.
- **UK's Andy Burnham** has been confirmed as the Labour candidate in **Makerfield**, **Times Kendix** reported; "NEC only shortlisted one candidate, so the CLP vote is redundant".
- **French Finance Minister Lescure** said G7 share common view that global macro imbalances are unsustainable and have to stop. Agreed to take domestic measures that will be tracked by IMF and OECD. Decided to extend on the critical materials alliance created by Canada last year that includes stockpiles, information sharing and boosting investment. Everyone agrees top priority is to take trade flows back to normal. Hormuz needs to be open, free of charge.
- **Spanish Government Spokesperson** said Spain activated sovereign wealth fund with a EUR 13.3bln injection.
- **Mercedes-Benz (MBG GY)** is in talks to sell its Ludwigsfelde van plant to **KNDS**, **Handelsblatt** reported. **KNDS** is seeking production capacity for **Boxer** armoured vehicles as Mercedes weighs divesting the German factory.

TRADE/TARIFFS

- **Trump trade adviser Navarro** said China will buy offal, not steak and burgers.
- **French finance Minister Lescure** said G7 work is still ongoing to define tools to address critical materials market inefficiencies.
- **Indonesia Government reportedly** plans to tighten state control over commodity exports. Measures could be announced as soon as Wednesday.
- **China's Foreign Ministry** said China and US leaders had constructive talks on AI; said China and the U.S. should jointly promote AI development and governance.

CENTRAL BANKS

- **ECB's Nagel** said the ECB is moving away from baseline scenario, will take next rate decision based on data in June, the energy supply shock has been more persistent.
- **ECB's Villeroy** affirms the strong commitment to price stability, stating it is a strong collective commitment; ready to act as

much as necessary. Will remain data-dependent.

- **BoE's Breeden: "Modernising money and markets"**.
- **BCB President Galipolo** said Brazil maintains interest rates that are systematically higher than those of its peers. Seeing a de-anchoring of 2028 inflation expectations, which should not be happening considering only the effects of the current shock. BRL has been behaving very well.
- **Riksbank's Bunge** said war in Middle-East has led to rising prices for oil, gas, jet fuel, and fertilisers, which means inflation will be higher than would otherwise have been the case. Risks increase the longer the war continues, but I believe there is little to gain by responding pre-emptively to supply shocks we are currently observing. We have the room to await further information before we need to act.

GEOPOLITICS

RUSSIA-UKRAINE

- **EU's Dombrovskis** said the G7 is a forum for discussion, but members do not always agree on everything, such as extending the waiver on Russian sanctions.
- **G7 nations agree trade imbalances** are unsustainable and will implement domestic measures to address them; said global economic uncertainty has increased risks to growth and inflation amid the Middle East conflict. G7 finance ministers reaffirm that Russia's sovereign assets in their jurisdictions will remain immobilised until Russia ends its war and pays reparations.
- **EU reportedly looking to extend Russian sanctions renewal deadline with former Hungary PM Orban now gone, according to Politico**. EU leaders are set to discuss extending the bloc's timeframe for reapproving sanctions against Russia from six months to a year when they convene in Brussels next month.
- **Ukraine's military** said it struck a Russian oil refinery in Nizhny Novgorod region and a Russian oil pumping station in the Yaroslavl region.
- **Russia's seaborne oil products exports rose 10% month-on-month in May 1-15th, according to reported citing data**.
- **Russian Deputy Foreign Minister Ryabkov** said the risks of a direct Russia-NATO clash are increasing, TASS reported. Will take into account increased NATO nuclear potential.
- **Ukraine's Naftogaz** said Russia attacked its gas infrastructure facilities in the northern Chernihiv region, with attacks continuing for the third day in a row.
- **EU's Economy Minister Dombrovskis** said now is not the time to ease pressure on Russia; G7 making progress on critical minerals.
- **Russian Defence Ministry** said its armed forces are conducting an exercise to prepare for and deploy nuclear forces between May 19th-21st, RIA reported.

MIDDLE EAST

- **US officials told NYT Iran has taken advantage of the ceasefire to re-expose dozens of bombed ballistic missile sites, move mobile missile launchers, and adjust its tactics in anticipation of a possible resumption of attacks, according Amichai Stein**.
- **US military officials say that the Iranian regime has demonstrated enormous resilience and the ability to inflict significant damage to the region and on the global economy, and so far, Iran's nuclear stockpile has not been touched, NYT reported yesterday**.
- **A US official told Al Jazeera that today's National Security Council meeting at the White House has been postponed after Trump delayed the attack on Iran**.
- **Iran's Deputy Foreign minister said lifting sanctions, releasing frozen funds, and ending the blockade are included in Iran's recent proposal to the US, IRNA reported**. Iran's deputy foreign minister said ending the war on all fronts, including Lebanon, and US forces exiting areas close to Iran are also included in the proposal.
- **Iranian Military Spokesperson said "if the enemy acts foolishly again, we will open new fronts against them...with new tools and methods", ISNA reported**.
- **An informed military source told Tasnim that the drone attack two days ago on the UAE was carried out by the Israelis**.
- **Maritime experts believe the silence of news about Bab al-Mandab Strait explosion is due to pressure from US government to prevent an increase in oil prices, via Irib News**.
- **Qatar's Foreign Ministry** said Islamabad negotiations are ongoing, Al Jazeera reported. said outcome remains uncertain, but efforts continue to reach a solution. said international and regional stakeholders are focused on restoring stability, and reopening the Strait of Hormuz. Any change to the status quo regarding freedom of navigation in the Strait of Hormuz is unacceptable, spokesperson said.
- **Unknown explosions last night in Bab al-Mandeb Strait halted vessel traffic for two hours, Far News reported; sources cited note of "unusual silence" from global maritime and insurance authorities**.
- **The sound of explosions in Qeshm was caused by the neutralisation of unexploded munitions, Tasnim reported**. "We ask the people of Qeshm Island not to worry in any way and not to pay attention to rumors in cyberspace."
- **Explosion heard on Qeshm Island; "residents reported hearing an explosion on Qeshm Island on Tuesday afternoon"; cause unknown, Mehr reported**.
- **Lebanese official tells Al Jazeera "The American sponsor of the negotiations must bear his responsibilities and impose a decisive and comprehensive ceasefire"**. A project to declare intentions with Israel under American sponsorship is being studied and has not yet reached its conclusion.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump** is expected to appear with Rep. Mike Lawler in Lawler's district on Friday for an official economy event,

according to Punchbowl citing sources.

NORTH AMERICAN DATA

- **US ADP Employment Change Weekly 42.25K (Prev. 33K).**
- **Canadian Building Permits MoM (Mar) M/M 10.3% vs. Exp. 4% (Prev. -8.4%).**
- **Canadian CPI Median YoY (Apr) Y/Y 2.1% vs. Exp. 2.2% (Prev. 2.3%, Low. 2.1%, High. 2.3%).**
- **Canadian Inflation Rate YoY (Apr) Y/Y 2.8% vs. Exp. 3.1% (Prev. 2.4%, Low. 2.9%, High. 3.5%).**
- **Canadian Core Inflation Rate MoM (Apr) M/M 0.2% vs. Exp. 0.3% (Prev. 0.2%).**
- **Canadian Core Inflation Rate YoY (Apr) Y/Y 2.1% vs. Exp. 2.6% (Prev. 2.5%).**
- **Canadian CPI Trimmed-Mean YoY (Apr) Y/Y 2% vs. Exp. 2.1% (Prev. 2.2%).**
- **Canadian New Housing Price Index MoM (Apr) M/M -0.4% vs. Exp. 0% (Prev. -0.2%).**
- **Canadian Inflation Rate MoM (Apr) M/M 0.4% vs. Exp. 0.6% (Prev. 0.9%).**
- **Canadian CPI Common YoY (Apr) Y/Y 2.5% (Prev. 2.6%).**
- **Canadian CPI Average of Common, Median and Trimmed (Apr, Y/Y): 2.20% (prev. 2.37%).**
- **US Redbook YoY (May/16) Y/Y 8.1%.**

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