

- European stocks look set to close with modest gains; NVIDIA metrics due after the US close.
- Crude traded on a softer footing despite elevated geopolitical risk.
- Iranian Parliament Speaker Ghalibaf said "The enemy's overt and covert movements show that it is seeking a new round of war".

EQUITIES

- **European bourses** (STOXX 600 +0.6%) initially started the session softer but have since reversed earlier losses as the risk tone improved. The **CAC 40** (+0.7%) is set to end trade as the outperformer, supported by gains in **Euronext** (+4.5%, beat Q1 adj. EBITDA expectations). Positive trade update from the EU failed to support equities at the start of trade, after the EU finalised the text of its US trade deal.
- **Sectors** tilted more positive as trade progressed, but still held its mixed picture. **Basic Resources** (+1.8%) continued to rebound from Tuesday's losses, while **Technology** (+1.4%) also gained. On the other hand, **Media** (-1.9%) was the only sector with clear losses, while **Retail** (-0.5%) and **Consumer Products & Services** (-0.4%) printed modest losses.
- There were plenty of stories to drive single-stock names: **M&S** (+5.1%), guided resumption to profit growth; **ASML** (+3.9%), benefiting from Samsung strikes and comments by its CEO stating it sees tight chip supply; **Lanxess** (-2.7%), downgraded to underperform at Jefferies; **Babcock** (+3.1%), upgraded to Buy at Peel Hunt.
- **US equity futures** opened entirely in the green ahead of earnings by tech behemoth **NVIDIA** after-hours. Sell-side firms are bullish on earnings and have largely raised NVIDIA PTs into earnings and see a beat and raise across the board. EPS expected at 1.75, Revenue at USD 78.78bln. (See full Newsquawk preview on the headline feed).

FX

- **DXY** was higher throughout the London session with most G10s lower against the Buck despite oil weakness and a general positive risk environment. Though not one specific driver, potential factors which help keep the Buck afloat include 1) FOMC minutes, given the hawkish undertones at the last meeting, 2) Continued carry, for example, with BoE tightening expectations decreasing this morning.
- On that note, **Sterling** was unchanged/weaker against the Buck and a touch firmer against the Euro with **April CPI trimming BoE tightening bets**. April CPI slowed to 2.8% from 3.3% in March and below the consensus of 3.0%. During the period, the Treasury froze select government-set prices and green levies from energy bills, while raising water bills, contributing to the rise in Housing services. On energy, ONS said, "The annual cost of both raw materials and goods leaving factories continued to rise, driven again by higher crude oil and petrol prices." The data marks the penultimate inflation print before the June BoE announcement, where May's data is scheduled the day before. Therefore, with both inflation easing by more than expected, and a softening labour market as published this week, **the skew for the BoE towards them remaining on hold at this point**. However, as mentioned, the May CPI series comes the day before the June BoE and will likely see a return of price pressures as the Middle East impact reverberates through, a point that may be enough to convince more than just Pill to vote for a hike. **Political uncertainty** has also not abated, and potentially another factor driving the Pound today, with participants weighing the fiscal impact of a potential new PM whereby Burnham remains the bookies' favourite. **GBP/USD** set to complete the London session unchanged and just below 1.34, while **EUR/GBP**, -0.1%, set to finish the session at 0.8655.
- **JPY** was rangebound throughout the session within 158.82-159.10 parameters. Despite weak JPY fundamentals, the currency is reluctant to move lower amid recent and persistent jawboning attempts from US and Japanese officials. **USD/JPY** set to finish the London session unchanged, just about on a 159.00 handle.
- **Antipodeans** were helped by the general risk environment and constructive energy/metal movements. In contrast, **NOK** was one of the weakest G10 currencies amid the lower oil environment, with **SEK** benefiting on the Scandi cross.
- **RBI** is to conduct USD 5bln USD/INR buy-sell swap auction on May 26th.

FIXED INCOME

- **Fixed income benchmarks in the green**, though with a significant variation in the magnitude of gains seen.
- **USTs** are at the bottom of the pile, firmer by just a few ticks ahead of **FOMC Minutes** (likely to be hawkish), **20yr auction** (closely watched given recent yield moves) and then after-hours earnings from **NVIDIA**. **USTs are set to end the day a few ticks off 109-00 best**, with gains of around five ticks as it stands. No significant move to the day's geopolitical updates, despite marked pressure in the energy space; again, likely a factor of anticipation of the above points.
- **Bunds are at a 124.35 peak with gains of just under 40 ticks**. Specifics for the space have been a little light, with the **benchmark instead deriving impetus from the energy pullback** with WTI and Brent lower by over USD 3.00/bbl and Dutch TTF back towards EUR 50/MWh. See the Commodities/Geopolitical session for a full recap of the geopolitical situation; though, it is worth noting in recent trade, we have seen a pick up in somewhat escalatory/negative language, however, this has not factored significantly into the crude or fixed space.
- **Gilts outperform, hit an 86.59 peak with gains of 87 ticks** given the above, and after the morning's data. In brief, the **inflation series** showed a moderation from the prior rate, and while the direction was expected, the magnitude was greater than forecast. A point that adds to the soft labour market data earlier in the week, and has **further pushed back on near-term BoE**

pricing, with a c. 10% chance of a June cut now seen, vs c. 30% before the open. No move to the ongoing BoE TSC.

- **Germany sold EUR 3.845 vs exp. EUR 5bln 2.90% 2036 Bund: b/c 1.5x (prev. 1.24x), average yield 3.16% (prev. 2.92%), retention 23.1% (prev. 23.66%).**

COMMODITIES

- **Crude** - Crude traded on a softer footing despite elevated geopolitical risk, with price action drifting lower amid a lack of fresh catalysts and mixed Iran headlines. That being said, there were reports that Pakistan's Interior Minister arrived in Tehran, which also came amid reports that Iran-Pakistan cooperation had declined/stopped over the past two weeks, Al Arabiya and Al Hadath reported, citing a senior diplomatic source. Markets continued to balance the risk of near-term strikes against ongoing efforts to negotiate. Modest upside was seen on comments from Iranian Parliament Speaker Ghalibaf, who noted: "The enemy's overt and covert movements show that it is seeking a new round of war". Nonetheless, crude prices continued to dwindle. WTI Jul traded within USD 100.75–104.45/bbl, while Brent Jul held in a USD 107.52–111.49/bbl range.
- **Precious Metals** – Spot gold posted mild intraday gains but with upside limited as the USD remains firm amid overall historically elevated energy prices, stoking inflation woes. The yellow metal traded within a narrow USD 4,453–4,508/oz range, subdued by a firmer USD. Spot silver rebounded after the prior session's ~5% losses and reclaimed a USD 75/oz handle.
- **Base Metals** - Base metals were mixed with limited macro newsflow, as markets awaited further US–Iran developments ahead of the US' strike date, which at the moment will likely come early next week, per Trump's remarks earlier this week. 3M LME copper traded choppy within a tight USD 13,357.00–13,550.00/t range.
- **ADNOC CEO** said Hormuz shut is the most severe supply disruption on record; it will take at least four months to get back to 80% of pre-conflict flows. Once you accept that a single country can hold the world's most important waterway hostage, freedom of navigation as we know it is finished. Used trading networks to expand supply to Asia. Working with partners in Asia to expand and restock strategic stock. Moved ahead with a new pipeline to bypass Hormuz in 2025, and today it is already 50% complete. Global spare capacity is at about 3mln BPD, and should be at 5mln BPD. UAE's OPEC exit gives greater flexibility to invest. UAE will remain a disciplined, responsible, stabilising force in the energy markets.
- **Freeport (FCX) Indonesia CEO** said 2026 copper cathode output is seen at 800mln lb, with gold output at 0.7mln oz.
- **Iraqi PM** has directed a follow-up on the file of increasing the volume of oil exports and diversifying export outlets, Iraqi media reported.
- **EU Commission official** thinks EU countries can reduce gas consumption by 15bcm this year.
- **Chinese Premier Li** has signed a state council decree to implementation of regulation for the Mineral Resources law, effective June 15th; regulation is to further refine the mining rights system.
- **The EU** have reportedly shortlisted tungsten, rare earths, magnesium and gallium for potential stockpiling.
- **Ukraine's military** confirms it struck a Russian oil refinery in the region of Nizhny Novgorod.
- **Russia's Kremlin spokesperson Peskov** said the details on the Power of Siberia 2 pipeline still needs to be agreed.
- **UK Treasury** said Chancellor Reeves is expected to introduce broad reforms that would allow Parliament to authorise critical energy infrastructure projects.

EUROPEAN DATA

- **EU Inflation Rate YoY Final (Apr) Y/Y 3% vs. Exp. 3% (Prev. 2.6%, Low. 3%, High. 3.1%).**
- **EU Core Inflation Rate YoY Final (Apr) Y/Y 2.2% vs. Exp. 2.2% (Prev. 2.3%, Low. 2.2%, High. 2.2%).**
- **EU Inflation Rate MoM Final (Apr) M/M 1% vs. Exp. 1% (Prev. 1.3%, Low. 1%, High. 1.1%).**
- **German PPI YoY (Apr) Y/Y 1.7% (Prev. -0.2%).**
- **German PPI MoM (Apr) M/M 1.2% vs. Exp. 1% (Prev. 2.5%).**
- **UK Inflation Rate YoY (Apr) Y/Y 2.8% vs. Exp. 3% (Prev. 3.3%, Low. 2.8%, High. 3.4%); Services 3.2% (prev. 4.5%).**
- **UK PPI Input MoM (Apr) M/M 2.4% vs. Exp. 1.1% (Prev. 4.4%).**
- **UK PPI Core Output MoM (Apr) M/M 0.7% (Prev. 0.2%).**
- **UK PPI Output MoM (Apr) M/M 1.4% vs. Exp. 0.9% (Prev. 0.9%).**
- **UK Core Inflation Rate YoY (Apr) Y/Y 2.5% vs. Exp. 2.6% (Prev. 3.1%, Low. 2.5%, High. 3.2%).**
- **UK PPI Core Output YoY (Apr) Y/Y 2.4% (Prev. 2%).**
- **UK PPI Output YoY (Apr) Y/Y 4% (Prev. 2.6%).**
- **UK PPI Input YoY (Apr) Y/Y 7.7% (Prev. 5.4%).**
- **UK Inflation Rate MoM (Apr) M/M 0.7% vs. Exp. 0.9% (Prev. 0.7%, Low. 0.8%, High. 1.3%).**
- **UK Core Inflation Rate MoM (Apr) M/M 0.7% (Prev. 0.4%).**
- **UK Retail Price Index YoY (Apr) Y/Y 3% vs. Exp. 3.7% (Prev. 4.1%).**
- **UK Retail Price Index MoM (Apr) M/M 0.7% vs. Exp. 1.5% (Prev. 0.8%, Low. 1.0%, High. 1.7%).**

NOTABLE HEADLINES

- **German Chancellor Merz** said the average tax rate in Germany has to come down.
- **UK PM Starmer** confirms that fuel duty will be frozen for the rest of the year, according to Sky News' Swinford.
- **UK** is said to delay 5p fuel duty hike due September 2026, reported suggest citing sources.

TRADE/TARIFFS

- **German Economy Ministry spokesperson** said German Economy Minister will travel to China next week.
- **BBC's Islam** said to expect UK-Gulf Cooperation Council free trade deal to be signed as soon as today, opening up potential wins for UK exports of cars and food in particular.
- **EU Trade Commissioner Sefcovic** has reportedly been in contact with US Commerce Secretary Lutnick, US Treasury Secretary

Bessent and USTR Greer, Bloomberg reported.

- China added NVIDIA's (NVDA) RTX 5090D V2 to a list of banned goods last Friday, FT reported citing a document and sources.
- German Chancellor Merz posted "we agreed on implementing the EU-US-trade deal. Europe is delivering on its commitments. More security and stability for our companies."

CENTRAL BANKS

- BoE's Mann said she is worried about possible high inflation in late 2026 getting embedded in wage deals for 2027.
- BoE Governor Bailey said financial market tightening gives the Bank some time to assess whether to increase rates; "we have a softening picture for growth and the labour market".
- French President Macron's governor of the Bank of France pick Moulin is approved by the French Parliament.
- Bank of France governor candidate Moulin said he favours more joint debt issuance in the Euro Area for investments in EU's economic priorities, Bloomberg reported.
- ECB's SESFOD (Mar): Credit terms and conditions eased slightly for most counterparty types, driven by improved market liquidity, competition among institutions and strong counterparty financial positions. Securities financing markets saw higher demand for funding and funding availability, with largely unchanged haircuts and higher financing rates/spreads. Compared with a year earlier, credit terms for securities financing and OTC derivatives were broadly stable in non-price terms, with minimal changes in stringency of terms and haircuts for secured funding.
- ECB's Wunsch said the bond selloff is not impacting the ECB's thinking of Iran, and that the ECB will need to react at some point. If the conflict is not resolved by June, the likelihood of a hike is high.
- JPMorgan expects the BoE to hike 25bps in July (prev. forecast of hike in June).
- Indonesia Central Bank raises key rate by 50bps to 5.25% (exp. 5.00%).

GEOPOLITICS

MIDDLE EAST

- Iran's IRGC Navy said 26 vessels, including oil tankers, container ships and other commercial vessels, transited the Strait of Hormuz in the past 24 hours in coordination with Iran, SNN reported.
- Iran still sees American guarantees as insufficient regarding the renewal of war.
- Iran's Foreign Ministry spokesperson said Araghchi's participation in the UN Security Council meeting on May 26th has not been decided yet, ISNA reported.
- Iranian Special Assistant to the Minister of Interior said "In the event of an attack on Iran, Bab al-Mandab will enter the equation of war", Fars reported. "The 3 Straits of Hormuz, Malacca, and Bab al-Mandeb are the most important strategic checkpoints in the world. Until now, for various reasons, we have only used the capacity of the Strait of Hormuz". "If we are ever forced to use the Bab al-Mandeb Strait, the price of oil will rise above \$200 to \$250".
- Iran's parliament denied Ghalibaf resignation as head of the negotiating delegation, according to Al Hadath. Ghalibaf to head negotiating team in addition to his position as special envoy to China.
- Iranian Parliament Speaker Ghalibaf is to explain the enemy's movements to start a new round of war, improving Iran's defence readiness and its economic issues, Tasnim reported.
- Iran-Pakistan cooperation had declined/stopped over the past two weeks, Al Arabiya and Al Hadath reported citing a senior diplomatic source. A diplomatic source said Iran and Pakistan held conflicting positions on negotiation channels and the venue for talks, and said mistrust was affecting coordination between Iran and Pakistan, according to Al Hadath. Pakistan is said to be concerned about regional communication channels linked to Tehran, Al Hadath said.
- Iran's IRGC said that if the attack on Iran occurs again, the war will extend beyond the region, Fars News reported.
- Tasnim reported "Punishment of violating oil tankers in the Strait of Hormuz"; attaches video of missile being fired at a tanker.
- Pakistan was informed of "limited American flexibility" on some economic points, Al-Arabiya sources report. America has intensified its demands regarding the nuclear issue and navigation security in the Strait of Hormuz.
- Permission granted to 5 oil tankers to cross the Strait of Hormuz after coordination with the IRGC, Al Araby reported.
- Iranian Supreme Leader Khamenei said "we stand before the epic-making feats of the Iranian nation in its unique historical resistance against the two global terrorist armies". "Today, giving thanks for the blessing of unity between the nation and government of the Islamic Republic serves to strengthen the motivation for doubled and jihad-like service among officials, to untangle the people's concerns—especially in the economic and livelihood arenas—through direct and on-the-ground presence, and to define a serious role for the awakened people in the path of the country's progress and hopeful movement toward a bright future."
- Jordanian army has updated that an "unmanned aerial vehicle of unknown origin" entered Jordanian airspace and was shot down in the Jerash district, in the north of the country; there were no casualties, Journalist Kais reported.
- Israeli Knesset agrees to proceed to a vote on an early elections, Journalist Elster reported.
- Iranian Supreme Leader Khamenei will speak in an hour, according to a statement; to commemorate second anniversary of the martyrdom of Martyr Rais.
- Journalist Segal posted "On the verge of a decision: Trump and Netanyahu held a phone conversation last night that was described as "lengthy and dramatic."
- Iranian Deputy to the President Banah said Tehran is open to negotiations within national interests, Al Mayadeen reported.
- Iranian Parliament Speaker Ghalibaf said "The enemy's overt and covert movements show that it is seeking a new round of war", Fars reported.
- IRGC-linked journalist Gholhaki reported that the US are insisting on maximum nuclear strictness, adding that this mistake will be the cause of "a renewed war".

RUSSIA-UKRAINE

- **Russian MFA** said Russia and China adopt a joint declaration on a multipolar world and new international relations.
- **UK government apologised for its handling of the Russian oil products sanctions, Bloomberg's Wickham reported; Trade minister Chris Bryant concedes it was handled "clumsily" and suggests it was a cock-up.** Adds the UK will implement sanctions on Russian oil product "as soon as possible".
- **EU Commission President von der Leyen** posted "Russia's public threats against our Baltic States are completely unacceptable".. "We will continue reinforcing the security of our Eastern flank with strong collective defence and preparedness at every level".
- **European Commission spokesperson** said the EU remains committed to sanctions on imports of Russian oil and gas, and reiterates desire that Russia does not benefit from the war.
- **Russian Government aide Ushakov** said there is no discussion at this point about a separate Russian-US summit, IFX reported; leaders could meet at the November APEC summit in China.
- **Ukraine's military confirms it struck a Russian oil refinery in the region of Nizhny Novgorod.**
- **Russian Government aide Ushakov** said US Special Envoy Witkoff and Kushner is to visit Russia in the coming weeks.
- **Russia's Kremlin spokesperson Peskov** said the details on the Power of Siberia 2 pipeline still needs to be agreed.
- **China's President Xi** said relations with Russia are at an unprecedented level.
- **Russia's Kremlin** called the talks between the Chinese and Russian Presidents "positive".
- **Russia's Kremlin** called the President Putin and Chinese President Xi talks as "positive"; many issues were discussed, incl. energy projects.
- **Russian strike kills two in Ukraine's Dnipro and Ukraine** reported multiple regional drone attacks, while Russia claims interception of 273 Ukrainian drones, according to AFP.
- **US Envoy Witkoff is to visit Russia "soon", reported suggest, citing a Kremlin reporter.**
- **Russia Deputy PM Novak** said Russia and China are currently conducting technical work and finishing contracts for gas supply via the Power of Siberia-2 pipeline. Within the framework of the Russian Federation and China's agreement on the power of Siberia-2 contracts is in the final stage.
- **Russian President Putin** said they are ready to cooperate with partners, including the US. This was one of the points of discussion with China.

OTHERS

- **US Secretary of State Rubio** said US President Trump is ready to open a new relationship between the US and Cuba.
- **NATO chief Rutte** said the group needs to move away from an unhealthy reliance on one ally. Rutte said the debate over the NATO force model began a year ago, and that US force adjustments in Europe would take place over time in a structured way.
- **Some Trump advisers reportedly left the US-China summit thinking that a Chinese move on Taiwan** was growing more likely, Axios reported; the piece suggests that Taipei is not in panic, at least on the surface.
- **Lithuania's armed forces have activated the NATO air policing mission and issued an air alert in Vilnius after a suspected drone** was detected near the country's border, according to local press.

NOTABLE NORTH AMERICAN NEWS

- **US Department of Housing and Urban Development rolling out new regulatory guidance to** cut building costs.

NORTH AMERICAN DATA

- **US MBA 30-Year Mortgage Rate (May/15)** 6.56% (Prev. 6.46%).
- **US MBA Mortgage Applications (May/15)** -2.3% (Prev. 1.7%).

NOTABLE APAC NEWS

- **Samsung Electronics' (005930 KS) labour union has postponed strikes, union to hold a vote on a tentative pay plan.**

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