European Market Wrap - 21st May 2026

- **Choppy trade across European equities amidst geopolitical angst.**
- **A senior Iranian official denied to Al Jazeera reports that Supreme Leader Khamenei has issued a new order requiring enriched uranium to remain inside Iran, saying they are "propaganda by the enemies of the deal".**
- **Brent chopped to the above headlines, Brent Jul +2.5%.**

EQUITIES

- **European bourses** (STOXX 600 +0.3%) have traded choppy throughout the session. The weakness came amid a Reuters report highlighting comments by Iranian Supreme Leader Khamenei, ordering that enriched uranium is to stay in Iran, which suggests a hardening in stance on its nuclear stockpile. However, recent reporting by Al Jazeera, citing an Iranian official, denies the Reuters report, calling it "propaganda by the enemies of the deal." Equities rebounded and set to end the session with gains. Elsewhere, weak EZ/UK PMIs failed to react to weigh on equities but continued to highlight the stagflation environment due to higher energy prices.
- **Sectors** ended mixed. **Basic Resources** (+1.8%) topped the sector pile, closely followed by **Chemicals** (+1.0%) and **Utilities** (+0.7%). On the other hand, **Travel & Leisure** (-1.0%) was the clear laggard.
- Key movers include: **Airbus** (-3.0%), further delays to its A350 deliveries; **easyJet** (+0.7%), slightly beat H1 revenue estimates but missed on pre-tax result; **Stellantis** (-5.2%), announced it will target 25% revenue growth by 2030 in North America and AOI between 8-10%; **Naturgy** (+4.1%), upgraded to overweight at Morgan Stanley.
- **US equity futures** opened with decent losses across the board amid the softer risk tone. **Nvidia** (-0.8%) traded choppy at the open after it beat expectations and giving upbeat guidance.

FX

- **DXY** was choppy throughout the London session, now set to hand over to the domestic session higher by 0.3%. The narrative at the beginning of the London session was of poor EZ data (see below) + hawkish FOMC minutes, a perfect storm for USD strength; however, the Buck's bid was faded on constructive Middle-East reporting, with DXY falling to a 99.06 session low, caught with buyers towards the 50 DMA. Reuters sources "**Khamenei orders enriched uranium to stay in Iran** " helped reintroduce buyers into the geopolitical oil/USD trade, a move which pushed all G10s lower against the Greenback, though **pushback from Fox News and a senior Iranian official** helped relieve crude and reversed the initial Dollar move. Uranium is widely regarded as the main sticking point in the US-Iranian negotiations, so focus will remain on further developments on this topic. On the US data front, flash PMIs remained comfortably in expansionary territory, not sparking a USD reaction.
- **EUR** was one of the worst-performing G10 currencies after dismal French PMIs. **EUR/USD** saw a move c.24 pips lower on the French figure, which marked the steepest contraction since late 2020, though pared some downside as German/EZ figures were not as bad as feared according to the indications from France. **EUR/USD** set to complete the London session lower by 0.3% and below the key 1.16 mark. ING earlier wrote, "The pair likely requires a persistent stream of positive Middle East headlines to stay supported".
- **JPY** was the second best performer against the Buck, **USD/JPY** down just 0.2%. It continues to trade within relatively thin ranges as intervention risk increases towards the 160 mark. **BoJ's Koeda** spoke overnight, "BoJ needs to continue to raise the policy interest rate", no real move JPY, but it shows that last meeting's 6-3 vote split will be vulnerable in June's meeting, with the aforementioned members' remarks indicating a possible 5-4 vote split for a hike, where interest rate futures currently imply a 77% probability of such action. Note, hawkish dissenter Nakagawa completes her term in June, replaced by Takaichi's appointment of Sato.
- **AUD** was the worst G10 performer after soft PMI and Labour market data. The latter showed a surprise contraction in headline Employment Change, and an uptick in the Unemployment Rate, and domestic bank NAB later announced that it pushed back its next RBA rate hike forecast to August from June. **AUD/USD** set to complete the session -0.3%, finding support at the 0.71 mark and on geopolitical headlines.
- **India Trade Minister** said authorities are monitoring the INR depreciation situation, with several steps under consideration.

FIXED

- **USTs started the European session** off by a handful of ticks, before attempting to climb out of the red as the energy complex eased off best levels. **This came amidst reports that Iran was in the process of responding to the text by the US** , adding that it has "reduced the gaps to some extent". However, **Reuters then reported that the Supreme Leader ordered enriched uranium to stay in Iran**. This led to a surge in energy prices once again, weighing on fixed benchmarks once again, where USTs made fresh troughs at 108-31 to 109-12+ range. **The White House seemed to push back on the Reuters report, which then lifted fixed benchmarks once again**. Thereafter an Iranian Official also denied the Reuters report, which spurred upside in fixed benchmarks. **Domestic data played second fiddle to geopolitics today** , but in brief, jobless claims remained broadly steady. PMI metrics were mixed, with Manufacturing remaining resilient whilst Services cooled a touch from the prior. The accompanying release suggested that "Demand also looks set to cool further in response to rising prices".
- **Bunds** look to end the European day flat vs a mostly firmer session. Initial strength was facilitated by constructive geopolitical

newsflow and dire PMI metrics, which **have fuelled growth/stagflationary woes**. On that note, the EU Commission downgraded the 2026 GDP growth forecast to 0.9% (prev. 1.2%), whilst 2026 inflation was revised to 3.00% (prev. 1.9%). **German paper** traded within a 124.60 to 124.75 range.
- **Gilts** also started the European session on a firmer footing, but slipped off best levels as energy benchmarks rose. **Gilts** traded within a 86.76 to 87.48 range. Domestically, the region had its own PMI metrics to digest. Manufacturing remained solid while Services surprisingly fell into contractionary territory. UK paper was choppy in reaction to the data, but ultimately little moved. Attention thereafter turned to Chancellor Reeves, who announced various policy measures, but most were touted before her appearance.
- **UK sold GBP 4bln 4.875% 2036 Treasury Gilt: b/c 3.45x, average yield 5.026%, tail 0.3bps.**
- **France sold EUR 14bln vs exp. EUR 12-14bln 2.40% 2029, 2.75% 2030, 3.25% 2032 and 3.50% 2033 OAT.**
- **Spain sold EUR 6.055bln vs exp. EUR 5.5-6.5bln 2.60% 2031, 3.00% 2033 and 1.00% 2050 Bono.**

COMMODITIES

- **Crude futures** – Crude was choppy but ultimately positive. Initial constructive US–Iran headlines improved sentiment and prompted some unwinding of the risk premium in the morning. Later, upside in price were seen on reports that Iran expressed a hard stance on the nuclear issue, although the White House denied this. Downticks were then seen on a similar denial by a senior Iranian source cited by Al Jazeera. Nonetheless, WTI Jul tested USD 102/bbl to the upside, in a current USD 97.25-102/bbl range, closer to USD 100.50/bbl at the time of writing, and Brent Jul looks to end towards the middle of a USD 103.68-108.42/bbl parameter. European Nat Gas (Dutch TTF) pared initial losses of over 1% to then trade with gains of around 1%, on either side of the EUR 50/MWh mark.
- **Spot gold** – Spot gold traded softer towards the bottom of a USD 4,4990-4,570/oz range. Price action continued to track USD and energy dynamics, with a steady crude higher in prices weighing on the yellow metal. Spot silver saw similar pressure, failing to sustain moves above USD 77/oz before falling to a USD 74.47/oz low.
- **Copper futures** – Base metals traded lower amid firmer energy prices. European PMIs signalled stagflation in both the Eurozone and the UK amid rising inflation, dampening growth. 3M LME copper remained within a USD 13,477.65–13,713.40/t range.
- **China Agriculture Ministry** said it will continue strengthening hog production capacity controls and stabilize prices of hogs and other major farm products.
- **ExxonMobil's (XOM) 588k BPD Baytown complex flags** planned maintenance with possible safety flaring.
- **IEA Chief Birol** said IEA ready to act to coordinate further strategic oil reserve releases if necessary. Last oil inventory release was 20% of stocks.
- **UBS** raises September forecasts by USD 10/bbl to USD 105/bbl for Brent and USD 97/bbl for WTI; if supply disruption lasts longer, oil prices could overshoot in the short term in order to trigger significant demand destruction.
- **IEA Chief Birol** said oil markets could enter a red zone in July-August as stocks deplete and summer demand returns. His hope is that the Strait of Hormuz will open fully and unconditionally. Will take a lot time for Middle East oil production and refining to return to February 27th levels.
- **QatarEnergy** said it signed an MoU to study enabling potential development and commercialisation of gas discoveries in Cyprus. Signed MoU with Egypt and ExxonMobil (XOM).
- **Russia's Kremlin** said it sees no risk to fuel supply in Russia amid attacks on refineries. There are a number of nuances still need to be addressed on Power of Siberia 2 and it is confident of results in the near future.
- **India government official** said India is in talks on sending tankers for loading in the Strait of Hormuz; will send when the situation is conducive. noted there are 14 Indian vessels stranded in the Straits.
- **Egypt** announced the discovery of a gas field of around 330bln cubic feet in the Western Desert, according to a petroleum ministry statement.
- **Ukraine's Drone Forces commander** said Ukrainian drones attacked Russia's Syzran oil refinery (147k-170k capacity) in the Samara region of Russia.
- **China** raises gas and diesel prices by CNY 75 and CNY 70 per ton, respectively, from May 22nd.
- **ADNOC** said that while it can ramp up its oil production in a matter of weeks, it will take 4 months for oil flows through Hormuz to return to 80% of pre-war levels.

EUROPEAN DATA

- **UK** CBI Industrial Trends Orders (May) -41 vs. Exp. -40 (Prev. -38).
- **UK S&P Global Composite PMI Flash (May) 48.5 vs. Exp. 51.6 (Prev. 52.6, Low. 50.8, High. 52.5).**
- **UK S&P Global Manufacturing PMI Flash (May) 53.7 vs. Exp. 53 (Prev. 53.7, Low. 50.5, High. 54).**
- **UK S&P Global Services PMI Flash (May) 47.9 vs. Exp. 51.7 (Prev. 52.7, Low. 50.3, High. 53).**
- **EU** Labour Cost Index YoY Flash (Q1) Y/Y 3.3% (Prev. 3.3%).
- **EU S&P Global Services PMI Flash (May) 46.4 vs. Exp. 47.7 (Prev. 47.6, Low. 45.9, High. 49).**
- **EU** Current Account (Mar) 24.1B (Prev. 21.09B).
- **EU S&P Global Composite PMI Flash (May) 47.5 vs. Exp. 48.8 (Prev. 48.8, Low. 47.5, High. 49.5).**
- **EU S&P Global Manufacturing PMI Flash (May) 51.4 vs. Exp. 51.8 (Prev. 52.2, Low. 50.2, High. 53).**
- **Italian** Current Account (Mar) 1748M (Prev. 3654M).
- **German S&P Global Services PMI Flash (May) 47.8 vs. Exp. 47 (Prev. 46.9, Low. 44.9, High. 50.2).**
- **German S&P Global Composite PMI Flash (May) 48.6 vs. Exp. 48.4 (Prev. 48.4, Low. 47.4, High. 51.4).**
- **German S&P Global Manufacturing PMI Flash (May) 49.9 vs. Exp. 51 (Prev. 51.4, Low. 49.6, High. 52.5).**
- **French S&P Global Composite PMI Flash (May) 43.5 vs. Exp. 47.7 (Prev. 47.6, Low. 46.1, High. 48.5).**

- **French S&P Global Services PMI Flash (May) 42.9 vs. Exp. 46.6 (Prev. 46.5, Low. 44.5, High. 47.3).**
- **French S&P Global Manufacturing PMI Flash (May) 48.9 vs. Exp. 52.2 (Prev. 52.8, Low. 51.3, High. 53.2).**
- **Swiss** Industrial Production YoY (Q1) Y/Y -7.10% vs. Exp. 0.5% (Prev. -0.7%).
- **Swedish** Employed Persons (Apr) 5.226M (Prev. 5.230M).
- **Swedish** Unemployment Rate (Apr) 8.7% (Prev. 9.7%).

NOTABLE HEADLINES

- **IMF** warns France faces rising fiscal risks; urges France to implement pension and labour reforms; sees French growth slowing to 0.7% in 2026.
- **UK Chancellor Reeves stands ready to act if market conditions worsen later this year.** Establish a GBP 350mln fund for critical chemical resilience, a GBP 150mln fund for ceramics industry. Must ensure those who benefit from energy price volatility pay their share. Bringing forward changes to taxation of foreign branch profits. Expects these reforms to raise hundreds of millions of pounds per year. Announces 10p per mile increase in tax-free mileage rate. Announces temporary cut to VAT on some attractions from 20% to 5%. Changes will apply from June to 25th to September 3rd.
- **UK's Burnham** said do not think Brexit has improved things, not said we should focus on re-joining, need to focus on domestic.
- **EU Commission downgrades 2026 GDP growth forecast to 0.9% (prev. 1.2%), 2026 inflation revised to 3.00% (prev. 1.9%).** Before the outbreak of the conflict in the Middle East, the global economy was gaining momentum. A challenging geopolitical environment and US tariff uncertainty continued to weigh on growth, but easing inflation and a robust investment cycle related to the unfolding AI revolution provided important support. The EU economy was likewise strengthening while inflationary pressures were further abating. The conflict materially changed this picture, delivering one of the most significant global energy supply disruptions in recent history.
- **UK Chancellor Reeves** is expected to announce a rise in mileage rates today, Playbook's Bloom reported. "the 45p a mile that employers pay employees in expenses for using their car for business travel. They haven't been lifted for 15 years. It's been a big union ask".

TRADE/TARIFFS

- **President Trump's efforts to lower beef prices has divided top administration officials and some of his closest allies, prompting the White House to halt plans to temporarily reduce import tariffs, according to Politico citing sources.**
- **EU** is said to seek a carve-out for banned Chinese chips to shield auto firms, reported suggest.
- **Indian Trade Minister** said they expect US trade officials to visit India next month to pursue talks.
- **China's MOFCOM** said the EU is using overcapacity as an excuse to concoct new trade tools against China.
- **UK Chancellor Reeves to announce a** cut to agrifood tariffs on some products on Thursday morning, POLITICO reported.

CENTRAL BANKS

- **BoJ's Koeda sees the neutral rate above 1%, estimates it between 1.1% to 2.5%.**
- **ECB's Rehn said economy is moving towards the adverse scenario of projections; may need to raise rates to maintain credibility.**
- **BoE's Taylor said the labour market has kept wage normalisation on track, labour market is quite weak; situation very different to 2022.**
- **BoE's Taylor said everything changed at the beginning of March after the Iran conflict abd said BoE February forecast is effectively obsolete because it did not include the energy shock.** The economy is moving into a position of slack. Probably correct to expect a need for interest rate hikes under BoE's scenario C outlook. Some tightening has happened relative to where BoE was in February. Have a very weak economy being hit by an inflationary supply shock, and there are big trade-offs for us to consider. Thinks UK is probably effectively about 100 basis points above the neutral rate at the moment. When asked about CPI inflation data, said it is still early days.
- **BofA** expects BoE to hike interest rates by 25bps in July and September (prev. June and July).
- **Norges Bank Expectations Survey (Q2)** : 12-month ahead CPI 3.3% (prev. 2.8%), 2026 real wages 1.1% (prev. 1.3%).

GEOPOLITICS

RUSSIA-UKRAINE

- **Belarus President Lukashenko** said we will work with Russia to protect our countries in case of aggression, according to local press.
- **Russian President Putin** said given growing tensions around the world, Russia's nuclear triad must serve as a reliable guarantor of Russia and Belarus sovereignty, BelTA reported; said nuclear weapon usage is only a last-resort measure.
- **Russia's Kremlin** said Ukraine was discussed with Chinese President Xi and they are ready to help efforts for peace; any nuclear exercises are a signal.
- **Russia's Kremlin** said it sees no risk to fuel supply in Russia amid attacks on refineries. There are a number of nuances still need to be addressed on Power of Siberia 2 and it is confident of results in the near future.
- **Ukraine's Drone Forces commander** said Ukrainian drones attacked Russia's Syzran oil refinery (147k-170k capacity) in the Samara region of Russia.

MIDDLE EAST

- **Iran's Ghalibaf and Araghchi were criticised for being too willing to make concession to the US; AP reported, since then,**

Vahidi has become main point of contact for those negotiating with Iran, according to sources. Brig. Gen. Ahmad Vahidi, who heads Iran's paramilitary Revolutionary Guard, has become a major player in formulating Iran's tough stance in negotiating a possible end to the war with the United States, experts say.

- **US official told Fox News that Iran is determined to keep its enriched uranium within its borders, via Al Arabiya; Iran's stance on the nuclear issue remains hardline. [OLD HEADLINE BEING CITED BY AL ARABIYA].**
- **US White House is pushing back on Reuters reported that Iran is drawing a hard line in nuclear talks, Fox's Hasnie posted citing sources.**
- **Iran's Deputy Foreign Minister Gharibabadi argues Tehran can impose Hormuz passage controls, including prior authorisation, fees and restrictions on military-linked shipping, local press reported.** Excerpt: "Within this framework, the coastal State has the right to regulate passage, collect maritime service fees, obtain prior notification or authorisation for the passage of warships, and take the necessary measures to maintain its security. The actions taken by the Islamic Republic of Iran are consistent with this customary framework.".
- **Iranian Supreme Leader Khamenei orders enriched uranium to stay in Iran, Reuters reported citing sources; suggesting a hardening in stance on nuclear stockpile.**
- **Israeli reporters note of UAV in Misgav Am, northern Israel.**
- **A magnitude 4.6 earthquake** reported in Bandar Abbas, Iran.
- **"According to my sources in Tehran, Iran's response hasn't been handed to the Pakistani mediator. There're ongoing deliberations, and serious efforts to reach a final draft.", via Al Jazeera's Hashem.**
- **Russia** said only Iran should decide the fate of its uranium stockpile, ready to help Tehran and Washington implement possible solutions related to enriched uranium.
- **Pakistani source tells Al Jazeera the Army Chief is still in Pakistan and his visit to Iran depends on the outcomes of the interior minister's visit, Enriched uranium is the main sticking point in the US-Iranian negotiations.** Iranian officials requested a delay from Pakistan to assess and study the US determinants for negotiation.
- **Iran is in the process of responding to the text sent by the US, ISNA reported; "The sent text has reduced the gaps to some extent", but requires guarantees.** Pakistani General Aasim Munir is to arrive in Tehran with the aim of reducing these gaps.
- **"Pakistan's mediation efforts between US and Iran are at a crucial stage where efforts are underway to secure an agreement or a framework for comprehensive talks which can eventually lead to a 'deal'", via journalist Mallick.** Full post: "Pakistan's mediation efforts between US and Iran are at a crucial stage where efforts are underway to secure an agreement or a framework for comprehensive talks which can eventually lead to a 'deal', while addressing issues that can be termed as 'low hanging fruits'".
- **Tehran is studying the American text and has not yet submitted its response, Al Arabiya reported citing sources ; Pakistan is working to bring closer the viewpoints between the US and Iran.**
- **Iran's Foreign Ministry spokesperson said Iran is pursuing talks "in good faith" but views US with "deep suspicion", Press TV reported; confirms multiple rounds of messages have been exchanged through Pakistani intermediaries based on the 14-point proposal.**
- **Iran** said to be rebuilding industrial base faster than expected, already producing drones, according to US intel cited by CNN.
- **A senior Israeli defence official** warns Iran conflict could become recurring annual war unless regime falls, Ynet reported.
- **Pakistan's Army Chief is to travel to Tehran on Thursday for negotiations and as part of mediation efforts between the US and Iran, ISNA reported.**
- **Pakistani political and media circles point to accelerated mediation efforts after Pakistani Interior Minister's Tehran meetings, IRNA reported; "presenting a narrative that indicates that progress in negotiations between Tehran and Washington is likely".** post:"Pakistan's political and media circles, coinciding with the second trip of "Mohsen Naqvi" to Tehran and his meetings with senior officials of the Islamic Republic of Iran, are presenting a narrative that indicates that progress in negotiations between Tehran and Washington is likely and that the efforts by intermediaries to bring the two sides' viewpoints closer in order to reach a desirable agreement have accelerated. ".
- **"Whether [Iranian Parliament] Ghalibaf officially resigned or not, seems plenty of evidence he's effectively been pushed aside", WSJ's Norman posted.**
- **German press** reported of an Iranian plot to assassinate a German politician and the German head of the Central Council of Jews.
- **Since last night, 30 ship owners and captains have been coordinating with the IRGC Navy to pass through the Strait of Hormuz.** It is very likely that these 30 ships will pass through the strait by tonight, in coordination with the IRGC Navy and along the designated route.
- **Iranian Foreign Minister Araghchi posted "Wherever it is necessary, we will fight; wherever it is necessary to negotiate, we will negotiate."; will be present in negotiations "with strength" if necessary.**
- **N12's Shapira** said, on the morning's geopolitical updates, that it "feels like an endless bluff".
- **US Defence Undersecretary Colby may visit China ahead of a possible trip by Pentagon chief Hegseth amid tension over Taiwan arms sales, SCMP reported.**
- **Pakistan's Army Chief is seeking the official announcement of a MOU, Al Hadath reported.**
- **Work is underway on a framework for a temporary agreement between Tehran and Washington, Al Hadath reported citing sources.**
- **Ethiopian Foreign Ministry** said "Egypt is trying to obstruct our access to the Red Sea", Al Arabiya reported.
- **Iranian Foreign Ministry said Foreign Minister Aragchi met the Pakistani Interior Minister who is visiting.**
- **Deputy of the IRGC Navy** said the Iranian "armed forces are ready to respond to any act of aggression by the enemy"; warns "IRGC Navy will send the US to the bottom of the sea", IRNA reported.

NOTABLE NORTH AMERICAN NEWS

- **US President Trump posted a NY Post article titled "Here's how to crush Tehran in three moves".**
- **US President Trump to announce decision today with the EPA Administrator; to delay phaseout requirements for refrigerants and hydrofluorocarbons, via Bloomberg.**

NORTH AMERICAN DATA

- **US** Housing Starts MoM (Apr) M/M -2.8% (Prev. 10.8%).
- **US Initial Jobless Claims (May/16) 209k vs. Exp. 210k (Prev. 211k, Low. 200k, High. 215k).**
- **US Continuing Jobless Claims (May/09) 1782k vs. Exp. 1790k (Prev. 1782k, Low. 1770k, High. 1800k).**
- **US** Jobless Claims 4-week Average (May/16) 202.50K.
- **US Housing Starts (Apr) 1.465M vs. Exp. 1.41M (Prev. 1.502M).**
- **US** Building Permits MoM Prel (Apr) M/M 5.8%.
- **US** Building Permits Prel (Apr) 1.442M vs. Exp. 1.40M (Prev. 1.363M).
- **US S&P Global Composite PMI Flash (May) 51.7 vs. Exp. 51.5 (Prev. 51.7)**
- **US S&P Global Services PMI Flash (May) 50.9 vs. Exp. 51.1 (Prev. 51.0, Low. 49.4, High. 51.6)**
- **US S&P Global Manufacturing PMI Flash (May) 55.3 vs. Exp. 53.8 (Prev. 54.5, Low. 53.2, High. 55)**