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European Market Wrap - 22nd May 2026

- **European bourses end the final trading session of the week entirely in the green ahead of the extended US/UK holiday weekend.**
- **Crude futures initially extended lower as traders digested reports that the Pakistani Army Chief is ready to travel to Tehran; Qatar is reportedly also sending its own negotiating team.**
- **Crude benchmarks then reversed higher, with Pakistan Foreign Ministry stating that it is not aware of any visit by the Army Chief, while US Secretary of State Rubio said a deal is not there yet.**

EQUITIES

- **European bourses** are set to end the week firmer with gains every day after global equities were broadly bid on geopolitical optimism. The **STOXX 600 set to complete the week +3%, the day +0.8%.**
- On geopolitics, a slew of optimistic reports continued to hit the wires on Friday, most recently that Qatar and Pakistan had sent a negotiating team to Tehran. It has been widely touted by Gulf press that a deal has been finalised but is yet to be agreed upon by the US and Iran side, and the Pakistani Army Chief traveling to Tehran signals hopes that the finalised deal will be agreed upon by both sides. As seen in previous days, there has been some pushback from other outlets, though nothing to knock the firm equity sentiment.
- Sectors were broadly in the green. **Tech** (+2.8%), **Industrials** (+1.7%) and **Travel & Leisure** (+1.5%) marked the best performing sectors amid energy/yield moves, while **Energy** (-1.3%) underperformed with Crude a touch firmer on the day but well below the week's highs.
- **Movers in Europe** included: **Richemont** (-1%), was lower after earnings, **Puig** (-14%) as merger talks with **Estee Lauder** break down.
- **US equity futures** opened on a positive note (ES +0.6%, NQ +0.8%, RTY +0.4%) amid a far-more constructive yield and energy environment compared to extremes seen this/last week, with ES slated to mark weekly gains since mid-March.

FX

- **G10s spent the session within tight ranges relative to Thursday in another session marked by geopolitical headlines.**
- The Dollar spent the session attempting to recoup Thursday's highs after DXY fell 0.3% off its peak on geopolitical optimism. On that note, optimistic reports continue to hit the wires, most recently that Qatar sent a negotiating team to Tehran and "Pakistani Army Chief ready to travel to Tehran on the condition of finalising the agreement's final formula." It has been widely touted that a deal has been finalised but is yet to be agreed upon by the US and Iran side, and the Pakistani Army Chief traveling to Tehran signals hopes that the finalised deal will be agreed upon by both sides. The aforementioned optimistic reporting modestly offered the Buck, set to finish the European session unchanged/firmer. Note, there has been **recent pushback on the optimistic geopolitical reporting**, though moves are limited. Fed's Waller to speak imminently, Warsh set to speak alongside the US President later.
- **Antipodeans** underperformed throughout APAC and London sessions after domestic banks began to revise RBA calls following recent weak PMI, and Labour market data. The latter showed a surprise contraction in headline Employment Change, and an uptick in the Unemployment Rate, which prompted NAB and Westpac to push calls for tightening back to August, where both previously expected the first hike expected in June. Interest rate futures are now assigning 12% probability of a hike in June, and 38% in August.
- **GBP** was modestly firmer throughout the domestic session with two sets of data not really providing a bias with PSNB's worrying headline figure cancelled out by hefty downward revisions to the FY metric, and Retail sales heavily caveated by fuel sales.

FIXED

- **Global fixed benchmarks** started the European session broadly in the green, as markets digested geopolitical newsflow. The story developed as the session progressed, which spurred continued pressured in the crude complex – as such, fixed benchmarks look to end the Europeans session towards highs.
- It has been **an exceptionally busy day from a geopolitical perspective.** Please see the respective section within the sheet, but the key sticking points include: a) initial reports via Saudi press that provided details of the peace plan, b) reports that the Pakistani Army Chief has left for Iran to finalise an agreement (but this was later rejected by the Pakistani Foreign Minister), c) Qatar sending its own team to help secure a deal, d) WSJ's Norman suggesting that draft deals circulating were inaccurate.
- In terms of price action, **USTs** look set to end the European session stronger by c. 10 ticks, and within a 109-08 to 109-19+ range. As for **Bunds**, domestic data today included solid Final German GDP metrics, and the Ifo survey was fairly resilient, though not indicative of a promising outlook for the region. Bunds traded within a 125.06 to 125.57 range. Finally, **Gilts** initially outperformed as UK paper reacted to cooler-than-expected Retail Sales metrics – but then performance aligned with peers into the afternoon. Gilts traded within a 87.53 to 87.97 range.

COMMODITIES

- **Crude futures** traded in busy ranges throughout the European session, ahead of the extended weekend for US and UK participants. It was reported early in the session by Al Arabiya that it obtained the text of the anticipated US-Iran agreement in case of its approval by both sides. Focus was on whether the Pakistan Army Chief would then travel to Tehran, which was then later reported and resulted in pressure was seen across the energy complex, with **WTI** and **Brent** futures falling c. USD 1.50/bbl. A further extension to a session low of USD 95.46/bbl and USD 102.25/bbl respectively came after reports that Qatar is sending a negotiating team to Tehran. As the European session neared to a close, WSJ's Norman reported that the draft deals circulating is inaccurate, however limited reaction was seen.
- **Spot gold** oscillated in a narrow USD 4507-4564/oz range amid a relatively quiet day. The yellow metal saw limited reaction following the headlines of the Pakistani Army Chief traveling to Iran. Similarly, **spot silver** was muted and rotated in a USD 75.28-76.88/oz band.
- **3M LME Copper** gained amid the positive risk tone, extending above the USD 13.6k/t handle and found support once above.
- **China refined fuel exports (ex Hong-Kong) expected to rise slightly from May-June to around 550k MT,** according to Reuters sources.
- **Japan** to receive first oil tanker to exit the Strait of Hormuz since US-Iran war began.
- **Hungary's PM said an explosion took place at a MOL's Tiszaujvaros energy plant.** One person dead and several injured.
- **UAE Presidential Advisor** said they were losing out in terms of production under OPEC, leaving it was under consideration for a three-year period.
- **Barclays** said they have maintained their Brent forecast of USD 100/bbl for 2026, with risks skewed higher.

EUROPEAN DATA

- **UK Retail Sales MoM (Apr) M/M -1.3% vs. Exp. -0.6% (Prev. 0.7%, Low. -1.4%, High. 0.5%).**
- **UK** Retail Sales YoY (Apr) Y/Y 0.0% vs. Exp. 1.3% (Prev. 1.7%, Low. 0.4%, High. 1.7%).
- **UK** Retail Sales ex Fuel MoM (Apr) M/M -0.4% vs. Exp. -0.3% (Prev. 0.2%, Low. -1.3%, High. 0.4%).
- **UK** Retail Sales ex Fuel YoY (Apr) Y/Y 1.1% vs. Exp. 1.5% (Prev. 1.7%, Low. 0.7%, High. 2.0%).
- **UK Public Sector Net Borrowing Ex Banks (Apr) 24.3B vs. Exp. 20.9B (Prev. 12.6B, Low. 21.1B, High. 17B).**
- **UK** Gfk Consumer Confidence (May) -23 vs. Exp. -28 (Prev. -25).
- **German GDP Growth Rate QoQ Final (Q1) Q/Q 0.3% vs. Exp. 0.3% (Prev. 0.2%, Low. 0.2%, High. 0.3%).**
- **German** GDP Growth Rate YoY Final (Q1) Y/Y 0.4% vs. Exp. 0.3% (Prev. 0.4%, Low. 0.3%, High. 0.3%).
- **German** Ifo Business Climate (May) 84.9 vs. Exp. 84.2 (Prev. 84.4, Low. 83, High. 85.9).
- **German** GfK Consumer Confidence (Jun) -29.8 vs. Exp. -34 (Prev. -33.3, Low. -35, High. -30).

NOTABLE HEADLINES

- **The next EU-UK summit could be postponed until July at the earliest (vs initial June date),** Bloomberg reported citing sources. The prospect that substantial deals won't be agreed in time.

TRADE/TARIFFS

- **China adjusts drug-making chemicals export list to countries,** reports suggest. Exports of relevant chemicals to the US, Mexico and Canada must apply for licenses in accordance with regulations.
- **The EU** has suspended customs tariffs on certain nitrogen-based fertilisers for one year.

CENTRAL BANKS

- **ECB President Lagarde said long term inflation expectations are broadly well anchored** and are particularly attentive to second-round effects.
- **ECB's Demarco said the ECB will probably need to hike in June.** There is not much evidence of indirect inflation effects and the 2026 inflation outlook likely to be revised upwardly. Projections to show if one hike is enough or more is needed.
- **BoJ Governor Ueda met with PM Takaichi, in which the two discussed markets and the economy.** Specifics were not discusse when asked about market prospects for a June rate hike.
- **White House NEC Director Hassett said Kevin Warsh will return the Fed to its roots** and will restore independence, President Trump trusts Warsh will be data-dependent. Hassett added that there are risks that the oil shock feeds into core inflation and central banks must pay close attention.

GEOPOLITICS

MIDDLE EAST

- **Al Arabiya and Al Hadath exclusively report the text of the anticipated US-Iran agreement in case of its approval.** The agreement includes: an immediate, comprehensive, and unconditional ceasefire on all fronts, a halt to military operations, ensuring freedom of navigation in the Arabian Gulf, the Strait of Hormuz, and the Sea of Oman and establishing a joint mechanism for monitoring and resolving disputes. Later, WSJ's Norman said source tells him the **draft deals circulating are inaccurate.**
- **US Secretary of State Rubio said there has been slight progress on Iran. Iran is trying to create a tolling system in the Strait, and no nation should accept that. We will be continuing talks with Iran, and there is progress.** Rubio later said that he would like to see an agreement with Iran but there needs to be a plan B if Iran refuses to reopen the Strait.
- **Arab sources said Pakistani Army Chief is ready to travel to Tehran on condition of finalizing the agreement's final formula,** Al Arabiya reported, and then further reports stated that **the Army Chief has left for Iran.** However, Al Araby reported, citing

sources, that the **Pakistan Army Chief's visit to Tehran does not mean a deal is within reach.**

- **Pakistan Foreign Ministry said "not aware of any visit" to Iran planned by Army Chief,** CBS reported.
- **Pakistani Army Chief Munir heading to Tehran is the most significant indicator so far this week that progress is being made,** NYP reported citing sources.
- **"Pakistani Army Chief awaits Interior Minister's Talks outcomes in Tehran",** Al Hadath reported. The Pakistani Army Chief is ready to travel to Tehran provided that the final draft of the agreement text is finalised.
- **"A Pakistani source says that cautious optimism is the prevailing sentiment in the ongoing discussions regarding the planned agreement.",** Al Arabiya reported.
- **Pakistan source said the US and Iran's insistence on raising the bar for their demand regarding uranium and the Strait of Hormuz has led to a "crisis in negotiations",** Al Jazeera reported.
- **The appointment of Ghalibaf as Head of the Iranian negotiation delegation,** Al Hadath reported citing sources.
- **Pakistani Interior Minister met again with Iran's Foreign Minister** to study proposals for resolving disputes between US and Iran, Al Jazeera reported, citing the Pakistani Embassy.
- **Iran is demanding an end to the US sanctions and the frozen asset release,** Tasnim reported. The foreign minister said they're seeking rights, not concessions, from the US.
- **Iranian National Security Commission member Rezei** posted "These negotiations are probably also a hoax and the Americans have no desire for diplomacy"; says "instead of diplomats, send missiles to negotiate."
- **Iranian Foreign Ministry** said "Everything being circulated about the status of the negotiations is not accurate", Al ArabyTV reported.
- **IRGC** said 35 ships passed through Strait of Hormuz over the past 24 hours.
- **Qatar has reportedly sent a negotiating team to Tehran with the US team to help secure a deal to end the Iran war,** according to Reuters sources.
- **UAE joins Saudi and Qatar in urging US President Trump not to restart Iran war.**
- **UAE official** said there is a '50-50' chance of US-Iran Strait of Hormuz agreement, AFP reported.
- **Unconfirmed reports of explosions in the UAE,** Tasnim reported. Details of the explosions have not yet been released.

OTHER

- **China Foreign Ministry** said China firmly opposes the US selling arms to Taiwan.

NORTH AMERICAN DATA

- **Canadian** Retail Sales MoM Final (Mar) M/M 0.9% vs. Exp. 0.6% (Prev. 0.7%, Low. 0.5%, High. 1.0%).
- **Canadian** Retail Sales Ex Autos MoM (Mar) M/M 1.4% vs. Exp. 0.9% (Prev. 0.5%, Low. 0.6%, High. 1.1%).
- **Canadian** Retail Sales YoY (Mar) Y/Y 3.4% vs. Exp. 1.5% (Prev. 3.8%).
- **Canadian** Retail Sales MoM Prel (Apr) M/M 0.6%.
- **Canadian** PPI MoM (Apr) M/M 2.0% vs. Exp. 1.3% (Prev. 2.4%).
- **Canadian** PPI YoY (Apr) Y/Y 11.4% (Prev. 7.8%).