

- Mixed trade across Europe as markets await concrete geopolitical updates following mixed reports.
- Iran's Foreign Ministry said the US has violated the ceasefire in the Hormozgan area; Iran will respond and will not hesitate in defending itself.
- Iranian press Tasnim said funds remain the last major disagreement between Iran and the US over starting negotiations.

### EQUITIES

- **European bourses** (STOXX 600 U/C) are set to end the first full trading session of the week mixed. The divergence in performance occurs as indices that were closed on Monday price in the positive tone coming from the US side regarding an agreement with Iran. Sentiment dimmed overnight after the US conducted strikes on Iranian missile launch sites and mine-laying boats in southern Iran, with US CENTCOM citing self-defence. Harsh rhetoric from Iran further dampened hopes of a deal, with Iranian Supreme Leader Khamenei saying America will no longer have a safe haven in the Middle East, while the IRGC said they have the right to respond to any US ceasefire breach.
- **Sectors** remained mixed, with no clear bias. **Basic Resources** (+1.7%) held its spot as the clear outperformer; **Utilities** (+1.1%) and **Telecoms** (+1.1%) round out the top 3. **Autos** (-1.7%) and **Technology** (-1.0%) were the clear laggards.
- There were limited updates throughout the session; however, **BP** Chairman Manifold has been removed immediately from his role due to concerns related to important governance standards, oversight, and conduct (-4.4%). The key pre-market stories were: **Ferrari** (-7.6%), unveiled its first fully electric car despite competitors scaling back EV ambitions due to weak demand; **Melrose Industries** (-4.9%), as an overheating chemical tank triggered an emergency response at its GKN's Garden Grove facility; **Kingfisher** (+4.2%), Q1 revenue grew Y/Y and affirmed guidance.
- **US cash markets** opened entirely in the green but came under pressure immediately as participants priced in the new geopolitical updates. **Micron** (+13.2%) surges after UBS raises its PT to 1,625 from 535.

### FX

- **G10s were broadly lower against the Buck** throughout London FX trade.
- **USD** was a touch firmer (DXY +0.1%) throughout the session after the index lost 0.3% on Monday's thin holiday trade. Optimism, which led headlines over the weekend, lost a little momentum after **US CENTCOM said it had conducted "self defence" strikes in Iran** and Iran's Khamenei said, "America will no longer have a safe haven in the Middle East.... the region will no longer serve as shields for American bases". Additionally, today's reporting suggests the **main sticking point in talks is unfreezing overseas Iranian assets**. DXY was around Monday's highs for most of the session, with little movement on incoming geopolitical newsflow throughout the session. The index remains above all significant DMAs, with the 50 providing support on Monday. Aside from geopolitics, US domestic news is light. Ahead, CB Consumer Confidence and Dallas Fed Manufacturing. The rest of the week sees ADP jobs, Final GDP, PCE and a few Fed speakers.
- **Kiwi was the worst performer** in G10FX ahead of the RBNZ meeting + OCR projections due in early hours on Wednesday. The RBNZ is slated to keep rates on hold, with a c. 70% probability of such action and 30% for a 25bps hike according to market pricing - full preview in the Newsquawk research suite. \*\*AUD/NZD +0.5%, NZD/USD -0.6%. \*\*
- **EUR** was one of the best faring currencies against the Buck with no specific headline benefitting it, though signs of the US-Iran conflict ending continue to support with the single currency above the **1.16** mark. The Influential ECB Hawk Schnabel spoke this morning, though nothing that deviates from her known tone, "ECB should raise rates in June, even if an Iran peace deal is struck".

### FIXED INCOME

- **Global fixed benchmarks** were mixed on account of the lack of settlement for **USTs**, catch-up play across **Gilts** (returning from holiday), whilst **Bunds** were lower. Nonetheless, early morning action saw negative action across fixed benchmarks, alongside a slight pick-up in the energy space. This was facilitated by commentary from **Iran's Supreme Leader, who stated that the US will no longer have a safe haven in the region**. However, US paper managed to clamber off its worst levels despite further updates out of Iran continuing to paint a bleak picture; **1) the Foreign Minister said the US had violated the ceasefire, 2) UKMTO received a report of an incident, 3) Iran's aerospace warned of a "decisive response" to US truce violations**. Markets ultimately await whether or not Iran decides to launch an offensive against the US, where they had previously suggested that they would expand the war outside of the region.
- As for price action, **USTs** look to end the session stronger by c. 18 ticks but down by around 2 ticks from Monday's open. **ZN** futures printed a trough at 109-20, as energy prices gained, but then clambered off those lows as the session progressed. From a yield perspective, the **10yr** resides at 4.48% vs Friday's close at 4.55%; further downside could see a test of the low from 14 May at 4.43%.
- Elsewhere, **Gilts** are also set to close the day firmer by around 7 ticks, after gapping higher by around 80 ticks. **UK paper** gradually moved lower alongside peers, as the geopolitical risk premia waned on the aforementioned headlines. Finally, **Bunds** started the morning on the back foot and remained in the red throughout the day. Once again, following peers, with little action sparked by ECB speak from Schnabel, Lane and Sleijpen. The former was hawkish, where she stated the Bank

should raise rates in June, even if a peace deal with Iran is struck.

- **Spain to sell a 10yr EUR-denominated SPGB via syndication.**
- **Italy sold EUR 2.5bln vs exp. EUR 2.25-2.5bln 2.20% 2028 BTP and EUR 2.5bln vs exp. EUR 1.75-2.5bln 1.10% 2031 and 2.25% 2046 BTPei.** 2.20% 2028: b/c 1.62x (prev. 1.63x) & average yield 2.73% (prev. 2.80%). 1.10% 2031 BTPei: b/c 1.62x (prev. 1.67x) & real yield 0.89% (prev. 0.97%). 2.25% 2046 BTPei: b/c 1.81x & real yield 2.25%.

## COMMODITIES

- **Crude** - Crude rebounded following US "self-defence" strikes in southern Iran against missile launch sites and boats allegedly attempting to lay mines, with CENTCOM noting the strikes had concluded, "for now". Brent futures were firmer by around 2.9%, whilst WTI/Brent intraday comparisons diverged, given the lack of WTI settlement due to the US holiday. Brent Aug'26 resided towards the upper end of a USD 94.36-97.80/bbl range, with some upticks seen after remarks from Iran's Supreme Leader suggesting America will no longer have a safe haven in the Middle East. WTI Jul'26 traded within a USD 89.41-94.51/bbl band. Dutch TTF prices were firmer by some 4% intraday, back above the EUR 47/MWh mark after oscillating around EUR 46/MWh yesterday.
- **Precious Metals** - Spot gold fell, with the yellow metal dipping under yesterday's USD 4,548.91/oz low after matching the USD 4,580/oz high, with today's trough at USD 4,500/oz exactly - where the bullion found support. Spot silver was also weaker, slipping from USD 78.39/oz to a low of USD 75.49/oz. Elsewhere, Malaysia imposed a 10% import duty on some gold bar shipments.
- **Base Metals** - Base metals were mostly firmer heading into the European close with the LME returning from its long weekend. LME copper traded relatively flat, with price action varying across the complex. 3M LME copper resided in a narrow USD 13,604.70-13,728.00/t range.
- **One global aluminium producer** is seeking a USD 480-per-tonne July-September premium in Japan talks, up 36-37% from the current quarter, sources said.
- **India's Soybean imports reportedly could rise to a record of 800k MT in 2025-26 period, according to trade sources.**
- **UBS lowers year-end 2026 Gold price forecast to USD 5500/oz; cites persistent yield and USD headwinds.**
- **Malaysia has imposed a 10% import duty on some gold bar shipments.**

## EUROPEAN DATA

- **UK CBI Distributive Trades (May)** -46 vs. Exp. -60 (Prev. -68).
- **Spanish PPI YoY (Apr) Y/Y** 8.3% (Prev. 3.4%).
- **Swedish PPI YoY (Apr) Y/Y** 4.7% (Prev. 2%).
- **Swedish PPI MoM (Apr) M/M** 1.1% (Prev. 0.6%).
- **Norwegian Unemployment Rate (Apr)** 4.6% (Prev. 4.9%).

## NOTABLE HEADLINES

- **Sweden's Prime Minister** said the government will temporarily lower prices on monthly public transport passes, due to the energy crisis.

## TRADE/TARIFFS

- **India's Foreign Minister** said a new US-India agreement on critical minerals and rare earths has been signed.

## CENTRAL BANKS

- **The Fed** plans to provide more clarity on new supervisory policies as US banks press it to cement narrower supervisory policies, sources said.
- **ECB's Lane** said the ECB is not pre-committing to a particular path after June, Nikkei reported.
- **ECB's Schnabel** said ECB should raise rates in June, even if an Iran peace deal is struck, while she sees signs of energy inflation spillovers.
- **ECB's Sleijpen** said the ECB is somewhere between baseline and adverse scenarios; ECB will do everything in its power to tame inflation.
- **ECB Financial Stability Review: The Eurozone is not facing systemic risk from the private credit market, and exposure is limited.** Using available commercial, public and proprietary data, it finds that euro area financial institutions appear to have limited direct exposure to private credit. This makes it unlikely that private credit in isolation could be a source of systemic financial instability at present. However, insurance corporations and pension funds in particular could, in an adverse scenario, face more material second-round revaluation losses from broader spillovers to leveraged loans, high-yield bonds and equities.
- **BoC Deputy Governor Vincent** warns of inflation risks from missteps and said labour market shifts complicate policy. The more the economy faces shocks accompanied by structural change, the less clear-cut monetary policy decisions will be. Monetary policy cannot compensate for lower supply caused by trade friction or population ageing. The central bank is exploring more granular data to better understand what is happening in the job market. Mistaking structural demand issues for cyclical ones could create inflationary pressures while delaying necessary restructuring. Current conditions point to a mild excess supply in Canada's labour market, which Vincent said is less dynamic than before. Canada's labour market is marked by low turnover, rising long-term unemployment and persistently high youth unemployment. Structural changes in labour markets are making the Bank of Canada's job more complicated.
- **Hungarian Interest Rate Decision 6.25% vs. Exp. 6.25%.**

- **NBH Governor Varga** said they are closely monitoring energy and commodity markets, external conditions could tighten.
- **NBH post-policy statement: Keeping a cautious and data-driven mode for rate policy.** Incoming data point to a more moderate inflation outlook. The stronger forint, as well as the postponed phaseout of regulated fuel prices and price margin caps moderate the rate of price increases. However, high global energy and commodity prices pose upside risks to inflation. The inflation outlook has improved significantly. However, the uncertain global economic environment warrants a careful approach to monetary policy.
- **Swiss Sight Deposits (CHF)** : Domestic 437.9bln (prev. 438.4bln), Total 468.9bln (prev. 471.1bln).

## GEOPOLITICS

### RUSSIA-UKRAINE

- **Russia** said it would like to increase the "dynamics of meetings" with the US to eliminate mutual irritants, but there is still no progress on the main issues, IFX reported; hopes the U.S. response to Moscow's decision to strike Kyiv will be responsible, RI.
- **Russian Duma** said attacks on civilians may push Moscow to use weapons that leave no trace for anyone, Al Arabiya reported.
- **Iranian Deputy Secretary of National Security Council** arrived in Moscow for the 14th International Conference of Senior Security Officials, where he will deliver a speech and meet Russian political and security officials, Press TV reported.

### MIDDLE EAST

- **Iran's Foreign Ministry** said US has violated the ceasefire in the Hormozgan area; Iran will respond and will not hesitate in defending itself.
- **A high-level Iranian delegation**, including Iranian Foreign Minister Araghchi, Parliamentary speaker Ghalibhaf and the governor of the Central Bank of Iran, visits Doha and meets with the Qatari Prime Minister and Foreign Minister, Al Hadath reported.
- **No negotiations are possible without receiving Iran's paid-in funds**, Fars sources report; progress has been made through Qatar, but Iran's negotiating team does not consider the understandings finished; "It has been said that the last major disagreement". Full post:Source: No negotiations are possible without receiving Iran's paid-in funds A source close to the negotiating team told Fars: No negotiations are possible without transferring Iran's blocked funds. It has been said that the last major disagreement between Iran and the United States over starting negotiations—which relates to the method of access to Iran's blocked resources—is currently being resolved through Qatar's mediation and initiative. Based on this report, previously the United States had pulled back from fulfilling its commitments in this regard, but Iran insisted, stating: "No agreement is possible until the agreed-upon money is transferred." Ultimately, through consultations in Qatar, progress has been made to resolve this problem. However, the negotiating team of Iran, considering the history of America's breach of commitments, does not consider these understandings as finished, and has repeatedly stated that "Iran is ready for all likely options."
- **Iran's Foreign Ministry spokesperson**, on the US "self defence" strike in Iran, said "the attack was not a mistake but a calculated decision to test the destructive power of a new weapon system on Iranian civilians", Press TV reported.
- **IRIB News** said the claims by Al Arabiya regarding the 14 point MOU between the US and Iran are false and baseless.
- **Iran's IRGC** said Iran has the right to respond to any US ceasefire breach; have identified hostile aircrafts entering Iran's airspace in the Gulf region and have shot down one MQ-9 drone.
- **Iranian official Arasteh** said the US will not have a place in the Persian Gulf and that Iran's armed forces control transit through the Strait of Hormuz, Mehr News reported.
- **"Israel's Channel 12** quoted sources: Gaps still exist between Washington and Tehran over the agreement", Al Hadath reported; the agreement is still far from being finalised. The Iranian supreme leader has not yet approved the agreement.
- **Iranian National Security Committee Chairman** said if the US side takes confidence-building measures at the implementation level and we see tangible results, this could be the basis for further steps; adds Iran will not compromise on national interests.
- **IRGC senior spokesperson** said "If we are attacked, our attacks will be more intense, heavier and stronger", according to IRIB News citing an Al Jazeera interview; adds "The response to any new aggression will be different from what it has been before". Adds that if war breaks out again, "Iran will prevent oil from leaving the region".
- **Iranian Deputy Interior Minister** said some petrochemical plants have resumed production, Mehr News reported; other sections will also be activated soon.
- **UKMTO** said it received a report of an incident 60 nautical miles off Oman's Muscat, with a tanker reporting an external explosion on the port side aft close to the waterline; crew is safe.
- **US President Trump** posted image on Truth social, titled "Peace Through Strength".
- **Tasnim** reported that Iranian Parliamentary Speaker Ghalibhaf's Qatar trip sought progress on releasing USD 24bln in frozen Iranian funds, with Tehran pushing for USD 12bln upfront and the rest within 60 days. Overall, trip was good, led to progress.
- **Israeli security official** said the army summoned an additional battalion to Lebanon, Al Jazeera reported.
- **Iranian Supreme Leader Khamenei** said the clock cannot be turned back, the "shaky Zionist regime will move closer to the end of its ominous existence".
- **Iranian Government spokesperson** said it is "Not the first time we have witnessed contradictions in statements. One of our problems in the negotiations is contradictions in statements and behavior".
- **Iranian Supreme Leader Khamenei** said America will no longer have a safe haven in the Middle East; "the region will no longer serve as shields for American bases".
- **"The Iranian army warns of the 'renewal' of the war"**, Al Hadath reported (Details light).

- Israeli Broadcasting Authority said the Israeli army has begun mobilising its soldiers with the aim of intensifying its operations in Lebanon, Al Jazeera reported.
- The Israeli Security Cabinet will meet today at 19:00 local time (17:00 BST).
- South Korea's Defence Minister said South Korea is to work with the IAEA for its planned nuclear-powered submarine.
- Pakistani Foreign Ministry said China and Pakistan affirmed their commitment to implementing the Five-Point Initiative to restore stability in the Middle East, Al Jazeera reported.
- Iranian Supreme Leader Khamenei will deliver a message in a few minutes with regards to the Hajj pilgrimage, Tasnim reported.
- Iran's aerospace chief warned of a "decisive response" to US truce violations, Al Jazeera reported.
- Iranian Parliamentary official says Iran-US ties will remain a challenge, even following a deal.
- "Israeli Channel 12: Start of a military operation that crosses the Yellow Line in southern Lebanon" , Sky News Arabia reports.
- US President Trump is expected to hold a Cabinet Meeting at Camp David on the 27th of May , NY Post reports.

#### NOTABLE NORTH AMERICAN NEWS

- US NEC Director Hasset said energy prices will drop once the Strait of Hormuz is open, remarks via Fox Business; stock market is celebrating because productivity is so high. Consumers should feel falling oil prices "right away"; falling prices will be felt once the Strait of Hormuz reopens. The price of gasoline has to come down. "For sure" inflation will come down by year-end. The government is keeping an eye on new AI models. Sees onshoring from drug firms and electricity infrastructure.

#### NORTH AMERICAN DATA

- US House Price Index MoM (Mar) M/M 0.1% vs. Exp. 0.1% (Prev. 0%).
- US House Price Index (Mar) 441.5 (Prev. 441.4).
- US S&P/Case-Shiller Home Price YoY (Mar) Y/Y 0.8% vs. Exp. 1% (Prev. 0.9%).
- US S&P/Case-Shiller Home Price MoM (Mar) M/M 1.0% (Prev. 0.4%).
- US House Price Index YoY (Mar) Y/Y 1.7% (Prev. 1.7%).
- US Chicago Fed National Activity Index (Apr) 0.14 (Prev. -0.20 ).
- Canadian Manufacturing Sales MoM Prel (Apr) M/M 4.6%.

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