

European Market Wrap - 28th May 2026

- European equities traded mostly lower following the US-Iran flare-up, but clambered off lows.
- Pakistan's Deputy PM/Foreign Minister will depart for an official visit to Washington, D.C. tomorrow
- Modest DXY downside seen on the lack of upside surprise from US PCE.

EQUITIES

- **European bourses** (STOXX 600 -0.7%) were broadly lower throughout the session, with indices starting the day on the back foot as traders digested the latest US-China flare-up. In brief, the **US struck Iranian military bases, whilst the IRGC responded with its own attacks on US air bases**. Furthermore, Iran's Navy stated it forced four vessels to turn back in the Strait of Hormuz by firing warning shots. Aside from the flare-up, updates since have been lacking – with markets tentatively waiting for whether this round of strikes will lead to further escalation.
- **European sectors held a negative bias** throughout the European morning. **Tech** took the top spot (perhaps taking the lead from post-earnings strength in Snowflake), whilst **Energy** was buoyed by strength in underlying oil prices. To the downside resided **Insurance**. Key movers this session included: **BT** (-3.8%, FT reports that the UK would block Bharti's stake increase), **L'Oreal** (+1%, upgraded at Berenberg), **Adyen** (-3%, CFO to step down).
- **US equity futures** have opened mixed; the **ES** and **NQ** trade on either side of the unchanged mark, whilst the **RTY** is off by around 0.4%. There have been some key post-earnings movers this morning, including: **HP** (-0.5%, strong headline metrics, though downgraded its FY outlook), **Marvell** (+1.8%, headline metrics beat and provided upbeat outlook), **Snowflake** (+34%, secures a USD 6bln Amazon deal).
- On the US data front, US Core PCE M/M printed at 0.2% (exp. 0.3%), whilst the Y/Y metric rose in line with expectations at 3.3%. Overall, metrics which helped to lift indices a touch off lows given the rise in PCE was more moderate than what some had expected. Elsewhere, GDP continues to indicate a slowing economy, whilst Jobless Claims metrics continue to indicate a stable labour market.

FX

- **G10s began the session all weaker against a modestly firm Buck**, though as the session progressed, oil waned from highs and US data pertaining to dovish hints pushed the Greenback lower, showing more mixed performance.
- The Greenback trickled lower as US participants entered the frame with oil prices coming off highs, then soft US data pushed the Buck off recent highs. In terms of the US data, it was not as bad as feared, with the core PCE figure rising 0.2% M/M against a forecast of 0.3% and GDP revised lower to 1.6% from 2.0% for Q1. **GDP 2nd read**: Revised lower due to sharp downward revisions to services spending and inventories, the latter of which Pantheon Macro notes is "volatile and often heavily revised". Consumer spending growth was also revised lower from 1.6% to 1.4%, albeit not to the extent of the headline. **PCE**: Rose in a smaller magnitude than expected, with the downside surprise vs forecasts due to elements such as Financial Services and Foreign Travel. Pantheon Macro, post data, writes, "We doubt the FOMC will choose to make policy more restrictive later this year, at a time when the labour market remains weak, and the overall economy lacks momentum." Though moves were limited, the Greenback saw gradual weakness post-data, where the buck resides towards session lows just above 99.10, flat on the day.
- Nothing groundbreaking from April's **ECB minutes**, with the statement echoing recent ECB rhetoric and the meeting's statement, which implied the need to raise rates, likely in a "one-and-done" move, which is largely priced by Interest rate futures (Jun +27bps, Jul +32bps, Sep +46bps). EUR was unreactive to the statement, the same with market pricing, nearly fully priced as mentioned above. **EUR/USD** is set to complete the London FX session firmer by 0.1% after benefiting from USD weakness post-PCE/GDP.
- Elsewhere in the G10 space, **Aussie** lifted from lows as the Buck weakened, **Sterling** lifted from earlier lows as the USD weakened (GBP/USD U/C), while **JPY** was lacklustre as it approached the 160.00 intervention zone.

FIXED INCOME

- **Fixed benchmarks began on the backfoot**, as the overnight Middle East driven energy upside lifted yields across the curve. However, into the early European morning the magnitude of downside waned and across the European day this has continued, with USTs and Bunds set to see the day out near-enough unchanged.
- **Overnight, Bunds and USTs hit lows of 125.53 and 109-17+, respectively**. Across the morning, the benchmarks trimmed the c. 45 and 12 ticks of respective downside seen at most, to near-enough unchanged with newsflow relatively light and for the most part backward looking in the context of overnight geopolitical activity.
- For **Bunds**, the **ECB April Minutes** passed without significant reaction. **However, the account implies that the meeting was perhaps more hawkish than Lagarde let on at the time**, as while the President acknowledged in April that a hike was discussed, she did not go as far as to outline that a number of members viewed the, ultimately unanimous, decision to hold as a close call and that those individuals would not have opposed tightening. Minutes that don't change the narrative, but underscore that the ECB is likely to hike in June.
- USTs and Bunds saw similar action across the morning. A few ticks of action were seen following **April's PCE and the 2nd Q1**

GDP estimate. In brief, Q1 GDP saw a notable revision lower and is an unwelcome sign for the US economy in terms of hard-data into the Middle East impacted Q2 period. PCE came in a touch cooler than expected on both a headline and core level M/M; however, the core Y/Y lifted to 3.3%, and while this was as expected, it is the highest since Q4-2023. Overall, the data does not significantly add to the narrative that the US economy needs tighter monetary policy, however the elevated Y/Y levels keep the possibility of tightening alive.

- For reference, **over the last week, a few bps of implied end-2026 tightening have been eroded, with c. 17bps currently implied by the Fed.**
- **Gilts gapped lower** as they caught up to the overnight energy move. As above, the benchmark has lifted off lows and is now in the green by a handful of ticks, at the top-end of an 87.97-88.47 band. UK specifics a little light, other than remarks from BoE's Breeden, who said that hedge funds are an important source of demand for Gilts.
- **UK sold GBP 1.0bln 1.125% 2039 Gilt: b/c 4.04x, average yield 4.277%.**
- **UK sold GBP 1bln 0.375% 2030 Gilt via tender: b/c 4.19x (prev. 2.97x), average yield 4.277% (prev. 3.796%).**
- **Italy sold EUR 7.25bln vs exp. EUR 6-7.25bln 3.15% 2031, 3.80% 2036, 2.25% 2036 BTP and EUR 3.75bln vs exp. EUR 2.5-3.75bln 3.237% 2036, 3.237% 2035 CCTeu. 3.15% 2031: b/c 1.52x (prev. 1.53x), gross yield 3.16% (prev. 3.32%). 3.80% 2036: b/c 1.61x, gross yield 3.77%. 2.25% 2036: b/c 1.74x & gross yield 3.75%. 2035 CCTeu: b/c 1.75x; real yield 3.17%. 2036 CCTeu: b/c 1.59x & real yield 3.25%.**

COMMODITIES

- **Crude** - Crude rose overnight amid the latest US-Iran flare-up, with US strikes near Bandar Abbas and Iranian retaliation via strikes on a US air base and disruption to maritime traffic in the Strait of Hormuz. WTI Jul and Brent Aug hit highs of around USD 92.50/bbl and USD 96.00/bbl, respectively (vs lows of USD 89.11/bbl and USD 93.45/bbl, respectively), before waning off highs to around USD 91/bbl and USD 94.50/bbl amid a lack of further escalation and with negotiations still seen as intact. There has been little material on the US-Iran front today, with markets on the lookout for the latest state of negotiations.
- **Precious Metals** - Spot gold and silver were softer but well off lows. Spot gold briefly dipped under its 200 DMA (USD 4,394/oz) and traded towards the lower end of a USD 4,366-4,462.58/oz range. US PCE data provided impetus, with a lack of upside surprise providing some relief to the recently beaten precious metals. To recap the US data, consumers are still spending, but real spending barely rose, real disposable income fell, and the saving rate is low. Meanwhile, inflation remains sticky, with headline PCE at 3.8% Y/Y and core at 3.3% Y/Y.
- **Base Metals** - Base metals were mostly mixed with muted price action amid limited macro drivers throughout the morning before some upside post US PCE. Copper extended overnight losses on the risk-off tone following US-Iran strikes but pared worst levels, with 3M LME copper towards the top end of a USD 13,465.80-13,623.58/t range.
- **EU meeting confirmed that there** is currently no immediate concern for the security of gas supply in the EU for the next winter season; EU said still possible to refill gas storage to 80% capacity by end-summer.
- **Russia's Transneft** plans to expand capacity of Espo oil pipeline, RIA reported; oil shipments for export via the Transneft system in 2026 will be comparable to the 2025 level.

EUROPEAN DATA

- **Italian PPI YoY (Apr) Y/Y 6.8% (Prev. 4.2%).**
- **Italian PPI MoM (Apr) M/M 0.3% (Prev. 4.4%).**
- **Italian Consumer Confidence (May) 93.4 (Prev. 90.8).**
- **Italian Business Confidence (May) 87.9 (Prev. 87.9).**
- **EU Services Sentiment (May) 2.2 vs. Exp. 0.1 (Prev. 0.9, Low. -2, High. 1.8).**
- **EU Selling Price Expectations (May) 27.4 (Prev. 31.1).**
- **EU Consumer Confidence Final (May) -19 vs. Exp. -19 (Prev. -20.6, Low. -19, High. -18).**
- **EU Industrial Sentiment (May) -8 vs. Exp. -8 (Prev. -7.7, Low. -9.5, High. -7).**
- **EU Economic Sentiment (May) 93.5 vs. Exp. 92.5 (Prev. 93.0, Low. 92, High. 94).**
- **Swedish Consumer Confidence (May) 92.4 (Prev. 91.5).**
- **Swedish Business Confidence (May) 103.3 (Prev. 103.3).**
- **Swedish Economic Tendency Indicator (May) 99.3 (Prev. 99.0).**
- **Swedish Consumer Inflation Expectations (May) 5.9% (Prev. 6.8%).**
- **Swedish Balance of Trade (Apr) -7.30B (Prev. 9.3B).**
- **Spanish Retail Sales MoM (Apr) M/M -1.5% (Prev. 1.2%).**
- **Spanish Retail Sales YoY (Apr) Y/Y 0.8% (Prev. 4.1%).**
- **Dutch Business Confidence (May) -2.0 (Prev. -0.7).**
- **French PPI YoY (Apr) Y/Y 2.10% (Prev. 0.2%).**
- **French PPI MoM (Apr) M/M -2.1% (Prev. 2%).**
- **Swiss Non Farm Payrolls (Q1) 5.537 (Prev. 5.544).**
- **Hungarian Unemployment Rate (Apr) 4.5% (Prev. 4.7%).**
- **Norwegian GDP Growth Rate YoY (Q1) Y/Y 0.5% (Prev. 2.2%).**
- **Norwegian GDP Growth Rate QoQ (Q1) Q/Q 0.4% (Prev. -0.3%).**

NOTABLE HEADLINES

- **The European Commission** is taking action against several EU Member States that have failed to notify the Commission of measures they have adopted to transpose EU Directives into their national laws. "Today, the European Commission decided to open infringement procedures by sending letters of formal notice to 20 Member States - Belgium, Bulgaria, Czechia, Estonia,

Greece, Spain, France, Croatia, Cyprus, Latvia, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Slovenia, Finland and Sweden".

TRADE/TARIFFS

- **European Commission fines Temu EUR 200m for breaching the Digital Services Act.**
- **China's MOFCOM** said it is negotiating with the EU within the WTO over EU steel curbs; adds China-EU economic relations are mutually beneficial.

CENTRAL BANKS

- **Fed's Williams (voter) said the US economy is solid, while the underlying labour market is doing well.** Middle East conflict is lifting inflation, though the surge in energy prices is likely short-lived. US is currently less sensitive to oil shocks than historically. Monetary policy needs to be data-dependent. Near-term inflation is around 4%, while core inflation is around 3%. Anchoring inflation expectations is critical. Sees elevated near term inflation expectations but long term is stable. Supply chain disruptions are a concern, which has occurred due to the Iran war. Fed must be clear that it is getting inflation to 2%. Path for monetary policy depends on data, outlook and risks. Monetary policy is well positioned, where the Fed wants it to be. Persistently high inflation would call for higher rates but that is not where we are today. Better Fed communications improves policy effectiveness.
- **ECB Minutes (Apr): A number of members noted the decision was a close call and they would not have opposed raising rates, upside risks to inflation and downside risks to growth have intensified, weakness could persist well beyond the end of the conflict.**
- **ECB's Cipollone: "Money in the digital age".**
- **ECB President Lagarde speaks on "When It Matters Most: Upholding Independence in Challenging Times".**
- **BoE's Breeden said hedge funds are an important source of gilt demand but can amplify market volatility.**
- **China's PBoC is to reportedly guide banks to boost May lending amid weak credit issuance, sources suggest.**
- **SNB's Schlegel said the SNB's main instrument is the policy rate; FX interventions may be used if necessary.** The CHF is a safe-haven currency, it tends to appreciate when global uncertainty is high. Inflation meets the objective of medium-term price stability.
- **South African Reserve Bank raises rate by 25bps to 7.0% (prev. 6.75%), as expected; decision split - Four members supported a 25bps rate hike; two members favoured keeping rates unchanged.**
- **South Africa's central bank statement said it sees upside risks to inflation; sees downside risks to growth. FORECASTS:** Growth forecasts have been marked down, while inflation forecasts were revised higher. 2026 CPI is seen at 4.4% (vs prev. 3.7%), while 2027 CPI is seen at 3.7% (vs prev 3.3%). 2026 core CPI is seen at 3.7% (vs prev. 3.3%), while 2027 core CPI is seen at 3.7% (vs prev. 3.3%). 2026 GDP growth is seen at 1.2% (vs prev. 1.4%), while 2027 GDP growth is seen at 1.7% (vs prev. 1.9%). 2026 fuel inflation is seen at 15.6% (vs prev. 7.4%).

GEOPOLITICS

MIDDLE EAST

- **US Treasury Secretary Bessent posted, "The Treasury continues our Economic Fury campaign against the Iranian regime"; "Only a satisfactory outcome in negotiations will end the downward spiral".** Treasury has today sanctioned Iran's Persian Gulf Strait Authority (PGSA). "We have warned any corporate or state entities against paying tolls or hiding them as aid payments." "We will also be shutting down both Iranian airlines' access to landing spots, refuelling, and ticket sales".
- **Iranian IRGC official Bagheri said Iran is ready to engage in constructive dialogue and sustainable cooperation with responsible regional countries to establish an order based on unity, independence and resistance, IRIB News reported.**
- **Iran's IRGC said that 26 ships passed through the Strait of Hormuz; noted that the US attempted to sail through without authorisation... "If this action is repeated, the American terrorist army will face our harsh response".**
- **Iranian State TV said Iran stopped two vessels passing through Hormuz, forced two others to turn back before US attacks on Bandar Abbas.**
- **US CENTCOM confirms the overnight Iranian ballistic missile attack against Kuwait and the attacks near the Strait of Hormuz.**
- **Iranian Supreme Leader Khamenei urges parliament to focus decisions on Iran's key national issues and public needs, Fars reported.**
- **Hamas spokesperson said the Gaza ceasefire agreement faces risk of collapse due to occupation's crimes and ongoing violations, Al Jazeera reported.**
- **Iranian National Security Council Official Bagheri said Iran's assets must be released unconditionally, Tasnim reported.**
- **Pakistan will present to the US the transfer of Iranian uranium to Beijing under international supervision, Al Hadath reported.**
- **Pakistan's Deputy PM/Foreign Minister, after concluding his engagements at the UNSC and other meetings in New York, will depart for an official visit to Washington, D.C. tomorrow, 29 May, Pakistani Journalist Mallick posted. "During the visit, he will meet with the United States Secretary of State and National Security Advisor, Marco Rubio, announces the Foreign Ministry in its curtain raiser."**
- **The Trump administration has instructed prosecutors to stand down on pursuing Venezuela's Rodríguez, according to AP citing sources.** A move US officials say signals warming relations with Venezuela.
- **Kuwait said it retains all rights to take measures to preserve its security.**
- **Israeli Military and Security Correspondent noted of initial reported that Israeli forces conducted targeted attacks in Dahiya, Beirut.**
- **Saeed Ajraloo, a member of the media team close to the Islamic Republic's negotiating delegation, said Iranian Parliament**

speaker Ghalibaf's trip to Qatar for the release of half of the frozen assets was "successful".

- US President Trump's administration is reportedly accelerating its strategy to squeeze the Cuban regime through increased economic sanctions, Axios reported; the aim is to speed up transition without US invasions.
- "Hearing the sound of multiple explosions in Kuwait", ISNA reported, "Kuwait's official news agency stated that air defense systems are currently countering missile and drone attacks" [likely referring to earlier reported].

RUSSIA-UKRAINE

- **Russian Energy Minister** said Armenia has been warned of the repercussions if it seeks closer ties to the EU; economic repercussions, specifically regarding energy pricing, IFX reported.
- **Russia's Transneft** plans to expand capacity of Espo oil pipeline, RIA reported; oil shipments for export via the Transneft system in 2026 will be comparable to the 2025 level.
- **Russian intelligence chief** said NATO is making preparations for a large-scale conflict on the eastern border, Sky News Arabia reported.
- **Ukrainian military** said it has attacked Russia's Tuapse oil refinery (240k BPD).
- **Russia** plans to lower the cut-off price for oil in its budget rule to USD 50/bbl, according to RBC sources.

OTHERS

- **Germany and the Netherlands will establish a NATO command centre in the Baltics**, AFP reported. The new NATO tactical headquarters is intended to bolster eastern flank defence. The 1GNC command centre will be capable of controlling 50,000 troops.
- **US Pentagon** said it has received reported that US military personnel in the theatre were identified and tracked using location data.

NOTABLE NORTH AMERICAN NEWS

- **US Lawmakers** have sent a letter to War Secretary Hegseth warning that letting buyout firms deeper into the defense industrial base risks putting key contractors on precarious financial footing, Semafor reported.

NORTH AMERICAN DATA

- **US PCE Price Index MoM (Apr) M/M 0.4% vs. Exp. 0.5% (Prev. 0.7%, Low. 0.4%, High. 0.8%).**
- **US Durable Goods Orders MoM (Apr) M/M 7.9% vs. Exp. 3.5% (Prev. 0.8%, Low. 2.0%, High. 9.0%).**
- **US Initial Jobless Claims (May/23) 215.0k vs. Exp. 211k (Prev. 209k, Low. 200k, High. 216k).**
- **US Continuing Jobless Claims (May/16) 1786.0k vs. Exp. 1780k (Prev. 1782k, Low. 1769k, High. 1787k).**
- **US Jobless Claims 4-week Average (May/23) 209.0K.**
- **US Durable Goods Orders ex Defense MoM (Apr) M/M 8.1% (Prev. -0.3%).**
- **US Durable Goods Orders Ex Transp MoM (Apr) M/M 1.1% vs. Exp. 0.5% (Prev. 0.9%, Low. -0.2%, High. 1.5%).**
- **US Core PCE Price Index YoY (Apr) Y/Y 3.3% vs. Exp. 3.3% (Prev. 3.2%, Low. 3.3%, High. 3.4%).**
- **US PCE Prices QoQ 2nd Est (Q1) Q/Q 4.5% vs. Exp. 4.5% (Prev. 2.9%).**
- **US GDP Growth Rate QoQ 2nd Est (Q1) Q/Q 1.6% vs. Exp. 2.0% (Prev. 0.5%, Low. 1.8%, High. 2.2%).**
- **US Personal Spending MoM (Apr) M/M 0.5% vs. Exp. 0.5% (Prev. 0.9%, Low. 0.4%, High. 0.7%).**
- **US Core PCE Price Index MoM (Apr) M/M 0.2% vs. Exp. 0.3% (Prev. 0.3%, Low. 0.2%, High. 0.4%).**
- **US PCE Price Index YoY (Apr) Y/Y 3.8% vs. Exp. 3.8% (Prev. 3.5%, Low. 3.7%, High. 4.0%).**
- **US Corporate Profits QoQ Prel (Q1) Q/Q -0.4% (Prev. 5.7%).**
- **US Real Personal Spending MoM (Apr) M/M 0.1%.**
- **US Real Consumer Spending QoQ 2nd Est (Q1) Q/Q 1.4% vs. Exp. 1.6% (Prev. 1.9%).**
- **US GDP Sales QoQ 2nd Est (Q1) Q/Q 1.5% vs. Exp. 1.6% (Prev. 0.3%).**
- **US Core PCE Prices QoQ 2nd Est (Q1) Q/Q 4.4% vs. Exp. 4.3% (Prev. 2.7%).**
- **US GDP Price Index QoQ 2nd Est (Q1) Q/Q 3.5% vs. Exp. 4.5% (Prev. 3.7%).**
- **US Personal Income MoM (Apr) M/M 0% vs. Exp. 0.4% (Prev. 0.6%, Low. 0.2%, High. 0.7%).** The decrease in current-dollar personal income in April primarily reflected a decrease in farm proprietors' income that was partly offset by an increase in compensation.
- **US Building Permits MoM Final (Apr) M/M 4.4% (Prev. -11.4%).**
- **US Building Permits Final (Apr) 1.423M vs. Exp. 1.442M (Prev. 1.363M).**
- **BofA Weekly Total Card Spending (w/e 23rd May) +5.7% (prev. +4.8% W/W);** consumers continue to spent a healthy pace, even as the tailwind from the OBBBA-related stimulus is behind them.
- **Canadian Average Weekly Earnings YoY (Mar) Y/Y 3.5% (Prev. 3.4%).**

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com