European Market Wrap - 29th May 2026

- **European bourses modestly firmer; US equity futures mixed, Dell +35% after earnings.**
- **DXY flat, Kiwi outperforms following hawkish RBNZ commentary whilst the Loonie lags.**
- **Brent Aug'26 -1.7% as markets digest mixed geopolitical reporting.**

EQUITIES

- **European bourses** started the European morning with modest gains. As the morning progressed, indices slipped off their best levels but remained in the green. Focus recently has been on reports that the US and Iran are nearing an agreement to extend the ceasefire. (See the commodities section for details). Domestically, some attention was on the cooler-than-expected inflation reports from France, Spain and Germany – though little move was seen in contracts at the time.
- **European sectors** held a positive bias throughout the European morning. Construction led followed by Banks and Tech, whilst Food, Beverage and Tobacco lagged. Tech was buoyed by post-earnings strength in Dell (discussed below). As for key movers: Ocado (+4.5%, secured a deal with Asda), Currys (-1.5%, broker downgrade), Rheinmetall (+1%, drone incident in Romania).
- **US equity futures are mixed**, with the **ES** (+0.2%) and **NQ** (+0.3%) positing mild gains, whilst **RTY** (-0.4%) is mildly in the red. The tech-heavy **NQ** incrementally outperforms thanks to significant post-earnings strength in **Dell** (+32%), which soared after it beat expectations, posted its fastest post-listing sales growth, benefited from strong AI server demand and raised its outlook.
- **The US data docket was void today, but focus has been on a slew of Fed speakers**, where commentary thus far has been mixed. Schmid voiced concerns about the region's inflation, whilst Bowman suggested that, whilst the progress on lowering inflation has stalled, reacting to a temporary energy shock could weigh on the economy. Paulson also shared this view, where they suggested that "inflation pressures are weighing on the economy and firms are having a hard time planning for future".

FX

- **G10** currencies were mixed against the Buck throughout the session. Kiwi was the best performer after hawkish remarks from Senior RBNZ officials overnight, CAD was hit on poor GDP data, EUR and GBP were lacklustre.
- Lots of **European data today with French, Spanish and German inflation data printing cooler than expected** ahead of the EZ wide metric due on Tuesday. Limited moves seen on the metrics with **EUR/USD** falling around 25 pips over the release of the domestic metrics (08:00-10:00 BST). ECB pricing for June continues to price an almost certain hike with 23bps, or a c. 92% probability of a 25bps hike, up around 1bp since the morning despite the soft data. **EUR/USD set to complete the London session unchanged, around the 1.1650 mark.**
- **JPY was lacklustre** throughout the session despite a few catalysts. Overnight, Tokyo CPI softened across the board in May, with core CPI slowing to 1.3% Y/Y from 1.5%, below expectations of 1.5%. The downside was largely driven by government subsidies on utilities and education costs. The release marks a fourth consecutive month of Tokyo core inflation running below the BoJ's 2% target and contrasts with stronger activity data elsewhere in the economy. For the BoJ, the print provides ammunition for doves arguing for patience. Markets continue to expect the bank to raise rates at the June 16th confab, with 18bps, or 71% probability of a 25bps hike. Elsewhere, we received figures from the MoF confirming the BoJ conducted a record JPY 11.735tln of FX intervention in the 28 April to 27 May period. ING, in a note regarding these figures, said "Unless the BoJ can somehow get 'ahead of the curve' and drive real interest rates higher, it is hard to see the USD/JPY situation changing over coming months." In the European morning, we also saw attempted jawboning from Chief Cabinet Secretary Kihara, though not enough to move JPY. USD/JPY set to handover to the New York session flat in rangebound trade.
- **Kiwi** was the best G10 performer after hawkish speak from RBNZ officials overnight. Breman (Consensus voter) said she sees ongoing uncertainty around inflation and that, on balance, the OCR is likely to increase. Assistant Governor Silk (Consensus voter) said she did not think interest rates need to increase yet, though she cautioned that the bias is for rate hikes in the coming meetings. The bias for July is tightening with markets assigning a 70% probability of such action, **NZD/USD +0.8%, AUD/NZD -0.6%**, off worst levels after finding Aussie buyers around the key **1.20** mark.

FIXED

- **Fixed benchmarks** are set to end the final session of the week near-enough unchanged, with gains of just a handful of ticks as things stand.
- **USTs** firmer by a tick or two, at the upper-end of a 109-23 to 109-30 band. No significant reaction to any of the Fed speak thus far today (see below for details), and we still have Daily (2027) on the docket for the early evening.
- **Bunds** are similarly a few ticks further, deriving impetus from the pressure seen in energy benchmarks this morning and as the day's European Flash/Prelim inflation data for May has an in-line to slightly cooler skew for the EZ-wide figures next week. Though, a print below the 3.0% mark will not change the narrative of an ECB hike in June.
- **Gilts** opened unchanged, as the complex was at the time consolidating just off the post-Axios highs from Thursday. Thereafter, a bout of modest pressure was seen in-fitting with the overnight skew in peers before the benchmark picked up in sympathy with EGBs on data but more so as the energy space eased. Set to end the day near enough unchanged, in 88.48-84

parameters.

COMMODITIES

- The **Crude complex was choppy throughout the European session, though ultimately with a selling bias** as we headed into the weekend awaiting a potential Trump approval re. the MoU proposal. **Brent Aug'26** traded lower by 1.7% within USD 91.13-92.95/bbl parameters, set to end the week lower by over 6%, while **WTI Jul'26** is set to complete the European session lower by 1.5% bound to a USD 87.53-89.02/bbl range, with losses of 14% throughout the week.
- The week was marked by a sharp flare-up followed by renewed optimism around diplomacy. Following yesterday's Axios reports regarding a 60-day MoU framework, Iran's Tasnim reported that the text of the possible memorandum of understanding between the US and Iran had not been finalised or confirmed. Uncertainty remains over whether Trump will sign off on the proposal and whether Tehran will formally endorse the reported terms. This morning, there were mixed reports regarding the uranium file, in which Iran rebuffed reports that it wants to transfer the enriched uranium to China with a commitment not to deliver it to the US.
- Elsewhere in geopolitics, a Romanian radio station reported that a **drone hit a residential building in Romania's Galati, near the border with Ukraine**. NATO Secretary General Rutte affirmed "NATO's absolute solidarity with Romania", and added that "NATO stands ready to defend every inch of Allied territory"; "will continue to enhance our readiness to deter and defend against any threat".
- In metals, **Spot gold was a touch firmer** as the Buck sits at more attractive levels than recently seen following cooler than expected PCE and constructive geopols. The yellow metal had an upside bias throughout the session, set to complete the day +0.7% after moving above the USD **4500**/oz mark. Spot silver, conversely, was unchanged-to-lower throughout the session, while base metals were mostly but modestly softer into a potential risk-packed weekend.
- **Kazakhstan's energy ministry with regards to Tengiz** said oil production at Tengiz temporarily declined on the 28th of May due to an operational malfunction; said oil production is being restored.
- **Chevron (CVX) CEO** said he would not be paying Iran tolls for the Strait of Hormuz and he expects more pipelines to be built to bypass the Strait.
- **Iran's MP Falsafi** said "we can have 3 times the current volume of agricultural production".
- **Commerzbank** expects copper to rise to USD 14,250/ton by mid-2027 and Brent crude to reach USD 90/bbl by end-September before declining to USD 85/bbl by year-end.
- **Kazakhstan's Tengiz oil field output reportedly falls sharply after an accident", sources suggest; production drops in excess of 90%.**
- **Supplies to the CPC pipeline have been reduced in line with lower output from the Tengiz oil field, sources suggest.**
- **Omani crude OSP for July delivery at USD 97.32/bbl (vs USD 111.44/bbl for June).**
- **Kazakhstan Energy Minister** said planned maintenance at the Kashagan oil field (400k bpd) is likely to be delayed until 2027.

EUROPEAN DATA

- **German Core Inflation Rate Prel (May) Y/Y 2.5% (Prev. 2.3%).**
- **German Inflation Rate YoY Prel (May) Y/Y 2.6% vs. Exp. 2.9% (Prev. 2.9%, Low. 2.7%, High. 3.2%).**
- **German Inflation Rate MoM Prel (May) M/M -0.2% vs. Exp. 0.1% (Prev. 0.6%, Low. -0.1%, High. 0.4%).**
- **German Unemployment Rate (May) 6.3% vs. Exp. 6.4% (Prev. 6.4%, Low. 6.3%, High. 6.5%).**
- **German** Unemployed Persons (May) 2.987M (Prev. 3.006M).
- **German** Unemployment Change (May) -12K vs. Exp. 10K (Prev. 20K).
- **German Import Prices YoY (Apr) Y/Y 5.3% (Prev. 2.3%).**
- **German Import Prices MoM (Apr) M/M 1.2% (Prev. 3.6%).**
- **Italian GDP Growth Rate QoQ Final (Q1) Q/Q 0.3% vs. Exp. 0.2% (Prev. 0.3%).**
- **Italian GDP Growth Rate YoY Final (Q1) Y/Y 0.8% vs. Exp. 0.8% (Prev. 0.8%).**
- **Italian Inflation Rate YoY Prel (May) Y/Y 3.2% (Prev. 2.7%).**
- **Italian Inflation Rate MoM Prel (May) M/M 0.4% vs. Exp. 0.2% (Prev. 1.1%).**
- **Italian** Unemployment Rate (Apr) 5.1% vs. Exp. 5.3% (Prev. 5.2%).
- **French** Unemployment Benefit Claims (Apr) -9.0K (Prev. 35.6K).
- **French** Household Consumption MoM (Apr) M/M -0.5% vs. Exp. 0.1% (Prev. 0.7%).
- **French GDP Growth Rate QoQ Final (Q1) Q/Q -0.1% vs. Exp. 0% (Prev. 0.2%, Low. 0.0%, High. 0.1%).**
- **French Prelim. HICP (May): 2.8% Y/Y vs Exp. 2.9% (prev. 2.5%); 0.1% M/M vs Exp. 0.3% (prev. 1.2%).**
- **French** Private Non Farm Payrolls QoQ Final (Q1) Q/Q -0.1% vs. Exp. -0.1% (Prev. -0.1%).
- **French GDP Growth Rate YoY Final (Q1) Y/Y 0.9% vs. Exp. 1.1% (Prev. 1.3%).**
- **French Inflation Rate MoM Prel (May) M/M 0.1% vs. Exp. 0.2% (Prev. 1%).**
- **French Inflation Rate YoY Prel (May) Y/Y 2.4% vs. Exp. 2.6% (Prev. 2.2%, Low. 2.5%, High. 2.7%).**
- **Spanish Inflation Rate Prel (May) Y/Y 3.2% vs. Exp. 3.4% (Prev. 3.2%).**
- **Spanish Core Inflation Rate Prel (May) Y/Y 2.9% (Prev. 2.8%).**
- **Spanish Inflation Rate Prel (May) M/M 0.1% (Prev. 0.4%).**
- **Spanish** HICP Prel (May) Y/Y 3.6% vs. Exp. 3.6% (Prev. 3.5%).
- **Spanish** HICP Prel (May) M/M 0.1% vs. Exp. 0.2% (Prev. 0.7%).
- **Swedish** Retail Sales YoY (Apr) Y/Y 4.7% (Prev. 6.2%).
- **Swedish** Retail Sales MoM (Apr) M/M 0.0% (Prev. 3.1%).
- **Swedish** Household Lending Growth YoY (Apr) Y/Y 3.0% (Prev. 3.1%).
- **Swedish** GDP Growth Rate YoY Final (Q1) Y/Y 2% vs. Exp. 1.6% (Prev. 1.8%).
- **Norwegian** Retail Sales MoM (Apr) M/M 0.3% (Prev. -0.1%).

- **Norwegian** Registered Jobless Rate (May) 1.90% vs. Exp. 2.1% (Prev. 2.1%).
- **Swiss** KOF Leading Indicators (May) 98.0 vs. Exp. 98 (Prev. 97.9, Low. 96.5, High. 98.5).

NOTABLE HEADLINES

- **EU's von der Leyen** said Hungarian structural reforms are much needed and agreed on robust architecture to ensure Hungary addresses corruption and can unlock EUR 10bln for Hungary.
- **Hungarian PM Magyar** said will meet with EU President von der Leyen at 13:00 CET to conclude a political agreement on EU funds.
- **Communications between former UK Minister Wes Streeting (potential PM candidate) and Peter Mandelson will be published next week, The Sun reported.**
- **Sky News** reported that several leading banks have urged UK Chancellor Reeves to sanction a "fivefold increase in the maximum loan size available under the Growth Guarantee Scheme", which would help unlock GBP 4bln in additional lending. One argued that the plan "could materially improve access to finance for UK businesses and support investment, productivity and regional growth".

TRADE/TARIFFS

- **EU reportedly** seeks to ‘intensify’ talks with the US on advanced cyber AI models amid Mythos concerns, CNBC reported.
- **EU Commissioners will meet for a "orientation debate", which will cover the investigation of Chinese trade practices and an "overcapacity instrument", Politico reported; two probes re. chemicals are already being considered.**

CENTRAL BANKS

- **BoE Governor Bailey said have to monitor the situation in the Middle East and how it affects the UK economy and inflation very closely and adjust policy as required.** Having taken expected cuts off the table for now, we have already tightened policy considerably in response to the shock relative to what had been expected by markets. Uncertainty about the strength of second-round effects means that monetary policy needs to balance the costs of leaning too little against these effects against the costs of responding too much.-. Tolerating temporarily above-target inflation to provide some support for the real economy is an appropriate way to approach the trade-off. But that tolerance would weaken if signs of second-round effects begin to emerge. Higher inflation expectations are not coming through in wage expectations and settlements. Hope a fall in UK bond market curve will go on but depends on events in the Middle East. Markets "obviously" see pressure on fiscal plans of government from Iran war impact.
- **Fed's Kashkari (voter) said it is now unclear what the future path of monetary policy will be due to the Iran war; it is premature to conclude that the Fed needs to raise rates immediately after the April PCE inflation data.** Speaking on PCE data, Kashkari said it makes him pay even more attention to inflation risks.
- **Fed's Daly (2027 voter) cautiously optimistic about the economy.**
- **Fed’s Schmid (2028 voter) said monpol is not very restrictive right now, and officials may need to weigh how to make it more restrictive.** said Fed could use the balance sheet to create policy restriction. said Fed has optionality to move rates up or down. If the war resolved, oil prices should fall. There is time to see how the war impacts the economy. The Fed's job is hard right now due to global circumstances.
- **Fed's Schmid (2028 Voter) said that his primary concern is inflation, which is "too hot".** Energy:. Warns against viewing the oil shock as transitory. The US economy is less exposed to an energy shock relative to the past. US energy producers are not moving to invest in more production so far. Surging oil is weighing on spending power. AI:There is some evidence AI is depressing hiring but not driving firing.Economy/Inflation:. Most data points to continued economic growth. Main focus is on getting inflation back to the 2% target. The Fed must signal commitment to lowering inflation. He places little stock in believing the recent inflation jump is transitory. Labour Market: The job market is in balance, buoyed in part by healthcare hiring.
- **Fed's Bowman (voter) says progress on lowering inflation has stalled** , would consider a shift in the policy outlook if war-driven inflation broadens. It was good for the Fed to keep an easing bias in the April 29 policy statement. The US economy has remained resilient despite labour market fragility. Want more clarity on the war's impact on the economy. The longer the Middle East war continues, the greater the risks to inflation. An extended energy shock would pressure inflation later this year. Fed's current "moderately restrictive" policy is aimed at aiding jobs and lowering inflation. Optimistic that the end of the war will bring lower energy prices. Reacting to a temporary energy shock could weigh on the economy. Fed can look through an energy shock if it remains credible on monetary policy.
- Fed's Paulson (2026 voter) says inflation pressures are weighing on the economy and firms are having a hard time planning for future. Monetary policy is appropriately positioned at mildly restrictive levels. US on track to continue modest growth. Consumers spending, but at a slower pace. Households and firms are cautious about outlook amid uncertainty. Base case is that the job market remains stable. Inflation is too high due to multiple forces. Current stance of policy appropriate. Current Fed policy helping to temper higher inflation. Pace of economic activity not adding materially to inflation pressures. Talking long term inflation expectations, Paulson says they are in a good place. Holding rates steady will give the Fed space to weigh incoming data. 'Healthy' for markets to shift to tighter monpol outlook. Doesn't see structural changes in inflation, instead it's been series of shocks.
- **Former BoJ Board Member Sakurai said BoJ will likely raise rates in June, Bloomberg reported.**
- **ECB's Simkus said in September, will have new projections for a broader assessment of economy; downplays economic impact of 25bp, even of 50bp of tightening over course of 2026.** Describes near term moves as an "insurance hike". Timing of second rate hike unclear at this time. Likely to support June hike.
- **ECB's Radev** says the cost of acting too late may exceed the cost of acting early
- **ECB’s Panetta said medium-term inflation expectations remain firmly anchored to target.** For the June rate decision, it is

crucial to assess the extent of the pass-through of higher energy prices. The forward-looking picture seems to call for a recalibration of the monetary policy stance. ECB will act in a timely and measured manner to stop the energy shock from turning into persistent inflation. Consumers' inflation expectations are rising and firms have already started planning price increases.

- **Riksbank Financial Stability Report: The war in the Middle East entails risks to financial stability.** The financial system has functioned well, but uncertainty is high. Favourable initial position for the Swedish financial system but risks remain. Maintains the CCyB at 2%.

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukraine military** said it struck Russian oil refinery in Volgograd region and struck Russian oil pumping station in Yaroslavl region.
- **Romanian President** said the unprecedented nature of the drone incident requires a firm, coordinated response at both the national and international levels; Romania summoned Russia's ambassador.
- **European Commission President von der Leyen** said the EU is preparing the 21st package of sanctions on Russia. EU will bolster security and deterrence, particularly on its eastern border, while maintaining pressure on Russia.
- **Russian Deputy Chairman of the Security Council Medvedev** said the EU should "shut up" about the drone incident in Romania TASS reported.
- **Currently no** plans to have an extra NATO North Atlantic Council, Free Radio's Jozwiak reported.
- **NATO Secretary General Rutte affirms "NATO's absolute solidarity with Romania"; adds "NATO stands ready to defend every inch of Allied territory"; "will continue to enhance our readiness to deter and defend against any threat".**
- **EU Foreign Policy Chief Kallas** said Moscow cannot be allowed to breach European airspace with impunity following the drone incident in Romania.

MIDDLE EAST

- **US-Iran text is not finalised yet and the account in Western media is not precise, Tasnim reported.** Full post:"Making some changes to a possible memorandum of understanding / The text is not finalized yet and the account in Western media is not precise A knowledgeable source, in response to a question about the publication of some alleged texts in some Western media under the title "Details of the final text," said: "The text has not yet been finalized at this moment, and if it is finalized, it will be officially announced." For this reason, the texts that Western media have published so far as part of the original text are not accurate. He emphasized: "The text of the possible memorandum of understanding has had changes over the past few days.".
- **Chevron (CVX) CEO** said he would not be paying Iran tolls for the Strait of Hormuz and he expects more pipelines to be built to bypass the Strait.
- **Iran's spokesman for the National Security Commission of the Parliament Rezaei** said "the Islamic Republic's management of the Strait of Hormuz has been established in the world, and countries are coordinating and paying for the passage of vessels".
- **Iran's MP Falsafi** said "we can have 3 times the current volume of agricultural production".
- **"Iranian and American officials have not yet taken a position on a possible agreement...some Pakistani sources claimed that Iran and America have chosen Islamabad to sign the memorandum of understanding," Mehr News reported.**
- **Many points regarding the Iranian nuclear file have been resolved; Iran has agreed to international oversight of its nuclear facilities to prevent their dismantling, Al Arabiya reported citing sources.** Iran wants to transfer the enriched uranium to China with a commitment not to deliver it to America.
- **Israel's Channel 12, citing military sources, said "The army recommends to the political leadership intensifying the air and ground strikes in Lebanon".**
- **Iran Deputy for Foreign Policy and International Security Ali Baqeri** held separate meetings in Moscow with the Foreign Policy Advisor to Brazil's President and the Secretary General of Egypt's National Security Council.
- **IRGC Commander** said Iran forces are ready to act on Supreme Leader's order and enemies should not make mistakes as they will get themselves and others into trouble.
- **Iranian Parliament Speaker and top negotiator Ghalibaf said "We have no trust in guarantees or words".** Full Post. "1- We seize concessions not through dialogue, but with missiles; in negotiations, we merely make them understand. 2- We have no trust in guarantees or words—only actions are the measure. No action will be taken before the other side acts. 3- The winner of any agreement is the one who is better prepared for war from the day after.".
- **reported of explosions in Western Homs, Syria, Tasnim reported; later reported suggest explosions were remnants of ammunition.**
- **Iranian President Pezeshkian has ordered the development of alternative trade corridors.**
- **Chairman of the Iranian National Security Committee of the Iranian Parliament said there are no plans to transfer enriched uranium out of the country, Asharq reported.**
- **Iranian Foreign Ministry** said Tehran strongly condemns Israeli aggression against Lebanon, Al Mayadeen reported.
- **Pakistani Foreign Minister has arrived in Washington DC, where he will meet with US Secretary of State Rubio as Pakistan continues to mediate for a resolution between US-Iran, Pakistani journalist Mallick reported.**

NORTH AMERICAN DATA

- **US** Wholesale Inventories MoM Adv (Apr) M/M 0.5% vs. Exp. 0.5% (Prev. 1.3%).
- **US** Retail Inventories Ex Autos MoM Adv (Apr) M/M 0.6% (Prev. 0.4%).

- **US** Goods Trade Balance Adv (Apr) -82.40B vs. Exp. -87B (Prev. -87.45B, Low. -92B, High. -80B).
- **Canadian GDP MoM (Mar) M/M -0. vs. Exp. 0.1 (Prev. 0.2, Low. -0.1, High. 0.2).**
- **Canadian GDP MoM Prel (Apr) M/M -0.4 (prev. 0.1%).**