European Market Wrap - 1st June 2026

- **Iran stops exchanging messages with the US in protest against Zionist crimes", Tasnim reports.**
- **Iran's agenda is to completely block the Strait of Hormuz", "and activate other front, including the Bab al-Mandab Strait".**
- **Brent Aug'26 +4.6%, fixed benchmarks slip, European and US equity futures dip as geopols dictate action.**

IRAN CONFLICT

IRANIAN COMMENTARY

- **"Iran stops exchanging messages with the US in protest against Zionist crimes", Tasnim reports; have set their "agenda completely block the Strait of Hormuz", "and activate other front, including the Bab al-Mandab Strait"**
- **Iran may propose changes to the US peace draft memorandum of understanding** , according to Tasnim. This follows a report that President Trump proposed further changes to the existing text, while a source stated that text exchanges continue and that Iran may submit its own edits.
- **Iranian Foreign Minister Araghchi** told state media that talks and message exchanges with the US are ongoing, and that the talks cannot be judged until a clear result is reached.
- **Iranian Foreign Ministry Spokesperson** said the negotiation team's visit to Qatar was positive.
- **Iranian Foreign Ministry spokesperson** said that they have a legal obligation to prevent aggressors from using their territory and facilities to attack another country.
- **Iran's Presidential Office denied reports that Iranian President Pezeshkian** submitted his resignation to the Supreme Leader, and stated that the stories were spread by some foreign media.
- **Iranian Supreme Leader's military adviser Mohsen Rezaei** said Iran has no intention of yielding or compromising with the US and will not place itself in a weak position, while he also stated that US President Trump is betraying diplomacy for the third time by continuing a naval blockade on Iran and making excessive demands.
- **IRGC said following aggression of US Army on a communication tower on Sirik Island, located in the Homozgan province an hour ago, fighters of the IRGC Aerospace Force targeted airbase where aggression originated and predicted targets were destroyed.**
- **Iran's top negotiator** said "The naval blockade and escalation of war crimes in Lebanon by the genocidal Zionist regime are clear evidence of US noncompliance with the ceasefire".
- **Iranian Foreign Ministry Spokesperson said at this moment they do not believe that the US has good intentions towards Iran.**
- **Iran's FM Baghaei said, "No negotiations have taken place on the details of the nuclear issue at this stage".** One point being discussed is the allocation of funds for reconstruction. We are considering options for responding to the escalation of Israeli attacks in Lebanon.
- **Iran's Baghaei said a ceasefire in Lebanon is an integral part of any agreement and end to the war; lack of trust and constant change in US and Israeli positions in Lebanon are causing a delay on the diplomatic process.** The continuation of maritime piracy and attacks on Iranian shipping is an example of a violation of the ceasefire. The diplomatic apparatus is closely following developments and we will take every measure to defend Iran's sovereignty. The exchange of messages is still ongoing.
- **Iran's Deputy Foreign Minister Gharibabadi said Iran's goal is not to hold ships in the Strait, but to declare a procedure that is not contrary to international law; these arrangements are not temporary and Iran will not back down.** Stopping ships behind the Strait of Hormuz incurs storage and delay costs, and war insurance has increased by up to 500%. Accompanying Iranian forces costs less than war insurance and eliminates the risk of stoppage, inspection, and seizure. Iran's goal is not to hold the ships, but to declare a procedure that is not contrary to international law; these arrangements are not temporary and Iran will not back down.

US COMMENTARY:

- **US President Trump reportedly sent tougher terms to Iran regarding the peace framework, according to officials cited by The New York Times.**
- **US President Trump posted "Iran really wants to make a deal, and it will be a good one for the U.S.A. and those that are with us".** Full post "Iran really wants to make a deal, and it will be a good one for the U.S.A. and those that are with us. But don't the Dumocrats, and various seemingly unpatriotic Republicans, understand that it is MUCH tougher for me to properly do my job and negotiate, when political hacks keep negatively "chirping," at levels never seen before, over and over again, that I should move faster, or move slower, or go to war, or not go to war, or whatever. Just sit back and relax, it will all work out well in the end - It always does! President DJT".
- **US Central Command confirmed military forces conducted strikes against Iranian radar at command and control sites located in Goruk and Qeshm Island over the weekend.**
- **Kuwait Army said air defences are intercepting hostile missile and drone attacks.**

LEBANON

- **Israeli PM Netanyahu** said they will attack targets in the southern suburbs of Beirut, in response to Hezbollah violating the ceasefire agreement.
- **"Walla News, citing a source: Washington is open to Israel's request to expand its military operation in Lebanon", Al Araby reported.**
- **Israeli jets hit Al-Qatrani, Al-Mawahani and Bin Jabal in Lebanon, according to IRIB.**
- **Sirens sounded in Tiberias and surrounding areas after rockets** were launched from Lebanon.
- **Lebanon** is intensifying its efforts to solidify the ceasefire and is conducting international contacts, particularly with the Americans, in light of Israeli threats, Al-Araby reported citing sources. Talks with the US are still scheduled for tomorrow.

EQUITIES

- **European bourses** (STOXX 600 -0.8%) started the morning with a slight downward bias and continued to trundle lower as the session progressed. A recent geopolitical update has led the equities complex to troughs; **Tasnim reported that Iran has stopped exchanging messages with the US via mediators, and seeks to completely block the Strait of Hormuz and activate fronts including the Bab al-Mandab Strait**.
- **European sectors** hold a negative bias. Unsurprisingly, **Energy** topped the pile given the strength in underlying energy prices, whilst Tech followed closely behind. The **Tech** sector was buoyed by updates stateside (**Nvidia/Microsoft/HP** and more). To the downside reside **Insurance** and **Construction & Materials**.
- **US equity futures** spent the first part mixed, with modest NQ outperformance, though the recent Iran-related developments sent US futures into the red, **ES** and **NQ** -0.1%. The Tech sector has been in focus today, with attention on **Nvidia** (+2.5%) and **Microsoft** (+4%) after unveiling RTX Spark, a Windows AI superchip, to bring AI directly to personal computers. A factor which has weighed on competitors such as **Qualcomm** (-10%) and **Intel** (-6%). Elsewhere, **IBM** (+12%) gains after being initiated with Overweight at Barclays, whilst **HP** (+5%) announced a CPU server with Nvidia Vera CPU.

FX

- Price action across the FX space on Monday was driven by geopolitical headlines with the Greenback bid and general weak performance among G10 peers.
- G10s began the session mixed, with GBP and NOK the best performers amid political/energy reasons, respectively. However, as the Tasnim headline hit **"Iran stops exchanging messages with the US in protest against Israeli crimes"** and have set the **"agenda to completely block the Strait of Hormuz and the Bab al-Mandab Strait"** the **Greenback** saw a decent bid, **DXY** rising from the 99.00 mark where it had been for most of the session, to a peak of 99.27. Awaiting further details on this headline, potentially a US response. In terms of events ahead, Tuesday sees JOLTs Job Openings, ADP weekly payrolls due Wednesday, Challenger layoffs on Thursday, and then NFP on Friday.
- **GBP**, which was one of the outperformers in early trade, is **set to complete the domestic session lower against the Buck** . Earlier strength was attributed to reporting over the weekend, suggesting unofficial UK PM candidate Burnham was eyeing right-leaning Home Secretary Shabana Mahmood as potential Chancellor. Mahmood has previously defended efforts to reduce the amount spent on welfare, and is known for a right-leaning stance on immigration. **Cable** set to complete the session -0.1% on a 1.34 handle after Sterling was sold on geopolitics.
- **NOK** initially benefitted from the modest upside in energy benchmarks after the geopolitical headlines over the weekend, though it is ultimately set to complete the London session lower against the buck, while still firmer against net-importer currency SEK. **USD/NOK +0.3%, NOK/SEK -0.6%** .
- **Kiwi** was the worst G10 performer with domestic participants on holiday, exacerbated by energy and metal strength/weakness. **NZD/USD** continued to fall from a 0.599 peak made on Friday, set to handover to New York -1% and on a 0.5920 handle.

FIXED

- **A modestly bearish start to the session for fixed income** , with energy benchmarks bid overnight on both the US and Iran reportedly making alterations to their stances and after strikes on various targets between the two nations.
- **Pressure that gradually faded across the European day** , though the complex never really made it towards the green. **At best, USTs made it to downside of just half a tick**, Bunds around 20 ticks below unchanged and Gilts lower by around 15 ticks when at a 88.58 peak.
- Thereafter, **as the afternoon progressed, we saw a piece in Tasnim that Iran had stopped communication with the US** and Irai has now set its agenda on completely blocking the Strait of Hormuz and the Bab al-Mandab Strait. An update which **pushed fixed income to fresh lows as energy climbed and yields lifted**. Specifically, USTs to a 109-17+ base with downside of just under 10 ticks, Bunds to a 125.80 low, in the red by nearly 70 ticks.
- Given this, no significant reaction to US Final Manufacturing PMI or the ISM Manufacturing number. The docket ahead is quite light, and as such, we remain focused on any update to the state of talks between the US and Iran.
- **German State of Beden-Wuerttemburg to sell EUR 1.0bln in 15-year noted, State of Hesse to sell EUR 500mln of 7-year floating rate noted.**
- **Southern Co (SO)** files to sell 5-year noted. WEC Energy (WEC) files to sell 2-year, 5-year, and 10-year noted. PCG (PCG) files to sell noted; three parter. Pinnacle West Group (PNW) files to sell 3-year noted.

COMMODITIES

- In geopolitics, early morning attention resided on a new **US-Iran flare-up, and strikes on Kuwait; focus was also on Lebanon's decision to expand its incursion into Lebanon.** Thereafter, **Iran's Foreign Minister** announced that "**we are considering options for responding to the escalation of Israeli attacks in Lebanon**". Factors which allowed crude benchmarks to hold an upward bias throughout the morning.

- Most recently, **Tasnim reported that Iran has stopped exchanging messages with US mediators, due to Israel's continued ground invasion of Lebanon**. The statement suggested that their agenda is to " **completely**" block the Strait of Hormuz, whilst also activating other fronts, **including the Bab al-Mandab Strait**. This added to the bullish bias in the complex, with **Brent** (Q6) rising from USD 93/bbl to 96/bbl, within a short time frame, before then peaking at USD 96.96/bbl. At pixel time, **WTI** and **Brent** reside just off peaks, as markets await the US' response.
- **Spot gold** started the morning on the backfoot, and then knee-jerked lower on the aforementioned Tasnim report. The yellow metal is set to end the European day at the bottom of a USD 4,459.17-4546.27/oz range, as traders priced in the inflationary implications of the turbulent geopolitical environment. Elsewhere, base metals were mixed; **3M LME Copper** traded in the green for the entirety of the European day, following on from the positive APAC session. The red metal has cooled off highs, to reside towards the mid-point of a USD 13,635.4-13,886.43/t range.
- **Chevron's (CVX) Tengiz operations** are reportedly close to normal; Tengizchevroil has resumed crude production after last week's outage.
- **UK Chancellor Reeves has summoned Oil executives from the likes of BP (BP/ LN) and Shell (SHEL LN) to discuss a proposed crackdown on tax loopholes involving foreign branches, Sky news reported.**
- **Russia to ban jet fuel exports until the end of November, Ifx reported.**
- **Citigroup** raises its near-term copper price forecast to USD 14,500 per metric tonne and set a 6-12 month target of USD 15,000 per metric tonne.

EUROPEAN DATA

- **EU** Unemployment Rate (Apr) 6.3% (Prev. 6.2%).
- **EU** M3 Money Supply YoY (Apr) Y/Y 2.7% (Prev. 3.2%).
- **EU** Loans to Households YoY (Apr) Y/Y 3% (Prev. 3%).
- **EU S&P Global Manufacturing PMI Final (May) 51.6 vs. Exp. 51.4 (Prev. 52.2).**
- **EU** Loans to Companies YoY (Apr) Y/Y 3.4% (Prev. 3.2%).
- **UK S&P Global Manufacturing PMI Final (May) 53.9 vs. Exp. 53.7 (Prev. 53.7).**
- **UK** Nationwide Housing Prices YoY (May) Y/Y 1.7% (Prev. 3%).
- **UK** Nationwide Housing Prices MoM (May) M/M -0.6% (Prev. 0.4%).
- **German S&P Global Manufacturing PMI Final (May) 50.1 vs. Exp. 49.9 (Prev. 51.4).**
- **German Retail Sales MoM (Apr) M/M -0.3% (Prev. -2%).**
- **German Retail Sales YoY (Apr) Y/Y -0.3% (Prev. -2%).**
- **French S&P Global Manufacturing PMI Final (May) 49.7 vs. Exp. 48.9 (Prev. 52.8).**
- **Italian** S&P Global Manufacturing PMI (May) 52.9 (Prev. 52.1).
- **Spanish** S&P Global Manufacturing PMI (May) 51.2 (Prev. 51.7).
- **Swiss** GDP Growth Rate QoQ Final (Q1) Q/Q 0.7% vs. Exp. 0.5% (Prev. 0.2%).
- **Swiss** GDP Growth Rate YoY (Q1) Y/Y 0.5% (Prev. 0.7%).
- **Swedish** Swedbank Manufacturing PMI (May) 57.3 (Prev. 57.2).

NOTABLE HEADLINES

- **Hungarian PM Magyar** said will amend constitution to oust Hungarian President.

TRADE/TARIFFS

- **India and the US will hold trade talks between 2-4th June.**
- **UK Business Secretary Kyle** set to travel to India this week for talks about the recent trade deal as well as steel tariff measures announced by the government in March, SKY news reported.

CENTRAL BANKS

- **EU ECB Consumer Inflation Expectations (Apr) 1yr ahead 4% (prev. 4%); 3yr ahead 2.9% (prev. 3%).**
- **ECB's Villeroy** said Bank of France estimates for French Economic growth in 2026 will be revised down, in view of bad Q1 surprise. Growth estimates should remain positive in most scenarios.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia to ban jet fuel exports until the end of November, Ifx reported.**

NOTABLE NORTH AMERICAN NEWS

- **US Negotiators** are close to a bipartisan deal that would reauthorise FISA Section 702 for three years, according to sources cited by Punchbowl. Bill is expected to include a provision that narrows the definition of an electronic communications service provider. "An Electronic Communications Service Provider is the type of company that would be required to provide records to the government.".

NORTH AMERICAN DATA

- **US ISM Manufacturing PMI (May) 54.0 vs. Exp. 53 (Prev. 52.7, Low. 52.1, High. 54)**

- US ISM Manufacturing Employment (May) 48.6 (Prev. 46.4)
- US ISM Manufacturing New Orders (May) 56.8 (Prev. 54.1)
- US ISM Manufacturing Prices (May) 82.1 vs. Exp. 85.5 (Prev. 84.6, Low. 82.5, High. 87)
- **US S&P Global Manufacturing PMI Final (May) 55.1 vs. Exp. 55.3 (Prev. 54.5)**

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