

European Market Wrap - 2nd June 2026

- US President Trump said talks with Iran were continuing at a rapid pace; Brent Aug'26 initially lower by c. 2%, but set to end the European day flat after Fars pushed back on talks.
- An informed source says that the exchange of messages between Iran and the US has been halted for several days, Fars reports.
- European bourses gain on earlier geopolitical optimism, fixed benchmarks gain, USD/JPY eyes 160.00.

EQUITIES

- **European bourses** (STOXX 600 +0.4%) have given back some of their earlier gains as Tuesday's session progressed, despite a lack of newsflow. Recently, Fars reported, citing sources, that exchanges between the US and Iran have halted. This has caused some pullback in the risk tone but is still printing modest gains. **FTSE MIB** (+1.3%) is the clear outperformer, helped by gains in **STMicroelectronics** and **Prysmian**.
- **Sectors** held their positive bias. **Technology** (+2.4%) kept the top spot, with **Basic Resources** (+1.9%) and **Telecoms** (+1.4%) rounding out the top 3. On the other hand, **Health Care** (-1.8%) was the clear laggard as **Abivax** (-40.5%) slumped over worries of its bowel cancer treatment.
- Tuesday's key movers: **STMicroelectronics** (+10.1%), nearly doubles its data centre revenue to USD 1bln (prev. "nicely above" USD 500mln); **Prosus** (+8.6%), boosted after Tencent is set to launch an AI agent on WeChat; **Barry Callebaut** (+0.3%), expects recurring operating profit to grow by a mid- to high-single-digit percentage over the medium term.
- **US cash equities** are diverging at the open, with the **Russell** (+0.6%) and **Dow** (+0.2%) outperforms while the **Nasdaq** (-0.3%) and **S&P 500** (-0.1%) falls. Losses in **Google** (-4.4%), primarily causing the divergence, come as the Co. plans to raise USD 80bln to fund AI infrastructure.

FX

- **DXY** was a touch lower throughout the European morning and traded within a 99.04 to 99.22 range, which was well within the prior day's confines. The index had geopolitics to digest this morning, with **President Trump suggesting that talks with Iran were continuing at a rapid pace**, adding that Israel would not be going into Beirut. Most recently, **Fars reported that Iran and the US had stopped exchanges of messages for a few days**, which spurred mild strength in the index. Domestically, the data docket was lackluster, so focus was on the Fed's Hammack, who stated that it is "reasonable to keep rates steady for now", but cautioned that the Bank may need to act "soon" if inflation trends don't cool.
- **G10s** more broadly are mixed against the **USD**; the **AUD** (+0.2%) mildly outperformed, alongside the **GBP** (+0.2%) and **EUR** (+0.2%). The latter had **EZ CPI to digest, whereby core Y/Y topped expectations alongside a jump in the Services figure**. The single currency was little moved by the report, given that it plays in favour of a hike in June, which was already near enough fully priced in pre-release. To the bottom of the list resided the **Kiwi** (U/C) and the **JPY** (-0.1%).
- **For the USD/JPY** specifically, it currently resides near the 160.00 mark, holding within a 159.60-159.80 range. Continued and sustained weakness in the **JPY** has led some firms to question whether the "**line in the sand**" has been adjusted. **ING noted the new bar may now be towards 162-163**, but still thinks that the risk of new intervention is a "bit underpriced". On that front, Finance Minister Katayama was on the wires overnight, where she said that they are "closely coordinating with the US on FX".

FIXED

- **A bullish session for fixed** as Gilts caught up to the gains seen in peers late doors on Monday and as the complex more generally lifted on a modest retreat in energy prices, though oil magnitudes are modest in comparison to recent days.
- **Gilts** extended to gains of around 80 ticks at best, hitting an 88.65 peak, but remaining shy of recent highs. Specifics for the space focused on domestic politics, as the latest Mandelson release fallout continues, though the market has been unreactive to this in recent weeks. Potentially more pertinently, Labour MP/PM candidate Burnham's spokesperson outlined that he has ruled out an early general election; a line that is not surprising given current polling and as Burnham is not an MP.
- **Bunds** strong, though not to quite the same extent as Gilts, with the modest underperformance likely a function of Bunds having traded more of the action yesterday vs Gilts, and as the morning's **Flash EZ HICP**, while not surprising, has essentially cemented a June hike by the ECB and factors in favour of those who expect tightening thereafter. Just off a 126.32 peak, firmer by c. 40 ticks into the US afternoon.
- For **USTs**, the benchmark is also bid but again to a lesser extent than peers. **Just off best in 109-22 to 109-31 parameters**. Attention thus far on Fed speak, with Hammack (2026) noting that they are not yet seeing signs that inflation expectations are rising, and it makes sense to keep rates steady at this moment.
- **Germany sold EUR 3.857bln vs exp. EUR 5bln 2.50% 2028 Schatz: b/c 1.58x (prev. 1.4x), average yield 2.59% (prev. 2.70%), retention 22.86% (prev. 22.8%).**
- **UK sold GBP 3.25bln 4.625% 2037 Green Gilt: b/c 3.63x, average yield 4.975%, tail 0.2bps.**

COMMODITIES

- **Crude** – Crude was subdued but off worst levels as the complex took a breather from the prior session's surge, with upside

capped by constructive US-Iran commentary. Trump said talks were progressing rapidly, and an agreement to extend the ceasefire and reopen Hormuz could be reached within a week, though Iran's final text was still under discussion, with no response sent. Upticks were seen later in the session after an informed source suggested that exchanges between the US and Iran had halted for a few days. WTI Jul and Brent Aug clambered off intraday lows at USD 90.12/bbl and USD 90.61/bbl, respectively, to end the European session around USD 91.80/bbl and USD 92.40/bbl, respectively (vs highs of 92.65/bbl and USD 92.85/bbl). Price action largely hinges on US-Iran developments, with Yemeni Houthis also threatening disruption in the Bab el-Mandeb Strait if Israeli aggression on Lebanon continues, which could also derail US-Iran talks, as Iran has warned.

- **Precious Metals** – Spot gold was slightly firmer as the USD remained subdued, trading within a USD 4,463–4,541/oz range, inside the prior session's USD 4,447–4,546/oz band. Spot silver rebounded and briefly surpassed the prior session's USD 76.29/oz high to test USD 77/bbl to the upside. Spot silver traded in a USD 74.48–77.01/oz range.
- **Base Metals** – Base metals were firmer across the board, supported by a softer USD, softer oil prices and a firm Chinese session overnight. 3M LME copper eventually reclaimed USD 14,000/t to the upside and traded within a USD 13,821.53–14,032.90/t range.
- **Russia's oil exports from western ports rose 15% M/M in May after drone attacks disrupted refining, sources say.**
- **UK Unite Union** said Bilfinger offshore workers to strike over pay; workers will now take industrial action from 4 June until the end of 7 June on the Alba unit followed by four days of action on the FPF1 from 9 June to close of play on the 12 June.
- **ENI (ENI IM)** said the Karachaganak oilfield will undergo planned maintenance in September.
- **Colombian oil workers' union announce a 24-hour strike.**
- **Russian authorities say that the fire at the Ilsky oil refinery (132k-138k BPD) has now been extinguished.**
- **Commerzbank lowers its end-2026 gold forecast to USD 4,800/oz (prev. USD 5,000/oz).**
- **Chinese buyers have reportedly been quietly stockpiling tungsten from scrap yards across the states, driving up the price of the metal, FT reported, citing US sellers.**
- **The IEA's oil division chief Basoni** said oil supplies from the US, Brazil, Argentina and Venezuela have exceeded expectations, but output from the Americas can only marginally offset supplies lost East of Suez. said about half of a roughly 400mln barrel release plan has already entered the market, with the remainder to be released later. A further IEA-coordinated emergency oil stock release remains possible, but was not discussed today. said the Strait of Hormuz could take 6-8 months to reopen, at best, from today.
- **Japanese PM Takaichi** said the supply of naphtha-derived chemical products will be able to continue beyond the fiscal year, JiJi reported.
- **UAE's ADNOC executive** said China's demand is starting to come back, and "teapot" refineries are showing appetite.
- **Ukraine's military** said it has struck Russia's Ilsky oil refinery (132k-138k BPD).
- **UK's Ofgem** is seeking views on draft guidance to support proportionate supply chain security risk management in the downstream gas and electricity sector.

EUROPEAN DATA

- **EU Core Inflation Rate YoY Flash (May) Y/Y 2.5% vs. Exp. 2.3% (Prev. 2.2%, Low. 2.2%, High. 2.6%).**
- **EU Inflation Rate MoM Flash (May) M/M 0.1% (Prev. 1%).**
- **EU Core Inflation Rate M/M 0.3% (Prev. 0.90%).**
- **EU Inflation Rate YoY Flash (May) Y/Y 3.2% vs. Exp. 3.2% (Prev. 3%, Low. 3%, High. 3.5%); Services 3.5% (prev. 3.00%).**
- **UK Mortgage Approvals (Apr) 65.94K (Prev. 63.53K).**
- **UK Net Lending to Individuals MoM (Apr) M/M 6.200B (Prev. 8B).**
- **UK BoE Consumer Credit (Apr) 1.859B (Prev. 1.895B).**
- **UK M4 Money Supply MoM (Apr) M/M 0.2% (Prev. 0.8%).**
- **UK Mortgage Lending (Apr) 4.37B (Prev. 6.15B).**
- **Spanish Unemployment Change (May) -36.3K (Prev. -62.7K).**
- **French Budget Balance (Apr) -69.6B (Prev. -42.9B).**

NOTABLE HEADLINES

- **UK Labour leader candidate Andy Burnham** said he rules out an early General Election if he is elected to replace PM Starmer, Bloomberg reported citing his spokesperson.

TRADE/TARIFFS

- **Canada** said it sent a formal letter to Mexico and the US regarding the start of the USMCA review, and said discussions with the US on addressing sectoral tariffs will be essential.
- **Canadian PM Carney** said that progress is being made with the US on issues related to trade.
- **USTR Greer** said have seen very good results in exports from tariffs, adds that tariffs have led to "green shoots" in US manufacturing, in a CNBC interview; reported on other Section 301 investigations will be released over the next few weeks. Have a giant trade deficit, need substantial tariffs to correct that. Tariffs did not cause inflation.
- **Chinese Foreign Minister Wang Yi** said China hopes for sound atmosphere to boost China-UK ties and deepen cooperation, Xinhua reported.
- **European Parliament's Trade Committee votes in favour of legislation to remove EU duties on several US goods imports.**

CENTRAL BANKS

- **Fed's Hammack (2026 Voter)** said are not yet seeing signs that inflation expectations are rising; firms have been very resilient amid much change. Job market stable amid meagre job creation. Warsh is approaching his new job with an open mind, and is

asking a lot of questions. Looks at a wide range of inflation indicators. Economic uncertainty is very high so policy outlook is uncertain. Expects next FOMC will have robust debate. Weighing multiple scenarios around a war that's gone on longer than expected. Contacts say even swift end to war will have lasting disruptions. Haven't seen war impact on consumer spending yet. Main concern is inflation is too high and still rising. Inflation might need help from policy to reach 2%.

- **Fed's Hammack (2026 voter, Hawk) said it is reasonable to keep rates steady for now given uncertainties; Fed may need to act 'soon' if inflation trends don't cool.**
- **Nikkei reported that the BoJ is continuing to call for a June hike, though the government is opting for a "wait-and-see" approach given the risks of risking inflation and a weaker JPY.**
- **BoJ summary of meeting with investors: one participant said the need for further tapering of bond purchases is not high; participant said there is no need for further tapering of bond buying.**
- **ECB's Cipollone said a stronger international role for the EUR will not happen by itself; Europe must act deliberately to strengthen the role of its currency.**
- **ECB's Rehn said a June rate move would be an insurance hike. said inflation expectations remain anchored.**
- **ECB's Simkus said consumer short-term inflation expectations are similar to 2022; important to react in a timely manner to inflation.**
- **Rabobank maintains its forecast for a 25bps ECB rate hike next week; expects the ECB to raise rates by another 25bps, likely in September.**
- **ECB President Lagarde urges Europe to unify capital and banking markets to strengthen the EUR's international role. She warned payment systems are fragmenting amid geopolitical tensions and stablecoin innovation.**
- **NBP leaves the base rate unchanged at 3.75%, as expected.**
- **SNB Chairman said real over valuation of the Swiss Franc clearly lower than nominal over valuation; central bank has raised readiness to intervene to deal with an overvaluation pressure due to Middle East escalation.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia's oil exports from western ports rose 15% M/M in May after drone attacks disrupted refining, sources say.**
- **Ukraine and Moldova are expected to begin formal EU accession talks in June, Politico reported.**
- **Russian authorities say that the fire at the Ilsky oil refinery (132k-138k BPD) has now been extinguished.**
- **Russia's Kremlin said systematic strikes against Ukrainian military infrastructure are being carried out; reiterates that it is ready to achieve its aims in Ukraine through diplomacy. Kremlin said the peace process is on hold, but contacts between Russia and the US regarding Ukraine are continuing. Reiterates that the war can end immediately if Ukrainian forces agree to withdraw from regions Russia regards as its own.**
- **Ukraine's military said it has struck Russia's Ilsky oil refinery (132k-138k BPD).**
- **EU racing to agree a 21st package of sanctions by the end of next week; measures to target Russia's oil revenues, banks and shadow fleet, POLITICO reported, citing sources. "Countries are pushing to lock in the current price, which would deprive Moscow of higher revenues due to increased oil prices. A full ban on Russian oil is unlikely to proceed, however, as is a proposed ban on maritime service". May target Russian energy firms Lukoil and Rosneft.**

MIDDLE EAST

- **"American sources for Al Hadath: Proposal for a 60-day plan during which Israel withdraws gradually from southern Lebanon", Al Hadath repots. "Negotiations propose the deployment of the Lebanese army and UNIFIL in southern Lebanon after Israel's withdrawal.". "Lebanon seeks to resolve Hezbollah's weapons file politically, but after Israel's complete withdrawal."**
- **An informed source said that the exchange of messages between Iran and the US, aimed at achieving what has been described as an initial MoU between Tehran and Washington, has been halted for at least several days, Fars reported. "While Trump claimed last night that talks with Iran were proceeding at a high speed, this informed source clarified that the Islamic Republic of Iran's latest message to Washington was a clear message regarding Lebanon that received widespread international repercussions".**
- **Iran should not be given the final say on Lebanon, Al Hadath reported citing a Western diplomatic source. Lebanon's fate must not be tied to the Islamabad talks. Washington is pushing towards positive developments regarding Lebanon.**
- **Iran said vessels may now request Persian Gulf transit 24/7, Nour News reported.**
- **[CALENDAR ADDITION] US Secretary of State Rubio will give his first congressional testimony since the start of the Iran war, appearing before House and Senate committees today. 10:00EDT/15:00BST will testify to the Senate Foreign Relations Committee. 14:00EDT/19:00BST will testify to the House Appropriations Subcommittee on National Security.**
- **"Israeli Defense Minister: We will not accept the bombing of the north [of Israel] without a strong response in Beirut's southern suburbs ", Al Hadath reported. "The army's activity inside Lebanon will continue in all cases". "The army will destroy all the border villages used by Hezbollah in its attacks".**
- **"Contrary to the leak, [US President] Trump did not say anything personal to [Israeli PM] Netanyahu", N12's Segal reported; pair agreed that "Israel would refrain from attacking in Beirut on the condition that it would not be attacked within its borders". "Trump did indeed say during the conversation that it was difficult to present Israel's position to the world and that this would lead to hatred towards it.". "According to the source, the conversation ended with agreements according to which Israel would refrain from attacking in Beirut on the condition that it would not be attacked within its borders".**
- **Iran reinforces the area around Natanz underground nuclear site, journalist Stein reported citing satellite images.**
- **US military planners across several continents were on heightened alert for the potential expansion of US-Iran hostilities, Washington Post reported citing sources; sources added that preparations alone do not indicate strikes are imminent.**
- **"Bahraini Ministry of Interior issues a decision prohibiting Bahraini citizens from travelling to Iran and Iraq due to the current**

security tensions.", Sky News Arabia reported.

- **Iran** said repairs to its damaged energy facilities are occurring faster than expected, Iran's oil ministry said.
- **IRGC** said 24 ships passed through the Strait of Hormuz in the last 24 hours after obtaining permission from Iran, Nour News reported.
- **Iranian Deputy Secretary of the Supreme National Security Council** said "Iran is looking for the release of all assets of Iran that have been blocked by the US, and this is the legal right of the Iranian people", IRIB News reported.
- **Iran's final text is still being discussed in Tehran and no response has been sent yet, Mehr News reported citing sources.** Full Post: "Iran's final text is being reviewed; no reply has been sent yet. A knowledgeable source about the latest status of reviewing the possible agreement text between Iran and the United States to end the war, told Mehr News reporter: Iran's final text is still being discussed in Tehran and no response has been sent yet. He added: the bad record of American non-commitment and historical mistrust have caused Iran to look at the matter very strictly. This person close to Iran's negotiating delegation stated: Based on prior experiences, Iran is seeking to obtain real benefits."
- **Lebanon officials** said Hezbollah and Israel agreed to the US proposal for mutual cessation of hostilities; Israel will stop strikes on Beirut southern suburbs under the proposed agreement, Press TV reported.
- **The fourth meeting between Israeli and Lebanese representatives has begun in Washington.**
- **MTV Lebanon** reported that the "chance of a ceasefire is high, and communication with Hezbollah and Berri is direct".
- **Sources in Baabda told LBCI that the decision to issue a "declaration of intent" at the conclusion of the negotiations round has not yet been finalized, and the Lebanese delegation is ready to discuss the draft declaration, while the Israeli side has back.**
- **Israeli Defence Minister** said "The Israeli army is studying carrying out additional operations in Lebanon", Al Jazeera reported.
- **Drones** were spotted over central Kyiv, and air defences have been activated, the Kyiv mayor said.
- **Iranian cleric** said "if negotiations can meet principles, values, and national interests, then it will be a desirable matter; otherwise, decisions must be made about other paths", Mehr News reported.
- **The IRGC** said controlled explosions are planned in Isfahan province on Tuesday, Tasnim reported.
- **Iranian IRGC spokesman** said "We are prepared for all possible scenarios", Fars reported.
- **Senior Iranian official said renewed war with US 'inevitable', Arab News reported citing state TV.**
- **Israeli airstrikes target sites in southern Lebanon, Sky News Arabia reported.**
- **"A number of vessel owners are saying that they are no longer receiving IRGC threats via the radio, which wasn't the case a few weeks back. But still the confidence level in crossing is low", Kpler's Bakr posted.**

NORTH AMERICAN DATA

- **US Redbook YoY (May/30) Y/Y 9.0%.**

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