

## European Market Wrap - 3rd June 2026

- The US struck Iran's Qeshm Island, which was then met with retaliatory Iranian strikes on US bases in Kuwait; explosions were also reported in Saudi Arabia, and air sirens were set off in the UAE.
- European bourses slipped, Brent Aug'26 +1.2% and fixed benchmarks pressured on geopolitics.
- ADP Employment Change (May) 122K vs. Exp. 110K; spurring modest strength in the Dollar.

### EQUITIES

- **European bourses** (STOXX 600 -0.4%) have failed to reverse the earlier losses, with the **IBEX 35** (+0.1%) the only index managing to eke out modest gains, supported by gains in **Inditex** (+3.3%). Modest upside mid-session came following comments by US President Trump stating that they are working on a deal with Iran and that Iran has agreed not to have a nuclear weapon. On the Hormuz blockade, he targets Labor Day (Sept 7th) as a potential day to lift the blockade. However, the gains were short-lived and reversed soon thereafter.
- **Sectors** held their negative bias. **Retail** (+1.6%) held onto the top spot, with **Energy** (+1.0%) and **Utilities** (+1.1%) rounding out the top 3. **Financial Services** (-2.3%) were the clear laggard, weighed on by losses in **Partners Group** (-17.0%) after it caps withdrawal from a private equity fund due to rising redemption pressure. **Autos** (-1.6%) and **Basic Resources** (-1.5%) complete the bottom 3 sectors.
- Key movers: **AkzoNobel** (-17%), as Nippon Paint and Sherwin-Williams end efforts for a joint acquisition; **B&M** (+15%), sees a return to a double-digit EBITDA margin in a turnaround attempt; **BP** (+1.2%), held talks for the sale of its North Sea assets.
- **US equities** opened with losses across the board, with underperformance in the small-cap **Russell 2000** (-1.2%). **Marvell** (+3.2%) continues to surge, following NVIDIA's CEO Huang suggesting they will be the next USD 1tn company.

### FX

- G10 FX showed a USD bid bias with a number of catalysts helping the Greenback throughout the session. JPY fared the best against the Buck after remarks from BoJ Governor Ueda and Japanese PM Takichi, while Kiwi was the worst performer, continuing a reversal from the 0.60 mark.
- **USD** was exponentially stronger throughout London FX trade. Several bullish factors helped the Greenback, including Crude benchmarks returning to May levels (in the Aug'26 contract) amid geopolitical headlines, and strong US data, this time in the form of ADP Monthly, firming at a faster pace than consensus and previous. In geopolitics, flare-ups continue in the Middle East, where overnight the US struck Iran's Qeshm Island, which was then met with retaliatory Iranian strikes on US bases in Kuwait, explosions were also reported in Saudi Arabia, and air sirens were set off in the UAE.
- **JPY** was choppy throughout the session and currently resides at the unchanged mark against the Buck. At around 08:30 BST, Japanese PM Takaichi said "prepared to take appropriate measures in the FX market". **USD/JPY** moved sharply lower from 159.91 to a trough of 159.55 within three minutes. Thereafter, BoJ Governor Ueda spurred another bout of Yen strength. Ueda initially sounded hawkish, though as his speech continued, it appeared he was giving a balanced argument towards further tightening; as such, the initial Yen strength seen among his opening remarks was pared. **USD/JPY** gradually rose post-Ueda comments, currently unch. against the buck and looking at 160 to the upside.
- **Kiwi** was the worst G10 performer and continued its recent slide against both the Buck and Aussie. Terms of Trade data overnight missed expectations and fell significantly from the prior figure, though the move seems to be more a factor of technicals. **Aussie** fares a bit better than **NZD**, despite soft growth data overnight, which contracted at a faster rate than anticipated on a quarterly basis. **AUD/NZD +0.3%**, **NZD/USD -0.8%**, **AUD/USD -0.5%**.

### FIXED

- **Global fixed benchmarks** started the European morning on the backfoot, facilitated by higher energy prices after yet another flare-up between the US and Iran. (See the geopolitics section for details).
- **USTs** are set to end the European day at the bottom end of a 109-12 to 109-24 range. Initial pressure stemmed from higher oil prices, and remained towards these lows. Thereafter, domestic focus led US paper back towards troughs once again; the ADP Employment metrics topped expectations, which further played in favour of the hawkish members at the Fed. Focus now shifts to the NFP report on Friday. From a yield perspective, the curve is firmer across the curve, but with outperformance at the shorter-end/belly of the curve.
- **Bunds** held a bearish bias throughout the day, and are set to end the European session off by c. 30 ticks, within a 125.59 to 126.03 range. Today saw the release of PMI Final metrics from various EZ countries, which were subject to very mild upward revisions. The EZ-wide figure remained in contractionary territory at 48.5; the internals suggested that whilst the ECB may provide an insurance hike at the June meeting, it may find it hard to deliver more tightening if the economy continues to weaken.
- **Gilts** (-44 ticks) underperformed vs peers, given their high sensitivity to rising energy prices; UK paper is set to end the day at the lower end of a 87.68 to 87.94 range. Geopolitics aside, UK-specific newsflow was lacking today.
- **UK DMO sold GBP 1.6bln 1.125% 2035 I/L Gilt: b/c 3.35x (prev. 2.99x), real yield 1.515% (prev. 1.463%).**
- **Citi on EGB supply in June: forecasts EUR 128bln of gross EGB supply (vs 143bln in May), lifting the NCR to EUR 93bln. The**

breakdown has 10yr supply at its lowest monthly level YTD, longer-dated is expected to increase.

## COMMODITIES

- **Crude** – Crude rebounded following the Middle East flare-up, with Iran and the US exchanging strikes (full recap on the Newsquawk headline feed). WTI Jul and Brent Aug were on a firmer footing and near highs, with upside seen as European traders entered and after the Kuwait infrastructure strike. Thereafter, prices waned gradually throughout the session amid a lack of further escalations following the initial flare-up. WTI Jul resided in a USD 93.45–97.00/bbl range, while Brent Aug sat towards the top of a USD 96.44–98.99/bbl range.
- **Precious Metals** – Spot gold and silver were softer in line with crude-driven USD strength and inflationary concerns. Gold dipped under USD 4,463/oz to trade towards the lower end of a USD 4,439–4,497/oz range (vs Monday's USD 4,448/oz low), with the 200 DMA at USD 4,417/oz. Spot silver fell below USD 75/oz within a USD 73.92–75.33/oz range.
- **Base Metals** – Base metals were softer across the board amid inflationary/stagflationary concerns from elevated crude prices. 3M LME copper fell back under USD 14,000/t to trade within a USD 13,863.00–14,025.13/t range.
- **NBP Governor Glapinski** said the central bank has approximately 613 tonnes of gold reserves and confirms its reverses target of 700 tonnes.
- **Russia's Ministry of Natural Resources released its first multi-year gold output estimate; it forecasts that production this year should be 480–500t (prev. ~480t Y/Y), TASS reported.**
- **Hungary's MOL** said MOL Group and partners have started gas production at the ACG field in Azerbaijan.
- **Voestalpine (VOE AV) executive** said Q2 steel imports into the EU were down 17% Y/Y, expects further decrease in H2.
- **OMV (OMV AV) General Manager** said Middle East oil refiners need to become more commercially agile and develop pipelines and more storage in the next two–three years.
- **Kuwait Petroleum Company** said oil production could return to 70% of normal levels within 6–8 weeks, with the remaining 30% taking a further month. Kuwait is in talks with neighbouring countries on pipelines. Is also increasing international oil storage after the war has ended.
- **India has denied that the RBI may have** sold gold, reported suggest.

## EUROPEAN DATA

- **German New Car Registrations YoY (May) Y/Y 0.1% (Prev. 2.7%).**
- **German S&P Global Composite PMI Final (May) 48.8 vs. Exp. 48.6 (Prev. 48.4).**
- **German S&P Global Services PMI Final (May) 48.1 vs. Exp. 47.8 (Prev. 46.9).**
- **EU PPI MoM (Apr) M/M 0.6% vs. Exp. 0.4% (Prev. 3.4%, Low. 0.2%, High. 0.7%).**
- **EU PPI YoY (Apr) Y/Y 4.9% vs. Exp. 4.8% (Prev. 2.1%, Low. 4.5%, High. 5%).**
- **EU S&P Global Services PMI Final (May) 47.7 vs. Exp. 46.4 (Prev. 47.6).**
- **EU S&P Global Composite PMI Final (May) 48.5 vs. Exp. 47.5 (Prev. 48.8).**
- **UK S&P Global Composite PMI Final (May) 49.7 vs. Exp. 48.5 (Prev. 52.6).**
- **French S&P Global Composite PMI Final (May) 44.9 vs. Exp. 43.5 (Prev. 47.6).**
- **French S&P Global Services PMI Final (May) 44.3 vs. Exp. 42.9 (Prev. 46.5).**
- **Italian S&P Global Services PMI (May) 49.4 vs. Exp. 49.1 (Prev. 49.8).**
- **Italian S&P Global Composite PMI (May) 50.4 (Prev. 50.5).**
- **Spanish S&P Global Composite PMI (May) 50.2 (Prev. 48.7).**
- **Spanish S&P Global Services PMI (May) 50.1 vs. Exp. 48.**
- **Swedish Services PMI (May) 53.9 (Prev. 52.5).**

## NOTABLE HEADLINES

- **Spanish PM Sanchez** said the government will begin the procedure to submit the 2027 budget this week; the government will update its macroeconomic forecasts this month.

## TRADE/TARIFFS

- **Swiss President Parmelin** said he met with USTR Greer on sidelines of OECD in Paris; reiterated Swiss position on forced labor; both sides continue to work on solutions.
- **German government spokesperson** said the focus is on ensuring that the existing EU-US trade agreement is now implemented; adds that there is no doubt the existing agreement will be honoured.

## CENTRAL BANKS

- **Fed's Barr (Voter)** said current policy is in a good place and likely to stay there for some time.
- **BoJ Governor Ueda** said the BoJ's basic stance is to continue raising the policy rate in accordance with economic, price, and financial developments; bank will strive to fulfil its mandate of achieving price stability by means of appropriate policy.
- **ECB's Elderson** said do not yet see second round effects.
- **NBP Governor Glapinski** said inflation is under control with the inflation shock being smaller than it seemed initially; the zloty is stable. Further decisions depend on data. Observe situation month to month. Likelihood of hikes fell.
- **SNB Chair Schlegel reiterates an increased willingness to intervene in FX.** GROWTH:said that global economic growth may temporarily slow; adds uncertainty is now clearly higher!INFLATION:Medium-term inflation pressure in Switzerland has hardly changed.

## GEOPOLITICS

## RUSSIA-UKRAINE

- **Russia's Ministry of Natural Resources released its first multi-year gold output estimate; it forecasts that production this year should be 480–500t (prev. ~480t Y/Y), TASS reported.**
- **Ukrainian President Zelensky said an agreement has been reached to purchase Patriot air-defence systems.**
- **Ukrainian President Zelensky said targets struck included a St. Petersburg oil terminal, with the Russian oil facility roughly 1,100 km from the Ukrainian border. Zelensky said another target struck was a company in Russia's Tambov region involved in weapons production, about 600 km from the front line.**

## MIDDLE EAST

### US

- **US President Trump said "we don't need boots on the ground" to achieve the US aims in Iran.**
- **US President Trump said they are working on a deal with Iran; Iran has agreed they will not have a nuclear weapon.** Iran's Ayatollah is involved in the negotiations with the US. Never thought of meeting any Iranian leaders. Will probably meet Iranian leaders depending on the outcome. Could have Iran lift the blockade by US Labor Day (7 Sept). The Iran situation is rapidly evolving, and will be very good. Israel-Lebanon: Trump has a good relationship with the Israeli PM. Trump was disturbed by at Netanyahu's constant fighting in Lebanon, when asked if he was angry with him in the call.
- **The US has added an annex to its proposal to end the war and renew freedom of navigation in the Strait of Hormuz, requiring Iran to clarify where the stockpile of enriched uranium is located and how it will be transferred, via Hayom citing sources.** Full Post: The US has added an annex to its proposal to end the war and renew freedom of navigation in the Strait of Hormuz, requiring Iran to clarify where the stockpile of enriched uranium is located and how it will be transferred—and this before any economic relief or opening of the strait. This is according to American diplomatic sources quoted in the media in the Emirates.

### Iran

- **Mehr news said although Trump claims that Iran has agreed not to acquire nuclear weapon, Mehr sources said yesterday that the text of possible agreement between Iran and US is still under review and no response has been sent yet.**
- **"Despite Trump's fantasies, Iran has not given any response to the Americans in the past few days", via Tasnim.**
- **Iran maintains that no deal can be reached without Lebanon, Press TV reported.**
- **IRGC Navy reiterates that only Iran's designated route is safe for traffic in the Persian Gulf and violating vessels will be targeted.**
- **Explosions were reported in Bandar Abbas and Qeshm Island on Wednesday afternoon; an official said the blasts resulted from the destruction of unexploded enemy ordnance, Mehr News reported.**
- **Iranian Deputy Parliament Speaker said Tehran is willing to negotiate but does not trust the US commitments.**
- **Hardline Iranian lawmaker called for stronger military response to US strikes, Al Jazeera reported.**

### Lebanon

- **"Israeli army warns the villages of Arzi, Mazra'at Kawkariyeh al-Riz, and al-Zrariah in the Sidon District, southern Lebanon", Sky News Arabia reported.**
- **Lebanese source says that a breakthrough is likely in the US talks between Israel and Lebanon , Sky News Arabia reports.**

## NOTABLE NORTH AMERICAN NEWS

- **US President Trump said Chinese President Xi looks up to the US.**
- **US President Trump said, "we have very little inflation"; gas prices will come down when the Iranian conflict ends; gas prices will come down in the "not too distant future".**
- **US Treasury Secretary Bessent will tout the benefits of the One Big Beautiful Bill, Trump Accounts, deregulation efforts and Trump's trade wars, in his testimony to the Senate Finance Committee on Wednesday, Punchbowl reported.**
- **US Senate Democrats are reportedly privately urging GOP leaders to pressure President Trump to withdraw his appointment of Pulte as acting director of national intelligence; threatening to tank a bipartisan FISA deal if Trump refuses, Punchbowl reported.**
- **Japanese PM Takaichi said she is prepared to take appropriate measures in the FX market at any time if needed; said Japan is to deepen international cooperation including with the US on FX.** Trading, including speculative activity, significantly affects markets. US Treasury Secretary Bessent reconfirmed that the US will closely coordinate based on a joint statement.
- **OECD projects global growth will slow to 2.8% in 2026, down from 3.4% in 2025; sees a recovery to 2.7% in 2027 assuming a short-lived conflict in the Middle East.** "A persistent conflict extending into 2027 could trigger a sharper slowdown to 2.1% in 2026 and 1.8% in 2027, potentially pushing some economies into recession." "Sustained energy supply disruptions could add up to 1.3 percentage points to global inflation by 2027, likely forcing central banks to raise interest rates by 0.5 to 0.75 percentage points." US GDP growth is projected at 2.0% in 2026 before slowing to 1.8% in 2027. EZ GDP growth is projected to remain modest at 0.8% in 2026 before picking up to 1.2% in 2027. China's GDP growth is projected to slow to 4.5% this year and 4.3% in 2027.

## NORTH AMERICAN DATA

- **US ADP Employment Change (May) 122K vs. Exp. 110K (Prev. 109K, Low. 65K, High. 137K). Job stayers 4.4% (prev. 4.4%). Job changers 6.5% (prev. 6.6%).**
- **US MBA 30-Year Mortgage Rate (May/29) 6.57%.**

- US MBA Mortgage Applications (May/29) -2.5%.

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