European Market Wrap - 5th June 2026

- **The US NFP report was solid, which spurred pressure in USTs and strength in USD.**
- **Fed pricing shifted hawkishly, with a 25bps hike now fully priced in by Dec'26.**
- **European bourses were broadly lower; US equity futures slip, with underperformance in the tech-heavy NQ.**

EQUITIES

- **European bourses** (STOXX 600 +0.1%) end the week mixed, but with the STOXX 600 essentially unchanged. Tech-heavy indices held onto their earlier losses, albeit off worst levels. Market-driving newsflow has been light for a Friday, with markets unreactive following Iranian media outlet Fars denying earlier reports that Tehran has agreed to transfer uranium reserves to a third country.
- **Sectors** showed a slightly positive picture. **Retail** (+1.7%) and **Optimised Personal Care** (+1.7%) topped the sector pile, with **Consumer Products & Services** (+1.4%) rounding out the top 3. **Technology** (-2.1%) and **Basic Resources** (-1.8%) held its spot as the worst performers.
- Further for the tech sector, although this week has been a negative week, **ING analysts still see strong fundamentals as they expect investment in AI data centres to continue.** To add, NDX 2-year forward-looking P/E ratio continues to trade around its 20x earnings multiple. Backing ING's view of a positive fundamental outlook is TSMC's CEO, who recently commented that supply will not catch up with demand for years. However, near-term volatility may continue, or even increase, due to technical factors: 1) portfolio restructuring following blockbuster IPOs, 2) continuation into a big investment cycle.
- Key movers include: **Adyen** (-10.2%), following a negative report by Cleveland Research; **Evoke** (+15%), Intralot reaches GBP 243.1mln acquisition deal; **Raspberry Pi** (+30%), expects FY26 EBITDA significantly ahead of expectations; **Wacker Chemie** (-4.3%), downgraded to sell at Citi.
- **US equities** opened softer, with the **NDX** (-1.2%) leading losses. In the futures session, benchmarks were relatively unreactive following a strong US jobs report. NFP rose to 172K, above the expected 85K, and the prior April figure was also revised stronger to 179K from 115K.

FX

- **G10s** were entirely lower against the Buck after a strong US Jobs report reversed earlier USD weakness.
- The **Dollar index** rose 0.4% from 99.23 pre-data to 99.64 at the time of writing. Market pricing shifted more hawkish with pricing for December returning to expect a 25bps hike, after adding c.10bps of tightening post-data.
- **US NFP**: The US payrolls report for May was notably stronger than expected, with non-farm payrolls rising by 172k (exp. 85k), above the top end of the consensus range. April's figure was revised up to 179k from 115k, while March was revised up by 29k to 214k. For the Fed, the report is unlikely to materially alter expectations for the 17th of June meeting, where policymakers are widely expected to leave rates unchanged. However, it strengthens the case that the next move in rates would be higher rather than lower. That shift has already been reflected in money market pricing, with markets now pricing in a 25bps rate increase by year-end, compared with 16bps before the data.
- **USD/JPY** was rangebound for most of the session, though saw choppy action around half an hour after NFP. No concrete answer which explains the brief 50+ pip move below the 160.00 level, though potentially a rate check. Some participants had expected the possibility of BoJ intervention/rate checks, though given the strong data, the MoF would likely not want to fight the strong Dollar trend. **USD/JPY** set to complete the session lower by 0.1% as intervention risks remain.
- **EZ GDP** moved into contraction on a quarterly basis. EUR saw a bit of weakness, a handful of pips, which was swiftly pared as the data was understood to have been dragged down by poor Irish growth influenced by pharma export front-loading, with the ECB widely expected to tighten the deposit rate by 25bps in a "one and done" move. **Despite no reaction to the data, the single currency was influenced by outsized USD moves post-NFP** which saw markets fully price a Fed 25bps hike by year-end. **EUR/USD** -0.1% after dipping below the 1.16 mark post-NFP.
- **China** said to allow some banks to offer higher rates on USD deposits, according to Bloomberg sources.

FIXED

- **Global fixed benchmarks** started the European trade tentatively firmer, but are set to end the EU session mixed; **USTs/Bunds** lower, whilst **Gilts** hovered around the unchanged mark. Initial indecisiveness stemmed from mixed geopolitical reports (see relevant section for details), and as markets braced for the day's **NFP report**, which did not disappoint.
- **USTs** are set to end the European day off by c. 14 ticks, and at the bottom end of a 109-09 to 109-24 range. Initially holding around the unchanged mark, before aggressively dipping to troughs after a solid **NFP report**. In brief, the **headline printed at 172k (exp. 85k), whilst the unemployment rate remained steady at 4.3%**. This ultimately pushes back on the case for near-term rate cuts, with money markets now assigning a rate hike in December (c. 15bps pre-data). **Following the data, UBS wrote that the report may not genuinely reflect reacceleration.** Analysts add that much of the strength appears to be concentrated in a few sectors (particularly Travel & Leisure), potentially thanks to Memorial Day. **The Swiss bank concludes by stating that "some of this strength may unwind or revise lower in coming months".**
- **Bunds** and **Gilts** followed the tentative action seen earlier, though German paper then followed its US counterpart lower

following the NFP report; **Bunds** are set to end the European day at the lower end of a 125.36 to 126.78 range. **Gilts** also dipped on the hawkish NFP report, though managed to hold afloat, and remained within an 87.59 to 88.07 range. BoE's Bailey is due later.
- **Scottish Government** said to be engaging with investors in preparation for debut bond sale, Reuters reported, citing sources.

COMMODITIES

- **A choppy morning for the commodity space** as we awaited a significant geopolitical update, and before the US jobs report. Crude traversed a c. USD 2.00/bbl range across the European morning. The only significant bout of headline-driven action came on a report that **Iran told Pakistan it was willing to transfer uranium to a third party** . However, the addition that the US remains unwilling to release Iranian funds meant the move was short-lived.
- Thereafter, **Fars reported that the Al Arabiya claim regarding uranium was false** .
- **Crude saw pressure as a function of the USD strength following on from the US payrolls report** , with **WTI and Brent returning back towards session lows** from the morning, though did not quite mount a test of the USD 91.50/bbl and USD 93.64/bbl respective bases; set to end the European day lower by c. 1%.
- **Spot gold** spent the European day lower, though as the USD came under pressure, the yellow metal trimmed the extent of its downside. Lifting off a USD 4428/oz early morning low by around USD 50/oz to essentially unchanged on the session. **Base metals** were dented, given the weak APAC performance and with US equity futures in the red. Action sufficient to weigh on **3M LME Copper** by over 1% on the day.
- Thereafter, the **strong US jobs report spurred a hawkish reaction** and markets to once again near-enough price a Fed hike by end-2026, weighed on the **yellow metal** to a USD 4425/oz session low. At the same time, the hawkish move weighed on base metals and sent **3M LME Copper** to a fresh low of USD 13.69k, just above the WTD base of USD 13.65k.
- **IAEA's Director General** said returning to inspection of Iranian nuclear sites is an indispensable condition before any agreement, Al Jazeera reported.
- **RBI's India's gold reserves (May 29th)** was at USD 112.6bln (prev. 114.79bln W/W).
- **French Transport Minister** said France will not face fuel shortages this summer.
- **Oman's main crude export terminal (the Mina Al Fahal port) has resumed operations, reported suggest.**

EUROPEAN DATA

- **Italian** Retail Sales YoY (Apr) Y/Y 1.6% (Prev. 3.7%).
- **Italian** Retail Sales MoM (Apr) M/M 0.0% vs. Exp. 0.2% (Prev. 0.8%).
- **EU** Employment Change QoQ Final (Q1) Q/Q 0.1% vs. Exp. 0.1% (Prev. 0.2%).
- **EU GDP Growth Rate QoQ 3rd Est (Q1) Q/Q -0.2% vs. Exp. 0.1% (Prev. 0.2%).**
- **EU** Employment Change YoY Final (Q1) Y/Y 0.5% vs. Exp. 0.5% (Prev. 0.7%).
- **EU GDP Growth Rate YoY 3rd Est (Q1) Y/Y 0.3% vs. Exp. 0.8% (Prev. 1.2%).**
- **UK** BBA Mortgage Rate (May) 6.6% (Prev. 6.6%).
- **UK** Halifax House Price Index YoY (May) Y/Y 0.5% vs. Exp. 1% (Prev. 0.4%).
- **UK** Halifax House Price Index MoM (May) M/M -0.1% vs. Exp. 0.1% (Prev. -0.1%).
- **French** Industrial Production MoM (Apr) M/M 0.1% vs. Exp. -0.2% (Prev. 1%).
- **French Balance of Trade (Apr) -5.6B vs. Exp. -6.5B (Prev. -6.9B).**
- **French** Imports (Apr) 60.2B (Prev. 59.3B).
- **French** Exports (Apr) 54.6B (Prev. 52.5B).
- **French** Current Account (Apr) -0.20B (Prev. -1.2B).

NOTABLE HEADLINES

- **UK MP/PM candidate Burnham has spoken on options for increasing infrastructure spending without breaching the fiscal rules, FT reported citing sources; discussion was held with Jim O'Neill.** O'Neill said to the FT "I think it would be possible to be more ambitious under the current second fiscal rule, of borrowing to invest.".

TRADE/TARIFFS

- **Swiss Government** said trade negotiations with the US are ongoing.

CENTRAL BANKS

- **US NEC's Hassett said Fed can watch inflation and wait before doing anything, Fed should not hike, it will have room to cut, via CNBC TV.** Fed has been behind the curve, there is plenty of room for a cut.
- **BoE DMP (May):.** Raises 1yr ahead CPI to 3.7% (prev. 3.5%). 3yr ahead CPI to 2.8% (prev. 2.8%). 1yr ahead wage growth 3.4% (prev. 3.4%). 57% of firms expected to increase their prices (down 7 percentage points since April), and 5% expected to lower prices. 68% of firms expected their profit margins to be lower (unchanged since April).
- **NBP Minutes from May meeting: Members said inflation in the coming months would primarily depend on fuel prices; outlook for inflation was currently subject to high uncertainty, even in the short term.**
- **RBI Governor Malhotra** said the central bank would take steps, if needed, to rein in speculative activity in the FX market.

GEOPOLITICS

RUSSIA-UKRAINE

- **US's Kushner and Witkoff's visit to Russia** is not expected soon, Interfax reported.

- **Ukraine's Navy** reported that a naval drone was jammed by Russia, resulting in a loss of control, and subsequently drifted towards Romania. Ukraine made contact with Romania to prevent potential casualties.
- **Russian Kremlin Spokesperson Peskov** said President Putin is willing to talk to the Europeans.

MIDDLE EAST

- **Israel's Defence Ministry confirms the intention of Israel and the US to move to a 'support-for-partnership' system. Agreement being shaped intends to strengthen the military superiority of the IDF by expanding the joint investment in R&D production.**
- **Lebanese President Aoun strongly criticised the IRGC and** accused Iran of using Lebanon as a bargaining chip in talks with the US, according to CNN.
- **Iranian Ambassador tells Tass a special regime for the passage of vessels in the Strait of Hormuz is in place with respect to Russia as a country friendly to Iran.**
- **Hamas' delegation has now arrived in Cairo, Egypt for discussion with Palestinian mediators about the gaza agreements second phase, Al Arabiya reported citing sources.**
- **Iran's Navy said it fired warning missiles towards "the aggressive and disturbing American destroyers" in Gulf of Oman, Mehr reported.** "The Command and Control Center of the Army's Navy, while emphasizing the need for the American-Zionist enemy to stop piracy and maritime evil, emphasized: Despite the expansion and moving away of the enemy ships from the range of the missiles used, if necessary, the missiles of this force with a longer range will be used".
- **Al-Arabiya's claim about Tehran agreeing to transfer uranium reserves to a third country is not true, according to Fars.**
- **Iran's Deputy Speaker of the Parliament** said the "authority we have in the military scene must be combined with diplomacy, diplomacy that does not cross the red lines drawn by the system", SNN reported.
- **"Al Arabiya correspondent: America still refuses Iran's request to release frozen funds".**
- **"Al-Hadath correspondent: Iran has informed Pakistan of its acceptance of transferring part of its uranium to a third country that agrees to it.".** "The main gap in the negotiations is the release of frozen Iranian funds.".
- **Israel secretly deployed elite military and intelligence units to Azerbaijan during the war with Iran in a bid to facilitate operations against Iran, CNN sources suggest.**
- **Iranian Foreign Minister Araghchi reiterates Iran does not seek war, but will defend itself against any aggression, Press TV reported.**
- **US CENTCOM said Iranian forces did not attack or fire at US Navy warships, as doing so would be a gross violation of the ceasefire.**
- **US forces boarded the vessel MT Davina overnight under "right of visit".**
- **Lebanon's Parliament Speaker** said he would agree to Hezbollah withdrawal from southern Lebanon in parallel with an Israeli withdrawal.
- **Lebanese army reinforcements have been deployed after a clash between Hezbollah and Amal members** is Bisariyeh, Al Hadath reported.
- **Romania's Defence Ministry** said a Romanian Army maritime drone found at Constanța civilian port self-detonated, causing no casualties, and was not linked to recent Black Sea exercises.
- **Marine drone explosion has been reported in Romanian Black Sea Port of Constanta-Digi 24.**
- **Israeli army issued today evacuation warnings for 9 villages in southern Lebanon, Sky News Arabia reported.**
- **Pakistan's Interior Minister meets his Iranian counterpart in Bishkek, Kyrgyzstan, for the second time within 24 hours, Al Arabiya reported.**
- **Oman Oil Development Company confirms that operations at Al Fahal Port** are continuing normally, Al Hadath reported.
- **A security incident for the Israeli military** reported in southern Lebanon, Tasnim reported, citing a source.

NOTABLE NORTH AMERICAN NEWS

- **OpenAI's Osborne** said the co. will comply with US President Trump's executive order which asks AI companies to allow the federal government to assess capabilities before release, CNBC reported.
- **US Senate voted 52-47 to pass the ICE & CBP reconciliation bill.**

NORTH AMERICAN DATA

- **US Unemployment Rate (May) 4.3% vs. Exp. 4.3% (Prev. 4.3%).**
- **US Non-Farm Payrolls (May) 172K vs. Exp. 85K (Prev. 115K, revised to 179k, Low. 50K, High. 125K); Two-month net revisions +93k (prev. -16k).**
- **US** Nonfarm Payrolls Private (May) 120K vs. Exp. 85K (Prev. 123K).
- **US** Average Weekly Hours (May) 34.3 vs. Exp. 34.3 (Prev. 34.3).
- **US** Manufacturing Payrolls (May) 7K vs. Exp. 2K (Prev. -2K).
- **US** Government Payrolls (May) 52.0K (Prev. -8K).
- **US Average Hourly Earnings MoM (May) M/M 0.3% vs. Exp. 0.3% (Prev. 0.2%).**
- **US** Participation Rate (May) 61.8% (Prev. 61.8%).
- **US Average Hourly Earnings YoY (May) Y/Y 3.4% vs. Exp. 3.4% (Prev. 3.6%).**
- **US** U-6 Unemployment Rate (May) 8.1% (Prev. 8.2%).
- **US** CES Total Birth-Death Forecast (May): 158k (prev. 391k).