European Market Wrap - 10th June 2026

- **European bourses were mixed; US equity futures are lower, with underperformance in the NQ (-0.8%)**
- **DXY slipped and USTs gained post-CPI, which was broadly in-line whilst the core M/M missed expectations.**
- **US President Trump said Iran's military is a complete and total mess; they have taken too long to negotiate a deal, now they will have to pay the price.**

EQUITIES

- **European bourses** (STOXX 600 -0.1%) were choppy throughout Wednesday's trade, with the initial gains being erased completely by midday before rebounding to end the session mixed. The downside came following comments by US President Trump, via Truth Social, stating that Iran will have to pay the price as they have taken too long to negotiate a deal, which surged some geopolitical risk-off. He also gave comments to Fox News, in which he said that he is close to ordering new strikes against Iranian power plants and bridges.
- **Sectors** highlight the mixed picture. **Real Estate** (+1.1%) topped the sector pile, supported by gains in **Tritax Big Box** (+4.4%) after the Co. won approval for its proposed data centre project near Heathrow. **Optimised Personal Care** (+0.9%) and **Food, Beverages & Tobacco** (+1.0%) round out the top 3. Underperformers include **Technology** (-0.5%), **Basic Resources** (-0.8%) and **Autos** (-0.5%).
- Key movers included: **Kemira** (-5.5%), cut FY26 adj. EBITDA guidance; **DCC** (+2.6%), received GBP 66.72/shr offer from KKR and ECP; **WH Smith** (-15.7%), cut its FY26 pretax profit and launched a GBP 26mln capital raise; **Adidas** (+1.6%), upgraded to outperform at RBC.
- **US cash equities** opened entirely in the red, with the **NDX** (-0.8%) underperforming while the small-cap **RUT** (+0.6%) gains and turns into the green. The US inflation report printed broadly in line with expectations, with a cooler-than-expected core M/M print.

FX

- **USD (DXY -0.3%) lower for the entire session with mixed CPI not providing much of a bias.** The report saw a softer than expected core monthly figure while other metrics were in line with forecasts. However, the Y/Y prints accelerated, and Supercore and core services Y/Y also rose which could raise concerns for those on the Fed worried about services prices. **Oxford Economics says its preliminary nowcast for May PCE points to a similar headline reading** but a higher core PCE reading due to a jump in portfolio management fees. **Macro reaction to CPI was limited with some two way action in USD pairs, ultimately biased to a weaker Buck.** Fed pricing now reflects a 45% chance of a September rate hike, vs just under 50% before the report; with a 60% chance of a hike by October.
- **Antipodeans underperformed after Chinese inflation printed cooler than expected.** CPI was steady at 1.2% Y/Y, cooler than economists had expected, PPI rose to 3.9%, lower than most estimates. **Aussie** losses were capped at the 0.70 mark, while **NZD** set to complete the London session in the green after finding support at 0.58. **AUD/USD U/C, NZDUSD +0.1%.**
- **BoC held rates as expected for the fifth consecutive meeting**. Macklem did not add much to recent comments, he said, in reference to elevated oil prices and market pricing: "we expect CPI inflation to hover close to 3% in coming months before easing gradually toward 2%. We will be watching closely for evidence of a broadening in price pressures... uncertainty is unusually elevated, and the risks could shift. Monetary policy may need to be nimble." On trade, Macklem said "if the US imposes further tariffs, a cut may be warranted to support economic growth." **USD/CAD**, which had seen a decent slide post-CPI, did not move on the decision. The pair set to complete the session at 1.3900 where it found support.
- **NOK was the best G10 performer after hot CPI this morning surpassed consensus and was mildly above the Norges Bank's own forecast of 3.3%**. Sell-side banks saw some risk that a hot inflation report could see board members begin to mull another hike at the June meeting. However, it is more likely that policymakers wait for more data and assess the developments in the Middle East. Nonetheless, CPI-ATE remains persistently high, which clouds the environment. **NOK/SEK +0.5%, after surpassing par in London trade**
- EM's were mixed. **KRW was one of the best performers** with headlines pointing out FX conversions tied to the SpaceX IPO had been cleared ahead of the IPO on Friday. USD/KRW -0.5%.

FIXED

- **Global fixed benchmarks are broadly flat/incrementally lower** in what has been a tentative session for the complex. This comes despite a pick-up in the energy complex, with benchmarks finding some reprieve from an in-line US CPI report.
- **To recap the two main catalysts today, 1) geopolitics and 2) US CPI**. For the former, overnight action saw the **US strike Iran after an Apache helicopter was downed earlier in the week**. Iran responded with its own strikes on a few US bases in various Gulf nations. Thereafter, US President Trump stated that Iran **"have taken too long to negotiate a deal, now they will have to pay the price"**. This spurred upside in energy benchmarks, which in-turn lifted global yields. Some of that move was then reversed following the **US CPI report**, which was mostly in-line, aside from the core M/M component, which cooled more than expected. Nonetheless, Y/Y components continued to accelerate from the prior, which only gives the hawks more evidence to push for a removal of the easing bias at next week's meeting.

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- **As for price action, USTs are set to end the European session flat**, and towards the upper end of a 109-00+ to 109-12 range. US paper made its trough following the hawkish Trump comments mentioned above, whilst making its peak in the aftermath of the US CPI report. From a yield perspective, rates are ever so slightly higher across the curve. The **US 10yr** remains just above the 4.50% mark, heading into the 10yr auction later.
- **Bunds** and **Gilts** are set to end the EU day off by c. 13, and 11 ticks respectively. Price action essentially followed the above, whereby fixed paper got hit on Trump and then gradually reversed on the CPI report. Domestic newsflow was thin throughout the day, but EGBs will have the ECB to contend with tomorrow. The Bank is likely to deliver a 25bps hike, so more focus will be on the commentary surrounding future policy, **with some desks eyeing the return of "vigilance", which could signal a hawkish shift for policymakers.**
- **Germany to sell EUR 3.982bln vs exp. 5bln 2036 2.90% Bund: b/c 1.71x (prev. 1.5x), average yield 3.06% (prev. 3.16%), retention 20.4% (prev. 23.1%).**

COMMODITIES

- **Energy benchmarks are set to end the day in the green**, with gains of c. USD 1/bbl, but are a similar amount off highs of USD 90.42/bbl and USD 93.47/bbl for WTI and Brent.
- **Crude** spent the morning somewhat rangebound, despite the retaliatory strikes from both the US and Iran. Thereafter, modest upside was seen on reporting around an explosion in Erbil, though details remain light. Most recently, **President Trump posted that Iran has taken too long to negotiate and "now they will have to pay the price"**.
- Despite that escalation, and reports that Trump is close to ordering new strikes, other officials outline that talks are continuing but with negotiations in a deadlock. Note, US CPI for May sparked no significant or lasting reaction in energy.
- **Spot gold in the red**. XAU moved below the USD 4200/oz mark early doors and has continued to drift, hitting a USD 4130/oz low. A low that printed before the **US CPI print, a series that lifted the yellow metal off worst** by around USD 30/oz before the move faded. In brief, CPI was softer than expected at a core M/M level, with other metrics in-line with consensus; note, while as expected, the Y/Y components did tick up from their priors.
- **Base metals** rangebound in APAC hours before coming under pressure in the European morning, moving broadly in-line with the general risk tone. **3M LME Copper** hit a USD 13.39k base, but has lifted off worst and is back in rough proximity to unchanged on the day following the softer USD and modest move seen in risk sentiment after US CPI.
- **China Three Gorges renewables** said board approved investment proposals for a Shanxi pumped storage power station project, the first phase of the Inter Mongolia renewable project.
- **Kazakhstan Energy Minister** said they are successfully fulfilling obligations under the OPEC+ agreement, exceeding the quota only slightly.
- **Turkish President Erdogan** said Turkey will increase agricultural support for producers.
- **Kuwait Petroleum Corp has reportedly offered its first spot fuel cargoes since the start of the Iran war, Reuters sources report.**
- **Iraq reportedly** cut July oil prices to buyers in Asia, the US and Europe.
- **Kuwait** is reportedly in discussions with Saudi Arabia and the UAE to secure pipeline capacity to export crude and oil products, Argus reported.
- **Ukraine hit two Russian pumping stations; namely, Vtorovo and Lobkovo.**
- **Oman** set a price of USD 86.47/bbl for Omani crude oil with an August delivery.
- **Ukrainian President Zelensky confirms that the targeted the Russian Novokuibyshevsk refinery.**
- **Kazakhstan Energy Ministry sees 2026 oil output at 98mln T (prev. 99.4mln T).**

EUROPEAN DATA

- **Norwegian Core Inflation Rate YoY (May) Y/Y 3.4% vs. Exp. 3.3% (Prev. 3.2%).**
- **Norwegian Core Inflation Rate MoM (May) M/M 0.4% vs. Exp. 0.3% (Prev. 0.7%).**
- **Norwegian Inflation Rate MoM (May) M/M 0.2% vs. Exp. 0.4% (Prev. 0.4%).**
- **Norwegian Inflation Rate YoY (May) Y/Y 3.1% vs. Exp. 3.3% (Prev. 3.4%).**

NOTABLE HEADLINES

- **UK PM Starmer declines to rule out tax rises to pay for defence spending.**
- **Germany's DIW** cuts its 2026 growth forecast for Germany to 0.5% (prev. 1.0%); Germany risks slipping into a technical recession this year following the energy shock. Expects 2027 economic growth of 0.8%. The German economy is likely to shrink in Q2 and Q2.
- **European Parliament's budgetary control committees** are to examine the Commissions plan to unlock EUR 16bln of funding for Hungary on the 14th of July, Politico reported citing sources. Funding being released is dependent on a revised recovery plan from Hungary.

TRADE/TARIFFS

- **UK Ministers** are drawing up plans to modify a steel tariffs regime announced less than three months ago after industrial consumers warned that it would impose crippling costs on their businesses, Sky's Kleinman reported.
- **India's Trade Minister** said they are looking into various measures including duties to deal with the amount of dumped steel products.
- **South Korea's Deputy Finance Minister will visit the US - details light.**

CENTRAL BANKS

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- **BoC keeps rates on hold as expected at 2.25%;** Governing Council is continuing to look through the war's near-term impact on headline inflation, but will not let higher energy prices become persistent inflation.
- **Bloomberg calculations show global Government bond sales reach USD 504bln in record first half.**
- **BoJ Governor Ueda will submit a written statement at the June 15-16 meeting, but will not join the vote.**
- **BoJ Governor Ueda said to have been hospitalised, reported suggest; expected to be absent for June 15-16 meeting; Deputy Governor Himino will chair June meeting, Uchida to hold press conference.** Ueda will be back for BoJ's July meeting.
- **NBH Minutes (May): One dissenter for a 25bp cut, the rest for unchanged.**
- **CNB** said May's core inflation of 2.9% is in the Bank's outlook; services inflation remains elevated; domestic monetary policy continues to have a restrictive effect; expects headline inflation to fluctuate between 2-3% for the rest of 2026.
- **Czech National Bank's Porchazka** said he is 50/50 on keeping rates stable or hiking in June. Adds that any hike would not be the start of a new hiking cycle, and could be reversed relatively quickly.

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukraine hit two Russian pumping stations; namely, Vtorovo and Lobkovo.**
- **Ukrainian President Zelensky confirms that the targeted the Russian Novokuibyshevsk refinery.**

MIDDLE EAST

- **US President Trump says Iran's military is a complete and total mess; they have been completely defeated; Iran is all talk and no action; They have taken too long to negotiate a deal, now they will have to pay the price.**
- **US President Trump** says the US naval blockade is the most successful blockade in history; Iran is doing zero business, not paying their military, or any of their bills; says lots of oil is getting out.
- **US President Trump says** he is close to ordering new strikes against Iranian power plants and bridges, Fox reports; Iran taking too long to make the deal; he'll keep going on Iran.
- **US official tells Fox that:** "On background the talks still continue. The U.S. responded to the attack on the Apache helicopter and he'll keep exerting maximum pressure to get a deal done."
- **Peace negotiations** between the US and Iran currently remain deadlocked with the warring sides divided over key issues, while a recent exchange of strikes threatens to derail progress, reports CNN.
- **A Qatari delegation travelled to Tehran on Wednesday morning** to meet Iranian negotiators in an effort to bridge remaining gaps in a potential agreement with the United States, according to CNN citing sources.
- **A US official told CNN** yesterday that the new strikes were intended as a warning shot at Iran and that the US believed Washington's retaliatory strikes on Tehran wouldn't upend negotiations to end the war, reports CNN's Treene.
- **The US and Iran exchanged fire following the downing of a US Apache helicopter** over the Strait of Hormuz. Iran's IRGC struck a US base in Jordan and 21 other targets in the Gulf, after the US hit Iranian air defence, ground control stations and surveillance radar sites near Hormuz. Sounds of explosions were reported in Qeshm Island and the port city of Sirik, while explosions were heard near Bandar Abbas and Jask. Following the initial exchange of missiles, US.
- **CENTCOM** announced in the early hours of Wednesday that they have ended its self-defence strikes against Iran.
- **US President Trump** told ABC that the US was responding to Iran and that it is important to respond to Iran downing the helicopter, as well as noted that the response is very strong and powerful.
- **US VP JD Vance** said the US is very close to reaching a deal that would address Iran's nuclear programme for the long term, which could come next week or months from now, but absolutely before the midterms, according to CBS.
- **White House senior official** said nothing has changed in their position regarding an agreement with Iran and it is still close despite the strikes.
- **A US official said the US military** carried out strikes on almost 20 targets inside of Iran, but noted preliminary assessments indicate most Iranian missiles and drones were successfully intercepted.
- **Iranian Foreign Ministry spokesperson Baghaei** said they need to reassess, following the overnight clashes, when questioned on talks with the US, SNN reported.

NOTABLE NORTH AMERICAN NEWS

- **US Speaker Johnson to speak with President Trump about FISA this morning, Punchbowl's Sherman reported.**
- **WSJ's Timiraos noted core CPI rose 0.21% in May, and pushed the 12-month measure to 2.9%, and this is the first time since Dec. 2022 where the 12-month core CPI reading was higher than the year-earlier reading.** On a 3-month annualized basis, the CPI is up 8.2%Annualised CPI: Available on Newsquawk V2 widgets, US Macro Data.
- **Natixis** said the slightly softer-than-expected monthly core inflation could reinforce the view that the peak in war-related inflation may be behind us and that the inflation outlook could improve, provided oil prices remain stable.
- **BofA's G10FX Strategy desk recommends EUR/USD shorts; cites technicals (Post-NFP, EUR broke trend line support, h&s top still forming) and fundamentals (Relative data flow underpriced, growing risk to USD-supportive monetary policy repricing).**

NORTH AMERICAN DATA

- **Analyst** Core PCE Forecasts: Oxford Economics said, "Our preliminary nowcast for May PCE, which we'll update after PPI, points to a similar headline reading but a higher core PCE reading due to a jump in portfolio management fees.". Pantheon Macroeconomics provisionally estimate core PCE deflator rose by 0.32% in May, lifting the inflation rate to 3.4%, from 3.3% in April.
- **US CPI Core Goods & Services (m/m SA, y/y NSA) + Supercore:.** Widget available on the Newsquawk V2 site: US Macro Data

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- **US Inflation Rate MoM (May) M/M 0.5% vs. Exp. 0.5% (Prev. 0.6%, Low. 0.4%, High. 0.7%).** 3dp: 0.473% (prev. 0.640%).
- **US** CPI s.a (May) 333.979 (Prev. 332.407).
- **US** CPI (May) 335.12 (Prev. 333.02).
- **US Core Inflation Rate YoY (May) Y/Y 2.9% vs. Exp. 2.9% (Prev. 2.8%, Low. 2.8%, High. 3.0%).** 3dp: 2.851% (prev. 2.750%).
- **US Inflation Rate YoY (May) Y/Y 4.2% vs. Exp. 4.2% (Prev. 3.8%, Low. 4.1%, High. 4.3%).** 3dp: 4.249% (prev. 3.811%).
- **US Core Inflation Rate MoM (May) M/M 0.2% vs. Exp. 0.3% (Prev. 0.4%, Low. 0.2%, High. 0.4%).** 3dp: 0.208% (prev. 0.376%).

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