European Market Wrap - 16th June 2026

- **European and US equity futures are in the green, albeit modestly so.**
- **Crude benchmarks continued to move lower, as markets digested the US-Iran deal; Brent Aug'26 -3%**
- **BoJ delivered a 25bps hike (as expected), with the presser thereafter lacking material new information; RBA provided a hawkish held.**

EQUITIES

- **European bourses** (STOXX 600 +0.3%) are to end Tuesday's session with another set of gains, on hopes of the US-Iran deal coming to fruition. US President Trump reiterated in remarks at the G7 that ships are starting to move through Hormuz, and it will be fully open by Friday. He also said that the MoU with Iran clearly states that Iran will not have a nuclear weapon and that he will release the text in a formal setting.
- **Sectors** finished mixed. **Banks** (+1.6%) and **Industrial Goods & Services** (+1.1%) topped the sector pile while **Auto** (-1.0%) remained the clear laggard, pulling back from Monday's gains.
- Mid-session, it was reported that **Fila** (+3.0%) launched a placement of around a 7% stake in Indian company Doms, which resulted in shares of Fila surging. Other key movers include: **Puma** (+2.9%), upgraded to buy at HSBC, citing significant growth potential, particularly in China; **STMicroelectronics** (-1.5%), to sell USD 1.5bln of convertible bonds; **Equinor** (-1.1%), doubles 2026 share buyback to USD 3bln.
- **US cash equities** opened with broad gains, albeit the **NDX** (+0.1%) underperforming slightly. As expected, **SpaceX** (+9.6%) overtook **Amazon** in terms of market cap, while **Yum Brands** (+2.7%) entered an agreement to sell Pizza Hut for USD 2.7bln. In terms of forecasts, Wells Fargo upgraded its S&P 500 year-end target to 7950, with Goldman Sachs traders seeing room for the recent rally to broaden beyond AI.

FX

- **USD was on a softer footing for most of the European session with energy benchmarks continuing a reversal to March levels after reports Qatar LNG was to reach 80% output within two months of the Strait of Hormuz reopening.** No real bias throughout the day with geopolitical newsflow quiet ahead of Friday's US-Iran signing. Attention now turns to Warsh's first FOMC meeting as Chair, where the committee is expected to stand pat on rates; attention is on Warsh's stance and language around the easing bias. **DXY** marked a session low at 99.52.
- **RBA held the cash rate steady at 4.35% as expected, striking a hawkish tone by explicitly signalling further hikes on the table.** Alongside the high bar set by markets for RBA hawkishness, participants seemed focused on the soft Australian growth story, with the Aussie under modest pressure/flat through the session, albeit just stabilising after Monday's risk-on bid. Post-RBA, Westpac said the next hike could come in August should the quarterly June inflation figure be strong. ING suggested it is likely to remain on hold through year-end as inflation broadly tracks the board's baseline scenario, and ANZ said a soft activity backdrop will give the Board enough comfort to keep the cash rate at 4.35% for August. **AUD/USD -0.1% but towards the top of Monday's range.** The pair marked a session low just above 0.7040, now towards highs around 0.7070.
- **BoJ hiked rates by 25bps to 1.00% in a 7-1 vote split, as expected. Newly-appointed Asada was the dissenter**, arguing that downside risks to employment and production were larger than inflation risks. **JPY was unreactive to the meeting/presser with Uchida not providing a clear bias**, as had been expected heading into the presser, given he was standing in for Governor Ueda. There were few clues about future policy, with market pricing unchanged, assigning an 85% probability of the BoJ's next tightening in December. **USD/JPY U/C, supported by 160.00 throughout the session.**

FIXED

- **Fixed benchmarks** (ex-JGBs) started the European session around the unchanged mark, before then rising soon after the cash open. The strength in fixed paper came alongside some pressure in the crude complex, as markets continue to digest the US-Iran framework agreement and the reopening of the Strait of Hormuz. **Yields are lower across the curve**, with a continuation of the bull steepening seen in the prior session. However, **yields remain well above pre-war levels** given that global inflation remains elevated, hawkish central bank repricing, and as markets assess the time it takes to resume oil flows/production.
- **USTs** (+5 ticks) set to end the EU session towards the upper end of a 109-19 to 109-29 range. **Geopolitics/energy** dynamics have driven the price action this morning, with US data having little impact on US paper. Weekly ADP Employment cooled to 25.5k (prev. 29k), Import Prices topped expectations, whilst the NY Fed Business Leaders Survey cooled from the prior.
- **Bunds** (+30 ticks) and **Gilts** (+30 ticks) traded in-line with the above. **EGBs** had a solid ZEW survey to digest, with the metrics boosted by optimism surrounding US-Iran progress. (Survey conducted between Jun 8-15). Elsewhere, **UK paper** digested a decent 2036 auction, which comes ahead of the BoE on Thursday and then the Makerfield by-election on Friday.
- **JGBs** (-60 ticks) lagged vs peers, given the BoJ's decision to hike rates by 25bps (as expected) and its announcement to pause the tapering of JGB purchases from FY27. The accompanying presser provided little updates, with Deputy Governor Uchida avoiding any commentary pertaining to forward guidance. As it stands, markets assign a 60% chance of a hike by year-end, so focus remains firmly on Ueda's comments when he returns from hospital.

- **Germany sold EUR 3.824bln vs exp. EUR 5bln 2.50% 2031 Bobl: b/c 1.64x (prev. 1.32x), average yield 2.64% (prev. 2.85%), retention 23.5% (prev. 23.12%).**
- **The UK sold GBP 4.25bln 4.875% 2036 Treasury Gilt: b/c 3.46x (prev. 3.45x), average yield 4.858% (prev. 5.026%), tail 0.1bps (prev. 0.3bps).**

COMMODITIES

- **A bearish session for the energy space**, as participants continue to price in the expected US-Iran signing on Friday and the normalisation of supply it will begin to facilitate. However, it may still be some time before benchmarks return to pre-conflict levels, given the delays in restarting activity, backlog of energy to enter the market and hesitancy around transiting the Strait of Hormuz.
- **WTI** and **Brent** are set to end the European sessions well into the red, but just off worst levels. Lower by around USD 3.00/bbl. Note, earlier **Brent Aug'26 moved below the USD 80/bbl handle** to a USD 79.61/bbl trough, while **WTI Jul'26 dipped beneath USD 77.00/bbl**.
- Updates on the geopolitical situation have, for the most part, been in-fitting with recent reports and assumptions heading into the signing on Friday in Switzerland. We did see some modest pressure in energy earlier, as Qatar spoke around the restoration of its output and Iran said it would be connecting its energy infrastructure with Qatar's, in reference to electricity.
- **Spot gold** in the green, firmer by c. USD 30/oz in USD 4306/oz to USD 4355/oz parameters. Benefitting from the mixed APAC tone and a pullback in central bank pricing and associated short-term yield moves from recent energy moves. Ahead, the space is attentive to US supply before Wednesday's Fed, the first under Chair Warsh.
- **Base metals** were contained for the most part. **3M LME Copper** is near enough unchanged in a relatively narrow range. Specifics for the complex light. Bloomberg reported that Glencore and others were looking to invest in the Hong Kong listing of **Merdeka Gold Resources**. For reference, the Co's Pani mine is on track to become one of the largest gold facilities in Indonesia, with resources totalling 7.4mln/oz.
- **QatarEnergy reportedly ready to resume LNG production at Ras Laffan very quickly and reach full production within one month, according to sources.** The main problem is shipping not production and how fast Qatar Energy can bring ships in.
- **UK's Ofgem** said it is exploring whether future data centres should be required to reduce power consumption during periods of system stress.
- **Kpler's Bakr** said as of 15 June, confirmed crossings through the monitored Strait of Hormuz zone remained flat d/d at five, covering both commercial and non-commercial traffic.
- **Commerzbank** expects Brent crude to revert to around USD 65/bbl, only next year.
- **A senior Turkish official** said they do not want to extend the Kirkuk-Ceyhan oil pipeline agreement under current conditions.
- **Kpler outlines that there** are around 118 tankers with 75mln barrels of crude stranded in the Gulf, and they would begin moving as soon as the Strait of Hormuz reopens.
- **Iranian Energy Minister said Tehran will soon connect its electricity grid with Qatar.**
- **Qatar to restore half of its LNG output a month after the Strait of Hormuz opens, Bloomberg reported; output to reach 80% of full output within two months.**
- **Iranian Oil Minister** announces plan to rapidly increase gas production in fields covered by the Central Iranian Oil Company.
- **Goldman Sachs lowered its Q4'26 Brent crude forecast to USD 80/bbl (prev. USD 90/bbl).** Cut 2027 Brent forecast to USD 75/bbl (prev. USD 80/bbl). Cut WTI forecast to USD 75/bbl in Q4'26 and USD 70 for 2027,.
- **Mitsui OSK Lines (9104 JT) CEO** said that many operators would wait at least a couple of weeks or a month before resuming normal transit through the Strait of Hormuz.

EUROPEAN DATA

- **German** ZEW Current Conditions (Jun) -81.0 vs. Exp. -77 (Prev. -77.8, Low. -78.1, High. -74).
- **EU ZEW Economic Sentiment Index (Jun) 9.5 vs. Exp. -7.6 (Prev. -9.1).**
- **EU** Labour Cost Index YoY Final (Q1) Y/Y 3.2% vs. Exp. 3.3% (Prev. 3.3%).
- **EU** Wage Growth YoY (Q1) Y/Y 3.40% (Prev. 3%).
- Germany's RWI expects the German economy to stagnate in Q2 2026, sees inflation at 3.1% in 2026 and 2.9% in 2027, sees growth at 0.8% in 2026 and 2027.
- **Italian Inflation Rate MoM Final (May) M/M 0.4% vs. Exp. 0.4% (Prev. 1.1%).**
- **Italian Inflation Rate YoY Final (May) Y/Y 3.2% vs. Exp. 3.2% (Prev. 2.7%).**

NOTABLE HEADLINES

- **UK Treasury Minister Bell** said they will be conducting a review into the pension liability transfer rule.
- **Sweden's NIER** cuts its 2026 GDP growth to 2.2% (prev. 2.5%).

TRADE/TARIFFS

- **EU Parliament back the US trade deal.**
- **China and Myanmar sign 18 MOUs for cooperation.**

CENTRAL BANKS

- **UBS shifts Fed easing call: expects Fed to cut 25bps in March and June 2027 (prev. exp. December 2026 and March 2027).**
- **ING, post-BoJ, said it is keeping a December hike as the base case; cites fluid Middle East situation.**
- **Credit Agricole, post-BoJ, reduces 2027 rate hike call to 2 hikes (prev. exp 3), expects no more hikes in 2026; cites drag from economic slowdown and BoJ's premature rate hikes.**

- **BoJ Deputy Governor Uchida (post-policy press conference) said the primary difference between April and June is the reduced risk on the economy.**
- **BoJ Deputy Governor Uchida (post-policy press conference) said Japan's economy has moderately recovered, although some weakness have been seen in part.**
- **ECB's Lane said he can see inflation in the pipeline and the economy is resilient; rate hike was straightforward decision.**
- **ECB's Escriva** said energy disruption to last for some time, despite deal.
- **ING, post-RBA, said the bank is likely to remain on hold for the rest of the year.**
- **Westpac, post-RBA, retains its view that "further cash rate increases are coming... if June inflation is strong, the next hike will be August.".**
- **RBA Governor Bullock said inflation remains too high; It's too early to say if cooling housing market will help on policy.** Board is still concerned about inflation, but in a better position. Did not consider raising rates. Still risks are to upside. Cannot rule out that we might have to do more on rates. Current oil prices are in line with the baseline forecasts.

GEOPOLITICS

RUSSIA-UKRAINE

- **German Foreign Minister** said there is a chance of peace talks taking place with Russia regarding Ukraine during the summer.
- **Ukrainian President Zelensky urged US President Trump to begin negotiations over new US weapon deliveries to Ukraine, Telegraph's Barnes reported; official cited said the meeting focused on the Patriot missile. Meeting was more of a "status update".**
- **Canada** is imposing new sanctions targeting Russia's shadow fleet, energy revenues, defence-industrial, and disinformation actors.
- **Ukrainian President Zelensky** said he discussed air defence complexes and missiles with G7 Countries; very open to meeting with China's President Xi to discuss ways to end the war. Trump was very positive that US can help Ukraine more with air defence missiles.
- **The meeting between Ukrainian President Zelensky, US President Trump and US Secretary of State Rubio at the G7 is getting underway.**
- **Ukraine Air Force** said UAVs are heading towards Kramatorsk and Slovyansk.

MIDDLE EAST

- **US President Trump** said spoke with Ukrainian President Zelensky, Russia should make a deal; meeting Zelensky later today; "will do whatever I need to end the war in Ukraine". Iran is now in the rearview mirror.
- **US President Trump said Iran deal should be successful; deal is fair, a good deal; not investing any money in Iran.** Have a great relationship with Qatar. (Speaking alongside Qatar's Emir). Iran deal goes to a second stage. The second stage will be easier than the first. Iran will never have a nuclear weapon; Iran will suffer if it tries to attain a nuclear weapon. Dealing with rational people in Iran; never cared about regime change. Leaders in Iran looking to help their country. All hell will break out in Iran if they try to get a nuclear weapon. Going to get the nuclear material in Iran. noted there is underground nuclear material in Iran. Deal can survive even if Israel attacks Lebanon. Suggested to Israel that Syria should take care of Hezbollah. Not frustrated with Israeli PM Netanyahu; Netanyahu needs to be more responsible.
- **US President Trump said ships are starting to move through Hormuz and will be fully open by Friday; oil prices coming down rapidly.** Iran:. Think second stage of talks will happen on time. Will release text of Iran agreement in formal setting. Wants formal signing to occur before the document is released. Will go over Iran MoU with media in a couple of days. Hormuz will be toll-free when it opens permanently. Would send Iran deal to Congress for review. Oil is now flowing. No rush on getting enriched Iran uranium, but when get it, will destroy it. Russia:. Soon will be able to do increased sanctions on Russia; cites oil flows for being able to increase sanctions. In position to let Russia oil waivers lapse. UAE: Praises the UAE and touts US investment there.
- **US President Trump is reportedly considering firing senior officials who opposed the nuclear agreement with Iran, among them War Secretary Hegseth and CIA Director Ratcliffe, Israel's Hayom reported.**
- **Israel have asked to see the US-Iran MoU but** was refused, according to N12 reporter.
- **US VP Vance told Fox that Iran** is entering a 60-day test period under US President Trump's agreement to reopen the Strait of Hormuz, arguing Tehran must show through its actions that it has abandoned nuclear weapons development and support for terrorism. Vance said Iran has “two pathways” : behave like a “normal country” and receive benefits such as sanctions relief and renewed international ties, or attempt to rebuild its nuclear program and continue backing terrorism, forfeiting any benefits under the deal.
- **The Iranian blockade of shipping ports along the Strait of Hormuz has been eased, with a small number of vessels allowed to pass before the formal signing of the US-Iran agreement, Iran’s Deputy Foreign Minister told IRIB; reported CNN.** In the last 24 hours, CNN has verified two cargo ships and two tankers traversing the strait. Data from vessel tracking site Marine Traffic shows Dalia, an Iran-flagged sanctioned tanker, entering the strait early this morning heading towards the Persian Gulf. The other tanker, the Curacao-flagged Argo Maris, and the two cargo ships exited the Strait towards the Gulf of Oman on Monday.
- **Hezbollah** said it received promises from Iran that it will not sign a final nuclear deal with the US, unless Israel withdraws from Lebanon.
- **Lebanese Deputy Speaker of Parliament told Al-Mayadeen that the US informed Israel that Lebanon has full sovereignty over its land.**
- **"The USD 300bln would be made available by Gulf nations, and would be a "maximum amount available" IF - and ONLY IF Iran takes steps to become a peaceful nation that ends all of its historic malign activities" Fox's Roberts reported, citing**

briefings.
- **Three Iranian oil tankers and two cargo ships** are currently sailing towards Iran from the Indian Ocean, Al Araby reported citing Iranian TV.
- **Discussions about the US-Iran agreement among G7 leaders on Monday** were “frank” and in-depth, CNN reported, citing sources; European officials said they still had questions about the Iran accord.
- **Iran's Foreign Minister Araghchi** said the formal activation of the MOU will be on Friday. That will immediately end the war, including in Lebanon. Second phase negotiations would then commence immediately. Next round of US-Iran talks will start Friday in Switzerland. (As expected). Continued occupation of Lebanese territory by Israelis violates the truce.
- **Iran's Ministry of Foreign Affairs Spokesperson Adviser** said "Any continuation of the Israeli regime's war in southern Lebanon is considered a violation of the agreement". such violations could affect the negotiation process, and Iran reserves the right to respond to any violation.
- **US envoy reportedly requested from Iraqi PM a timeline to close the file on the militias' weapons, according to Al Arabiya.**
- **Israeli PM Netanyahu will be holding a limited cabinet meeting this afternoon (time unspecified).**

NOTABLE NORTH AMERICAN NEWS

- **US Senate Minority leader Schumer will ask for unanimous consent to pass legislation that would kill the USD 1.8bln “anti-weaponization” fund and President Trump's audit immunity, Punchbowl reported, citing sources.**

NORTH AMERICAN DATA

- **US** Redbook YoY (Jun/13) Y/Y 9.4%.
- **US Housing Starts (May) 1.177M vs. Exp. 1.44M (Prev. 1.465M, Low. 1.374M, High. 1.481M).**
- **US** Import Prices YoY (May) Y/Y 6.7% (Prev. 4.2%).
- **US** Export Prices YoY (May) Y/Y 11.2% (Prev. 8.8%).
- **US** Building Permits MoM Prel (May) M/M -0.7% (Prev. 4.4%, Low. 1.375%, High. 1.46%).
- **US** Building Permits Prel (May) 1.413M vs. Exp. 1.41M (Prev. 1.423M, Low. 1.375M, High. 1.46M).
- **US Import Prices MoM (May) M/M 1.9% vs. Exp. 0.9% (Prev. 1.9%, Low. 0.2%, High. 2.0%).**
- **US Export Prices MoM (May) M/M 1.3% (Prev. 3.3%, Low. -0.2%, High. 2.1%).**
- **US** Housing Starts MoM (May) M/M -15.4% (Prev. -2.8%).
- **US ADP Employment Change Weekly 25.5K.**
- **NY** Fed Business Leaders Survey: Business Activity -10.1 (prev. -5.8).