

European Market Wrap - 18th June 2026

- European bourses were broadly lower; US equity futures gain, led by semiconductors.
- DXY continues its post-FOMC advances; GBP little moved to the BoE keeping rates unchanged.
- Kuwait reportedly begins boosting oil output to above 2mln bpd in a week; Brent Aug'26 -1.7%.

EQUITIES

- **European bourses** (STOXX 600 -0.3%) are to end Thursday's session on the back foot, with the **DAX 40** (+0.3%) being the only index printing decent gains. There was no specific driver for the softer sentiment, but it seemingly came as a catch-up trade to the US after state-side equities sold off in Wednesday's trade.
- **Sectors** held its negative bias. **Industrial Goods & Services** (+0.6%), **Consumer Products & Services** (+0.2%) and **Travel & Leisure** (+0.1%) held its earlier gains, while **Autos** (-2.8%) continued to sell off. **Basic Resources** (-2.8%) and **Energy** (-1.4%) round out the worst underperformers.
- Key movers included: **Intertek** (+1.5%), after the board accepted EQT's GBP 60/shr takeover offer; **Siemens Energy** (+4.8%), considering spinning off its "Transformation of Industry" division; **Edenred** (+16.1%), confirmed that investment funds have approached regarding a takeover; **Tesco** (-0.5%), UK LFL sales missed estimates.
- **US cash equities** (SPX +0.8%) opened entirely in the green. **Intel** (+11.5%) surges after US President Trump announced its collaboration with **Apple**, while **Accenture** (-16.5%) slumps following disappointing FY profit view.

FX

- **G10s** began London trade mixed, though the Buck strengthened throughout the day to the detriment of G10 peers. **NOK and CHF were the worst performers** after their central banks left rates unchanged, **Antipodeans** fared the best after strong **Kiwi** growth data, and the general risk tone after the US-Iran MoU signing
- **DXY rose throughout London trade, surpassing the post-FOMC peak** and marking a session high of 100.80, where its rally lost steam. In addition to markets pricing additional Fed tightening, (29bps by year-end), contrasting, mostly neutral central banks (BoE, Norges Bank, SNB) also helped the Buck. (Read below)
- **Norges Bank was broadly as expected, but proved less hawkish than the Fed**, with **USD/NOK** +0.8% today. On the Norges Bank announcement, NOK saw pressure amid the unwinding of tightening bets from c. 15% of market participants. The 2026 core CPI view was maintained and the 2027 one was trimmed modestly, as expected, while forecasts and commentary still show that inflation is "too high" and the Governor outlined that new information shows "inflation pressures are slightly stronger than we had anticipated earlier". As such, the Norges Bank points to tightening ahead, roughly in line with market expectations.
- **SNB kept rates unchanged in a mostly as-expected meeting**. CHF weakness came surrounding the fact that commentary around energy/raw materials suggests that the new forecasts do not account for the moderation in energy seen recently; over the medium term, sparking a return to concerns around inflation being too low in Switzerland. **EUR/CHF** +0.2%, **USD/CHF** +0.4%
- **A mixed announcement from the BoE which saw tightening bets pushed back slightly to the end of 2026**. On the one hand, Greene joining Pill in voting for a 25bps hike and Mann once again using 'activist' language, with her statement suggesting the primary reason she did not vote to tighten was because the tightening would "rapidly" transmit to the economy. On the other hand, there was greater reassurance that there was sustained disinflation pre-conflict and "most" members viewed the tightening in financial conditions vs pre-conflict provided insurance against inflation risks. Additionally, Governor Bailey expressed greater confidence that gradual underlying disinflation was continuing, and acknowledged that the Labour market shows "some further softening" alongside signs of "demand weakness". **A remark which saw a handful of pips weakness in Cable**. Overall, the announcement keeps the on-hold for the foreseeable narrative in play for the BoE, though with risks at this stage still skewed to tightening depending on how the upside risks to energy/inflation evolve. **Ahead, GBP is set to digest the Makerfield by-election** which will likely see Labour candidate Burnham emerge as the winner, where he is seen to challenge incumbent Starmer.

FIXED

- **Global fixed benchmarks** chopped around the unchanged mark this session. Initially moved a little lower, before then clambering ever so slightly into the green as the EU session comes to a close.
- **USTs** (+2 ticks) held within a 109-09+ to 109-21 range, but well off the troughs seen overnight, which stemmed from a hawkish Fed meeting on Wednesday. A review can be found on the Newsquawk headline feed, but ultimately led to a flattening of the US 2s10s. As for the latest US data, Jobless Claims printed at 226k (exp. 232k), whilst the Philly Fed Manufacturing Index jumped from the prior.
- **Bunds** (+3 ticks) and **Gilts** (+9 ticks) both set to end the EU day with only incremental gains. The latter had the BoE policy decision to contend with, but ultimately had little impact on UK assets. In brief, the Bank kept rates on hold at 3.75% with dissent from Greene and Pill (broadly as-expected). Overall, the announcement keeps the on-hold for the foreseeable narrative in play for the BoE, though with risks at this stage still skewed to tightening depending on how the upside risks to

energy, and by extension inflation, evolve, and factor in policymakers' thinking against signs of economic weakness. Focus now turns to the Makerfield by-election.

- **France sold EUR 13.999bln vs exp. EUR 12-14bln 2.40% 2029, 3.25% 2032, 2.00% 2032 and 3.00% 2034 OAT.**
- **Spain sold EUR 5.83bln vs exp. EUR 5-6bln 3.00% 2033, 3.40% 2036 and 4.90% 2040 Bono.**

COMMODITIES

- **Crude futures** traded rangebound throughout the European session. Geopolitical newsflow has been light, following the confirmation of the MoU signing by the US and Iranian presidents. No reaction was seen after OPEC kept its world oil demand outlook for 2026 unchanged. Pressure across the energy space came after Qatar announced that it will begin boosting oil output to above 2mln BPD in a week, and stated that it sees faster oil output than previously thought. Despite the downside, **WTI** and **Brent** traded in a narrow c. USD 2.5/bbl range but has since ticked to new session lows as US trade gets underway.
- **Spot gold** rotated in a USD 4240-4330/oz range throughout European trade. Despite the hawkish Fed, the yellow metal has managed to stabilise above USD 4200/oz, with Monday's price gap remaining strong.
- **3M LME Copper** flipped either side of the USD 13.7k/t mark, but managed to stabilise after the gap lower at the open. The red metal found a session trough at USD 16.4k/t after finding a peak at USD 13.78k/t.
- **Kuwait begins boosting oil output to above 2mln bpd in a week, Bloomberg TV reported; sees faster oil output than previously thought, and will lift all force majeure with immediate effect.** To also boost refining along with oil output.
- **OPEC said world oil demand to reach 113.3mln bpd by 2030 in its 2026 world oil outlook, unchanged from last year's report; peak demand is not on the horizon and raises 2050 oil demand view to 124mln bpd.** US tight oil output likely peaked in 2025, sees limited total US supply growth to 2030 and a plateau after.
- **An Iranian Energy Commission member** said that given the growth in gas consumption, the need of industries and power plants increasing production from onshore fields is an important measure.
- **French LNG tanker has left the Strait of Hormuz, according to MarineTraffic.**
- **"Confirmed Strait of Hormuz crossings continued on 17 June, with 6 verified transits recorded across the monitored zone", Kpler's Bakr reported.**
- **Aide to Russian President Putin, Kobyakov, said energy shortages will "only worsen" in the coming years.**
- **Persian Gulf Petrochemical Industries CEO said 89% of damaged petrochemical units returned to production, ISNA reported; process of redesigning and strengthening production capacity is underway.**
- **China's State Planner** said effective at midnight June 18th, domestic gasoline and diesel prices will be cut by CNY 515/t and CNY 495/t, respectively.

EUROPEAN DATA

- **UK HMRC Payrolls Change (May) 2K (Prev. -100K).**
- **UK Employment Change (Apr) 100K vs Exp. 75K (Prev. 148K, Low. -30K, High. 97K).**
- **UK Average Earnings excl. Bonus (3Mo/Yr) (Apr) 3.4% vs. Exp. 3.3% (Prev. 3.4%).**
- **UK Unemployment Rate (Apr) 4.9% vs. Exp. 5% (Prev. 5%).**
- **UK Claimant Count Change (May) 31.2K vs. Exp. 25.8K (Prev. 26.5K).**
- **UK Average Earnings incl. Bonus (3Mo/Yr) (Apr) 4.4% vs. Exp. 4% (Prev. 4.1%).**
- **Germany's Ifo cuts German economic growth forecast for 2027 to 0.8% (prev. exp. 1.2%).** Inflation expected at 2.9% this year and 2.7% in 2027.
- **Swiss Government Forecasts: Middle-East crisis is pushing up energy prices and weighing on economy. Reduces 2026 GDP growth forecast to 0.9% (prev. 1.0%). Reduces 2027 GDP growth forecast to 1.6% (prev. 1.7%, long-term avg. 1.8%).** Increases unemployment projections to 3.1% for 2026 and 3.0% for 2027, while inflation expectations for both years were raised to 0.6%.

NOTABLE HEADLINES

- **Bank of Spain** raises its 2026 inflation forecast to 3.6% (prev. forecast 3.0%) and 2027 inflation forecast to 2.6% (prev. forecast 2.5%).
- **Switzerland's State Secretariat for Economic Affairs** said if the current easing trend persists, it favours a stronger-growth scenario.

CENTRAL BANKS

BoE:

- **BoE holds rates as expected at 3.75%, Vote split: 7-2, Greene & Pill dissent, voted for a hike.** Recent data outturns had provided some greater reassurance that there had been sustained disinflation pre-conflict. For six of these members (Andrew Bailey, Sarah Breedon, Swati Dhingra, Clare Lombardelli, Dave Ramsden and Alan Taylor), recent data outturns provided some further evidence that underlying disinflation had been on track pre-conflict. Upside risks to energy prices had receded, although they remained. For one member (Catherine L Mann) upside inflation risks were more prominent across possible future outcomes, but an immediate increase in Bank Rate was not required given their view that policy tightening would transmit to the economy rapidly.
- **Bailey:** Recent inflation outturns give greater confidence that gradual underlying disinflation has continued. Labour market data show some further softening, and there are further signs of demand weakness. Given the context at present of softness in the real economy and uncertainty around the scale and duration of the shock to energy prices, tolerating temporarily above-target inflation as part of a return to target is an appropriate way to approach the trade-off, providing inflation

expectations remain contained. Content at the present time with holding, while accepting that risks to inflation and interest rates are on the upside, as reflected in the upward slope in the sterling yield curve, which appears to be accounted for more by risk premia than expected rates

- **JPMorgan** expects the BoE to hike its rates by 25bps in November 2026 (prev. saw a hike in July).
- **BoE Governor Bailey** said very encouraged by developments in the Middle East.
- **Pantheon Macro, post-BoE**, expects the Bank Rate on hold through to the end of 2027.
- **ING** maintains BoE call, said next move is likely to be a rate cut in 2027.

Others:

- **Norges Bank** leaves rates unchanged at 4.25%, as expected; it will likely be necessary to raise the policy rate further at one of the forthcoming monetary policy meetings.
- **Swiss SNB Policy Announcement (Jun)** 0.00% vs. Exp. 0.00% (Prev. 0.00%); readiness to intervene in FX is higher. Monetary policy is appropriate to keep inflation within the range consistent with price stability.
- **SNB Chairman Schlegel**: Monetary policy continues to have an expansionary effect. Geopolitical uncertainty remains, risks of strong upward pressure on the CHF remains. "If necessary, we therefore have an increased willingness to intervene..." in FX.
- **CNB** hikes rates by 25bps to 3.75%, as expected.
- **Japan Bank Lobby Chairman Kato** said the BoJ policy rate is still accommodative.
- **ECB's Lane** said he is comfortable that hiking rates makes sense under milder scenario. Open minded to looking through shocks if they are not long lived. Even if oil is falling, think food will keep going up. Hike aims to contain spread of energy shock. Current situation is a medium shock. Tightened last week from a position of firming neutral. Think upper end of neutral has crept up to 2.5% from 2.25%. Does not want to yank rates around. Employment stable and real incomes keep going up. Euro appreciation still putting a downward pressure on prices. Sees a prolonged period of high inflation. It is viable for the Federal Reserve and the European Central Bank to pursue divergent interest rate paths.
- **ECB's Kocher** said inflation will stay higher for some time.
- **ECB's Nagel** said new forms of money could weaken rate policy transmission.

GEOPOLITICS

RUSSIA-UKRAINE

- **Aide to Russian President Putin, Kobyakov**, said energy shortages will "only worsen" in the coming years.
- **Russia's Defence Ministry** said 555 Ukrainian drones were shot down over Russian areas overnight, lfx reported.

MIDDLE EAST

- **Sources in Tehran** say that if the final decision is made to go to Geneva on Friday, the Iranian delegation will be headed by the Speaker of the Iranian Parliament and head of the negotiating team, Ghalibaf, Al Jazeera reported.
- "Nothing has been finalized yet regarding the Iranian delegation's trip to Geneva, and the investigations and consultations in this regard have not been finalized", Tasnim reports citing sources.
- **Diplomatic sources** have told Al Jazeera that no final decision has yet been made on whether Iran will send a delegation to Switzerland for Friday's talks at the Burgenstock.
- **Iran's Foreign Minister and Foreign Minister of Kuwait** discussed and consulted on the Islamabad Memorandum of Understanding, regional developments, and bilateral relations during a phone call this afternoon, Thursday.
- **Israel PM Netanyahu** is aiming to influence the final Iran deal, according to an Israeli source, using right-wing media figures and friendly senators to exert pressure on US President Trump, CNN reported.
- **Transit of vessels through Strait of Hormuz** still needs to be done in coordination with IRGC navy, Iran state TV reported.
- **Official MoU between US and Iran**, via Iran President Pezeshkian.
- "The Strait of Hormuz must remain closed as long as Israel continues its aggression against Lebanon and its violation of Lebanon's territorial integrity", **Tasnim News' Political Group** suggests. "Tasnim News Agency Political Group: According to the first paragraph of the Islamabad Memorandum of Understanding between Iran and the United States, war and military operations on all fronts, including Lebanon, must end, and Lebanon's territorial integrity and sovereignty must be guaranteed".
- **Swiss Foreign Ministry** confirms that the US and Iran will meet on Friday for initial talks on MoU execution.
- **US War Secretary Hegseth** said to review where the right place for basing is, when the Strait of Hormuz opens; prepared to resume strikes and blockade if Iran does not comply with MoU.
- **The fifth round of US-Iran negotiations** will discuss Israel's withdrawal along with a timetable for the experimental zone, **Al Hadath** reported citing a Lebanese source. The US-Iranian agreement will intensify pressure on Israel to gradually withdraw. There will be no retreat from restricting weapons to the state and deploying the army in the south. Lebanon is proceeding with direct negotiations with Israel.
- **US President Trump** posted "These fools, who think I haven't been tough enough on Iran, when the Stock Market Just Hit A RECORD HIGH, and Oil prices are "tumbling" down, are either jealous, bad people, or stupid. MAKE AMERICA GREAT AGAIN!!! President DJT".
- **An Israeli official** said Israel has no intention of backing down on its positions and are holding stubborn negotiations with the US over its presence in southern Lebanon.
- **Technical talks between the US and Iran** will be held in Zurich on Friday, **Al Hadath** reported citing sources. Talks will include the legal aspects related to lifting Iranian sanctions, the issue of frozen funds and the Iranian nuclear file. Qatar, Pakistan, Turkey, and Saudi Arabia will also attend the talks. An unannounced negotiation session will discuss issues related to

Lebanon and Hezbollah.

- **Swiss government, following the Iranian commentary, said the plan as it stands is still for the US, Iran, Pakistan and Qatar to meet on Friday in Switzerland to commence talks.**
- **US official** said that Iran is to arrange safe, no-charge passage through Strait of Hormuz for 60 days, according to CNBC.
- **Israeli army** rejects linking the arenas in the MoU and seeks quick agreements with Lebanon, Al Araby reported citing Israeli Channel 12.
- **11 ships, including 5 oil tankers, will arrive at Iranian ports by tonight**, Al Araby reported citing Iranian TV.
- **Israeli withdrawal within Lebanon will be discussed next week in Washington**, Al Araby reported, citing the Israeli broadcasting authority.
- **IDF** said its forces continue to operate in southern Lebanon.
- **UK Foreign Office could change travel advice for some gulf nations**, Sky news reported.
- **US War Secretary Hegseth** said "for too long NATO has been a paper tiger and a one way street, no more". Pentagon will launch "up to six month" review of US troop posture in Europe.

NORTH AMERICAN DATA

- **US Jobless Claims 4-week Average (Jun/13) 223.25K.**
- **US Initial Jobless Claims (Jun/13) 226k vs. Exp. 232k (Prev. 229k, Low. 215k, High. 237k).**
- **US Continuing Jobless Claims (Jun/06) 1810k.**
- **US Philadelphia Fed Manufacturing Index (Jun) 10.3 vs. Exp. 10 (Prev. -0.4).**
- **US Philly Fed Prices Paid (Jun) 53.20 (Prev. 47.90).**
- **US Philly Fed Employment (Jun) 7.9 (Prev. -2.8).**
- **US Philly Fed New Orders (Jun) 27.3 (Prev. -1.7).**
- **US Philly Fed CAPEX Index (Jun) 41.20 (Prev. 30.90).**
- **US Philly Fed Business Conditions (Jun) 50.2 (Prev. 53.2).**

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