European Market Wrap - 22nd June 2026

- **European bourses were broadly firmer, amidst positive geopolitical mood music; Brent Aug'26 -2.6%.**
- **US and Iran reportedly agree on a "roadmap" towards a final deal; US issued Iran general license for oil sales.**
- **GBP outperformed after UK PM Starmer announced his resignation, whilst MP Streeting said he backs Burnham for leadership.**

EQUITIES

- **European bourses** began the session unchanged, creeping higher throughout the session as crude stabilised towards lows, alongside some dovishly-framed remarks from ECB President Lagarde. Geopolitics was in focus, but did not provide much of a lead for stocks. (See commodities for more). In terms of performance on the domestic level, AEX was the outperformer, while the CAC lagged.
- **Sectors** began the session mixed but shifted positive as the general risk tone improved. Tech tops the pile with ASML +2.6% after it denied shipping EUV lithography machines, or any related component, to China, following US Commerce Secretary Lutnick's accusations. Citi this morning wrote "we find it very hard to believe that they would jeopardise their position in the industry". The sectoral laggard is construction, one of its largest constituents Holcim -1.9% (9% weighting in the STOXX), after RBC downgraded the Co. 's PT, citing the completion of the acquisition of Xella and update to Q2 results model.
- **On UK politics**, Citi said it was too early to turn constructive on the sector despite pockets of attractive valuation given the likelihood of further political debate on energy policy. It said the order of preference is UK Waters and Centrica, over Energy names.
- **Stateside**, futures opened entirely in the green but to varying degrees. RTY outperformed vs peers, whilst the NQ and ES post mild gains. **US Open movers**: GETY +135%: Announced a display agreement w/ OpenAI, AAPL -1%: Faces unavoidable device price increases as AI hyperscalers & NVDA absorb DRAM & NAND supply, APGE +50%: ABBV confirmed it is to acquire the Co.

FX

- **DXY** was firmer throughout the European session, traversing 100.80-101 parameters as participants position into PCE on Thursday. USD-specific drivers were light throughout the morning. Overnight, the focus was on geopolitics, after US-Iran weekend talks whipsawed crude benchmarks. The main data point this week is PCE on Thursday, and the remainder of the session today sees remarks from Fed's Waller. DXY gapped higher at the APAC re-open and rose throughout the European morning to a peak of 101.01, where it has returned to in recent trade.
- **UK PM Starmer announced he would step down** . No market reaction was seen to the resignation, as it was broadly as expected, with him setting a departure timetable. However, UK assets were bid after Streeting released a statement endorsing Burnham, significantly reducing the odds of a leadership contest and potentially setting Streeting up to be Chancellor. This outcome would be much more welcome than other options, such as Miliband, who was the frontrunner until reporting over the weekend. Given these points, Sterling was firmer against the Euro and Buck. **EUR/GBP -0.4%, GBP/USD +0.1%.**
- **JPY underperformed throughout the session** , USD/JPY breaching the recent 161.81 high made last week, to a peak of 161.89. **The pair now looks to the July 2024 high of 161.95** . Japanese Finance Minister Katayama was on the wires overnight, saying they were "ready to act suitably on currency fluctuations whenever necessary"; not sparking a move in the Yen. Focus remains on further incoming commentary from Japanese officials.

FIXED

- **A mixed session for fixed income**. **USTs** remain in the red, despite the pullback in the energy space from its strength at the resumption of trade amid the weekend's initial geopolitical escalation. Thereafter, no real move was seen to extensive remarks from **VP Vance**, while **Fed's Waller** did not comment on policy. **USTs set to end the European day lower by around 10 ticks**, but remain a handful clear of the 109-07 earlier low. As a reminder, USTs are somewhat playing catch-up to the limited US session on Friday.
- **Bunds** bid, picking up from the mentioned pullback in energy (see Commodities for more). Otherwise, newsflow remains around **German pension reform** and ECB speak. On the latter, **Lagarde** largely stuck to familiar lines, though her commentary had a slight dovish tilt and was not indicative of any further tightening being in the pipeline at this point, despite sources after the ECB. Albeit, the approach from Lagarde has always been data-dependent, meeting-by-meeting and not pre-committing, points her text chimes with. **Bunds at the upper end of a 126.01-53 band, with gains of 40 ticks on the day** .
- **Gilts outperform**, despite PM Starmer announcing he will be resigning. Outperformance that comes as **Streeting will not challenge Burnham**, which opens the path to an orderly transition of power mid-July. Furthermore, **weekend reporting suggested that Miliband is no longer in poll position to replace Reeves as Chancellor** once Burnham becomes PM, a move that has been welcomed by Gilt participants. Set to end the European day firmer by 50 ticks but just off best in 88.30 to 89.03 parameters.
- **EU Commission auction** sold:. 2028: average yield 2.744%. 2036: average yield 3.392%. 2043: average yield 3.794%.

COMMODITIES

- **A very busy geopolitical weekend**, which initially saw the Iranians shut the Strait of Hormuz, and suggested that the US and Israel broke the interim ceasefire agreement amid the continued military strikes on southern Lebanon. This led Brent Aug'26 to gap higher by c. USD 2/bbl, to a session peak of USD 82.30/bbl. Attention then turned to the US-Iran talks in Switzerland.
- **The outcome of the initial talks were positive**. A Qatari and Pakistani joint statement stated that the US and Iran agreed to set up a de-confliction cell over Lebanon and agreed to establish a high-level committee to provide political oversight on mediation. The high-level committee also agreed to a roadmap to reach a final deal within 60 days.
- Following the positive mood music from the talks, **Brent Aug'26** gradually moved off best levels and turned negative. The benchmark is set to end the EU session off by c. 2.6%, and at the lower end of a USD 78.32-82.30/bbl range. For now, the heads of the delegation team have returned to Iran, while technical teams will remain in Switzerland to follow up on the implementation of the MoU. Most recently, a bout of pressure was seen in the crude complex after US Treasury Secretary Bessent issued a General License for the delivery and sale of crude oil.
- **Spot gold** (+0.8%) is set to end the EU session in the green, benefiting from the disinflationary implications of the positive geopolitical mood music. **XAU/USD** is currently holding within a USD 4136-4221/oz range. Elsewhere, base metals were broadly firmer this morning vs a mostly negative APAC session. Focus overnight remained on China, which added US firms to its export control list and decided to take relevant measures against 46 US companies in government procurement activities. **3M LME copper** traded within a USD 13,598.28-13,736.93/t range.
- **QatarEnergy Minister said what happened at Ras Laffan was an accident and not an aggression or sabotage; has not impacted export capabilities.** Resumption of operations at affected factory is difficult to determine now. Assessing damage at affected factory would take some time.
- **US NEC Director Hassett** said some really big tankers are going through the Strait of Hormuz.
- **Strait of Hormuz traffic has started to increase via Oman and Iran routes; Hormuz maritime security threat has been lowered to moderate, according to JMIC.**
- **Norwegian Offshore Industrial Group** said it will impose a work stoppage from Saturday in response to a strike by oil-service workers from the "Safe Labour Union", warns the halt will delay and suspend drilling operations on the Norwegian continental shelf.
- **"Confirmed crossings through the monitored Strait of Hormuz zone rose sharply over 19–21 June, with 71 total transits recorded", Kpler's Bakr reported.**
- **Goldman Sachs** expects central bank Gold buying to slow slightly but remain a structural floor for prices. GS forecasts central bank buying at roughly 50 T a month in 2026, then slowing to around 40 T a month in 2027.

NOTABLE HEADLINES

- **UK PM Starmer announces he will step down; nominations for Labour leader will open on 9th July, conclude by summer recess (16th July); will act as caretaker until new leader elected.** Will fully support whoever takes over.
- **UK MP Burnham, when asked if he would call a General election, said "that is jumping too far ahead".**
- **UK MP Pollard** said "I will be backing Andy Burnham for PM".
- **UK MP Streeting backs Burnham to be PM.**
- **UK MP Burnham** said he will put himself forward to be PM.
- **UK MP Streeting still** plans to stand in leadership contest, Sky News reported, citing comments from an ally over the weekend.

TRADE/TARIFFS

- **India's Trade Minister** said they intend to secure preferential market access via a trade agreement with the US. Signing of a US-India trade agreement will take longer than expected, because the US initially imposed 50% tariffs on Indian goods.
- **China's MOFCOM issues action plan on strengthening foreign Investment; to support qualified key foreign firms listing on domestic exchanges.**

CENTRAL BANKS

- **Fed's Waller (voter) does not comment on economic or monetary policy outlook in prepared remarks.**
- **BofA changes Fed call; now expects three 25bps rate hikes in 2026, and then on hold next year.** Sees Fed on hold next year. Inflation is likely to remain sticky, keeping the real policy rate from becoming overly restrictive. "We were sceptical of the need for cuts in 2025. Both the data and our updated read of the Fed's reaction function suggest it will reverse those cuts in short order.".
- **ECB's Lagarde "we remain well positioned to navigate the uncertainty caused by the war. We will closely monitor developments and follow a data-dependent and meeting-by-meeting approach".** "The shock is too large to look through without jeopardising our target. But we see no evidence yet of de-anchoring of inflation expectations or second-round effects that would warrant a more forceful policy response at this stage.". "In particular, our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. We are not pre-committing to a particular rate path.". "Compared with the previous inflation episode, however, at this stage the current shock appears to be smaller in magnitude and occurring in a different context.". "..monetary policy cannot fully offset the impact of such shocks".
- **Berenberg now** expects the ECB deposit rate to reach 3% by mid-2029 (vs prev. view of 2028; vs the current 2.25%). said a temporary US-Iran agreement lowering energy costs could push Eurozone inflation below 2% in early 2027, potentially delaying ECB tightening until end-2028. said that after that, demographic-driven labour-supply declines should lift wages and prompt renewed hiking.
- **ECB's Escriva warns that rising oil and commodity prices linked to the Middle East conflict are feeding into consumer prices**

and could cause wage spillovers. said energy cost increases are already transmitting through areas such as transport services. ECB must monitor possible second-round wage effects depending on inflation persistence.

- **Swiss Total Sight Deposits (w/e June 19) (CHF): 471.9bln (prev. 468.5bln), Domestic 437.5bln (prev. 434.0bln).**
- **SNB adjusts remuneration of sight deposits; lowering threshold factor from 15 to 13.5; effective August 1st 2026.**

MIDDLE EAST

- **US Treasury Secretary Bessent** said in line with the ongoing productive talks in Switzerland, Iran has committed to free and open transit in the Strait of Hormuz and to permit International Atomic Energy Agency (IAEA) inspectors into their country. As part of the framework, Treasury has issued a temporary 60-day general license authorizing the production, delivery, and sale of Iranian oil.
- **US VP Vance to speak in Switzerland at 12:00BST/07:00EDT.**
- **US VP Vance on Iran talks, said made a lot of progress; Strait is open; Want to make sure have proper coordination; Iranians have agreed to invite IAEA inspectors back.** Technical talks will continue in weeks and days to come. We laid a very good foundation for a successful final deal. When Iran said things that are not true, Trump responds; cant expected Trump not to respond and correct the record. Possibly this week, when nuclear inspectors will start, perhaps as soon as today. We want a regional ceasefire. On Lebanon, this is a work in progress; this will be ongoing conversation. If we can get permanent peace, Trump still has a lot of options. On Iranian assets, we wanted to set up a process that we can ensure funds help Iranians, not fund terrorism. US not imposing deal on region. Kushner working with Qatari's to set up the US approval process for unfrozen Iranian assets.
- **Iranian foreign ministry spokesman Bagaei** said Iran will use all its levers to ensure the other party fulfils its commitments, according to Nour News. said the joint statement from mediators Qatar and Pakistan, prepared in consultation with Iran and the US, envisaged mechanisms to monitor implementation of the MoU. said technical and expert-level talks would continue to advance implementation of the understanding to end the war, based on a "commitment for commitment" principle.
- **Iranian President Pezeshkian** said, on negotiatons, that "Good openings have been created".
- **IRGC** said Iranian Supreme Leader Khamenei has permitted talks with the US, Al Hadath reported.
- **Iranian President** expected to arrive in Islamabad, Pakistan on Tuesday, Al Mayadeen reported, citing a Pakistani source.
- **Pakistan PM Sharif** said talks produced agreement on establishing a high-level committee for political oversight and beginning further technical talks.
- **Iranian Deputy Foreign Minister Gharibabadi to lead the technical team in Switzerland, Sky News Arabia reported.**
- **"The negotiations of the main Iranian delegation in Switzerland have ended, however, experts are still in Switzerland and are following up on the implementation of the memorandum of understanding", Tasnim reported citing sources.**
- **"No negotiations have taken place on the nuclear file so far", Tasnim reported citing a source.**
- **US intelligence remains sceptical Iran will make the required nuclear concessions, Axios reported.**
- **Qatari PM and FM told Al Jazeera that they** are continuing our mediation efforts with Pakistan to find solutions to bridge the gap between the parties. There will be many points of contention in the negotiation process between Washington and Tehran. There are parties that want to sabotage the negotiations, but we sensed from both sides a determination to reach a solution. The continued occupation of Lebanese territory must end and the sovereignty of Lebanon must be respected. The United States is playing the right role regarding Israeli actions in Lebanon.
- **UAE official** said there is progress in our talks with Iran, including establishing mechanisms regarding Hormuz and a ceasefire in Lebanon, Al Jazeera reported.
- **Strait of Hormuz traffic has started to increase via Oman and Iran routes; Hormuz maritime security threat has been lowered to moderate, according to JMIC.**
- **Two supertankers enter into the Gulf through the Strait of Hormuz to load 4mln barrels of oil, and of the tankers heading to Iraqi port of Basra.** Two smaller crude tankers with under 2mln bbls into total sail through Hormuz into the Gulf of Oman.
- **Lebanese presidency discussed the issue of consolidating the ceasefire in Lebanon, in a call with Qatari PM and US's Vance.**
- **The Lebanese President** was "informed during the tripartite American-Qatari call that the Lebanese file is part of the American-Iranian negotiations", Al Jadeed reported.
- **Qatar's role within the proposed mechanism will be in coordination with Saudi Arabia and will initially be limited to consolidating the ceasefire, while the withdrawal mechanism will be discussed in Washington, Al Jadeed reported.**
- **Israel** is mulling announcing symbolic withdrawals from occupied territories in southern Lebanon, according to a source cited by CNN.
- **Israeli Foreign Minister Saar told his New Zealand counterpart, "Israel will respect the ceasefire in Lebanon as long as it won't be breached by Hezbollah.".**
- **Israeli army will be forced to partially withdraw from the yellow line (buffer zone), Al Jazeera reported, citing Israel's Haaretz sources.**
- **Israeli political and security cabinet will convene on Thursday amid US-Iran talks, N12 reported.**
- **Israeli PM Netanyahu** said "we will remain in the security zone in southern Lebanon as long as necessary", Al Hadath reported.
- **Israeli officials** are dismissing reported of an agreement to withdraw from certain points in southern Lebanon, amid a lack of US pressure to do, Maariv's Barsky reported. Officials add, "because in Washington they understand the Israeli position: no partial withdrawal, no point-specific withdrawal, and no diplomatic 'gesture'.". And "as long as the Hezbollah threat persists, there is no change in the deployment of forces and no intention to relinquish the security positions in southern Lebanon.".
- **Hezbollah releases old images of attack on Israeli army command center on June 12th.**
- **China's foreign minister Wang** said China supports Iran in safeguarding its sovereignty, security and national dignity. Adds that China is willing to continue providing assistance in its own way and to play a constructive role in restoring regional peace and stability at an early date.

NOTABLE NORTH AMERICAN NEWS

- **Goldman Sachs** cuts 12-month recession risk estimate in the US to 15% (prev. 25%).
- **US NEC Director Hassett** said getting debt-to-GDP down is a high priority; Fed Chair Warsh is not asking the White House for advice.
- **Alan Greenspan, former Fed Chair, has passed away.**

NORTH AMERICAN DATA

- **Canadian Core Inflation Rate MoM (May) M/M 0.6% (Prev. 0.2%).**
- **Canadian Inflation Rate MoM (May) M/M 1.0% vs. Exp. 0.7% (Prev. 0.4%).**
- **Canadian** CPI Trimmed-Mean YoY (May) Y/Y 2.0% vs. Exp. 2% (Prev. 2%).
- **Canadian** CPI Median YoY (May) Y/Y 2.1% vs. Exp. 2.1% (Prev. 2.1%).
- **Canadian Core Inflation Rate YoY (May) Y/Y 2.2% (Prev. 2.1%).**
- **Canadian Inflation Rate YoY (May) Y/Y 3.2% (Prev. 2.8%).**
- **Canadian** CPI Common YoY (May) Y/Y 2.7% vs. Exp. 2.5% (Prev. 2.5%).
- **Canadian CPI Average of Common, Median and Trimmed (May, Y/Y): 2.27% (prev. 2.20%).**