newsquawk

European Market Wrap - 23rd June 2026

- **Tech rout leads stocks lower; KOSPI declined c. 10%, which weighed on the NQ -2.3%.**
- **DXY gained amidst haven flows; JPY held afloat whilst the Antipodeans were hit by the risk tone and losses in the metals complex.**
- **Focus on US-Iran talks, with mixed commentary surrounding nuclear inspections; A Lebanon-Israel flare-up comes just before the fifth-round of US-mediated talks between the two countries.**

EQUITIES

- **Large losses in Kospi (-9.9%) crept through to European bourses** (STOXX 600 -1%) with tech leading the losses. No specific headline driver for overnight losses in a typical non-conflict risk-off move (stocks/oil down, fixed/havens bid). As you would expect, South Korean heavyweights Samsung and SK Hynix (which account for over 50% of the index) led the declines, both falling 12%. Some analysts pointed out the mechanical rebalancing from leveraged ETFs exacerbated losses with a large share of the vehicle used to gain Kospi exposure coming as leveraged ETFs. Others point out positioning into Micron earnings due after the close on Wednesday - which will cement the memory thesis.
- **Given the above, Technology was the worst sectoral performer** (bar basic resources). Chipmakers **ASML** and STMicroelectronics were lower by -6% and -9% respectively.
- **Stateside**, indices opened on a weaker footing. NQ fares the worst after South Korean tech stocks slumped overnight, ES and RTY fare better with their composition less weighted towards tech names. (**ES** -1.5% **NQ** 3.0%, **RTY** -1.5%)

FX

- **G10s were entirely lower against the Buck, ex-JPY**, which reinforced its haven status in a textbook risk-off market move (stocks/oil down, fixed/havens bid). As you would expect, Antipodeans underperformed, **Aussie** fared the worst ahead of data as metals suffered from the strong Buck, while JPY is the only currency stronger vs the USD in choppy trade towards 2024 highs.
- **DXY** set to handover to the domestic session higher by 0.3% as it attracted haven demand amid tech weakness in **Kospi/NQ** (see equities at 09:25 BST for analysis). The data docket was light (ADP + PMIs firmed), but begins to pick up towards the latter end of the week, with Thursday seeing GDP revisions and PCE. DXY surpassed Friday's high of 101.12, now looks to the May peak just below 102, session high is just below 101.35.
- **JPY** continues to whipsaw around multi-year lows against the Buck, with USD/JPY at 161.50 and looking to 162 to the upside. Japanese officials continue attempts to bolster the Yen, but it continues to be overshadowed by the Greenback bid. **A sharp move lower in USD/JPY was seen in early London trade** (absent a headline), with Citi's FX desk estimating around ~500mln traded at the time. The 30 pip move lower helped JPY's status as the best performer, set to complete London trade essentially U/C against the Buck.
- **GBP** tracked the firmer Buck with participants awaiting further updates from a likely incoming Burnham premiership. Despite Gilts outperforming EGBs at first on optimistic Burnham reporting (Streeting added to Chancellor candidates/Burnham said to announce commitment to Fiscal rules), Miliband still in the picture for Chancellor is viewed by Sterling traders as an unwelcome option. As such, GBP was tentative and awaited further press reporting. Cable remained at 1.32, EUR/GBP was unchanged, after bouncing from a low of 0.8615. Elsewhere, **EUR** saw fleeting strength on the firm French headline PMI figure with commentary indicating cooling of cost pressures; a move which proved fleeting as the German services and composite metric cooled, despite caveats to the data collection window.

FIXED

- **A firmer session for fixed benchmarks**, with traditional haven allure from the tech sell-off and energy downside despite activity in Lebanon contributing, alongside a continuation of Monday's direction.
- **USTs** firmer by 10 ticks at best, but have since moderated to strength of just half of that across the afternoon. Newsflow for the US includes a handful of corporates raising funds or updating on previously announced plans. On that, **2yr supply due later**, which should be well received.
- **Flash PMIs** for the US beat and moved further into expansionary territory. Welcome, and echoing the earlier reports, input cost inflation showed signs of cooling given the energy moderation. No move to the data.
- Earlier, the **European Flash readings** and internal commentary chimed with those who believe that expectations for further ECB tightening are overdone. A point arguably added to by the pertinent commentary from President Lagarde on Monday.
- Amidst the data and the above macro points, **EGBs have been firmer throughout the session**. **Bunds** set to end the day aroun 10 ticks off a 126.91 peak, but still firmer by over 30 ticks. No move to the German government formally outlining its pension reform plans, with the legislative process to firm up the draft expected after the summer recess; September 7th onward.
- No move to **Germany's Schatz tap**, a sale that received the strongest b/c for the line since its issuance in April 2026, despite the 3rd lowest average yield accompanying it.
- **BTPs** directionally in-fitting but underperform Bunds by around 10 ticks after Bloomberg sources outlined that **Italian PM Meloni is considering calling an election as soon as April 2027** vs the 22nd December 2027 deadline. A report that follows the

strong local elections in May, which reduced some concern around the centre-right coalition after the justice reform failure in March.

- **Gilts** an echo of the above. Trading in line with Bunds, firmer by just under 50 ticks at best, but looking to exit the day with around 30 ticks of upside. Initial strength on the mentioned factors and as Burnham is expected to speak next week and endorse the fiscal rules; however, The Times piece outlined that Miliband is still in contention to be Chancellor, a point that potentially capped the benchmark. Briefly, the **UK's PMIs were indicative of the on-hold for the foreseeable narrative for the BoE**, a view echoed by dove- **Taylor** this afternoon.
- **Nomura (8604 JT) files to sell USD denominated noted; 5-parter.**
- **Germany sold EUR 3.807bln vs exp. EUR 5bln 2.50% 2028 Schatz: b/c 1.90x (prev. 1.58x), average yield 2.57% (prev. 2.59%), retention 23.86% (prev. 22.80%).**
- **The Netherlands sold EUR 1.98bln vs exp. EUR 1.5-2bln 3.50% 2056 DSL Bond: avg. yield 3.52% (prev. 3.51%).**

COMMODITIES

- **Geopolitical newsflow remains focused on the US-Iran talks**, and the somewhat mixed commentary filtering out from the respective officials. As it stands, there does not appear to be any cause for concern, with President Trump and VP Vance both sounding positive about the initial talks; the Iranian side also said good progress has been made. However, looking between the lines reveals some contradictory remarks. On Monday, VP Vance said that Iran would allow the IAEA to inspect nuclear facilities. However, this was pushed back on by the **Iranian Foreign Ministry Spokesman**. Thereafter, President Trump stated that Iran agreed to the highest level of nuclear inspections, and if they did not agree, then there would be no further negotiations.
- **Perhaps more pressing in the near-term is the Lebanon situation**, with Israel shooting dead two people in Southern Lebanon. The IDF claimed they were Hezbollah operatives, whilst the group itself claimed their action violated the ceasefire agreement. Markets now await the US-mediated Israel-Lebanon negotiations, which have reportedly begun.
- **Crude benchmarks** traded lower throughout the European session, and are set to close the London session off by c. 0.3%. Brent Aug'26 traded within a USD 76.43-78.23/bbl range, whilst WTI Aug'26 traded within a USD 72.48-74.45/bbl range.
- **Spot gold** is set to end the EU session down around 1.9%, but off worst levels. Pressure was facilitated by the stronger USD, and as hawkish central bank pricing continues to linger in traders' minds. Deutsche Bank today cut its gold forecast by around 22%, which follows on from a cut at Goldman Sachs earlier in the week. Elsewhere, base metals are in the red throughout the session, dented by the downbeat risk tone. 3M LME copper is set to end the EU day just shy of the USD 13.4k/t mark, within a USD 13,375.03-13,671/t range.
- **Phillips 66 (PSX) said Strait** is reopening but it is still pretty tenuous; shutdown may create structural shift in what the crude floor is, while refined products have hung in there a little tighter than crude.
- **US President Trump said "19 Millions Barrels of Oil flowed out of the Hormuz Strait yesterday, an all time RECORD."** "Oil prices are tumbling down, and the World is a much safer place!!!".
- **Shanghai Energy adjusts daily price limit bands and trading margin ratios for crude oil and low sulfur fuel oil futures contracts.**
- **Norilsk Nickel forecasts a surplus of 20k tons on the global nickel market in 2026; expects global nickel consumption to grow by 2%.** Expects a balance in the global palladium market and a deficit of 0.7mln ounces in the platinum market.
- **Rabobank lowers its Q3 Brent price forecast to USD 79/bbl (from USD 103/bbl), and Q4 to USD 78/bbl (from USD 93/bbl); sees Brent averaging USD 74.50/bbl in 2027, and USD 71/bbl in 2028.**

EUROPEAN DATA

- **UK** Chancellor Reeves announces former MPC member Jonathan Haskel as preferred OBR chair.
- **UK** CBI Industrial Trends Orders (Jun) -45 vs. Exp. -35 (Prev. -41).
- **UK S&P Global Manufacturing PMI Flash (Jun) 53.1 vs. Exp. 53.6 (Prev. 53.9, Low. 52.0, High. 54.5).**
- **UK S&P Global Composite PMI Flash (Jun) 49.4 vs. Exp. 50.6 (Prev. 49.7).**
- **UK S&P Global Services PMI Flash (Jun) 48.7 vs. Exp. 50 (Prev. 49.3, Low. 49.0, High. 51.5).**
- **UK** grocery inflation was 3% (prev. 3.1%) in the four weeks to June 14th.
- **EU S&P Global Manufacturing PMI Flash (Jun) 51.3 vs. Exp. 51.2 (Prev. 51.6).**
- **EU S&P Global Services PMI Flash (Jun) 48.9 vs. Exp. 48.1 (Prev. 47.7).**
- **German S&P Global Manufacturing PMI Flash (Jun) 50.0 vs. Exp. 50 (Prev. 50.1).**
- **German S&P Global Services PMI Flash (Jun) 46.8 vs. Exp. 48.7 (Prev. 48.1).**
- **French S&P Global Services PMI Flash (Jun) 47.4 vs. Exp. 45.9 (Prev. 44.3).**
- **French S&P Global Composite PMI Flash (Jun) 47.6 vs exp. 46.0 (prev. 44.9).**
- **French S&P Global Manufacturing PMI Flash (Jun) 50.7 vs. Exp. 50.4 (Prev. 49.7).**
- **French** Business Confidence (Jun) 100 (Prev. 102).
- **French** Business Climate Indicator (Jun) 94 (Prev. 94).
- **US S&P Global Manufacturing PMI Flash (Jun) 55.7 vs. Exp. 54.7 (Prev. 55.1, Low. 53.5, High. 55.3)**
- **US** S&P Global Composite PMI Flash (Jun) 52.2 (Prev. 51.5)
- **US** S&P Global Services PMI Flash (Jun) 51.3 vs. Exp. 51 (Prev. 50.7, Low. 50.2, High. 53.0)

NOTABLE HEADLINES

- **Italian PM Meloni is considering calling an Italian election as soon as April 2027, Bloomberg reported citing sources.**
- **UK Treasury Minister** said they are consulting to make online markets liable for VAT.
- **German Chancellor Merz** said will not form a minority government, not looking for another majority in parliament.
- **German Chancellor Merz outlines his support for a capital-based pension system, saying it "strengthens the system".**

- **German Chancellor Merz confirms plan to push forward with all pension reform proposals.**

TRADE/TARIFFS

- **The Brazilian government** is not expected to have representatives at the public hearing scheduled for July 6th to discuss the application of the 25% tariff increase on Brazilian products after USTR concluded its investigation, reported CNN Brasil.

CENTRAL BANKS

- **ECB's Lane said he is seeing some upward momentum in wages.**
- **ECB's Kazimir said they are data-dependent, but the direction for policy is clear.**
- **ECB's Lane said that inflation risks being above 2% for some time; increase in energy prices is expected to keep inflation well above target into H1'27.** Remains attentive to both sides of the outlook. Energy shock is feeding through to broader inflation. labour market resilience, solid household balance sheets and public investment should support activity.
- **ECB's Escriva said service-sector inflation is showing very strong persistence.**
- **BoE's Taylor said an extended hold is the appropriate monetary response at this point. Bank Rate is 75bps above personal estimate of neutral.** The domestic economy is weak.
- **China reportedly moves to revise PBoC law to curb financial risks; seeks stronger macroprudential framework in draft document.**
- **BoC Governor Macklem** said imbalances are growing as China's outward flow of capital continues and the US has been the largest destination of capital. Global Imbalances & Financial Stability. Global imbalances are growing and may also be fuelling financial stability risks. While imbalances adjust slowly, attractiveness of the US dollar may have let imbalances persist longer. Leveraged trading strategies of hedge funds and non-bank financial intermediaries may be making this market more fragile. Trade & Capital Flows. If we want a more balanced and resilient global system, we need to create more places for savings to go beyond just the US. Even as the U.S. has pulled back from open trade, others should look to deepen trade and investment relationships.
- **MNB sees room for further interest rate** cuts throughout the summer if favourable conditions persist.
- **Hungarian Deposit Interest Rate (Jun) 5% (Prev. 5.25%).**
- **Hungarian Interest Rate Decision 6.00% vs. Exp. 6% (Prev. 6.25%).**
- **BCB Minutes: Committee reiterates that the magnitude of the calibration cycle will be adjusted in light of developments in the scenario.** At this moment, Selic trajectories that are less divergent from those present in the focus survey, and the pricing of monpol are more appropriate. Upside risks to inflation have increased.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian President Putin tells government meeting that Ukraine** is hitting civilian facilities as it is losing territory; Ukraine is trying to create energy problems for Russia.
- **Ukraine reportedly believes it has secured White House backing for a campaign aimed at forcing Russia into meaningful negotiations; Trump privately told Zelensky to act "more boldly".**
- **Russian President Putin** said no ground for talks with Ukrainian President Zelensky given Ukrainian strikes on civilian targets.
- **Iranian Ambassador to the UN** said transferring enriched uranium to Russia is under consideration, Al Arabiya reported.
- **Russia and Ukraine may swap Prisoners of War soon, TASS reported.**

MIDDLE EAST

Grouped below with the wording unchanged.

- **US President Trump said "Iran has fully and completely agreed to highest level Nuclear inspections long into the future (Infinity!!!)"; If they did not agree to this, there would be no further negotiations.**
- **US-Iran technical talks in Burgenstock had a "breakthrough", talks proceed seemingly in a positive direction, Journalist Mallick reported.**
- **Iran** announces the formation of working groups to focus on the nuclear file and sanctions.
- **Iran's Foreign Ministry Spokesperson Baghaei** said "if the other party does not fulfill its obligations, we should not be expected to unilaterally fulfill our obligations", Iran International reported.
- **Iran's Foreign Ministry Spokesperson** said defensive capabilities and missiles will never be a topic of discussion. US commitment regarding Lebanon is completely clear.
- **Iran's Foreign Ministry Spokesperson** said quadrilateral talks were stopped early in Switzerland due to the witnessing of US threats. Thereafter, exchanges were via a mediator, Mehr reported.
- **Iran's Foreign Ministry Spokesperson said Iran has no plans to let IAEA inspectors visit nuclear sites targeted in the conflict.**
- **Iran negotiators deny talks on missile programme and missile issues not on negotiation agenda, Fars reported.**
- **Iranian President, ahead of trip to Pakistan, said Iran is seeking the full implementation of the clauses that have been signed within the framework of international law, Nour News reported.**
- **"Iranian Foreign Minister Abbas Aragchi will visit Baghdad next Sunday", Al Mayadeen reported citing sources; The meeting will include a briefing on the progress of the talks in Switzerland and the preparations.**
- **"Sources indicate that the Iranian Foreign Minister [Araqchi] will hold separate talks with Pakistani officials", Al Hadath reported citing sources;**
- **Iranian Ambassador to the UN** said there has been good progress in negotiations with the US.

- **Iran's State Media** said the Western part of the country's airspace is now open.
- **Iranian Foreign Ministry** said "America has issued the necessary license for the sale of Iranian oil and petrochemical products", Al Jazeera reported.
- **Iran Representative in Geneva** said Strait of Hormuz is fully open to commercial ships and large amounts of oil have been transported through this waterway in recent days. Negotiations on the Strait of Hormuz between Iran and Oman will be held after negotiations with the parties on the memorandum of understanding.
- **Oman and Iran stress on their sovereign rights in their territorial waters in Hormuz Strait; they are committed to ensuring safe passage through Hormuz strait, according to a joint statement.** Will form a team to reach agreement on future management of navigation via Strait of Hormuz. Say they will hold talks with coastal countries and any concerned parties regarding management of Hormuz and any "related costs".
- **Iran's Top Negotiator Ghalibaf** said conditions in the Strait of Hormuz will not return to the pre-war situation, reported Irib News. Mr. Ghalibaf's trip to Oman as the head of Iran's negotiating delegation with the US, immediately after returning from the Swiss talks, carries this important message that conditions in the Strait of Hormuz will not return to the pre-war situation. Decisions regarding the management of the Strait of Hormuz are within the jurisdiction of the two friendly, neighboring and brotherly countries of Iran and Oman, and how to exercise sovereignty in regulating transit arrangements is the responsibility of these two coastal countries of the Strait of Hormuz.
- **Iran Top Negotiator Ghalibaf** said Tehran and Muscat (Oman) established a joint committee to discuss the Strait of Hormuz; details pending.
- **Iranian Ambassador to the UN** said Hormuz talks will be held with Oman.
- **Only a certain number of vessels are allowed to pass through the Strait of Hormuz, according to Fars citing a military source.** Based on the coordination made with the IRGC Navy, only a certain number of vessels are allowed to pass through the Strait of Hormuz daily. This number of vessels will vary daily and according to the conditions. It is worth noting that following the hostile actions of the Zionist regime and also the violation of the United States of America's commitments in implementing the ceasefire, the Strait of Hormuz had been closed in recent days and no permits were issued for vessels to pass during this period.
- **Lebanon's Hezbollah said "Israel's attack in southern Lebanon violates ceasefire agreement".**
- **Israel Finance Minister Smotrich's** said there will not be a withdrawal from the Lebanon security zone as long as Hezbollah remains in the area, via Army Radio.
- **Israel reportedly dropped a number of stun grenades targeting the town of Kfar Tebnit in Southern Lebanon, according to an Al Mayadeen correspondent.**
- **Israeli PM Netanyahu said "the battle with Iran and its proxies is not over yet", Al Arabiya reported.**
- **Israel PM Netanyahu** said he appreciates US support, but Israel needs to build its own weapons systems.
- **Senior US official tells Al Jazeera that talks between Lebanon and Israel will continue to advance comprehensive peace and a security agreement between the two countries.**
- **Israeli army** said they opened fire on four Hezbollah members who crossed the security line in southern Lebanon, Al Arabiya reported.
- **IDF Spokesperson** said "To remove immediate threat: IDF attacks armed terrorists identified near IDF forces operating in the security zone in southern Lebanon", N12 Segal reported.
- **Iranian envoy, responding to today’s reported of fatalities in southern Lebanon, said any violation of the MoU in Lebanon would create challenges for the peace talk process.**
- **One person reportedly killed by Israeli gunfire in a southern Lebanese town, according to Lebanese Civil Defense and a security source - timing unclear; N12 also reported "tank fire" around Hadath.**
- **Iranian Ambassador to the UN** said any further attacks on Lebanon would be a red line.

NOTABLE NORTH AMERICAN NEWS

NORTH AMERICAN DATA

- **US** Redbook YoY (Jun/20) Y/Y 10.0%.
- **US ADP Employment Change Weekly 30.75K (Prev. 26.5K).**
- **Philly** Fed Nonmanufacturing Business Outlook Survey (June 2026): General Business Activity (Region): -25.8 (exp. -16.0, prev. -23.6).