

- European bourses were broadly lower; all focus on Micron earnings after-hours.
- Crude benchmarks continue to sink; Brent Aug'26 -3.9%.
- Geopolitical environment involves conflicting remarks from US and Iranian officials; most recently Trump stated that Iran has informed the US that there are no tolls, no insurance costs, and no other charges for ships travelling through the Strait.

### EQUITIES

- **European bourses** (STOXX 600 -0.1%) are to end Wednesday's trade mostly in the red. The **SMI** (+1.4%) was the clear outperformer, benefiting from its lack of tech and energy exposure. The **CAC 40** (+0.4%) also printed modest gains. Underperformance came from Germany's **DAX 40** (-1.2%), as **Rheinmetall** (-18.7%) failed to claw back earlier losses amid the government's turn away from its F126 frigate programme.
- **Sectors** ended mixed. **Real Estate** (+2.9%), **Consumer Products & Services** (+1.7%) and **Food, Beverages & Tobacco** (+1.6%) topped the sector pile. **Basic Resources** (-3.2%) remained the sector laggard, as miners continue to suffer from slumping metals prices (XAU/USD -3.5%, XAG/USD -5.3%). **Energy** (-2.3%) also underperformed, as crude benchmarks continued to reverse the Iran-conflict bid.
- Key movers included: **Segro** (+19.5%), after it rejected a GBP 9.25/shr offer from Prologis; **Berkeley** (+6.0%), following FY revenue beating estimates; **Givaudan** (+3.1%), upgraded to neutral at Kempen.
- **US cash equities** opened entirely in the green ahead of **Micron** (+1.5%) earnings, EPS expected at USD 20.57, with revenue expected at USD 35.56bln. Even though shares are higher heading into the event, investors will be cautious, with one strategist stating that "softer guidance, slowing demand trends, margin pressure, or even a cautious tone from management could trigger a meaningful pullback."

### FX

- **G10s were weaker against the Buck** throughout the London session as the risk-off mood continued into Micron earning this evening. **Antipodeans lagged** as metals slump and Aussie digested mixed CPI, **JPY** fluctuated either side of unchanged, while **EMs** were offered.
- A lack of dip-buying in equities after their slump on Tuesday led to another USD bid amid haven demand with **DXY +0.4%**, approaching May 2025 highs just below 102.00. The Buck performed best against **Scandis/EMs as liquidity dried up alongside sentiment**, and **Antipodeans** were also hit as the metals slump exacerbated losses. Next on the schedule is the Fed Bank Stress Test Report alongside Micron earnings - both due after the close.
- **Aussie inflation overnight was mixed**. CPI in May cooled below expectations, and the trimmed mean firmed in line with most forecasts to 0.4% M/M and 3.6% Y/Y. The report noted housing was the main inflation pressure point, and Westpac analysis notes price pressures are broadening, particularly within services. As such, with the recent energy related price pressures set to linger, the RBA will be keenly monitoring signs of sticky inflation with the bank widely expected to have concluded tightening. **AUD/NZD +0.2%**, **AUD/USD -0.4%**.
- **EUR trended lower throughout the session, tracking the stronger Buck**. While recent ECB rhetoric has been hawkish, Governing Council members have not said much which deviates from the ECB's June statement. A fair amount of weight assigned to remarks from Lagarde on Monday, where she downplayed the prospect of further tightening. Given focus on this, **EUR/USD -0.5% underperformed vs. the broad DXY**. The pair is set to complete the session at the lower end of a 1.13 handle.
- **GBP was weaker against the Buck and flat against the EUR**. Domestic catalysts continued to show incrementally optimistic updates from a likely incoming Burnham premiership, updates which have capped losses in the Pound. However, it is still highly uncertain on Burnham's pick for Chancellor, and with **Miliband still in the mix, uncertainty could return**. Supporting this, a Mizuho strategist wrote this morning "political noise should keep term premium sticky, if not higher". Notable moves in terms of technicals this morning, **EUR/GBP hitting its 200 week moving average @ 0.8602**, marking the closest to the 0.86 mark since August 2025.
- **Barclays FX month- & quarter-end rebalancing: overall, USD neutral against all majors**. Month-end: Moderate USD buying against most, with a weak sign on USD/JPY. Quarter-end: Strong USD selling against all majors.

### FIXED

- **Another firmer start for fixed benchmarks** as recent sessions of primarily APAC driven equity pressure have seen traditional haven demand return, in addition to energy continuing to falter.
- **Gilts outperformed** throughout the session. Benefitting from the continued market-friendly commentary emerging around the Burnham team. Most pertinently, MP Jones, who was high-up in Reeves' Treasury before moving to the PM's team, was assured by Burnham's economic plans and thinks the bond market can be content with him. Further, Jones saying he would not contest Burnham removes political risk around the leadership process.
- Given this, and further declines in energy and a risk-off European equity session, **Gilts lifted to 89.94 with gains of 59 ticks on the day**. Though, yet to mount a test of the figure. Nonetheless, the **10yr yield is at its lowest since early-April**, when 4.67% traded vs a current base of 4.69%. Thereafter, there is a sizable gap before March's 4.309% base and then the YTD 4.233%

trough. Amidst this, **market pricing for the BoE continues to trim**, as the on-hold for the foreseeable narrative is slowly firming up in the market.

- **Bunds** the next best, **firmer by 47 ticks, hitting a 127.28 peak** and are set to end the day in proximity to that. The bulk of the move was driven by the risk tone and continued energy retreat, but with perhaps some further support from a robust dual-tranche Bund tap and continued analysis of recent PMI data and ECB speak, in terms of the dovish implications of 2026 tightening expectations.
- Finally, **USTs also benefit from the above**. Ending the European day at the **upper-end of 109-09+ to 109-25 confines**. Ahead, we look to a **2yr FRN and 5yr Note tap** after a well-received 2yr on Tuesday. Thereafter, the macro narrative will be guided by **Micron metrics** after the cash equity close.
- **Germany sold EUR 1.785bln vs exp. EUR 2bln 4.00% 2037 and 3.40% 2047 Bund**. 4.00% 2037: b/c 1.75x, average yield 2.96%, retention 10.4%. 3.40% 2047: b/c 2.37x (prev. 2.2x), average yield 3.38% (prev. 3.4%), retention 11.4% (prev. 2.9%).
- **BofA** said pension fund quarter-end rebalancing for June is expected to drive material outflows from equities into fixed income. Pension fund quarter-end rebalancing for June is expected to drive material outflows from equities into fixed income, as the S&P 500's quarterly gain of approximately 14.8% outperformed 10yr+ Treasuries (around 0.4%) and corporates (around 1.0%), despite a marginal month-to-date tilt favouring equities, BofA said. The bank writes that assuming roughly a third of the April and May rebalance occurred at each month-end, expected flows include approximately USD 52bln out of equities (a 1.7 standard-deviation rebalance), USD 15bln into Treasuries, USD 27bln into corporates, and USD 8bln out of agency and GSE-backed securities. Beyond passive rebalancing, structural demand for duration from pension funds is expected to persist as funded ratios remain above 100%, with a potential cycle turn possibly accelerating this trend, its analysts say.
- **Italy sold EUR 2.5bln vs exp. EUR 2-2.5bln 2.20% 2028 BTP and EUR 1.75bln vs exp. EUR 1.5-1.75bln 2.40% 2039 BTPei Auctions**. 2.20% 2028: b/c 1.51x (prev. 1.62x) & average yield 2.74% (prev. 2.73%). 2.40% 2039 BTPei: b/c 1.56x (prev. 1.62x) & gross yield 2.03% (prev. 2.00%).
- **The UK sold GBP 4.25bln 4.125% 2031 Treasury Gilt: b/c 3.47x (prev. 3.36x), average yield 4.284% (prev. 4.651%), tail 0.1bps (prev. 0.2bps)**.

## COMMODITIES

- **Crude benchmarks** started the European morning on a softer footing, and continued to trundle lower as the session progressed. Geopolitical newsflow has been relatively light today; some focus was on comments via the **Pakistani Foreign Ministry** which highlighted that technical talks between the US and Iran could continue next Monday or Tuesday. It seems to be the case that oil markets are digesting the **sailing of ships through the Strait of Hormuz**. Estimates indicated around 6-7mln bpd of oil has traversed through the Strait in the past few days, but remains well short of the c. 20mln bpd pre-war. **There are three key points of conflict that could derail the progress to peace: 1) Israel** (continues to operate in Lebanon), **2) Tolls** (Iran aims to charge a navigation/environmental fee for ships traversing the Strait), **3) Nuclear inspections** (Trump claimed IAEA would visit Iranian sites, whilst Iran stated that no site bombed by the US would be visited).
- **WTI and Brent** both post losses of c. 3.7% and 3.9% respectively. **WTI Aug'26** sits within a USD 70.36-73.18/bbl range, whilst **Brent Aug'26** holds at the bottom of a USD 73.88-77.00/bbl range. Elsewhere, **Dutch TTF** is following the losses as the Strait gradually sees ships traverse through. Although prices may be relatively elevated given the recent heatwave across Europe, which has led some French nuclear energy facilities impacted output.
- **Spot gold** also extended lower throughout London hours, and set to end it off by 3.5%; holding at the bottom of a USD 3967.35-4115.31/oz range. Action which is a continuation of recent losses, stemming from stronger USD/higher yields and as sell-side banks continue to trim their PT for the yellow-metal. Elsewhere, base metals hold a strong negative bias. **3M LME copper** trades at the lower end of a USD 13,101-13,483.1/t range.
- **Russian Deputy PM Novak** has ordered fuel deliveries to regions which depend on seasonal flows, **lfx** reported.
- **Russia** has reportedly asked for 50k tonnes of gasoline from Kazakhstan to help ease domestic fuel shortages, according to sources.
- **CSN Mineracao** is reportedly negotiating a supply agreement with a Chinese state-owned iron ore buyer, CNN Brazil reported.
- **El Paso Natural Gas** issued an initial force majeure at the Eunice C compressor station in Lea County, New Mexico.
- **Rosneft CEO** said they are proposing curbing traders and loosening fuel rules to ease Russia's fuel crisis.
- **France's EDF** said power at the Nogent 2 reactor was reduced by 960MW due to high Seine River temperatures.
- **Moscow Oil Refinery (with a capacity of around c. 11mln metric tonnes p.a.) will be offline for at least six months for repairs after damage from recent Ukrainian drone attacks, sources say**.
- **China's President Xi** said ensuring stable supply of grain and key farm products is the top priority of agricultural production, Xinhua reported. China will improve agricultural infrastructure, ensure the quality of high-standard farmland construction, implement grain production support policies and ensure the supply and stable prices of agricultural inputs. China will actively promote advanced and applicable agricultural varieties, technologies and equipment, and steadily raise yields per unit area.
- **Russian gas plant in Orenburg** was targeted overnight by drones, Kyiv Post reported.
- **China's Commerce Ministry** said anyone can report the suspected illegal export of strategic minerals.
- **Iran's Energy Minister will, at the BRICS summit, be discussing the development of bilateral and multilateral cooperation around Iranian energy**.
- **Goldman Sachs** sees product margins elevated for longer as stocks stay tight. Goldman remains constructive on refined product margins, seeing limited relief from Hormuz reopening and tighter-for-longer product stocks as the key support. Diesel margin forecasts were cut, with US/EU levels seen at USD 46/bbl and 31/bbl by Q4 2026, while gasoline margins were kept roughly unchanged at USD 23/bbl and USD 13/bbl for the US/Europe. GS sees smaller downside risks for product margins than crude prices, with structural tailwinds keeping a floor under margins into 2027.
- **Jera Chairman** said that restoring Qatar's LNG facilities, which were damaged during the Iran war, may likely take more than two or three years.

## EUROPEAN DATA

- **German Ifo Business Climate (Jun) 85.6 vs. Exp. 85.6 (Prev. 84.9, Low. 85.1, High. 87.0).**
- **German Ifo Expectations (Jun) 84.1 vs. Exp. 85 (Prev. 83.8).**
- **German Ifo Current Conditions (Jun) 87.0 vs. Exp. 86 (Prev. 86.1).**
- **Norwegian Unemployment Rate (May) 4.4% (Prev. 4.6%).**

## NOTABLE HEADLINES

- **German Chancellor Merz** expects the pension package to be approved by end-2026.
- **UK Labour MP Carns** is said to be waiting to speak with Burnham before ruling out a leadership challenge, iPaper's Donaldson reported.
- **Germany confirms the cancellation of its F126 frigate project.**
- **Norwegian Tax Commission** said they are considering lowering the wealth tax level.
- **UK MP Jones** said that while he has the 81 seats required to run, he will not contest against Burnham for Labour leadership, Sky News reported; Jones said he thinks traders "can be content" with Burnham as PM. Jones adds that he thinks there is room to "borrow a little more", and things (referring to investment) can be done differently; without "broad brush" borrowing and spending. Would be happy for Burnham to borrow more for specific investment. Important that Burnham is committed to the fiscal rules.

## TRADE/TARIFFS

- **Indian Trade Minister** is to visit the UK from June 25-27 ahead of the entry into force of trade deal.
- **US Treasury Secretary Bessent** said no reason to believe 301 studies won't be successful; structural inflation has been in services; assuming 301 go through, minimal tariff revenue drop. AI: Cannot let others bod them down with regulation on AI. France is distant third in AI, after US and China. Dollar:Dollar dominance is essential. Economy: Expects a strong USD due to US growth. High GDP growth can be achieved traditional inflation. Can get to something with 3 in front of it this year. Don't know if will make progress on deficit this year. By end of Trump term can be sub-4% deficit/GDP ratio.

## CENTRAL BANKS

- **US Treasury Secretary Bessent doesn't think anyone should do dot plot projections and applauds Warsh for eliminating forward guidance.** Trump has confidence in Warsh. 'Came out tough' talking about inflation. Fed need to have an open mind on inflation impact of Iran conflict.
- **BoJ's Ueda said Japan's economy is recovering moderately albeit with some weakness; Economic growth likely to slow but continue to moderate recovery.** Risk that underlying inflation may overshoot 2%. Financial environment remains accommodative after recent rate hike; continues to support economic activity. Timing and pace of future hikes will be decided by scrutinising the likelihood of baseline forecasts materialising, as well as risks. Japan's Financial system remains stable as a whole.
- **RBA's Hauser said "there have been important economic developments since May and not least the chance of a US-Iran deal.** Lower oil prices are lower, but not assured yet. The RBA took proactive policy action to reduce excessive capacity pressures through rate hikes. Timely policy steps to reduce inflation could have lower unemployment costs. The RBA still has work to do to reduce inflation, which remains far too high.
- **SNB's Tschudin reiterates medium-term inflation pressures are unchanged.**
- **SNB's Martin** said there are no plans for a digital CHF.
- **Thailand Central Bank leaves rates unchanged at 1.00%, as expected.**

## GEOPOLITICS

### RUSSIA-UKRAINE

- **Russian Deputy PM Novak** has ordered fuel deliveries to regions which depend on seasonal flows, Ixf reported.
- **Russia** has reportedly asked for 50k tonnes of gasoline from Kazakhstan to help ease domestic fuel shortages, according to sources.
- **Rosneft CEO** said they are proposing curbing traders and loosening fuel rules to ease Russia's fuel crisis.
- **Russian gas plant in Orenburg** was targetted overnight by drones, Kyiv Post reported.
- **Russia's Kremlin** said Russia expects US contacts to continue.
- **Russia** is reportedly considering a new wave of mobilisation as early as October 2026.

### MIDDLE EAST

#### Iran / US / Strait of Hormuz

- **US President Trump** said that inspectors will be allowed to where Iran's uranium is, Fox reported; there is no rush getting them to the sites. USD 500mIn initially for Iran to buy US goods.
- **US President Trump** said Iran has informed the US that there are no tolls, no insurance costs, and no other charges of any kind being sought or received by Iran on ships travelling the Strait of Hormuz.
- **Iran's Deputy FM Gharibabadi** said "no meeting was held with [IAEA's SecGen] Grossi, despite his request. There is also no program for access to the attacked facilities and nuclear materials". "These issues will solely be examined and resolved within the framework of the final agreement and as a result of the other party's practical action in terminating all sanctions and you

cannot advance the "stir up and take over" policy with media hype".

- **Iran** is expected to propose environmental, navigation and security fees instead of tolls, according to a diplomat. Iran-GCC-Iraq talks over the Strait are separate from US-Iran talks and arrangements to de-mine the strait.
- **Oman and Qatar** are discussing US-Iran mediation efforts, according to State TV.
- **Iran negotiator Rouholamini** said the MoU text went back and forth between Iran's leadership and negotiating team 25 times, according to IRIB.
- **Iran's Energy Minister will, at the BRICS summit, be discussing the development of bilateral and multilateral cooperation around Iranian energy.**
- **Iranian Parliament Speaker Ghalibaf** said Iran extends its hand of brotherhood and cooperation to all countries in the region and is ready to establish security agreements with all countries in the Middle East. A ceasefire and an end to the war in Lebanon are just as important to us as a ceasefire and an end to the war in Iran.
- **Pakistan's Foreign Ministry** said it is conducting communications between US and Iran to effectively implement the MoU. Technical talks will continue next week; potentially Monday or Tuesday.
- **UN spokesperson** said ships have already sailed through Strait of Hormuz under UN Shipping agency's evacuation scheme. At least two dry bulk ships and one cargo ship sailed through Hormuz under UN scheme in past 12 hours. At least 35 other commercial ships, mainly dry bulk, cargo and container vessels preparing to sail through Hormuz.
- **Maritime Security Center in Muscat** said Oman coordinates with the IMO for ships to pass through the Strait of Hormuz "without fees", Al Jazeera reported.

## Israel / Lebanon

- **Israel and Lebanon** are in talks on a US-supported pilot project involving the withdrawal of Israeli troops from some parts of southern Lebanon and hand it over to Lebanese forces, according to several Israeli officials.
- **"Israeli drone strike targets car near Kfar Rumman town in southern Lebanon", Al Jazeera reported.**
- **Lebanese PM** said they will accept the continued presence of any Israeli positions in the south of Lebanon, Al Araby reported.
- **IDF has targeted two vehicles in Southern Lebanon, Ynet reported.**
- **Israeli Defence Minister Katz said they will not withdraw from Southern Lebanon, even if the US asks them to do so, Al Jazeera reported.**
- **Israeli drones have reportedly been seen over Sidon, Lebanon.**
- **Israeli Military reportedly preparing for redeployment in southern Lebanon, Al Hadath reported, citing Maariv.**

## Russia / Ukraine

- **Moscow Oil Refinery (with a capacity of around c. 11mln metric tonnes p.a.) will be offline for at least six months for repairs after damage from recent Ukrainian drone attacks, sources say.**

## NOTABLE NORTH AMERICAN NEWS

- **US President Trump will be headlining a conference in DC on the 26th of June.**
- **US SEC** is reportedly probing funds into continuation vehicles used by PE firms and other money managers, according to sources.
- **The US CDC** is expected to wind down its hantavirus response as a US outbreak risk diminishes, WSJ reported.

## NORTH AMERICAN DATA

- **US Current Account (Q1) -226.8B vs. Exp. -225B (Prev. -190.7B).**
- **US Building Permits Final (May) 1.41M vs. Exp. 1.413M (Prev. 1.423M).**
- **US Building Permits MoM Final (May) M/M -0.9% vs. Exp. -0.7% (Prev. 4.4%).**
- **US MBA 30-Year Mortgage Rate (Jun/19) 6.59%.**
- **US MBA Mortgage Applications (Jun/19) 1.0%.**

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newsquawk.com · +44 20 4545 5000 · sales@newsquawk.com