

European Market Wrap - 26th June 2026

- European bourses were lower throughout the session; US equity futures follow suit, with the NQ -1.1%.
- Crude benchmarks continue to slide despite a few friction points, but as ships continue to travel through the Strait.
- Israel reportedly drops flyers on a southern Lebanon town, ordering people to leave.

EQUITIES

- **European bourses** (STOXX 600 -1.2%) are set to finish the last trading day of the week with decent losses across the board. The main driver for the day's losses came after Apple hiked prices on some of its products, which raised concerns that rising component costs could curb demand for devices. Further downside was then spurred after reports of the UAE sending out phone alerts about a potential missile threat, however this was later calmed, stating the situation is now safe.
- **Sectors** held its negative bias. **Travel & Leisure** (-2.4% was the sector underperformer, as **Autos** (-2.3%) and **Tech** (-2.1%) closely followed. **Optimised Personal Care** (+0.6%), **Utilities** (+0.5%) and **Real Estate** (+0.2%) were the only sectors that printed modest gains.
- There were a few stories announced mid-session: **Evonik** (+0.1%), reported Q1 adj. EBITDA and FY outlook that beat estimates; **Sanofi** (+0.3%), after the EU opened a formal investigation over promoting the flu vaccine for vulnerable patients; **Watches of Switzerland** (-2.7%), reportedly set to miss its GBP 3bn sales target and drop its target of more than double sales and profit by 2028.
- Other key movers: **Wise** (+5.9%), beat FY revenue expectations and announced a new share buyback programme; **Zalando** (-6.2%), as BaFin began a probe regarding the About You acquisition; **Pandora** (+2.7%), double upgrade to buy at BofA.
- **US cash equities** opened entirely in the red, with the **NDX** (-1.1%) the clear underperformer. This follows an entire week of selling. Analysts however think the equity drawdown will find a floor soon, with the reasoning behind the volatility remaining rotation-driven rather than a broad de-risking.

FX

- **DXY is set to end the week with modest gains**, in what was a week of two halves, beginning with strength to a 101.80 peak as hawkish Fed pricing expanded and rate differentials weighed on peers. However, following Thursday's data, this has trimmed to sending the DXY back towards the 101.00 figure.
- **EUR/USD**, as such, saw the inverse. Weaker at the start of the week and particularly so after less hawkish commentary from ECB's Lagarde and Flash PMIs which, together, further trimmed the odds of a back-to-back move, down to less than a 25% chance now. **EUR/USD comfortably above the 1.14 handle, but still lower WTD**.
- **GBP** and **CHF** are the next best. CHF is benefitting from the modest pullback seen in global yields today, and the periods of risk-off we have seen, given the APAC equity narrative and after a short-lived and since retracted missile warning in the UAE. For GBP, it finds itself at the middle of the week's range vs the USD and EUR, as we continue to scrutinise reporting around the potential Burnham team.
- **USD/JPY** has pulled back but remains closer to Thursday's 161.90 high than Monday's 161.05 base, despite hawkish rhetoric from the BoJ at points. Action driven by the unfavourable rate differential move at the start of the week.
- Finally, the **AUD** is not really under pressure but equally has failed to benefit from the USD downside, with the broader risk tone sapping any impetus.
- Note, today is spot month/quarter-end. As a reminder, **Barclays model was neutral overall for the USD** against all majors, formed of a moderate USD buying signal on the month-end, but countered by a strong USD sell signal for quarter-end.

FIXED

- **Fixed income benchmarks** initially started Friday's trade on the frontfoot, but steadily reversed throughout the session and is set to end flat to slightly softer. There was no clear driver for the reversal, but it did come as energy prices rebounded slightly. On the report of the UAE warning of missile threats, fixed benchmarks were little moved.
- **USTs** (+2+ ticks) held within its 110-00+ to 110-09+ range throughout the European session, with a lack of drivers to drive debt, with no tier 1 data or Fed speakers; Kashkari will be on the wires later. The US jobs report will be the headline driver next week, set to be released on Thursday due to the shortened Thanksgiving week.
- **Bunds** (+3 ticks) briefly extended above Thursday's 127.53 peak, topping at 127.64 before it reversed lower but stopped shy of the 127.25 low made at the start of Friday's trade. On the German fiscal front, Handelsblatt reported, citing sources, that its FY26 federal budget has been finalised, with the EUR 21bn shortfall set to be entirely covered using EUR 9.7bn of reserves to do so. The cabinet is set to vote on the budget on July 6th. Earlier, the ECB released its May Consumer Expectations Survey, in which the 1-year inflation expectation dropped to 3.5% from a prior 4.0%; benchmarks were little moved.
- Similarly, Citi/YouGov released a poll, in which it stated that UK June year-ahead inflation expectations fell to 3.8% from 4.7% while the longer-term inflation expectations ticked lower to 3.9% from 4.0%. However, **Gilts** (-54 ticks) were unfazed from the poll, and remained within its 89.07-90.12 range.
- **Italy** sold EUR 7bn vs exp. EUR 5.5-7bn 3.15% 2031, 3.80% 2036 and 3.45% 2036 BTP & EUR 2.0bn vs exp. EUR 1.5-2bn 1.645% 2036 CCTeu.

- Citi said it stays neutral duration but now favours Gilts over Japan and the US. Citi said that since its last monthly asset allocation update, oil has collapsed to pre-war levels and the FOMC has been surprisingly hawkish. The bank stays neutral duration but now favours Gilts, where oil mattered more to the central bank, over Japan and the US, where oil is less relevant and the FOMC's hawkishness more so.

COMMODITIES

- **Geopolitical headline risk remains.** For the Strait, Iran stated that it sent back foreign tankers attempting to sail through an "unauthorised" passage; the Deputy FM confirmed that it would not allow any sailing aside from the IRGC-controlled one. As for Lebanon-Israel, the situation appears to be heating up. It was reported by Lebanese state media that Israel had dropped flyers to residents in a Lebanese town, ordering them to leave. A strike has not occurred yet, but it is a developing story. The warning comes in the midst of the US-mediated Lebanon-Israel talks; no progress has been reported so far, but a breakdown of talks could see a restart of Israeli attacks on Lebanon. If this takes place, Iran will likely retaliate with its own strikes on Israel and/or close the Strait of Hormuz once again.
- **Despite all of the above**, crude benchmarks continue to slip. The complex is seemingly ignoring the friction points, and instead focusing on the number of ships traversing the Strait. **Brent Aug'26** (-3.6%) traded towards the lower end of a USD 72.14-75.13/bbl range. Some mild strength was seen in the benchmark after reports that the UAE issued missile alerts, though this faded soon after, given another phone alert suggested that the situation is safe.
- **Spot gold** clambered back above the USD 4k/oz mark, and traded within a USD 3,982-4,066/oz range; though the yellow metal ultimately traded towards the bottom of Thursday's range. Clear drivers were lacking today, with action ultimately facilitated by the slightly softer USD. Elsewhere, base metals were mixed; **3M LME copper** held mild losses and traded within a USD 13,088.3-13,336.63/t range.
- **Export schedule shows Angola's crude exports in August at 35 cargoes, up from 29 in July.**
- **Zijin's huge new Congo lithium mine** set to avoid royalty hike.
- **QatarEnergy has reportedly not indicated that it will extend its force majeure provisions for Asian customers.**
- **Russia** is considering a short-term ban on diesel exports for a few months, TASS reported.
- **Kazakhstan Energy Minister** said we may consider fuel exports to Russia if there is an official request.
- **Kazakhstan** cuts gas production at the Karachaganak gas field after Ukraine drone attacks on Russia's Orenburg gas processing plant.

EUROPEAN DATA

- **French** Unemployment Benefit Claims (May) 15.5K (Prev. -9.0K).
- **Italian** Consumer Confidence (Jun) 92.4 (Prev. 93.4).
- **Italian** Business Confidence (Jun) 88.4 (Prev. 87.9).
- **Swedish** Economic Tendency Indicator (Jun) 101.7 (Prev. 99.3).
- **Swedish** Business Confidence (Jun) 103.6 (Prev. 103.3).
- **Swedish** Consumer Confidence (Jun) 93.6 (Prev. 92.4).
- **Swedish** Consumer Inflation Expectations (Jun) 5.8% (Prev. 5.9%).
- **Swedish** PPI MoM (May) M/M 1.3% (Prev. 1.1%).
- **Swedish** PPI YoY (May) Y/Y 6.6% (Prev. 4.7%).
- **Swedish** Household Lending Growth YoY (May) Y/Y 3.1% (Prev. 3%).
- **Norwegian** Retail Sales MoM (May) M/M -2.1% (Prev. 0.3%).

NOTABLE HEADLINES

- **UK June year-ahead inflation expectations 3.8% (vs. 4.7% in May), longer-term inflation expectations 3.9% (vs. 4% in May), according to Citi/YouGov poll.**
- **German FY27 federal budget has been finalised, Handelsblatt reported citing sources. Within this, the EUR 21bln fiscal shortfall has been entirely covered, using EUR 9.7bln from reserves to do so. Expected to be put before the cabinet on July 6th.** Funding gap of EUR 21bln has been closed by tax hikes, spending cuts and EUR 9.7bln from reserves. To increase tax/levies on alcohol, tobacco and sugar. Reduce subsidies. Reducing the pension subsidy. Federal efficiencies.
- **The UK foreign secretary Yvette Cooper tells ITV that the government** is increasing defence spending too slowly, and that it is imperative to move "further faster" than current plans towards hitting a target to spend 3% of national income.
- **France's Insee National Statistics Office** said it has been hit with a cyberattack but no sensitive data was affected.
- **The Times' Swinford** reported on who incoming UK PM Burnham may pick as Chancellor: "We're hearing it is likely to be a two-horse race between Ed Miliband and Shabana Mahmood. Allies of Streetering say they do not think he will get the job". "Although Miliband is said to be minded to approve Jackdaw, he remains opposed to further exploration, arguing that it is incompatible with the UK's climate commitments".

TRADE/TARIFFS

- **EU** plans a 15% tax on aluminium scrap exports, FT reported citing sources; aims to prevent supply shortfall for domestic players.
- **EU Commission Spokesperson** said EU Commissioner Sefcovic and China's Commerce Minister Wang will discuss EU-China trade relationship at their meeting in Brussels.
- **Canadian Trade Minister Sidhu** said they are working with Japan on mining projects, which could potentially include joint reserves.

CENTRAL BANKS

- **Fed Chair Warsh has reportedly appointed Daniel Covitz and Eric Engstrom as advisors, WSJ reported.**
- **Bank of America** expects the ECB to deliver its next hike in September 2026 (prev. saw July).
- **ECB Consumer Expectations Survey (May):** 1-year inflation expectation 3.5% (prev. 4.0%). 3-year inflation expectation 2.9% (prev. 2.9%). 5-year inflation expectation 2.4% (prev. 2.4%). 1-year Economic growth expectations -1.7% (prev. -2.2%).
- **PBoC has requested that some commercial banks increase lending in June amid ongoing weak credit demand, according to reported.**
- **BCB** sold 20,000 reverse FX swap contracts at auction; sold USD 1bln in spot dollar auction.
- **JPMorgan** cuts its end-2026 CBRT rate forecast to 35% (prev. 37.0%), reflecting declining oil prices and dovish central bank.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russia** is considering a short-term ban on diesel exports for a few months, TASS reported.
- **Kazakhstan Energy Minister** said we may consider fuel exports to Russia if there is an official request.
- **Russia claims to have shut down 660 Ukrainian drones overnight, Moscow's mayor reported that 47 drones were intercepted that were heading to the capital.**
- **Kazakhstan** cuts gas production at the Karachaganak gas field after Ukraine drone attacks on Russia's Orenburg gas processing plant.

Iran / US / Strait of Hormuz

- **UAE and Iranian Foreign Ministers speak on recent regional developments. The UAE emphasised the need for full adherence to the US-Iran agreement.** Stressed to Araqchi the need to protect maritime corridors and freedom of navigation, including in the Strait of Hormuz, according to the state news agency.
- **Iran's Foreign Ministry Spokesperson** said Iran's military capabilities guarantee its right to self-defence.
- **Al Arabiya sources say the next round of US-Iran negotiations will be on June 28 and 29 in Burgenstock, Switzerland.** The upcoming US-Iran negotiations will be technical and at the expert level, with mediators present.
- **Iran's Press TV** said a communication line between the US and Iran in the Strait of Hormuz has been established.
- **Iran state TV** said three foreign tankers attempting an "unauthorised" passage of Strait of Hormuz turned back after warning from IRGC Navy.
- **Iranian Deputy Foreign Minister said safe passage through the Strait of Hormuz without consideration of Iran's sovereignty is not guaranteed.** Any framework for passage through Hormuz must be in coordination with Iran, otherwise it will be suspended from the designated route.
- **Iran's Foreign Ministry** said that "US military presence in the Gulf is a source of insecurity and division in the region".
- **Iran's Khatam al-Anbiya Central Headquarters declares that if the United States** is unable to contain and control the Zionist regime, Iran will not tolerate any threat against itself and considers it its right to respond to these dangerous actions.
- **Al Arabiya sources say that America handed over 22 Iranians from the crew of a detained oil tanker to Pakistan.**
- **Israel's defense minister** said if Iran attacks Israel, it will commit its biggest mistake; Our forces are ready to complete the mission in Iran. If Iran attacks us, neither closing the Strait of Hormuz nor anything else will stop us.
- **N12's Segal** posted, after a conversation with a source on the Iranian issue, "His opinion on the agreement and the situation is much less negative than what has been written anywhere else, including here."
- **Hezbollah Secretary General** said the recent US-Iran MoU is considered an official declaration of the defeat of the US and Israel.
- **Israel reportedly drops flyers on a southern Lebanon town, ordering people to leave; this is the first such order since the ceasefire, Lebanese State Media reported.**
- **Israeli Cabinet Minister** said that the ceasefire in Lebanon cannot hold.
- **Israeli Military** is reportedly shelling targets (location unconfirmed).
- **Hezbollah's Secretary General** said the Israeli-American project has been thwarted/broken, marking the beginning of a new phase, Al Jazeera reported.
- **Israeli PM Netanyahu** said "we will remain in the security zone in southern Lebanon as long as necessary"; "have ordered the army to have complete freedom of action to counter any threat against our forces or residents of the north".
- **UAE sends an alert to ignore the earlier missile warning.**
- **UAE sends alerts which suggests that the situation is now safe.**
- **Explosions in Dubai, Tasnim reported; "News sources report that explosions were heard in Dubai."**
- **UAE issues phone alerts of potential missile threats.**

NOTABLE NORTH AMERICAN NEWS

- **Representatives Gottheimer (D) and Moolenaar (R)** are reportedly introducing legislation that would allow US cloud companies to report suspected foreign misuse of advanced AI computing, Axios reported.

NORTH AMERICAN DATA

- **US Goods Trade Balance Adv (May)** -105.80B vs. Exp. -85B (Prev. -83.0B).
- **US Retail Inventories Ex Autos MoM Adv (May) M/M** 0.4%.
- **US Wholesale Inventories MoM Adv (May) M/M** 0.3% vs. Exp. 0.2%

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