European Market Wrap - 2nd July 2026

- **European bourses were firmer; US equity futures also gained modestly, with outperformance in the RTY.**
- **DXY was initially hampered by a strong JPY, which was potentially subject to intervention; USD then took another leg lower on a soft NFP report.**
- **Headline NFP printed shy of expectations, though the unemployment rate ticked a touch lower.**

EQUITIES

- **European bourses** (STOXX 600 +1.3%) are set to end Thursday's trade with decent gains, led by the **FTSE MIB** (+1.9%) and **DAX 40** (+1.9%), as they brushed aside earlier losses driven by the negative sentiment in South Korean tech.
- **Sectors** held a positive bias, with **Technology** (-1.2%) the only one in the red. **Consumer Products & Services** (+2.4%) topped the sector pile, with **Optimised Personal Care** (+2.2%) and **Food, Beverages & Tobacco** (+2.1%) rounding out the top 3 sectors.
- Key movers today included: **Bayer** (+7.7%), upgraded to buy at Deutsche Bank and announced plans to separate its US glyphosate business; **Deutsche Bank** (+6.5%), reached an agreement with labour unions for a pay increase for Postbank employees; **Sodexo** (+8.3%), raised its organic growth guidance; **Julius Baer** (+2.9%), is to loosen its client ban.
- **US cash equities** opened entirely in the green, with outperformance in the small-cap **RTY** (+0.6%), as it benefits from the softer jobs print, given the Fed implications. To recap, the headline NFP printed at 57k (vs exp. 110K), while the unemployment rate ticked lower to 4.2% from 4.3%. Away from the jobs figure, **Tesla reported Q2 total deliveries at 480,126, far exceeding the market consensus of 397k.** Despite this huge beat, shares of TSLA are down by over 1%.

FX

- **Snapshot**: **DXY** was pressured throughout the entirety of the London session. Initial subdued action came amidst **JPY** strengt (potentially intervention), and then took another leg lower following a poor US jobs report. **Other G10s** were beneficiaries of the weaker **USD**, with clear outperformance in the **JPY**, whilst **GBP** and **CHF** followed behind. The **Loonie** lagged vs peers, bu still posted gains against the **Buck**.
- **DXY** traded within a 100.55 to 101.43 band, and is set to end the EU session towards the lower end of that range. A large bout of that pressure came alongside the potential **JPY** intervention, and then another leg lower on the NFP report. In brief, the headline printed at 57k, well beneath the expected 110k, and two-month net revisions were negative. However, **the unemployment rate did tick down in June**, but likely due to a decline in the overall participation rate. Following the data, market pricing shifted a little dovishly, with money markets now assigning a c. 80% chance of a hold in July vs 68% pre-data.
- **JPY soared on potential intervention**. Overnight, a Reuters source piece suggested that Japan would no longer warn markets about potential intervention, to increase the cost of betting against the **JPY**. Soon after the European cash open, **USD/JPY** aggressively sold in a move which was likely intervention – the pressure in the pair then continued throughout the London session. **Given the size of the move, the action is indicative of actual intervention, rather than a rate check** – markets will be attentive to any comments from either US/Japanese officials. If they opt not to speak, confirmation will be provided in the MoF's monthly FX report. No intervention was seen on/post-NFP (some expected Japan to exacerbate the move lower in USD/JPY), **but attention now turns to the holiday-thinned conditions on Friday for any further intervention.**

FIXED

- **A session of modest pressure for fixed income**, Bunds hit by the details around Germany's fiscal reform package, though the benchmark traded broadly in line with French and Italian peers.
- **USTs** were lower into the June jobs report. Some desks and recent survey data had suggested a strong report given temporary jobs from the ongoing World Cup. However, this was not the case, with **NFP below consensus, May's headline revised down, and two-month net at -74k (prev. +93k)**. While the unemployment rate ticked down, that is likely as a result of the decline in the overall participation rate.
- **The release lifted USTs by 13+ ticks**, sending the US 10yr yield down from 4.49% to 4.45%. In the hours since, much of the move has faded, with USTs near enough unchanged on the day at 109-19, but still a handful of ticks above pre-NFP levels. **For the Fed, the series has trimmed the odds of a July hike to around 20% vs 32%** before the report. We now look ahead to potential commentary from Fed Chair Waller on Monday after the Independence Day holiday.
- **Bunds** were also lifted by the BLS report but, in line with USTs, have trimmed and are set to end the day in the red with losses of c. 45 ticks but a handful above the 126.68 session low.
- **Supply today came from France, Spain and the UK**. The EGB taps were mixed, sparking some very modest two-way action at the time but largely minimal. UK Green outing was softer than the prior, but strong enough.
- **Gilts marginally underperformed**. Specific drivers light aside from ongoing political speculation around Burnham's potential cabinet. Moved around by the US data in line with peers above. Set to end the European session lower by 50 ticks but around 10 clear of the 88.58 base.
- **Treasury Block Trades [Rolling Headline]: Chunky 5yr block.** 09:03ET/14:03BST: 10.0k 5-Year T-Note Futures (ZFU6) at 106-315.

- **The UK** sold GBP 3.25bln 4.625% 2037 Green Gilt: b/c 3.31x (prev. 3.63x), average yield 4.934% (prev. 4.975%), tail 0.2bps (prev. 0.2bps).
- **France sold EUR 14.0bln vs exp. EUR 12.5-14bln 1.25% 2036, 3.70% 2036, 4.50% 2041 and 4.10% 2046 OAT.**
- **Spain sold EUR 5.958bln vs exp. EUR 5-6bln 2.60% 2031, 3.25% 2034 and 3.40% 2036 Bono and EUR 0.695bln vs exp. EUR 0.25-0.75bln 1.15% 2036 I/L Bono.**

COMMODITIES

- **WTI and Brent continue to falter**. Hit by the mediator's suggestion that positive progress was made in the US-Iran indirect conversation. No real move to geopolitical updates thereafter, the main one being that the **next round of talks is said to be set for the 18th of July**.
- No sustained move in energy to the BLS series, despite the USD action it sparked. Brent hit a USD 70.14/bbl base, but is set to end the European day modestly clear of that mark, albeit still lower by around USD 1.00/bbl.
- **Gas benchmarks continue to climb**. **Dutch TTF** briefly eclipsed EUR 44/MWh as the European forecast points to renewed heat and with continued focus on potential Russian energy imports, given the domestic situation there.
- **Spot gold** rallied to just below USD 4.1k/oz before the US 13:30BST data deluge, and thereafter benefited from the USD softness and retreat in near-term rate expectations, lifting it to a USD 4140/oz peak.
- **Base** peers spent the morning under pressure, as the space followed the downbeat performance in mainland China overnight. However, the USD downside and lift in the risk tone seen on Payrolls lifted contracts marginally into the green. **3M LME Copper** ends the European day just above USD 13.35k.
- **US DoE has proposed an update to energy conservation standards for household appliances.**
- **Saudi Arabia exported 6.3mln BPD in the first six days through Wednesday.**
- **Daily traffic through the Strait of Hormuz appears to have stabilized at between 30 to 60 crossings in the past seven-day period, with an average of 40 vessels a day crossing so far this week, according to ship-tracking company Kpler.**
- **WTI prompt spreads flip into contango for the first time since November 2025, reported note.**
- **Antofagasta (ANTO LN) reportedly** sold term copper concentrate to some Chinese smelters using spot-indexed pricing with a guaranteed floor.
- **Poland's Świnoujście LNG terminal has reportedly restricted use of Berth 2 following an unplanned incident.**
- **Dubai spot crude's discount to swaps widened to more than USD 4.00/bbl, the largest gap since May 2020, according to Refinitiv data.**
- **Hengli Petrochemical has reportedly cancelled its recent purchases of West African and Middle East oil purchases and also** cut refinery operations, according to Reuters sources.
- **UBS** cuts its end-2026 gold forecast to USD 5k/oz, due to elevated interest rates.
- **Saudi Aramco has reportedly increased its exports from the Ras Tanura port and have shifted to spot sales, according to sources.**

EUROPEAN DATA

- **EU** Unemployment Rate (May) 6.2% vs. Exp. 6.3% (Prev. 6.3%, Low. 6.3%, High. 6.4%).
- **Italian** Unemployment Rate (May) 5.0% vs. Exp. 5.1% (Prev. 5.1%).
- **Spanish** Unemployment Change (Jun) -28.7K (Prev. -36.3K).
- **French** Budget Balance (May) -93.3B (Prev. -69.6B).

NOTABLE HEADLINES

- **UK MP Burnham could appoint Ed Balls and David Miliband into advisory or commission roles, i Paper reported citing sources.**
- **BoE Credit Conditions Survey (Q2'26):.** Supply:. Lenders reported that the availability of secured credit to households was unchanged in the three months to end-May 2026 (Q2). It was expected to increase over the next three months to end-August 2026. Lenders reported that the availability of unsecured credit to households increased in Q2 and was expected to decrease in Q3. Lenders reported that the overall availability of credit to the corporate sector was unchanged in Q2. However, when broken down by size of business, lenders reported that credit availability slightly decreased for small and medium businesses, and was unchanged for large businesses in Q2 (Chart 3). Overall availability was expected to be unchanged in Q3. Demand:. Lenders reported that demand for secured lending for house purchase increased in Q2, and was expected to decrease in Q3. Demand for secured lending for remortgaging increased in Q2, and was expected to decrease in Q3. Lenders reported that overall demand for unsecured lending was unchanged in Q2, and was expected to be unchanged in Q3. Demand for other unsecured lending was reported to have increased and was expected to decrease in Q3.
- **Germany's VDMA** reported May industrial orders -1% Y/Y, driven by weak domestic demand and a general decline across the EZ.
- **China's MOFCOM** said China and the EU agreed to up to two annual ministerial trade talks; invited EU's Trade Commissioner Sefcovic to visit in the fall.
- **German Chancellor Merz** said that they want to implement the reform package by the end of this year. Timeframe for the implementation of electricity grid projects is to be halved. Tax reform relieve lower and middle income families, up to an average of EUR 600/yr. Will present simplified tax law suggestions this Autumn.
- **German coalition** plans tax relief worth EUR 10bln on an annual basis, document shows.

TRADE/TARIFFS

- **US NEC Director Hassett** said he is confident we will get a great Canada, and Mexico trade deal.
- **European Free Trade Association member states say they have completed negotiations on a comprehensive free trade**

agreement with Vietnam.**

- **India and Japan have signed a pact on geology and mineral exploration, including critical minerals, and agreed to sign a pact on cooperation in the battery sector, according to a statement.**
- **German Finance Minister** said they will be taking a harder course with regards to China, in order to protect against unfair competition.

CENTRAL BANKS

- **Fed's Daly (2027 voter) said AI investment shock has people wondering if it will be inflationary.** If the Fed acts too quickly it could prematurely bridle things, if you act too slowly it could be unwelcome for citizens. Does not see any signs of lack of economic resiliency, despite above target inflation. Labour market has stabilised. Inflation ahs risen on tariffs and oil price shock. Oil prices have come down, and hopes for relief. Monetary policy is slightly restrictive. That should help inflation come down. There is a scenario where the Fed has to fight inflation. There is also a scenario where growth does not continue. Can't decide right now, can't give false guidance on rates. If Hormuz situation is resolved , that would be a good thing. Oil back down is good news for the consumers and the economy. Housing inflation has been coming down in the US. Does not want to react quickly when the world is changing quickly. Is a gradualist, wants to take things slowly.
- **Japan's Government Panellist Nagahama** said that the BoJ should raise rates once every six months; this would not hurt domestic investment.
- **ECB's Buch (supervisory)** said reforms are needed to reduce undue complexities in regulation and supervision, removing frictions that could impede growth.
- **BoE Bank Liabilities Survey (Q2)** : Total funding volumes increased in Q2 and expected to increase in Q3. Cost of funding on ‘other’ funding and retail deposits increased in Q2 and is expected to increase for ‘other’ funding and retail deposits in Q3.
- **PBoC issues a total of CNY 1bln via its standing lending facility in June; PsI operation resulted in a net withdrawal of CNY 50bln; Net withdrawal of CNY 137.2bln through other structural monetary policy tools.**
- **SNB Vice Chair** said liquidity and capital measures are most important to address weaknesses identified in the Credit Suisse crisis.

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukraine President Zelensky** said Ukraine and US negotiators on Wednesday.
- **Russian Armed Forces** said it hit a Kyiv plant that produces control systems for specific missiles, Ria reported.
- **Ukrainian military** said it has struck the Kstovo oil refinery in Russia.
- **Russian Defence Ministry** said it shot down 327 Ukrainian drones overnight.
- **Russia** said it is working closely with the US on key G20 issues, according to RIA.

MIDDLE EAST

- **Israel's Defence Forces** said it continued operations within southern Lebanon's security zone.
- **Lebanese President** said we will not give up an inch of Lebanese territory to Israel.
- **Saudi Arabia** is shipping its most crude through the Strait of Hormuz since the US-Iran truce reopened the waterway; Four Bahri supertankers carrying about 8mln bbls have exited the Gulf, signalling higher exports.
- **Iran's Army Spokesman** said negotiation is a form of war and are ready to engage energy upon command, ISNA reported.
- **The next round of US-Iran negotiations are to be held on the 18th of July, Al Arabiya reported citing a source.**
- **Iran's Director of the Sonar Institute for Strategic Studies** said "a new round of talks has begun in Doha, and according to Iranian sources, these talks are not direct and are being conducted through a Qatari intermediary". "The focus is on a few basic points, and if an agreement is not reached on these issues, it will not be possible to continue the talks". "In recent days, there have been clashes between Iran and the US, and Washington has tried to create new waterways outside of Iran's control, which is considered a form of circumvention". "As a result, some of these movements have led to the targeting of a ship and the US's response, indicating a type of blatant manoeuvre in the region".
- **Iran** said it will respond to US interventions in the Strait of Hormuz, Fars reported.
- **US has informed Iran that changing the status quo around the Strait of Hormuz would be a violation of the current understanding and would be unacceptable, according to Al Arabiya sources.**

OTHERS

- **China** warned two Japanese Coast Guard survey vessels to stop conducting maritime surveys in the disputed East China Sea, prompting Japan to lodge a formal diplomatic protest.

NOTABLE NORTH AMERICAN NEWS

- **US NEC Director Hassett** said US jobs are still on an upward trajectory, speaking on Bloomberg TV.
- **US NEC Director Hassett** said the jobs data is consistent with a strong economy. Factory construction is not showing up in data yet. No reason why growth has to cause inflation. Confident Fed Chair Warsh will convince colleagues of his views.
- **The US White House** said the June jobs report shows labour market resilience.
- **BofA weekly card spending data (w/e 28st June): +7.0% (prev. +6.8%); many other categories have slowed sharply, perhaps due to a shift in the post-Juneteenth weekend.**

NORTH AMERICAN DATA

- **US Non Farm Payrolls (Jun) 57K vs. Exp. 110K (Prev. 172K, Rev to. 129k, Low. 60K, High. 200K); Two-month net revisions: -74k (prev. +93k).** In June, employment continued to trend up in professional and business services, social assistance, and health care. Employment in leisure and hospitality declined. Leisure and hospitality employment declined by 61,000 in June, reflecting weaker than usual seasonal hiring. Thus far in 2026, employment in the industry has shown little net change.
- **US Unemployment Rate (Jun) 4.2% vs. Exp. 4.3% (Prev. 4.3%).**
- **US** Participation Rate (Jun) 61.5% (Prev. 61.8%).
- **US** Average Weekly Hours (Jun) 34.3 vs. Exp. 34.3 (Prev. 34.3).
- **US** Government Payrolls (Jun) 8.0K (Prev. 52K).
- **US** Nonfarm Payrolls Private (Jun) 49K vs. Exp. 115K (Prev. 120K).
- **US Average Hourly Earnings MoM (Jun) M/M 0.3% vs. Exp. 0.3% (Prev. 0.3%).**
- **US** Manufacturing Payrolls (Jun) 3K vs. Exp. 3K (Prev. 7K).
- **US** U-6 Unemployment Rate (Jun) 7.9% (Prev. 8.1%).
- **US Initial Jobless Claims (Jun/27) 215k vs. Exp. 220k (Prev. 215k, Low. 215k, High. 230k).**
- **US Continuing Jobless Claims (Jun/20) 1814k.**
- **US** Jobless Claims 4-week Average (Jun/27) 222.00K.
- **US Average Hourly Earnings YoY (Jun) Y/Y 3.5% vs. Exp. 3.5% (Prev. 3.4%, Low. 3.3%, High. 3.5%).**
- **US** CES Total Birth-Death Forecast (Jun): 8k (prev. 158k).