European Market Wrap - 3rd July 2026

- **European indices trade firmer after positive APAC session**
- **Antipodes outperform FX on risk tone and rising metal prices**
- **US and China move to reduce tariffs on agricultural products**

EQUITIES

- **European bourses** opened with a slight positive bias, taking lead from a positive APAC session which saw the KOSPI (+5.8%) rebound from recent losses. Thereafter, price action remained tentative for the remainder of the session.
- **European sectors** were mixed. Utilities took the top spot, joined closely by Basic Resources whilst Travel & Leisure lagged. **As for key movers**: Rheinmetall slipped after it expects a shortfall of EUR 20bln, after losing a contract with the German government. Elsewhere, Maersk benefited from an upgrade at Goldman Sachs.
- Czech billionaire Strnad reportedly weighing buying 14% **Pirelli (PIRC IM)** stake.
- **UBS raises its DRAM and NAND price forecasts** ; DRAM prices are now expected to rise 32% Q/Q in Q3 and 18% Q/Q in Q4 and NAND prices expected to rise 30% Q/Q in Q3 and 12% Q/Q in Q4.
- **US indices** are shut on account of US Independence Day.

FX

- **Snapshot**: G10s were firmer against the broadly weaker USD, albeit to varying degrees. The Antipodeans outperformed, given the risk-tone and rising metals prices, whilst the Loonie lags vs peers.
- **DXY** is a touch lower this morning and trades within a 100.60-100.99 range, and towards the lower end of the prior day's bounds. This week's USD action has been dictated by an unwinding of hawkish bets, after: 1) Fed Chair Warsh avoided any overt hawkish language mid-week, 2) a soft NFP report. The USD downside was also facilitated by JPY strength, in the aftermath of potential intervention/rate check activity.
- **Do note that US markets are shut on account of Independence Day** , as such, light volumes can be expected. A factor which may lead Japanese officials to conduct another round of intervention, given that lower volumes improve the effectiveness of such action. Earlier, there was some brief selling in USD/JPY, where the pair fell from 161.04 to a trough of 160.48. However, the move was pared soon after, which signals that the action was more conducive to a rate check, rather than intervention itself.
- **EUR** and **GBP** both gained to similar degrees. For the single currency, a report in Les Echos got some attention. It noted that ECB President Lagarde said she would not rule out an early resignation, so that she could give a "European voice" in the French presidential debate. For reference, her term at the ECB ends in October 2027. As a reminder, she had previously pushed back on reports of an early departure, stating that "the captain of the ECB ship must remain on board". Markets remain attentive to any developments on this front, with focus on who the next President could be. As it stands, reports suggest that former board members Knot and de Cos are the favourites, whilst Nagel and Villeroy are also seen as viable candidates.

FIXED

- **Fixed income** benchmarks held a mild bearish bias, with underperformance in Gilts. As a reminder, Treasury cash trade is shut on account of Independence Day.
- **Bunds** digested European PMI Final metrics today. They were subject to very mild revisions higher (ex-France), with the inner report also highlighting cooling cost pressures. Also in focus was comments via ECB President Lagarde who suggested that she would not rule out an early resignation.
- **Gilts** followed the bearish bias, heading into BoE's Bailey later this afternoon. UK PMIs were relatively unchanged, with the services revised a tick higher while the composite was revised a tick lower. In addition, the BoE DMP was released, in which the year-ahead CPI shifted lower to 3.3% from 3.7% while 3-year CPI ticked higher to 2.9% from 2.8%.

COMMODITIES

- Crude benchmarks traded with little direction throughout the session. In geopolitics, US President Trump cautioned that Iran does have some missiles left which could be wiped out, while the administration pushed back on the notion of Iran charging

Hormuz-related fees; as a reminder, reports suggested Europe was beginning to accept that such fees were inevitable.

- Spot gold gained today, in continuation of the upside seen following Thursday's NFP report. Within the European session itself, some upticks were seen in proximity to explosions in Gaza, and jawboning from Japanese officials.
- Base peers followed the risk tone higher. Specifics for the complex light, aside from the macro tone.
- **Russia's Ural crude prices at Western Ports have reportedly dropped 60% since its Mach peak, to below USD 45/bbl, sources suggest.**
- **A few Japanese aluminium buyers have reportedly agreed with global producers to pay premiums of USD 395/t for July-September shipments.**
- **TotalEnergies (TTE FP)** is offering Iraqi crude to Asian buyers, according to sources.
- **Citigroup (C)** analysts see Brent prices falling to USD 60-65/bbl by year-end as Hormuz disruptions ease, shipping flows normalise and physical crude markets weaken; recommends clients sell any summer rallies, Bloomberg reported.

EUROPEAN DATA

- **German** New Car Registrations YoY (Jun) Y/Y 15.7% (Prev. 0.1%).
- **German S&P Global Services PMI Final (Jun) 48.6 vs. Exp. 46.8 (Prev. 48.1, Low. 46.8, High. 48.1).**
- **German S&P Global Composite PMI Final (Jun) 49.5 vs. Exp. 48.0 (Prev. 48.8, Low. 48, High. 48.8).**
- **UK S&P Global Services PMI Final (Jun) 48.8 vs. Exp. 48.7 (Prev. 49.3).**
- **UK S&P Global Composite PMI Final (Jun) 49.3 vs. Exp. 49.4 (Prev. 49.7).**
- **EU S&P Global Composite PMI Final (Jun) 50.0 vs. Exp. 49.5 (Prev. 48.5, Low. 47.7, High. 49.5).**
- **EU S&P Global Services PMI Final (Jun) 49.4 vs. Exp. 48.9 (Prev. 47.7, Low. 48.9, High. 49.4).**
- **Italian** Retail Sales MoM (May) M/M 0.2% vs. Exp. 0.1% (Prev. 0%).
- **Italian** Retail Sales YoY (May) Y/Y 2.2% (Prev. 1.6%).
- **Italian** S&P Global Services PMI (Jun) 50.2 vs. Exp. 50.2 (Prev. 49.4).
- **French S&P Global Composite PMI Final (Jun) 47.2 vs. Exp. 47.6 (Prev. 44.9, Low. 47.6, High. 47.6).**
- **French S&P Global Services PMI Final (Jun) 46.8 vs. Exp. 47.4 (Prev. 44.3, Low. 47.4, High. 47.4).**
- **French** Industrial Production MoM (May) M/M -0.1% vs. Exp. -0.3% (Prev. 0.1%, Low. -0.5%, High. 0.2%).
- **Spanish** S&P Global Composite PMI (Jun) 53.3 (Prev. 50.2).
- **Spanish** S&P Global Services PMI (Jun) 54.2 vs. Exp. 50.8 (Prev. 50.1).
- **Spanish** Industrial Production YoY (May) Y/Y 3.4% (Prev. 2%).
- **Swedish** Services PMI (Jun) 56.6 (Prev. 53.9).

NOTABLE HEADLINES

- **US and China** are moving towards reducing tariffs on each other's agricultural products, according to Semafor citing officials, while a reduction in tariffs could open the door for China to ramp up purchases of US soybeans.
- **French Finance Minister Lescure** said there will likely be a FY27 budget, speaking to Bloomberg TV. Working to get the deficit to GDP ratio to 5%.

CENTRAL BANKS

- **ECB's Moulin said they are seeing solid demand for OATs, speaking on Bloomberg TV.** No sign of second round effects. (in-line with President Lagarde's commentary)
- **ECB President Lagarde** said she received nearly 30 application to tap ECB repo lines; around 30 countries have asked for access to Repo lines.
- **BoE DMP (June):.** Year-ahead CPI 3.3% (prev. 3.7%) for single-month data; three-month rolling remained at 3.7%. Three-year-ahead CPI inflation expectations 2.9% (prev. 2.8%). Expected year-ahead wage growth rose to 3.5% (prev. 3.4%). "In June, higher prices and lower profit margins remained the most common forms of adjustment, although the expected impact on prices continued to ease".

GEOPOLITICS

RUSSIA-UKRAINE

- **Polish PM Tusk** said Poland should be cautious about pledging aid for Ukraine.
- **Ukraine** said that it hit Russian airfields in Crimea, adding that around 7 jets were damaged.
- **Russia's Ural crude prices at Western Ports have reportedly dropped 60% since its Mach peak, to below USD 45/bbl, sources suggest.**

MIDDLE EAST

- **Iranian Parliament Speaker Ghalibaf** said that if the US and Israel do not fulfill their commitments, and Iran will resume its appropriate measures.
- **Iranian Parliament Speaker** said we have agreed with Oman on a mechanism for navigation in the Strait of Hormuz based on the MoU.