European Market Wrap - 7th July 2026

- **European bourses were choppy; NQ (-1.6%) underperforms after Samsung (-6.9%) slumped post-earnings.**
- **DXY was incrementally firmer; JPY slightly outperformed on pushback that the Japanese government is urging the BoJ to lower interest rates.**
- **Iran's IRGC fired at least two missiles at ships in the Strait of Hormuz, Axios reported, citing a US official. It was separately reported that one was a Qatari LNG tanker. Brent Sept'26 +1%.**

EQUITIES

- **European bourses** (STOXX 600 U/C) swung between gains and losses throughout the EU session as gains in defensive sectors offset Technology's, Samsung-related losses, alongside numerous reports that Chinese firms were looking at developing their own chips.
- **Samsung** Electronics reported strong prelim metrics, albeit not enough to sooth investor concerns surrounding memory valuations. When looking at the percentage beat vs expectations, Op. Profit (+6%) was the lowest across several quarters, and some have opined that the strong results had already been priced in by investors, while others blamed one-off expenses related to employee bonus provisions. *Full Q2 results are due at the end of the month, where guidance may also be provided.*
- **Sectors** opened with a positive bias which turned more mixed as the session progressed. **Optimised Personal Care** is set to complete the day as the best performer with top constituent **Unilever** +4% as investors rotate into defensive sectors given **Tech** losses, which is set to complete the session the laggard.
- Stateside, indices were sold at the open, **RTY** (+0.1%) was the only index in the green as investors rotated out of technology heavy **NQ** (-1.6%), **ES** was 0.2% lower.

FX

- **G10s spent the day weaker against the USD** for the most part. DXY attempted to return to recent highs of around 101 as it attracted carry demand, like high-yielding peers NOK and GBP. **JPY sees modest outperformance**, seemingly benefitting from overnight commentary by the Japanese Economy Minister; USD/JPY back below 162.00, but above its 161.65 low.
- **USD unreactive to a handful of data points and commentary from officials**, including President Trump and Fed's Williams.
- **EUR** and **GBP** digested domestic political updates. GBP and Gilts saw modest, short lived, strength on the headline that UK Reform Party leader Farage would resign as an MP after scrutiny over his financial interests, though this move proved fleeting as he said he would stand in the by-election he triggered, from which he is likely to emerge victorious. GBP/USD is flat and back below the 1.34 mark, while EUR/GBP is set to complete the domestic session a touch higher.
- For France, RN's Le Pen was found guilty of embezzlement by the Paris court, which ruled her ineligible to hold public office for 45 months, 30 suspended. As such, Le Pen can theoretically run in the 2027 contest. **We now await an update from Le Pen herself, which is expected to be broadcast at 19:00BST**. The options are: 1) she runs, despite the tag and scrutiny; 2) she does not, and Jordan Bardella represents National Rally (RN) in the 2027 Presidential election. **EUR** and OATs saw some modest downside on the continued political uncertainty the ruling presented, in the short term at least. **EUR/USD** is set to end the day unchanged, at the upper end of a narrow band, having failed to test 1.1450 to the upside.

FIXED

- **A modestly bearish session for fixed income**. APAC trade began on the backfoot, given the latest Middle East action and the associated upside seen in energy benchmarks. However, **the complex lifted off lows driven by strength in JGBs** after a **very strong 30yr auction** in Japan.
- That bounce proved somewhat fleeting, as **EGBs moved to fresh lows in the early European morning**, as the complex digested the overnight energy updates. **Bunds hit a 126.13 base**, lower by over 40 ticks.
- Action that took **USTs to a 109-13+ base**, with downside of 7+ ticks at most. No real move to the afternoon's data docket, or commentary from various US officials, including **President Trump**. The most pertinent of which was perhaps **Fed's Williams**, who said he is feeling more positive about near-term inflation due to energy prices. **USTs now look to a 3yr auction**.
- **Gilts opened near-enough flat, before conforming to the above**. Hit an 88.42 base, and while it has lifted off that, the benchmark remains in the red. **Upside, though fleeting, was seen this morning on the BoE FSR** which indicated changes could come to banking requirements, however, there is no sign of a carve-out for Gilts as some had hoped for.
- More recently, **Reform's Farage has resigned as an MP**, forcing a by-election which he himself will contest in. A move done in a bid to draw a line in recent scrutiny around him and show that the reporting has not diminished his standing with the public. Modest upside was seen in Gilts on Farage resigning, as it removes political risk around the next election and the challenger to the mainstream status quo; however, as Farage made clear that he would stand, the move entirely unwound.
- Finally, **OATs remain on watch after the Paris Appeals Court ruling**. Where Le Pen's judgement was held, but the sentence was altered to 45 months of which 30 are suspended, as such she will be eligible for the 2027 Presidential Election, assuming she does not breach her terms. However, the ruling stipulates an electronic tag. Le Pen has previously stated she would not run if she were ordered to wear a tag. Through this, OATs have traded broadly in-line with EGB peers, after experiencing a bout of pressure on the court ruling, as political uncertainty remains.

- **We now await an update from Le Pen herself, which is expected to be broadcast at 19:00BST** . The options are: **1) she runs, despite the tag and scrutiny; 2) she does not, and Jordan Bardella represents National Rally (RN) in the 2027 Presidential election**. Opinion polling points towards an RN victory in the 2027 election, irrespective of whether Le Pen or Bardella is the candidate.
- **Amazon's (AMZN) bond issuance will be the companies last debt-issuance of the year, reported CNBC's Faber citing underwriters.**
- **Amazon (AMZN)** seeks to raise at least USD 25bln in USD bond sale.
- **Treasury Block Trades: Huge 5-year block trade.** 07:33ET/12:33BST: 24.0k 5-Year T-Note Futures (ZFU6) at 106-297.
- **Amazon (AMZN) files to sell USD corporate issuance; 8-parter.**
- **EFSF to sell 2030 bonds via syndication.**
- **Germany sold EUR 1.318bln vs exp. EUR 1.5bln 1.30% 2027 Green Bobl & 2.60% 2041 Green Bund.**
- **South Korea to sell EUR-denominated 3yr and 7yr debt via syndication.**
- **UK sold GBP 4bln 4.125% 2033 Treasury Gilt: b/c 3.16x (prev. 3.38x), average yield 4.519% (prev. 4.550%), tail 0.2bps (prev. 0.2bps).**

COMMODITIES

- **Crude benchmarks** grinded higher throughout the APAC session and remained at elevated levels throughout the European morning. Action facilitated by reports that Iran's IRGC fired at least two missiles at ships in the Strait of Hormuz, with one said to be a Qatari LNG tanker, another reportedly Saudi-flagged. Fars clarified that the Qatari tanker attempted to pass through the Omani route and ignored repeated warnings.
- **As it stands, for as long as ships continue to sail through the Strait** , the crude complex can remain towards 30-day lows. Therefore, the mild upward bias seen in the complex this morning appears to be some pricing in of some risk of a wider escalation, but not another long-term disruption. **Brent Sept'26** (+1%) is set to end the European session with gains of c. USD 0.75/bbl, and towards the upper end of a USD 72.04-73.31/bbl range.
- **Spot gold traded in the red throughout the London session** , but held an upward bias. The yellow metal started the morning with losses in excess of a percent, but is now set to close the day around the unchanged mark. Currently holding around USD 4165/oz vs the earlier trough of USD 4,116/oz. For gold specifically, **China extended gold purchases for the 20th straight month**. China's gold reserves at the end of June 2026 were 75.44 million troy ounces. Elsewhere, base metals are mixed vs broadly lower overnight. **3M LME Copper** held steady throughout the day, within a USD 13,325.13-13,427.2/t range.
- **Iraq reportedly boosts West Qurna 1 and Rumaila oil output to full capacity.**
- **TotalEnergies' (TTE FP) CEO** said that after the Strait of Hormuz incident, exporting Iraqi oil would require transit through Syria; adds that the current security situation does not allow that.
- **Saudi Arabia is said to be planning to expand East-West crude oil pipeline capacity by up to 2mln BPD to increase exports via the Red Sea, according to sources.** Project aims to reduce reliance on the Strait of Hormuz.
- **Kazakhstan Energy Ministry** said it is trying to fulfil its OPEC+ obligations, while hoping to maintain production plans for 2026.
- **China has reportedly purchased more soybeans from the US, Bloomberg reported; Cofco has booked at least 6 cargoes for loading between Sep-Oct.**

EUROPEAN DATA

- **UK** BBA Mortgage Rate (Jun) 6.6% (Prev. 6.6%).
- **UK** Halifax House Price Index MoM (Jun) M/M 0.2% vs. Exp. 0.1% (Prev. -0.1%).
- **UK** Halifax House Price Index YoY (Jun) Y/Y 0.6% (Prev. 0.5%).
- **French** Imports (May) 60.5B (Prev. 60.2B).
- **French Balance of Trade (May) -6.9B vs. Exp. -5.2B (Prev. -5.6B).**
- **French** Exports (May) 53.6B (Prev. 54.6B).
- **German Industrial Production MoM (May) M/M 0.9% vs. Exp. 0.2% (Prev. 0.4%).**

NOTABLE HEADLINES

- **UK Reform leader MP Farage said he has resigned as an MP, to force a by-election. Farage said he will be standing in the Clacton-on-Sea by-election, it will be "the people vs the establishment".**
- **UK Reform leader MP Farage** said the UK needs to have successful individuals from business and industry within government and parliament.
- **Sources tell GB News that UK Reform's Farage "has had enough" and is sick of the attacks by what they say are left wing media outlets. "That should be the theme of the 2pm statement".**
- **France's Le Pen has been found guilty of embezzlement by the Paris court; rules Le Pen ineligible to hold public office for 45 months, 30 suspended. As such, Le Pen can theoretically run in the 2027 contest.** Faces EUR 100k fine, three years in Prison with two suspended and one wearing electronic tag.
- **French Budget Minister** plans to cut the budget by EUR 3bln in 2026.
- **French Appeals Court Presiding Judge** said the facts in the Marine Le Pen and RN case are serious, involves over EUR 2mln. Immediate application of ban on public office is not automatic, it is for court to decide.
- **French Finance Minister** said it is difficult to achieve 5% target this year.
- **UK OBR long-term fiscal risk/sustainability report: "...almost all our scenarios show public debt eventually moving onto an unsustainable path. Debt moves onto a steep upward trajectory in the 2040s in our baseline scenario,...".**
- **French government reportedly trims 2026 GDP view to 0.7%.**

TRADE/TARIFFS

- **Canadian PM** said Canada and Turkey to commence FTA negotiations.

CENTRAL BANKS

- **Fed's Williams (voter) sees steady trend like growth for US economy and job market is showing stability, Fox Business interview.** Inflation/Tariffs:. Retreat in energy prices is good news, and should ebb further and cool inflation. Inflation is still quite high. Likely near peak impact of tariffs. Feels more positive about inflation near term due to energy prices. Monetary Policy:. Monetary policy is well positioned to achieve Fed goals. What happens with monetary policy depends on data and risks. Monetary policy is in a good place. Labour Market: Risks are pretty balanced on the job market.AI:Expects to see continued strong investment in AI. Forward Guidance: Given uncertainty, providing explicit forward guidance is not appropriate.
- **ECB** said it gives Euro Zone banks until October 31 to draw up plans against AI-powered attacks.
- **ECB's Panetta said the latest energy shock does not compare to 2022.**
- **BoE Governor Bailey said it would be inconsistent with Basel agreements to exempt government bonds from leverage rules.** Do not envisage US capping banks' returns to shareholders to shareholders as part of leverage changes. Don't think there is a case for more capital in UK banking system.
- **BoE Deputy Governor Breeden said central clearing and minimum haircuts could be alternatives to bank leverage rules for addressing market risk.**
- **BoE Governor Bailey said the FPC is particularly concerned that existing risks to financial stability could crystallise simultaneously.** The stretch in equity valuations appears broader than just AI optimism. Risk of sharp correction in equity markets remains high.
- **BoE FPC: maintains CCyB rate at its neutral setting of 2%; noted substantial increase in the use of leverage in equity markets; on some metrics, [equity] valuations have also become more stretched; UK banking system remains appropriately capitalised.**
- **BoE FSR: Proposes the easing of some bank capital rules; the leverage ratio proposal would reduce the requirement by 20bps.**

GEOPOLITICS

RUSSIA-UKRAINE

- **Ukrainian military** said that its drone struck two more Russian shadow fleet tankers in the sea of Azov.
- **Ukraine President Zelensky** said vulnerability of Russian refineries is a new reality. Plans to discuss air defences with Trump on Wednesday.
- **Russia's Defence Ministry** said 452 Ukrainian drones have been shot down over the regions since Monday evening.

MIDDLE EAST

- **US President Trump** said he likes Italy's PM Meloni but she wasn't there for the US on Iran and it soured relations.
- **Qatar Foreign Ministry Spokesperson demands Iran immediately cease all practices that undermine regional security or threaten the safety of international navigation; holds Iran fully responsible for aggression and repercussions that may result from it.**
- **Israel reportedly to hold the next round of talks with Lebanon in Rome, Italy, during the week of July 12.**
- **Iranian Foreign Minister Araghchi said negotiations on a final deal will not commence if threats continue.**
- **UK MTO receives report of incident involving a tanker transiting the Strait of Hormuz.** Tanker was struck by an unidentified projectile and is believed to have structural damage.
- **UKMTO** said it has received a report of another incident involving a tanker in the Strait of Hormuz; tanker was struck by an unknown aerial vehicle, and vessel is continuing to its next port of call.
- **Attacked Qatari LNG tanker Al Rekayyat is at risk of exploding due to a fire in its engine room.**
- **"Diplomatic sources told Al-Araby TV that the Lebanese delegation informed the American side of its insistence on keeping the negotiations in Washington", Al Araby reported.**
- **A Saudi-flagged crude oil tanker** was reportedly damaged near Oman around the Strait of Hormuz after another LNG tanker was struck in the same area.

OTHERS

- **US President Trump, on Greenland, said it does not help Denmark; Greenland is important for the US, it should be controlled by the US not Denmark; Europe is a very different place now.** We could remove all our soldiers out of Europe.
- **US President Trump** said we're going to be taking sanctions off (referencing Turkey's CAATSA sanctions); said he has a great relationship with the new Syria leader.
- **Turkish President Erdogan** said F-35 jet issue is not new; have discussed this with the US before, we have been promised five jets. Expecting positive result on F-35 promise.
- **NATO's Secretary General Rutte** said NATO allies are to purchase up to 10 Saab (SAABB SS) Globaleye surveillance aircrafts.
- **French President Macron** said there is an opportunity for new transit routes to compensate following the Strait of Hormuz disruption. Adds, that they will be working with Syria on various matters, including banking reconstruction.
- **"Al Arabiya correspondent: Macron's convoy left his residence in Damascus shortly before the explosion", Al Arabiya reported.**
- **French President Macron's motorcade left the hotel in Damascus around one hour before the explosions took place.**
- **A series of explosive devices have detonated in proximity to the hotel in Damascus where French President Macron** is staying Reuters reported citing sources.

NOTABLE NORTH AMERICAN NEWS

- **Democratic lawmakers probe US Commerce Secretary Lutnick's possible ties to Cantor Fitzgerald deal, WSJ reported.**
- **BofA on JPY intervention:.** On signs of whether another round of intervention is likely, wrote that the usual checklist has been ticked off, except for higher volatility, which has risen, but the 1M is yet to eclipse 8%. Does not think that coordinated FX intervention is likely, at this point. More aggressive intervention cannot be ruled out, in the context of the hurdle for a BoJ hike being high in July.

NORTH AMERICAN DATA

- **US** Redbook YoY (Jul/04) Y/Y 11.5%.
- **US Balance of Trade (May) -77.60B vs. Exp. -78.8B (Prev. -55.9B).** US-China May trade deficit USD 14.39bln (prev. USD 10.39bln).
- **US Exports (May) 317.7B (Prev. 327.1B).**
- **US Imports (May) 395.3B (Prev. 383.0B).**
- **US ADP Employment Change Weekly 21.0K (Prev. 30.75K).**