European Market Wrap - 9th July 2026

- **European bourses were broadly firmer, US equity futures followed suit; META -2.5% on AI spending plans.**
- **G10s were broadly firmer against the slightly softer USD; Kiwi continues to outperform post-RBNZ.**
- **Crude benchmarks were choppy amidst renewed Iranian strikes, though appeared to avoid Gulf energy facilities.**

EQUITIES

- **European bourses (STOXX 600 +0.6%, Euro Stoxx 50 +1.3%)** were firmer throughout the European session and are set to complete the day towards highs as indices swung in tandem with energy prices. **FTSE 100** (-0.4%), was the clear underperformer throughout the day as energy majors and **AstraZeneca** slumped; **IBEX 35** (+1.3%) shone after clarification of Trump trade threats made on Wednesday.
- To recap geopolitical events: tit-for-tat strikes were conducted by the US and Iran overnight. More recently, the IRGC said "other US bases in the region will not be safe" if the aggression continues. Note, they excluded energy facilities from this warning. *See commodities for a more detailed recap.*
- Sectors showed a positive bias throughout the session. **Tech and Basic resources** were at the top of the leaderboard, facilitated by sentiment and metals rebounding. Healthcare was the laggard as **AstraZeneca** (-8%) was hit after its experimental heart drug failed the efficacy endpoint in the Phase III trial.
- Stateside, indices opened on a firmer footing, conforming to the positive sentiment seen across the pond. Tech-heavy NQ (+0.9%) was the outperformer despite Large caps **IBM** (-3%) and **MSFT** (-2%) hit on reports that SBUX was developing in-house tools which could replace some software. RTY (+0.5%) also does well, amid the favourable yield environment.

FX

- In short, **the USD is under increasing pressure as the energy space fails to react to the Middle East tensions** as, for now at least, the action by Iran has been focused on bases rather than energy infrastructure. **CAD** underperforms given its sensitivity to energy, while the **NZD** continues to climb post-RBNZ.
- **NZD/USD** as high as 0.5745, eclipsing the 2nd of June best at 0.5741, numerous levels in close proximity to be aware of thereafter. The narrative for the Kiwi is a continuation of the move seen following the RBNZ, and as the last session or two's worth of energy action adds to, and arguably brings forward, the tentative hawkish guidance from the Bank. As a reminder, the statement said "While further OCR increases appear likely at upcoming meetings, their timing is highly uncertain."
- **CAD** lags, but as energy benchmarks briefly ticked into the green, it came off worse and is set to end the European day near-enough flat vs the USD. USD/CAD peaked at 1.4190, but is now closer to the 1.4152 session low.
- **EUR, GBP, AUD, CHF and JPY** have all benefitted to a similar degree against the USD, and as energy fights back a touch they have all found themselves trimming from initial best levels.
- Specifics for the above light, aside from the ECB minutes, which didn't change the data-dependent and meeting-by-meeting narrative, and familiar language from Japanese Chief Cabinet Secretary Kihara. **EUR/USD** towards the upper-end of 1.1414-49 parameters, **GBP/USD** back below 1.34 but still firmer, **AUD/USD** near the 0.6946 peak, **CHF** and **JPY** both marginally firmer against the USD in narrow parameters.

FIXED

- **A firmer start to the day for fixed income**, after a relatively rangebound APAC session on account of the lack of energy follow through to the tit-for-tat strikes by the US and Iran overnight, with the narrative potentially being the strikes are no more of an escalation than what we saw on Tuesday night; particularly as the action by Iran has, thus far at least in the European session, been focused on bases, rather than energy infrastructure.
- **Overnight, USTs held around 108-30 and were near-enough flat, Bunds similar between 125.20-30, firmer by around 10 ticks**. Thereafter, in the early European morning, US President Trump said Iran "called a while ago" and they "want to make a deal", in line with his overnight language; however, the indication that contacts, likely via mediators but unconfirmed, have occurred allowed energy to pull back and lifted fixed.
- This was **enough to bring USTs to a 109-03+ peak**, firmer by a handful of ticks. A peak that the benchmark has remained in relative proximity to since, but has not mounted a test of it. No move to **weekly jobless claims**, which printed a touch below consensus. Thereafter, **Fed's Williams** spoke on the balance sheet, outlining that it is unclear how much smaller it can get and, on the economy, said inflation is far too high. Again, no move to his remarks.
- **Bunds peaked around the same time as USTs at 125.40**, with gains of 26 ticks but well shy of the week's opening level just below 127.00. No move to the **ECB Minutes** from the June meeting, which keeps the data-dependent and meeting-by-meeting narrative alive, while not pre-committing to anything.
- **Gilts** opened firmer and then climbed to an **87.62 peak**, firmer by over 50 ticks, narrative much the same as above. **BoE's Breeden** is on the docket ahead and will be looked to for insight into the FSR's Gilt-related reform from earlier in the week. Additionally, the Labour leadership nomination process formally opens; if, as expected, only Burnham contends, then he will be PM around the 20th of July. An update on this is expected at around 19:00BST.
- **Vestel has reportedly commenced work on restructuring a USD bond, according to sources.**

COMMODITIES

- **Crude benchmarks** have moved at the whim of geopolitical updates this morning. Overnight, the US struck Iran, which led the IRGC to target US bases across several regional neighbours. In the European morning, **President Trump stated that he had a call with the Iranians, adding that they want a deal.**- **The comments set a bearish tone for the crude complex** for most of the early morning. However, **WTI** and **Brent** then pared most of that downside amidst another round of Iranian strikes on US military bases in Kuwait and Jordan. This led to the benchmarks flipping from red to green, as markets priced in the chance of a wider escalation. However, **it appears that Iran has not targeted energy facilities in the Gulf nations**; contrasting with recent threats made by Iranian Parliamentary Speaker Ghalibaf that they would do so.- This **brings into play the notion that Iran appears to be behaving in a relatively restricted way**, in hopes of ironing out a sturdier deal with the US. This point appears to have played out in crude benchmarks this morning, with **WTI** and **Brent** set to end the London session off by c. USD 0.50/bbl and USD 0.25/bbl, respectively. - **Spot gold** (+1%) traded firmer throughout the London day within a USD 4,054-4,127/oz range. Action which was facilitated by a softer **USD**, and a bit of rebound following recent losses. Elsewhere, **base metals** benefited from the positive risk tone. **3M LME Copper** grinded higher throughout the day, and is set to end the EU session looking at the USD 13.5k/t mark to the upside.
- **Iraq PM meets Turkish energy minister and discuss partnerships in oil and gas.**
- **NBP Governor Glapinski** said bank has Gold worth "about" PLN 308bln.
- **QatarEnergy** said the elected to stop the planned output increase at Ras Laffan (306k BPSD) following the attacks on Tuesday, according to sources.
- **After several oil tankers were attacked in the Strait of Hormuz, Qatar has reportedly suspended plans to rapidly ramp up LNG production.**
- **Brazil's Durigan** said was going to remove the gasoline subsidy this week, but I will consider a potential removal next week. We will see an increase in ethanol content of gasoline to 32% in the coming days. The decision was set to be made yesterday by the national energy policy council, but was postponed due to the war in the Middle East. We also want to see an increase in the biodiesel blend in diesel this year.
- **Anticipating a possible imminent resumption of the US Navy blockade, Tehran shipped out no less than 10 million barrels of crude oil and fuel oil overnight, reports Tanker Trackers.**
- **Sirens sound in Jordan, Al Arabiya reported; N12 reported alerts in Jordan after Iranian launches.**
- **China's State Council** is, in the 15th 5yr carbon plan, targeting an expansion of solar and wind energy generation to over 2.8k GW by 2030.
- **Belarus** is said to have supplied Russia with record-high monthly volumes of gasoline and diesel in June; combined exports reportedly around 260k T, according to sources.

EUROPEAN DATA

- **German** Imports MoM (May) M/M -2.5% vs. Exp. 0.1% (Prev. 1.2%, Low. -2%, High. 0.8%).
- **German Balance of Trade (May) 19.1B vs. Exp. 14B (Prev. 14.5B).**
- **German** Exports MoM (May) M/M 0.9% vs. Exp. -0.5% (Prev. 0.9%, Low. -1%, High. 0.5%).

NOTABLE HEADLINES

- **Fitch** said Germany's latest reform package is positive for public finances over the longer term & for the economy, but falls short of being transformative, Pension and healthcare reforms should help to put the public finances on a more sustainable footing. If large fiscal easing is not accompanied by a lasting improvement in growth prospects, pressure on the rating would increase.

TRADE/TARIFFS

- **USTR Greer** said sounds like President found a path forward with Spain; Trump wants trade deficit with Mexico down. In the coming weeks will have a result on how we're going to protect against forced labour. China trade strategy is working; China is buying soybeans. Will see final action very soon in Brazil; still a lot of distance between the US and Brazil. Praises Apple (AAPL) and Micron (MU) recent manufacturing announcements. Trump has options on Spain. On the subject of lapsing 10% tariffs, said don't know about 1-for-1 replacement.
- **EU Commission** said that it imposed anti-dumping duties on import of passenger car and light truck tires from China.

CENTRAL BANKS

- **Fed's Williams (Voter) said there is good understanding about ways to shift demand for reserves; Balance sheet debate should not be about the nominal size of holdings.** Balance Sheet. Reforms to liquidity regulations should bear in mind bank safety issues. Unclear how much smaller Fed balance sheet can get. Fed's goal with balance sheet is about interest rate control. Balance sheet policy will react to regulator changes. Economy/Policy. Inflation is far too high. Markets still expect oil prices to come down over the next 6-12 months, view is reasonable. Monetary Policy is focused on how energy prices impact inflation. AI investment is a driver of inflation. Tariffs impact on inflation close to its peak. Fed Minutes captures a "collective reaction function". Will get inflation back to 2%. Key to look at underlying inflation actors; not just a specific measure. Government technical changes could better reconcile PCE inflation and CPI differences. Policy to remain data dependent. Will have to see how monetary policy reacts to data. Labor market has been very stable. Risk is currently more on the inflation side. 0.2% monthly PCE in H2 will be consistent with the goal. Still uncertainty about longer term neutral rate. AI:. In the longer run, AI investment will be a positive supply shock. Base case sees broader use of AI that boosts productivity. Task Forces:Fed task forces a timely chance for officials to think about policies.

- **Fed's Williams (voter)** said it is still early days on questions involving stablecoins. Ample reserves system is designed to be flexible, can respond to stable coin impact.
- **BoJ Osaka branch manager** said many companies in the region expect solid earnings and share the need for further wage increases to secure workers amid labour shortages; expect significant price rises ahead.
- **BoJ maintains its assessment for all 9 of Japan's regions.** Many regions said the risk of sharp drop in exports and output has declined somewhat. Many regions said firms were maintaining robust capex plans, increasing chip equipment and chip orders due to expanding global AI demand. Many regions said firms, including smaller ones, offered high wage increases this year, though some said it could be difficult to keep a hiking pay.
- **ECB Minutes: Officials did note that inflation is expected to remain well above the 2% target into the first half of next year, with core inflation projected to stay above 2% for the entire projection horizon despite the policy tightening.**
- **NBP Governor Glapinski** said level of rates is appropriate; think a rate cut this year is likely; not worried about PLN FX level.

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian President Putin is reportedly likely to escalate the Ukraine war, according to sources close to the Kremlin; "high probability" of escalation in coming months; could extend beyond Ukraine's borders and into NATO-aligned Baltic states.** Putin reportedly sees full Donbas control as an essential victory.
- **Russia's Kremlin** said President Putin remains open for dialogue with US President Trump, nobody has called yet.
- **Belarus** is said to have supplied Russia with record-high monthly volumes of gasoline and diesel in June; combined exports reportedly around 260k T, according to sources.
- **Ukraine's Military** said it struck 12 Russian tankers in the Sea of Azov.
- **Ukrainian President Zelensky** said the military has struck Russian oil depots in the Tver and Stavropol Regions; also strikes on a Russian oil pumping Station in Ufa and oil terminal in the Rostov region.
- **reported of explosions in Dnipro, Ukraine.**
- **A Russian official** said two tankers were attacked by drones in the Sea of Azov.

MIDDLE EAST

Overnight Strikes:

- **US CENTCOM** announced the completion of its most recent round of strikes against Iran, in which forces struck around 90 Iranian military targets. There were reports of fresh explosions in Bandar Abbas, Sirik and Hormozgan.
- **There have also been reports of explosions** in Abu Musa Island and Bushehr. Nour news reported that the attack on Bushehr did not cause any damage to the nuclear power plant.
- **The IRGC later announced that two US bases in Kuwait and two base in Bahrain** were attacked and threatened that response will be extended to other US bases in the region if the US repeats its attacks.

European Hours Strikes:

- **Iran fired ten ballistic missiles on Jordan's Azraq military base**; IRGC says "If the US terrorist army repeats its aggression, other US bases in the region will not be safe from our heavy fire."
- **Explosion** have occurred near the Ali al-Salem base and Kuwait port area, Nour News reports

Trump suggested that Iran wanted to make a deal:

- **US President Trump** said Iran was just hit very hard and we have many ways to win. He added that he do not know if Iran will honour a deal but Iran wants to make a deal badly.
- **US President Trump** said Iran called a while ago, they want to make a deal.

NOTABLE NORTH AMERICAN NEWS

- **SK Hynix (000660 KS) reportedly** set to guide US offering price 3.1% above South Korea close, Bloomberg reported.

NORTH AMERICAN DATA

- **US Initial Jobless Claims (Jul/04) 215.0k vs. Exp. 219k (Low. 210k, High. 225k).**
- **US Continuing Jobless Claims (Jun/27) 1814.0k.**
- **US** Jobless Claims 4-week Average (Jul/04) 218.75K.
- **BofA** week-to-July 4th total card spending +4.8% (prev. +7.0% W/W); noted spending growth remains solid despite W/W slowdown.