European Market Wrap - 21st July 2026

- **European bourses were mixed; NQ outperforms as Tech rebounds.**
- **It was Iran which proposed the 10-day ceasefire, i24's Stein reported, citing sources; US said to be demanding a longer ceasefire and demanding even partial navigation of the Strait of Hormuz.**
- **Brent Sep'26 (+2.6%) gradually rose throughout the session amidst continued Iranian strikes on Gulf neighbours, and Houthi action against Saudi-linked ships.**

EQUITIES

- **European bourses** (STOXX 600 +0.1%) have given back the majority of its earlier gains, given the steady bid in crude benchmarks. The reversal in equities started after Yemeni Houthis warned shipping firms to avoid loading or discharging at Saudi ports and added that any vessel bound for or departing Saudi ports "may be targeted anywhere". In response, data showed that 2 tankers carrying Saudi oil U-turned in the Red Sea.
- **Sectors** had a negative bias. **Tech** and **Basic Resources** were the clear outperformers, followed by **Energy** to round out the top 3 sectors. To the downside were **Media**, **Optimised Personal Care**, and **Real Estate**.
- During the European session, Reuters reported, citing court records, that **Novo Nordisk is suing Eli Lilly over misleading weight loss ads.** Other key stories included: **Novartis**, Q2 metrics beat estimates and confirmed its guidance; **Lindt**, H1 sales slightly missed estimates; **Swatch**, H1 revenue beat consensus however operating profit disappointed; **Mitie**, acquired by OCS at a 46% premium.
- **US cash equities** opened higher across the board, with outperformance in the NDX. Supporting the tech-heavy index is a flurry of bullish tech stories: 1) Taiwan export orders in June +59.4% Y/Y, surpassing Wall St. consensus of 49.5%, 2) Nikkei reported that TSMC (TSM) is set to raise prices for both advanced and mature chip production services by up to 10% in 2027, and 3) Nvidia (NVDA) disclosed a 9.3% passive stake in Nebius (NBIS), and the stake includes Nvidia's earlier USD 2bln investment. Looking ahead, Alphabet and Tesla are to report earnings AMC on Wednesday.

FX

- **USD strength emerged throughout the session as Sterling weakness and firm oil prices helped the Buck**; erasing earlier Antipodean outperformance and pushing Dollar-Yen towards recent record highs. - DXY rose for most of the London session after several geopolitical headlines showed risks of continued US-Iran confrontation (see commodities for more). As such, Crude benchmarks rose throughout the session, benefitting the Buck (**DXY +0.1%, Brent Sept'26 +2.5%**)- **GBP was the worst G10 performer with focus today on the surprise appointment of former Defence Minister Healey as Chancellor, and essentially unfunded tax cuts**. On the latter, the new Govt. this morning announced they would remove VAT on electricity bills, measures which are essentially unfunded as the savings to fund Digital ID have not yet been identified. (see 09:50BST for analysis). Elsewhere, Healey will likely advocate for 3% of defence spending by 2030, implying an **extra GBP 10bln defence spending a year; on top of the GBP 1.2bln/year (GBP 4.7bln total) unfunded under the Dan Jarvis/Starmer DIP**. Focus on further cost-of-living measures and funding plans. Touted measures include a slash in business rates for the hospitality sector by 20% - which could be announced within days and funded by warehouse taxes.

Alongside this, Burnham also spoke of raising the personal tax allowance. GBP/USD -0.5%, dipping beneath 1.34 which marks the 100 and 200 DMA. Mild support likely below at the 50DMA of 1.3374, though likely to be breached should we receive further unfunded spending plans. - **Antipodeans**, which were the initial clear outperformers, but succumbed to USD buying with Kiwi dipping into negative territory despite hotter-than-expected inflation data overnight. Aussie meanwhile, holds onto gains, though modest compared to the earlier advance (AUD/USD +0.2%). The cross is now 0.8% off overnight lows with Aussie likely finding support from carry/metals/ the potential for Chinese stimulus. - **JPY** was on a weaker footing throughout the session even with earlier USD weakness. Overnight, Japan's Cabinet approved the economic framework policy document, including a fiscal plan, which cited BoJ autonomy but lacked a sales tax decision. Amid the uncertainty given the lack of a funding plan, USD/JPY set to complete the session towards recent record highs, currently 162.89 but a moving target.

FIXED

- **Global fixed income benchmarks** steadily bid lower throughout the European session. The risk-on mood in US equities and the bid across the energy complex limited the desire for fixed income.
- **Gilts** (-24 ticks) initially opened muted despite the surprise pick of former Defence Secretary Healey as Chancellor, with yields failing to return back below the 5% mark. The c. 8bp rise in 10yr yields on Monday came following comments by PM Burnham, stating that he will use any flexibility within the fiscal rules. Focus in the coming weeks will be on Chancellor Healey's plans, increasing the possibility of a rising risk premium. As the session continued, gilts fell lower and is to end the European session at the lower end of its 86.34-86.80 range.
- **Bunds** (-35 ticks) fell amid the rise in energy prices. Not much to report domestically, as the market awaits the ECB rate decision on Thursday. On the supply front, Germany sold EUR 4.55bln of its new Bobl, which met decent demand (b/c 1.48x); no reaction was seen in Bunds.
- **USTs** (-8+ ticks) lacked a catalyst, ahead of a 20-year and 10-year TIPS auction later this week and the Fed policy announcement next week.
- **Citizens Financial Group (CFG)** files to sell USD 400mln in noted.
- **State Street (STT)** files to sell 2-part debt offering.
- **Germany sold EUR 4.553bln vs exp. EUR 6bln 2.90% 2031 Bobl: b/c 1.48x, average yield 2.89%, retention 24.1%.**
- **The UK sold GBP 5bln 4.00% 2029 Gilt: b/c 3.42x (prev. 3.35x), average yield 4.463% (prev. 4.238%), tail 0.3bps (prev. 0.2bps).**

COMMODITIES

- **Crude futures** - Eventually traded firmer as the initial weight seen amid diplomacy hopes was ultimately countered by the escalatory updates, with Yemeni Houthis also warning Saudi-linked ships in the area. Geopolitics remain fluid with constructive and escalatory updates on the US-Iran front. A 10-day ceasefire proposal was pitched, although reports suggested Iran pitched 10 days, but the US seeks longer, while Iran confirmed ongoing mediation talks. Meanwhile, last night was the 10th consecutive day of US airstrikes, whilst Iran continues targeting the region and reiterated that the Strait of Hormuz is closed. US President Trump is expected to decide in the coming days whether to expand military operations against Iran and return to full-scale combat, a senior US official told Fox News. WTI resided in a USD 81.30-84.14/bbl range while Brent traded within USD 87.87-90.94/bbl.
- **Precious Metals** - Precious metals were on a firmer footing but off best levels as crude prices recovered. Spot gold traded towards the upper end of a USD 3,999/oz to USD 4,084/oz range.

Spot silver surged 4.5% at the time of writing as it rose above USD 59/oz vs Friday's 54.77/oz base.

- **Base Metals** - Also on a firmer footing despite the recovery in the USD but alongside expectations of Chinese stimulus following recent weak economic data. 3M LME copper was firmer by around 1.5% and towards the upper end of a USD 13,603.73- 13,867.63/t range.
- **Two tankers carrying Saudi oil have reportedly made U-turns in the Red Sea following the Houthi threats, according to data.**
- **German Chancellor Merz spoke with the Azerbaijani President about gas and oil supplies.**
- **Kazakhstan to stop piping oil to Black Sea after tanker attacks.**
- **Kazakhstan Energy Minister** said it plans to produce up to 40mln tons of oil in 2026.
- **Russian Deputy PM Novak** said the fuel market has partially stabilised; situation remains difficult in some regions.
- **NHC noted that Tropical Storm Bertha has gained strength.**
- **UAE's ADNOC has** approved a USD 6.2bln project to boost natgas production, Bloomberg reported.

EUROPEAN DATA

- **German ZEW Economic Sentiment Index (Jul) 26.3 vs. Exp. 18 (Prev. 10.5).** The export-oriented sectors as well as domestic demand experienced sustained growth.
- **German** ZEW Current Conditions (Jul) -77.6 vs. Exp. -77.8 (Prev. -81.0).
- **EU ZEW Economic Sentiment Index (Jul) 23.4 vs. Exp. 11.5 (Prev. 9.5).**
- **Worldpanel** announces grocery inflation and sales (w/e 12th July): Grocery Inflation 2.6% (prev. 3%).
- **UK** HMRC Payrolls Change (Jun) -4K (Prev. 2K).
- **UK Public Sector Net Borrowing Ex Banks (Jun) -16B vs. Exp. -19.8B (Prev. -23.3B).**
- **UK** Average Earnings incl. Bonus (3Mo/Yr) (May) 4.3% vs. Exp. 4.5% (Prev. 4.4%).
- **UK Employment Change (May) 147K vs. Exp. 85.0K (Prev. 100K).**
- **UK Average Earnings excl. Bonus (3Mo/Yr) (May) 3.4% vs. Exp. 3.4% (Prev. 3.4%).**
- **UK Unemployment Rate (May) 4.9% vs. Exp. 4.9% (Prev. 4.9%).**
- **UK Claimant Count Change (Jun) 6.7K vs. Exp. 28.3K (Prev. 31.2K).**
- **Norwegian** Unemployment Rate (Jun) 4.5% (Prev. 4.4%).

NOTABLE HEADLINES

- **UK PM Burnham** said "we've got to show that our commitment to the fiscal rules is real and we're prepared to make difficult decisions in relation to that", Bloomberg's Wickham reported.
- **UK PM Burnham tells Scotland's First Minister Swinney that they will have to agree to disagree on Scottish independence.** Swinney raised the issue of Scotland's future, stressing the pro-independence majority in Holyrood, in the hope of advancing the debate. But a UK government source told the Press Association that the prime minister had been resistant.
- **Reform UK Leader Farage** is to demand Andy Burnham call a general election and say he has no mandate to govern Britain, reported The Telegraph.
- **The new UK government** is reportedly seeking to advance its fighter-jet programme through cooperation with Canada.
- **UK PM Burnham reportedly to slash business rates for the hospitality sector by 20% within days, Huffington Post reported.** GBP 2 cap on bus fares is also set to be unveiled as soon as Wednesday.
- **Former UK Minister Jones suggests Burnham's VAT** cut is unfunded.

- **UK government to remove VAT on electricity bills from October 1st, funded by cancellation of Digital ID programme, as part of new tax cut measures.**

TRADE/TARIFFS

- **USTR's Greer said Canada is giving other countries better trade deals and action that Trump proposed yesterday is tailored to Canada; Canada's trade retaliation has been notable.**
- **US Treasury Secretary Bessent, on trade with Canada, said "this is just reciprocity"; adds that Canada is highly discriminatory on dairy, alcohol, and drinks.**
- **US officials** are reportedly preparing options to allow US President Trump to launch new tariffs of countries as soon as this week, the FT reported.
- **US and China are to hold AI talks in September, sources say.**
- **JPMorgan (JPM) and other US banks** are reportedly nearing an agreement to provide some financing under Japan's USD 550bln US investment pledge, sources suggest.

CENTRAL BANKS

- **Japanese Chief Cabinet Secretary Kihara** said the specifics of monetary policy should be left to the BoJ.
- **ECB Bank Lending Survey (Jul): Euro area banks reported a moderate net tightening of credit standards for loans or credit lines to enterprises in Q2'26.** Banks also reported a net tightening of credit standards for both loans to households for house purchase and consumer credit and other lending to households. Perceived risks to the economic outlook and banks' lower risk tolerance remained the main factors contributing to the tightening, as banks remain highly attentive to risks related to geopolitical and energy developments.
- **Spain's government** plans to back Pablo Hernandez de Cos as its candidate for the ECB presidency, Expansion reported. De Cos is currently general manager of the BIS, and a former Governor of the Bank of Spain. If successful, he would succeed current ECB President Lagarde when her term expires in October 2027. Spain's Economy Ministry said the selection process had not yet begun.
- **PBoC increased relending quota for agricultural and small businesses by CNY 100bln.**
- **NBH Post decision statement: Sees room to cut rates throughout summer if favourable conditions persist; decision on the continuation to be made based on the September Inflation Report.**
- **Hungarian Interest Rate Decision 5.75% vs. Exp. 5.75% (Prev. 6%).**
- **Hungarian Deposit Interest Rate (Jul) 4.75% vs. Exp. 4.75% (Prev. 5%).**

GEOPOLITICS

RUSSIA-UKRAINE

- **Russian Deputy PM Novak** said the fuel market has partially stabilised; situation remains difficult in some regions.
- **Russia's Defence Ministry** said its forces have struck infrastructure used by Ukraine's military in the port of Odesa, IFX reported.
- **Kremlin** said that Russia will continue targeting vessels involved in supplying Ukraine's military.

MIDDLE EAST

- **Two tankers carrying Saudi oil have reportedly made U-turns in the Red Sea following the Houthi threats, according to data.**

- **A very large crude carrier has made a U-turn in the southern Red Sea after warnings from Houthi rebels in Yemen that they would target ships heading to or from Saudi ports, reported Bloomberg.**
- **US President Trump reportedly rejects proposal for a 10-day ceasefire with Iran, Al Hadath reported, citing Jerusalem Post.**
- **Israel is drawing up operational plans for a further escalation in the US-Iran conflict, three Israeli sources said, but for now remains on the sidelines and has no imminent plans to join, reported CNN.**
- **Yemeni Houthis have warned shipping firms to avoid loading or discharging at Saudi ports, according to an email; adds that any vessel bound for or departing Saudi ports "may be targeted anywhere".**
- **"Pakistan is trying to push for a resumption of negotiations between Iran and the US", Al Arabiya reported citing sources.** The Iranian Interior Minister met with the Pakistani Army Chief to discuss preparations for new talks with the United States.
- **Israeli Finance Minister Smotrich** said "the State of Israel has no interest in joining the conflict between Iran and the US - the current situation is the best for us", Ynet reported.
- **It was Iran which proposed the 10-day ceasefire, i24's Stein reported, citing sources; US said to be demanding a longer ceasefire and demanding even partial navigation of the Strait of Hormuz.**
- **Yemeni Houthi commander** said Saudi Arabia faces two options: either lift the blockade and stop its intervention or continue escalating, which will cost it a lot, Al Mayadeen reported.
- **Sirens sounded in Kuwait and Bahrain, Al Arabiya reported.**
- **Fars** posted satellite images of the destruction of the US military's reconnaissance balloon equipment tent in Erbil, Iraq.
- **Kuwaiti Ministry** said several Kuwaiti power and water desalination plants were attacked on Monday in the Iranian attack.
- **Warning sirens in Qatar and explosions** reported in Jordan, Tasnim and Press TV report.
- **Sirens** are sounding in Bahrain, Al Arabiya reported.
- **Pakistani Army Chief** is currently meeting with the Iranian interior minister in Islamabad, Al Arabiya reported.
- **Kuwait's Al Zour power plant** was targeted in a drone attack, Mehr reported.
- **The Lebanese army enters Zawtar al-Gharbiya as part of the first phase of the pilot zones, Al Hadath reported; Israeli troops departed the area.**
- **Iranian military source reiterates that the Strait of Hormuz remains closed, Fars reported.**
- **IRGC statement on Tuesday** said two more oil tankers were left immobilized after attempting to pass through the Strait of Hormuz, IRNA reported.
- **Iranian press noted of the possibility of hearing controlled explosions in the south and west of Isfahan, Tasnim reported.**

NOTABLE NORTH AMERICAN NEWS

- **US Treasury Secretary Bessent, on government funding, said the US does not need another shutdown; would like to see the Clarity Act pass before Congress goes home.**
- **US Treasury Secretary Bessent said underlying US economy is very strong, core prices are stable; 3% growth is "not unreasonable" for H2.** With government stakes in firms, trying to create market signals.
- **US Treasury Secretary Bessent** said saved USD 100mln from stopping payments to deceased people; think can save USD 350mln this year from payments overhaul, Fox Business reported.

NORTH AMERICAN DATA

- **US** Redbook YoY (Jul/18) Y/Y 7.8%.
- **US ADP Employment Change Weekly 16.5K (prev. 19.3K).**
- **Philly** Fed Nonmanufacturing Business Outlook Survey (July 2026): Regional General Activity: 7.4 (prev. -25.8). Current Indicators. Regional General Activity: 7.4 (prev. -25.8). Firm-Level General Activity: 17.5 (prev. 2.4). New Orders: 12.5 (prev. -0.7). Sales/Revenues: 23.5 (prev. 19.6). Unfilled Orders: 5.7 (prev. 1.0). Inventories: -3.8 (prev. -1.2). Prices Paid: 28.2 (prev. 25.8). Prices Received: 18.4 (prev. 20.2). Full-Time Employment: 12.4 (prev. -4.8). Part-Time Employment: 12.1 (prev. 0.1). Average Employee Workweek: 10.8 (prev. 0.3). Wage & Benefit Costs: 37.1 (prev. 39.7). Capital Expenditures – Physical Plant: 14.1 (prev. 4.9). Capital Expenditures – Equipment & Software: 30.8 (prev. 15.0). Forward-Looking Indicators. Future Firm-Level General Activity: 41.9 (prev. -0.3). Future Regional General Activity: 15.7 (prev. -10.5).

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