European Market Wrap - 31st July 2026

- **European bourses are set to end Friday's session broadly in the green.**
- **Crude futures reversed initial losses despite being lower at the start of the day, amid IRGC and Trump commentary.**
- **Fixed income benchmarks have completely reversed the earlier gains as crude benchmarks rebounded.**

EQUITIES

- **European bourses** are set to end Friday's session broadly in the green, however off the best levels seen at the start of the session as energy prices clambered off lows. The initial positivity early in the session came as a continuation of the constructive tone in the Asian session, leading to the STOXX 600 reaching a new ATH of 656.7. However, the broad European index is set to end back within the broader range.
- **Sectors** finished mixed. **Tech** and ** Energy **are joint-outperformers, given the rebound in chipmakers and the rise in crude benchmarks. However,** Media **remained as the clear laggard, with** Telecoms **and** Travel & Leisure** completing the sector underperformers.
- Key movers included: **UMG**, subscription revenue growth slowed to 6.7% (prev. 7.9% Q/Q); **Credit Agricole**, reported better-than-expected Q2 figures; **Leonardo**, raised its FY26 order intake to c. 28.2bln (prev. guided c. 26.2bln); **NatWest**, raised its guidance and signals buybacks after strong Q2 earnings; **Novo Nordisk**, stated its Ziltivekimab did not translate into major adverse cardiovascular events risk reduction versus placebo in patients with ASCVD.
- **US cash equities** opened entirely in the green, with outperformance in **NDX** given the chip rebound. Also supporting the NDX is the upside seen in **Amazon**, opening with gains as much as 14%, after delivering strong earnings, in which it reported faster AWS growth. Additionally, the stronger-than-expected revenue reassured investors that heavier AI and data centre spending is being matched by accelerating cloud demand.

FX

- **USD** posted gains after being pressured lower by JPY strength in the prior session, although upside was capped by softer crude prices and a lack of fresh US-specific catalysts. Focus remained on external drivers, particularly the BoJ. DXY traded within a 99.90-100.40 range, vs yesterday's 99.86-101.07 parameter. ING noted positioning still points to potential USD short-squeezing, with leveraged funds holding their largest EUR/USD shorts since 2021.
- **EUR** was subdued after prior gains driven by JPY-induced Dollar weakness, trading towards the lower end of a 1.1462-1.1531 range vs yesterday's 1.1537 peak. Bloc data, including hotter French CPI, higher German unemployment, and improved Italian confidence, failed to move the needle. EUR/JPY found resistance near its 100 DMA (185.18) before easing back towards 184.
- **GBP** was similarly subdued, holding within a 1.3402-1.3471 range after peaking at 1.3477 in the prior session on USD weakness. UK-specific catalysts were light.
- **JPY** was the main focus following outsized prior-session gains which sparked intervention speculation. Nikkei sources suggested Japan and the BoJ intervened via USD selling, while desks conducted rate checks. US Treasury Secretary Bessent also flagged the yen as undervalued and volatility as excessive. The BoJ kept rates unchanged at 1.00% (8-1 vote), with Takata dissenting for a 25bps hike. Guidance was largely unchanged, though the Outlook Report saw slight GDP upgrades and mixed CPI revisions. Ueda's presser triggered only modest moves, with some upside seen on comments about inflation risks and policy flexibility. USD/JPY traded around the middle of a wide 158.53-160.88 range after Thursday's 157.48-163.74 swing.
- **Antipodeans** were lower, pressured from broader risk sentiment and metals. China's PMIs unexpectedly fell into contraction, reinforcing concerns over the recovery pace post-Politburo, although FX reaction was muted. AUD/NZD held within a tight 1.1949-1.1985 range.

FIXED INCOME

- **Fixed income benchmarks** have completely reversed the earlier gains as crude benchmarks rebounded. **WTI** Sep'26 regained the USD 85/bbl mark while **Brent** Oct'26 topped the USD 88/bbl level. Not much in terms of a clear driver for the reversal; however, Iran's IRGC, and later the PGSA, stated that the Strait of Hormuz is closed. Additionally, the CPC said to have discussed an "indefinite" halt of oil and tanker operations, which helped lift energy prices further.
- **USTs** trade at the lower end of its 108-01+ to 108-21+ range, down 15+ ticks, with focus being on comments by Fed dissenters from Wednesday's Fed announcement. Hammack stated that policy is not restrictive enough, citing inflation being too high for too long, and that now is the right time to act, as it will be harder to bring inflation back to its 2% target the longer inflation stays high. Kashkari's reasoning is a little different, highlighting that a series of supply shocks have been responsible in part for inflation. Comments by Logan still await. In more recent trade, US Treasuries extended lower, primarily driven by the rise in yields, with the 30-year printing new YTD highs at 5.25% and now at levels not seen since 2007.
- **Bunds** and **Gilts** traded lower in tandem, with the former set to end at the bottom of its 124.40-124.94 band while the latter fell to an 86.55 low after peaking at 87.24. Not much in terms of drivers for the UK treasury market; however, EGBs had to digest prelim. French and EZ inflation figures. French HICP was hotter-than-expected, while EZ inflation printed in line on the headline; core was slightly mixed while services lifted from the prior. Overall, the print fits with the narrative of the ECB moving towards a September hike.

COMMODITIES

- **Crude futures** reversed initial losses to trade higher despite initially being lower at the start of the day, with Iran's IRGC stating, in the early hours of today, two offending tankers were hit and stopped, and four offending tankers quickly changed course. Additionally, the IRGC said the Strait of Hormuz is closed, and any transit and movement will be possible only with the coordination of the IRGC Navy. Focus also turned to the upcoming OPEC+ JMMC, where a 188k bpd September output increase is widely expected, with attention on whether further hikes are paused thereafter. WTI Sep'26 traded within a USD 81.06-84.32/bbl range, while Brent Oct'26 resided in a USD 84.62-87.45/bbl band.
- **Precious Metals** were softer intraday following the prior session's USD-driven strength, with limited geopolitical support weighing on the complex as well as a rebound in oil. Spot gold traded towards the bottom end of a USD 4,022-4,112/oz range (within yesterday's USD 4,028-4,120/oz band).
- **Base Metals** were eventually lower as crude prices rebounded and propped up the USD, with upside also capped after weaker-than-expected Chinese PMIs fell into contractionary territory. The data reinforced concerns over China's recovery momentum post-Politburo, with weakness attributed to adverse weather, subdued demand, and persistent pricing pressures. 3M LME copper traded around the bottom of a USD 13,753.00-13,887.68/t range.
- **US White House NEC Director Hassett** said we will continue measures to keep oil price down if needed.
- **ADNOC Group will change the OSP methodology for all Abu Dhabi crude grades from 1 November, Argus reported, citing sources.** Murban, Das, Umm Lulu and Upper Zakum crude grades will move from the current ICE Murban futures-based methodology to prompt-month pricing linked to the Platts Dubai benchmark, plus an ADNOC-announced differential. The change comes after what Adnoc describes as a regular commercial review. It also aligns pricing more closely with the month of loading and marks one of the biggest changes to Abu Dhabi crude pricing since the launch of ICE Murban futures in 2021.
- **CPC said to have discussed "indefinite" halt of oil and tanker operations; will make decision later today; may halt oil operations until safety guarantees from other states.**
- **Kazakhstan's TengizChevroil resumes exports from Georgia's Batumi amid CPC stoppage, according to reported, citing sources.**
- **Production unaffected after fire breaks out at crude oil accumulation site in Al-Ahdab oil field in Iraq's Wasit Governorate.**
- **China's state planner** said domestic gasoline and diesel prices will rise by CNY 685 and CNY 655 per tonne, respectively, effective from midnight on July 31, citing higher international oil prices.
- **UK Minister of State for Energy Shanks** said the government will be taking a pragmatic approach to the BP (BP/ LN) North Sea announcement, it is a vital national asset.

EUROPEAN DATA

- **Italian Inflation Rate MoM Prel (Jul) M/M 0.2% vs. Exp. 0.1% (Prev. 0%).**
- **Italian Inflation Rate YoY Prel (Jul) Y/Y 2.8% vs. Exp. 2.8% (Prev. 3%).**
- **Italian** Business Confidence (Jul) 89.6 vs. Exp. 88.9 (Prev. 88.4).
- **Italian** Consumer Confidence (Jul) 94.2 vs. Exp. 92.5 (Prev. 92.4).
- **EU Core Inflation Rate YoY Flash (Jul) Y/Y 2.5% vs. Exp. 2.4% (Prev. 2.4%).**
- **EU Inflation Rate YoY Flash (Jul) Y/Y 2.9% vs. Exp. 2.9% (Prev. 2.8%); Services 3.3% (prev. 3.2%).**
- **EU Inflation Rate MoM Flash (Jul) M/M 0.2% (Prev. -0.1%).**
- **EU HICP ex. Food and Energy Flash (Jul) 2.2% (prev. 2.1%).**
- **German** Unemployment Change (Jul) 6K vs. Exp. 5.0K (Prev. -1K).
- **German** Unemployed Persons (Jul) 2.993M (Prev. 2.984M).
- **German Unemployment Rate (Jul) 6.4% vs. Exp. 6.3% (Prev. 6.3%).**
- **French HICP (Jul) Y/Y 2.4% vs Exp. 2.0% (prev. 2.0%); M/M 0.6% vs Exp. 0.3% (prev. -0.3%).**
- **French Inflation Rate YoY Prel (Jul) Y/Y 2.1% vs. Exp. 1.8% (Prev. 1.8%).**
- **French Inflation Rate MoM Prel (Jul) M/M 0.6% vs. Exp. 0.3% (Prev. -0.3%).**
- **French** PPI YoY (Jun) Y/Y 2.60% (Prev. 3%).
- **French** PPI MoM (Jun) M/M -0.6% (Prev. -0.3%).
- **Norwegian** Registered Jobless Rate (Jul) 2.10% vs. Exp. 2.1% (Prev. 1.9%).
- **UK** Nationwide Housing Prices YoY (Jul) Y/Y 1.8% vs. Exp. 1.9% (Prev. 2.2%).
- **UK** Nationwide Housing Prices MoM (Jul) M/M 0.1% vs. Exp. 0.1% (Prev. 0%).
- **Swiss** Retail Sales MoM (Jun) M/M 0.2% (Prev. 0.5%).
- **Swiss** Retail Sales YoY (Jun) Y/Y 1.5% vs. Exp. 3.2% (Prev. 3.5%).

NOTABLE HEADLINES

- **Italy and Finland request temporary suspension of Spain from the Schengen area.**
- **Hungarian PM Magyar** said Danube water levels are expected to remain too low for weeks to restart the Paks nuclear power plant.

TRADE/TARIFFS

- **The US Administration has banned imports from 43 more companies over alleged human rights abuses of the Uyghurs.**

CENTRAL BANKS

- **Fed's Kashkari (2026 voter, hawkish dissenter) said he dissented because he preferred to raise funds rate by 0.25%.** Series of supply shocks have been responsible in part for inflation. More recently data center investments have added new demand element to inflation. Increasingly believe monpol has role to play in addressing successive supply shocks that might lead to entrenched inflation. Monpol can look through individual supply shocks. Manage against risk of inflation becoming entrenched and would prefer to tighten policy incrementally. If inflation durably fades, a strategy of small steps would allow FOMC to slow or pause subsequent adjustments without unnecessary impact on real economy. If inflation remains elevated, a potential series of small policy moves would be better than waiting and concluding that bolder actions were necessary.
- **Fed's Hammack (2026 voter) said Fed rate policy is not restrictive enough; inflation has been too high for too long; 'not confident' inflation will ease absent action from Fed; Now is time for Fed to act to bring down high inflation.** With job market stable, Fed should focus on inflation. The longer inflation stays high, the harder it will be to bring back to target.
- **BoJ keeps its bond-buying plan for August unchanged from July, as expected.**
- **BoJ Governor Ueda (Press Conference) said the Bank is gathering information on how the Kumamoto earthquake is affecting the economy and prices.** Ueda said it is more important than ever to remain mindful of the risk of inflation overshooting the Bank's target and that the risk of inflation overshooting the Bank's 2% target is potentially too significant to ignore. In terms of guidance, Ueda said the Bank will hold careful discussions at its next monetary policy meeting and that the BoJ could accelerate interest rate hikes if it judges that financial conditions are too accommodative.
- **US Treasury Secretary Bessent** said Japan's economy continues to perform well under Prime Minister Takaichi, Governor Ueda, and the BoJ Board, which has demonstrated a strong commitment to monetary and financial stability.
- **ECB's Kocher said recent weeks have shown how quickly geopolitical developments can change energy prices and, in turn, the inflation outlook.** Governing Council will make its decisions in the autumn based on incoming data to ensure euro area inflation returns sustainably to the 2% target.
- **ECB 2026 geopolitical risk reverse stress test: Exercise highlights some weaknesses in banks' stress-testing frameworks.**
- **BoE Chief Economist Pill said MPC is not edging towards a hike.** said Deputy Governor Lombardelli clarified the decision to hold rates unchanged this time was not a difficult one. See potential for more slow-moving, insidious second-round effects. Risks to headline inflation are to the upside.
- **BoE July Market Participants Survey shows the median expectation for quantitative tightening remained at GBP 50bln between Oct 2026 and Sep 2027, unchanged from the June survey.** Markets expect 2026/27 quantitative tightening to comprise 43% short-dated gilts, 41% medium-dated gilts and 16% long-dated gilts.
- **SARB Governor Kganyago** said domestic bond yields show confidence that the Bank can meet its 3% target.
- **Polish Inflation Rate YoY Prel (Jul) Y/Y 3.0% vs. Exp. 3.0% (Prev. 2.5%).**
- **Polish Inflation Rate MoM Prel (Jul) M/M 0.8% (Prev. -0.5%).**

GEOPOLITICS

MIDDLE EAST

- **US President Trump said the Iran war is going well; the US is hitting Iran hard and "we just keep winning", according to Fox News.**
- **The US and Israel are considering a land blockade of Iran to increase economic pressure, senior Israeli sources told The Telegraph.** The plan could involve urging neighbouring countries and regional partners to restrict border crossings and trade. A land blockade could target border crossings like Incheh Borun and Sarakhs-Sarahs, which connect Iran and Turkmenistan. Some have warned that enforcement would be diplomatically and logistically difficult across Iran's seven land borders. The report also noted that there is a chance that Israel and the US floated the plan as a red herring to distract Tehran from their actual next step.
- **Iran's IRGC said the Strait of Hormuz is closed, and any transit and movement will be possible only with the coordination of the IRGC Navy.**
- **Iran's IRGC said in the early hours of today, two offending tankers were hit and stopped, and four offending tankers quickly changed course.**
- **The Persian Gulf Waterway Management Authority announces that traffic through the Strait of Hormuz is not possible due to the continued aggressive actions of the US.** As soon as stability and calm are established, all requests will be reviewed and permits will be issued in a timely manner.
- **Fire in Iraq's Al-Ahdab oil field brought under control, reported Tasnim.**
- **Kuwait's Army said it has destroyed hostile drones within Kuwaiti airspace since dawn on Friday, Al Hadath reported.**

RUSSIA-UKRAINE

- **Russia's Grain Exporters and Producers Union** said attacks in the Black Sea region could soon force a complete shutdown of grain export corridors.
- **Ukraine President Zelensky** said Ukraine struck Russian logistics sites in three locations.
- **Ukraine's military** said it carried out a strike on a refinery in Russia's Volgograd region.

NOTABLE NORTH AMERICAN NEWS

- **US Treasury has reportedly informed banks that it may intervene in the Yen market on Friday, according to sources.** US Treasury told banks that they should stand by for future actions.
- **US White House NEC Director Hassett** said rates could stay where they are, hard to motivate an interest rate hike with the current data. Expects AI productivity to help push down inflation. The climb in 10-year yields is temporary.

NORTH AMERICAN DATA

- **US** Employment Cost - Benefits QoQ (Q2) Q/Q 1.00% (Prev. 1.2%).
- **US** Employment Cost - Wages QoQ (Q2) Q/Q 0.90% (Prev. 0.8%).
- **US** Employment Cost Index QoQ (Q2) Q/Q 0.9% vs. Exp. 0.8% (Prev. 0.9%).
- **Canadian GDP MoM Prel (Jun) M/M 0.2 (Prev. 0.1).**
- **Canadian GDP MoM (May) M/M 0.3 vs. Exp. 0.1 (Prev. 0.5).**

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