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European Market Wrap - 3rd August 2026

- **European bourses end Monday's trade with broad gains, with outperformance in the DAX 40.**
- **Crude futures slumped sharply at the open after Trump said the US had paused a planned strike on Iran.**
- **JPY was the clear outperformer, extending recent gains following intervention speculation and confirmation of coordinated action.**

EQUITIES

- **European bourses** end Monday's trade with broad gains, with outperformance in the **DAX 40** while higher energy prices and falling **AstraZeneca** shares weigh on the **FTSE 100**. The positivity across equities came following the announcement by US President Trump over the weekend that he cancelled planned strikes on Iran at the request of Tehran and other Middle Eastern countries. More recently, Al Mayadeen reported that Tehran rejected the US' proposal regarding the reopening of Hormuz; however, no reaction was seen across the equity space.
- **Sectors** held their positive bias. **Cyclicals** topped the sector pile, with **Autos** the outperformer, followed by **Consumer Products & Services** and **Retail**. **Energy** remained the clear sector laggard, with **Health Care** and **Basic Resources** rounding out the laggards.
- Key movers included: **AstraZeneca** (-7.6%), following the FT reporting of a potential AZN-BMY merger; **Prysmian** (-3.7%), acquired Atkore for USD 3.8bln; **Banco BPM** (+2.1%), BMPS considering acquiring the Co.; **Holcim** (-2.0%), sold its Philippines business for at least USD 807mln.
- **US cash equities** open entirely in the green, with outperformance in the small-cap **RUT**. Despite the positive sentiment, memory names (**SanDisk** -1.5%, **Micron** -4.8%) have come under pressure after reports that **CXMT** is considering a second memory chip plant in Beijing. On the data front, ISM Manufacturing PMI printed above forecasts, however, no move was seen in US equity futures.

FX

- **USD** - USD was broadly firmer against most G10 peers, although gains vs the JPY capped upside in the index and left DXY largely unchanged on the session. Price action remained contained despite multiple drivers, including geopolitics, ISM data and intervention-related flows. DXY found support below 99.50 and around its 100 DMA (99.70), with the 100 level continuing to act as a sticky region. No move was seen on the somewhat stale ISM data.
- **EUR** - EUR/USD gradually weakened through the European morning to a 1.1520 base, with little reaction to final EZ PMIs which were stale in a fluid environment. Commentary alongside the data noted underlying weakness despite firm headline prints. EUR/JPY moved higher amid profit-taking around 180, while reports suggested the US Treasury intervened by buying JPY against EUR.
- **GBP** - GBP was softer against the USD in line with broader G10 weakness, with limited UK-specific catalysts. Price action remained driven by USD dynamics and broader risk sentiment.
- **JPY** - JPY was the clear outperformer, extending recent gains following intervention speculation and confirmation of coordinated action. Comments from FX diplomat Mimura reinforced expectations for further intervention and closer alignment with monetary policy, helping push USD/JPY to a 155.23 base before the pair rebounded off worst levels. BoJ data suggested around JPY 5.3tln of intervention on Friday. Desk views remained mixed on sustainability, though most see limited scope for a sustained move below 150.
- **Others** - Antipodeans underperformed, with AUD and NZD both lower by around 0.3% amid the firmer USD and lack of supportive macro catalysts and disappointing Chinese data. NOK was the weakest performer across G10, pressured by the sharp decline in oil prices (Brent Oct'26 -5%), with NOK/SEK slipping and USD/NOK higher into the close.

FIXED INCOME

- **Bunds** - Bunds were firmer as the pullback in energy weighed on yields, with the contract rising to a 124.95 peak, testing Friday's 124.94 high but sees resistance levels between 125.04-25 from early last week. Brief upside was seen on weak German retail sales, while Final Manufacturing PMI was unrevised and showed an "impressive start" to Q3, though underlying details remained soft with weak new orders and continued job cuts.
- **Gilts** - Gilts outperformed in the energy-driven move to a 87.38 high, though topping last week's 87.24 double-top and further resistance at 87.32, with the next level at 87.51. UK-specific drivers were light, with no reaction to the downwardly revised Final Manufacturing PMI, leaving the complex driven by energy and broader global policy dynamics, particularly after Bailey reinforced the extended hold narrative.
- **USTs** - USTs were firmer but lagged peers, reaching a 108-17+ peak and remaining below last week's 108-20+ to 108-30 highs. There was little move to the somewhat outdated S&P Global Final Manufacturing and ISM Manufacturing PMIs.

COMMODITIES

- **Crude** - Crude futures slumped sharply at the open after Trump said the US had paused a planned strike on Iran following requests from Tehran and regional players, and outlined progress towards a potential deal, including reopening Hormuz. Prices remained on the back foot as the lack of immediate escalation and continued mediation efforts weighed on the risk premium, despite Iranian officials rejecting direct US talks. WTI Sep'26 fell from near USD 87/bbl on Friday to open at USD 80.10/bbl and hit a trough at USD 78.62/bbl, while Brent Oct'26 dropped from a USD 91.36/bbl peak to open at USD 82.80/bbl and later printed a USD 81.55/bbl low.

- **Natural Gas** – Dutch TTF opened lower in tandem with crude before gradually trimming losses, dipping to around EUR 55.50/MWh before rebounding to EUR 59/MWh and then waning to sub EUR-58/MWh. Price action remained choppy, reporting over the weekend included an LNG tanker incident off Oman.
- **Precious Metals** – Precious metals initially firmer as the slump in oil provided some short-term reprieve, although the yellow metal later waned alongside oil, possibly an unwind of risk premia amid a lack of escalation. Spot gold traded towards the lower end of a USD 4,019.35-4,079.19/oz range, falling under Friday's USD 4,045.17/oz close.
- **Base Metals** - Base metals were modestly softer after initially being supported by the pullback in energy, though upside was capped by weaker Chinese data. 3M LME copper traded within a narrow USD 13,800.60-13,903.00/t range.
- **Kazakhstan's oil and gas condensate production fell to 1.85mln bpd in July (prev. 2.16mln bpd) due to export disruptions through the CPC, according to sources.**
- **Ship-tracking data showed six empty Saudi-flagged supertankers changed course in the Gulf of Aden and** were sailing in formation towards southern Africa, with one listing Gibraltar as its destination.
- **Kuwait's July crude oil production rose to 1.97mln bbls/day in July (prev. 1.67mln/day), its highest level since the start of the Middle East conflict, Bloomberg reported.**
- **Hungarian PM Magyar** said water levels of the Danube for the next few days have become more slightly optimistic.
- **Iraq's North Oil Refining Company** said the fire at the Salahuddin 2 refinery (140k BPD) did not affect production, via Iraqi News Agency.
- **BoK reportedly** plans to purchase domestically refined gold bars for the first time in 13 years, Korea Economic Daily reported; the report cites geopolitical risks as a factor.
- **Bloomberg's Blas** posted "All counted, probably ~5m b/d is flowing dark..." via the Strait of Hormuz. Full post:"Despite all the "closed" talk about the Strait of Hormuz, a lot of oil keeps leaking, and the number of STS operations in the Gulf of Oman has climbed. All counted, probably ~5m b/d is flowing dark via SoH. Another reason why the physical market has weakened.".
- **Explosion at Iraq's Salahuddin refinery (300k BPD)** was a result of technical failure, Nour News reported.

EUROPEAN DATA

- **UK S&P Global Manufacturing PMI Final (Jul) 51.9 vs. Exp. 52.8 (Prev. 52.5)..**
- **EU S&P Global Manufacturing PMI Final (Jul) 51.9 vs. Exp. 52.0 (Prev. 51.4).**
- **German S&P Global Manufacturing PMI Final (Jul) 52.2 vs. Exp. 52.2 (Prev. 50.3).**
- **German Retail Sales MoM (Jun) M/M -1.1% vs. Exp. -0.5% (Prev. 1.1%).**
- **German Retail Sales YoY (Jun) Y/Y -0.2% (Prev. 1.8%).**
- **French S&P Global Manufacturing PMI Final (Jul) 49.8 vs. Exp. 50.0 (Prev. 51.2).**
- **Italian S&P Global Manufacturing PMI (Jul) 51.3 vs Exp. 52.3 (Prev. 52.2).**
- **Spanish S&P Global Manufacturing PMI (Jul) 50.2 vs Exp. 50.5 (Prev. 49.7).**
- **Swedish** Swedbank Manufacturing PMI (Jul) 55.8 (Prev. 58.3).
- **Swiss Inflation Rate YoY (Jul) Y/Y 0.4% (Prev. 0.5%).**
- **Swiss Inflation Rate MoM (Jul) M/M -0.1% vs. Exp. -0.1% (Prev. 0%).**

NOTABLE HEADLINES

- **UK PM Burnham could hold another King's Speech in order to outline the governments priorities, iPaper reported.**
- **Hungarian PM Magyar** said the Paks nuclear power plant could continue operating at its current reduced capacity until Monday or Tuesday.

TRADE/TARIFFS

CENTRAL BANKS

- **Fed's Williams (voter), in a Reuters interview, said he still believes Fed policy is well-positioned.** INTEREST RATES. Strongly supported the FOMC's latest decision. said rate policy remains "well positioned" to achieve 2% inflation. Action would be appropriate if the economy is not on a trajectory to return inflation to 2%. said market pricing provides valuable information, but the Fed is not obliged to ratify market levels. Williams said the Fed is not bound to set monetary policy based on market levels. INFLATION. Williams expects inflation to decline in the second half of this year and further next year. Expects the Middle East war's inflation impact to cool. Acknowledges uncertainty around the Middle East war's inflation impact. Remains optimistic inflation pressures will gradually ease. said the Fed is strongly committed to returning inflation to 2%. said inflation drivers should ease if energy prices and trade tariffs have peaked. BALANCE OF RISKS. Is unsurprised by AI-sector volatility. Sees no financial-stability risks from AI investment.
- **BoJ data suggested Japan conducted around JPY 5.3tln of currency intervention on Friday; July's money market conditions account shows a shortfall of around 11.4tln.**
- **BCB Focus Market Survey: 2026 Selic Rate 13.75% (prev. 14.00%), 2027 Selic Rate 12% (prev. 12%).**
- **SNB Sight Deposits (CHF)** : Domestic 435.25bln (prev. 442.66bln), Total 465.2bln (prev. 469.3bln).

GEOPOLITICS

MIDDLE EAST

- **Iranian source said the US has made a concession to Iran regarding the closure of the southern route in the Strait of Hormuz, Al-Mayadeen reported.** " Iran responded to the latest US proposal by refusing to open the Strait of Hormuz until the war is completely over." the source said.
- **Iranian President Pezeshkian** said Iran does not seek to expand tensions but will act decisively to defend its security, interests and territorial integrity, Al Jazeera reported.
- **Pakistani sources suggest that the US and Iran will hold indirect talks, initially through mediators, and the nuclear subject will not be raised at this point, Anadolu reported.**
- **Iran's Foreign Ministry spokesperson said negotiations with Oman are progressing, with the two sides holding constructive talks on a new framework and exchanging maps over the past seven to eight days for review, IRNA reported.**
- **Iran's Foreign Ministry spokesperson Baghaei** said "We are not negotiating with the US right now.", and "The negotiations are with Oman.". Adds, the focus is on reaching an understanding on a route that will ensure "safe shipping in the Strait of Hormuz".
- **Iran's Foreign Ministry spokesperson Baghaei said there are no plans to receive a US delegation or send an Iranian delegation in the coming days.**
- **Iran's Foreign Ministry spokesman Baghaei said Iran is working with Oman to establish a temporary security corridor in the Strait of Hormuz, adding that Tehran is not currently in dialogue with the US and is holding talks with Oman on the waterway.** Issues with the US should be addressed at a later stage,. An agreement with Oman on air routes is insufficient to reopen the Strait of Hormuz, and that conditions will remain unchanged while US “aggression” continues.
- **Iranian President Pezeshkian’s address to the public will be broadcast soon as he enters the third year of his presidency, Fars reported.**
- **An MQ9 drone** was intercepted and hit by fire from the IRGC over the Strait of Hormuz, Defa Press reported.
- **Iranian lawmaker Qashqawi** said there are no discussions with the US or talks on the nuclear issue, adding that US sanctions amount to war; lasting peace can only be pursued once the military, economic and media conflict ends, SNN reported.
- **"A new round of negotiations… and an imminent Omani-Iranian understanding regarding the Strait of Hormuz", Al ArabyTV reported.**
- **Iranian Foreign Minister held fresh diplomatic consultations with Saudi and Pakistani officials Tehran, IRNA reported.** Iranian Foreign Minister Abbas Araghchi held separate phone called with Saudi Foreign Minister Faisal bin Farhan and Pakistan’s army chief, Asim Munir. The discussions focused on recent regional developments and diplomatic efforts to maintain security and stability in West Asia. Saudi and Pakistani officials stressed the importance of regional cooperation and political solutions.

RUSSIA-UKRAINE

- **Russian Transport Ministry** said it is taking measures to ensure the safety of navigation and to protect ships in the Azov-Black Sea basin due to drone attacks, RIA reported.
- **Russia strikes three ships carrying military goods in the Black Sea.**

NOTABLE NORTH AMERICAN NEWS

- **US NEC Director Hassett** said US inflation numbers have been fantastic in recent reported, CNBC interview. Fed Chair Warsh is moving things in a positive direction. We respect Fed independence.

NORTH AMERICAN DATA

- **US ISM Manufacturing PMI (Jul) 55.6 vs. Exp. 54 (Prev. 53.3)**
- **US** ISM Manufacturing Employment (Jul) 52.8 (Prev. 49.7)
- **US** ISM Manufacturing Prices (Jul) 71.1 vs. Exp. 70.3 (Prev. 73.0)
- **US** ISM Manufacturing New Orders (Jul) 56.7 (Prev. 56.0)
- **US** S&P Global Manufacturing PMI Final (Jul) 53.9 vs. Exp. 53.8 (Prev. 53.9)

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