# European Market Wrap - 4th August 2026

- **European bourses are to end Tuesday's session entirely in the green.**
- **Crude futures reversed earlier gains amid hope of a Hormuz deal.**
- **US Treasury Secretary Bessent said the US would not have joined [in JPY intervention] if it was not optimistic about Japanese policies, and the US would do whatever it takes to support Japan.**

## EQUITIES

- **European bourses** are to end Tuesday's session entirely in the green, holding onto the gains seen at the start of the session. Italy's **FTSE MIB** remained the outperformer, while Spain's **IBEX 35** lagged. Prospects of a deal over the Strait of Hormuz have brightened after US Treasury Secretary Bessent said there may be a deal with Iran over Hormuz tomorrow. Al Arabiya also reported, citing a source, that an announcement is expected regarding the reopening of the Strait of Hormuz. Furthermore, there were comments by a Qatari official, in which they stated that the language had been drafted for a possible US-Iran deal and that efforts are ongoing to reach a potential deal.
- Key movers today included: **Zalando**, Q2 revenue missed estimates and narrowed its FY26 adj. EBIT guidance; **Bayer**, Q2 revenue and Adj. EBITDA beat estimates and confirmed FY26 view; **Continental**, FY26 revenue guidance missed estimates and highlighted that raw material costs are set to substantially increase; **Lufthansa**, cut its FY26 adj. EBIT guidance and noted heightened levels of forecasting uncertainty; **HSBC**, Q2 PBT and Net beat estimates and announced a USD 1bln share buyback programme; **BP**, Q2 revenue beat and announced its intention to sell Archaea.
- **US cash equities** opened entirely in the green, with outperformance seen in the DJI following upbeat **Caterpillar** earnings. After-hours, **Palantir** and **Onsemi** reported strong earnings, in which they both reported better-than-expected Q2 metrics and raised their outlook. There were more earnings pre-market, with pharma giants **Pfizer** and **Merck** reporting positive earnings. This comes ahead of Eli Lilly and Novo Nordisk earnings tomorrow. Looking ahead, **AMD** and **SpaceX** are to report earnings after-hours.

## FX

- **USD** was choppy within a tight 99.88-100.06 range, with the index mostly under 100 heading into the US open. The index saw little influence from the deep slide in oil prices and remained well within recent parameters, having marginally topped yesterday's 100.02 high while holding above its 100 DMA (99.73). ING noted downside in the Dollar may be limited absent clear labour market weakness, with geopolitical uncertainty also helping underpin the currency.
- **EUR/USD** eked mild gains in tandem with a subdued Dollar, and amid a lack of macro drivers, having found support at 1.1500 yesterday after slipping from a 1.1559 high. The pair remained below its 100 DMA (1.1563) and traded within recent ranges.
- **GBP/USD** was similarly range-bound with an upward bias, trading within a 1.3419-1.3455 band and well within the prior session's range. The pair continued to hold above a cluster of DMAs around the 1.3400 level, providing near-term support.
- **USD/JPY** continued its mild recovery from post-intervention lows but remained capped below 158.00, with resistance seen today at the 200 DMA at 157.95. JPY gained as US Treasury Secretary Bessent said the US would not have joined [in JPY intervention] if it was not optimistic about Japanese policies, and the US would do whatever it takes to support Japan.
- **Antipodeans** - Antipodeans were eventually firmer, with AUD outperforming after stronger-than-expected Household Spending data, while support was also seen from gains in gold and copper. AUD/USD and NZD/USD remained within prior session ranges, while AUD/NZD pushed towards the top end of a 1.1918-1.1969 band, above yesterday's 1.1961 high.

## FIXED INCOME

- **Fixed income benchmarks** were initially contained but broke out of their narrow ranges as the day progressed following constructive geopolitical updates. Firstly, a Qatari official stated that the language had been drafted for a possible US-Iran deal and that efforts are ongoing to reach a potential deal. Another leg higher came amid comments by US Treasury Secretary Bessent, in which he said that there may be a deal with Iran over Hormuz tomorrow. The latest leg higher came after an Al Arabiya source report also confirmed Bessent's comments of a potential announcement over the Strait of Hormuz soon (within hours or tomorrow).
- **USTs** fell to a trough of 108-08+ in the early hours of the European session before steadily climbing higher to a session high of 108-25+ amid the aforementioned geopolitical headlines. Fed's Paulson was also on the wires today; she stated that the current period is a complicated time for monetary policy and stressed it was not a close call for her to vote to keep rates on hold. This differs from comments made by Barkin on Friday, in which he said it was a close call and he did not know if he would have voted for a hike. On the data front, the trade balance came in softer than expected (USD -73.30bln vs exp. -73bln); however, no move was seen following the data.
- **Bunds** and **Gilts** also traded higher. Bunds regained the 125.00 handle, and resided at the top end of its 124.63-125.25 range. If the German benchmark manages to extend on the session's high (which also corresponds with last week's peak), the next key level is 125.74, which is also the 50-SMA yield mark of 3.03%. For gilts, the benchmark topped just shy of the 5.00% yield mark before falling lower. In terms of auctions, the UK sold its 2032 Gilt, which received decent demand and a tight yield tail, while Germany sold a 2.70% Schatz, which brought in a b/c of 1.37x. No reaction was seen in either Bunds or Gilts following the auctions.

- **Germany sold EUR 4.552bln vs exp. 6bln 2.70% 2028 Schatz: b/c 1.37x (prev. 1.13x), average yield 2.78% (prev. 2.77%), retention 24.1% (prev. 29.6%).**
- **The UK sold GBP 4.25bln 4.625% 2032 Gilt: b/c 3.34x, average yield 4.613%, tail 0.2bps.**

**COMMODITIES**

- **Crude futures** were initially firmer amid ongoing geopolitical tensions, with Trump flagging continued talks with Iran and potential reopening of the Strait of Hormuz. However, prices reversed sharply lower through the session as headlines increasingly pointed towards a near-term deal, including expectations of a reopening announcement within hours or days as per US Treasury Secretary Bessent. A modest bounce was then seen on reports that Oman and Iran are expected to imminently announce arrangements regarding the Strait, which is likely to get rejected by the US. **WTI** Sep'26 traded within a USD 76.58-82.33/bbl range after drifting lower, while **Brent** Oct'26 moved within a USD 8046-86.33/bbl band after also fading.
- **Precious Metals** were firmer amid another slide in oil prices. **Spot gold** traded within a USD 4,043-4,092/oz range, remaining within recent parameters.
- **Base Metals** were firmer overall, supported by a stable USD and easing energy concerns. **3M LME copper** extended on gains above USD 14k/t, trading within a USD 13,871.88-14,117.53/t range.
- **Goldman Sachs** expects Brent crude to trade within an USD 80–90/bbl range until a new US-Iran agreement is confirmed or attacks escalate significantly.
- **A strike by Argentina's maritime workers** is preventing ships from entering and leaving grain ports, export and processing chamber CIARA-CEC said.
- **Iraqi Oil Minister** said negotiations with Iran are underway regarding facilitating the passage of oil tankers through the Strait of Hormuz. Hope to reach important agreements in the coming days that will help protect oil tankers and facilitate their passage.
- **A dry bulk vessel was hit by a projectile near the Strait of Hormuz, according to a maritime security source.**
- **Oman crude for October delivery priced at USD 83.51/bbl, according to state news.**
- **Saudi Aramco** said governments are looking to increase oil stockpiles.
- **Saudi Aramco CEO** said attacks on the company's facilities had no material impact on its operations or finances; will continue to use all available export routes, including Bab el-Mandeb, the Suez Canal, the SUMED pipeline and the Strait of Hormuz. Threats in the Red Sea were not affecting the company's export volumes.
- **Saudi Aramco CEO** said global oil inventories could take about 18 months to recover following supply disruptions. Even if the Strait reopened today, replenishing depleted inventories would take up to 18 months at an average rate of 2.1 million barrels per day.

**EUROPEAN DATA**

- **Italian** Retail Sales YoY (Jun) Y/Y 3.1% (Prev. 2.2%).
- **Italian** Retail Sales MoM (Jun) M/M -0.1% vs. Exp. 0.1% (Prev. 0.2%).
- **Spanish** Unemployment Change (Jul) 19.5K vs. Exp. -20.3K (Prev. -28.7K).
- **French** Budget Balance (Jun) -106.8B (Prev. -93.3B).

**NOTABLE HEADLINES**

- **Hungarian PM Magyar** said the country may need to consider a different type of cooling system for the Paks nuclear power plant.

**TRADE/TARIFFS**

- **US government reportedly** seeking comment on including more products in metals tariffs; US suggests tariffs on products like welding machines and cranes.
- **US President Trump's administration** is reportedly drafting a ban on the US imports of Chinese data center devices, according to sources.

**CENTRAL BANKS**

- **Fed's Paulson (2026 voter) said current period is a complicated time for monetary policy, via CNBC Interview.** Inflation. Inflation is too high and she wants to reduce it. It is right to look through supply shocks. Need to keep an eye on second round effects. Policy. Need mildly restrictive monetary policy and Fed likely has that now. Policy feels mildly restrictive, has an open mind where rate policy is going. Was not a close call to keep rates steady at FOMC. If we dont see progress to 2% inflation, need to be open to calibrating policy, could be higher rates, could be same rates for longer. Need an open mind on what is appropriate. Forward guidance. Cannot provide forward guidance as she is weighing evidence with everyone else. Uncertainty of current environment makes it hard to give guidance. Forward guidance more appropriate when rates are near zero. It is great to take a fresh look at how the Fed does its work. Is open minded about fed reviews (task forces). Sometimes dots are helpful, sometimes they are not.
- **Fed's Paulson (2026 voter) said she is keeping an open mind on the monetary policy outlook amid elevated inflation.** A more restrictive policy may be needed if inflation remains stubbornly high. Underlying inflation remains around 2.4%–2.8% and returning inflation to 2% is her highest priority. labour market has stabilised, and temporary energy supply shocks should be looked through when setting policy.

- **US Treasury Secretary Bessent** said the Fed facility is meant to keep volatility offshore, reasonable for Fed to upsize repo facility. Fed FIMA repo facility is no different than an FX swap line. We are seeing a detox in the Fed. Thinks of the end of forward guidance as a detox. Warsh wants to maintain optionality for optimal outcomes. Warsh will help Fed balance between growth and inflation mandate. Warsh wants to maintain optionality. Underlying inflation numbers are very tame. Think this will continue. Core inflation away from segments affected by energy have been very quiet.
- **BoJ data shows an** expected shortfall of JPY 3.38tln in money market conditions (exp. shortfall between JPY 2.32-2.6tln); data suggest that Japan may not have intervened in the FX market on Monday.
- **BoJ Research paper** said the functioning of the JGB markets has been steadily improving as the Bank makes progress in reducing its JGB purchases, with long-term interest rates being formed more freely in the financial markets.
- **US Treasury Secretary Bessent said he is in close contact with Europeans, including the ECB; it seems to me the Euro is much closer to equilibrium price.** Assured Europe it was just reserves re-allocation.
- **BoK Minutes state that one member** said timing and pace of any further rate hikes should be determined with primary emphasis on inflation.

## GEOPOLITICS

### MIDDLE EAST

- **An announcement is expected regarding the reopening of the Strait of Hormuz**, Al Arabiya reported, citing a source; An announcement will be made within hours or tomorrow regarding arrangements for the full reopening of the Strait of Hormuz.
- **Oman and Iran are expected to make an announcement regarding the Strait of Hormuz within hours**, Al Arabiya sources said.
- **No fees will be charged and Iran will not control any route, N12 reported, citing American sources.**
- **US Treasury Secretary Bessent said we may have Iran deal tomorrow to open Hormuz, via CNBC interview.** Deal is possible Tuesday or Wednesday, on Hormuz. Saw quite a few ships coming out of Hormuz, even now. Expects energy prices to settle down. Things may have been dicey in the past few days in Gulf. Could see big relief trades as those prices go down. There are a lot of short-term indicators. Seen interest rate rise with no let-up in AI Capex.
- **Iraqi Oil Minister** said negotiations with Iran are underway regarding facilitating the passage of oil tankers through the Strait of Hormuz. Hope to reach important agreements in the coming days that will help protect oil tankers and facilitate their passage.
- **Progress in talks between Iran and Oman regarding a temporary solution for the Strait of Hormuz, i24 news reported, citing sources.** The achievement for Iran if the solution is accepted: entry into the Straits through the Iranian side of the Straits. During the interim period, the removal of naval mines located in the heart of the Strait will begin so that it can be opened entirely, and then renewed discussions on a solution to the Strait will begin. The Americans are "much more" flexible in their demands than the Omanis. If an agreement is reached between Iran and Oman, it is expected to be acceptable to the Americans. "Iran has conveyed a message: any solution that we agree to and sign must also be approved by Washington.".
- **A Qatari official said language had been drafted for a possible US-Iran deal; efforts ongoing to potentially reach a deal.** Immediate focus was on securing a short-term resolution that could facilitate a return to US-Iran negotiations, adding that no direct talks were currently scheduled.
- **Qatari Foreign Ministry spokesperson** said several parties are engaged in efforts to advance US-Iran talks and that Qatar is seeking a diplomatic solution; no agreement had been reached so far and that the priority was to return to the diplomatic track.
- **Yemeni Houthi forces say they had launched a drone attack on a “sensitive target” at Najran airport in southwestern Saudi Arabia.**
- **Iran's foreign minister's visit to Islamabad will take place soon; There is cautious optimism about achieving an opening in the negotiations with the US and Israel, IRIB reported, citing Al Arabiya sources.** There is a positive atmosphere regarding the cessation of military operations, as well as the arrangements for the full reopening of the Strait of Hormuz. Mediators need more time to reach a formal and imminent ceasefire declaration.
- **A temporary Strait of Hormuz plan under discussion with Oman would give Tehran full control over inbound shipping, according to senior Iranian sources; Iran unlikely to accept another alternative reopening.** Outbound vessels would use a route between Iran and Oman, with Oman clearing departures after notifying Iran. Iran is unlikely to accept another reopening alternative.
- **Israeli army** is reportedly strengthening its presence deep in Southern Lebanon, mulling consolidating its control over areas it seized during the war, Haaretz reported.
- **Iraq oil ministry** said a tanker carrying Iraqi crude passed through the Strait of Hormuz.
- **The Israeli cabinet meeting scheduled for this evening** was cancelled, an Israeli journalist noted.
- **Iranian President said Tehran would defend its borders but does not seek to expand the war, state media reported.**

### RUSSIA-UKRAINE

- **Ukraine, on August 4th, struck a major Russian oil refinery 800km from the border; attacking the Syzran oil refinery (170k BPD); a major fire broke out on the premises, RBC Ukraine reported.**

### NOTABLE NORTH AMERICAN NEWS

- **US Treasury Secretary Bessent said the US would not have joined [in JPY intervention] if it was not optimistic about Japanese policies; would do whatever it takes to support Japan, via CNBC interview.** Support for Japan comes in the context of help for the US economy. Japan has an inflation problem due in part to the weaker JPY.

- **US Treasury Secretary Bessent** said the Fed have to be thinking 9-, 12-, 18-months out; core inflation is slowing, via CNBC interview. K-shaped economy is over. Lower-end wage earners are doing better.
- **US Treasury Secretary Bessent said he does not think carry trade is going to go away entirely, via CNBC interview.**
- **US Treasury Secretary Bessent said we have seen excess volatility in Korean Won.** Believes Chinese Yuan is undervalued.
- **US Treasury Secretary Bessent on Yen intervention, said it is important to have a framework, via CNBC interview.** Have a good working relationship with counterpart. Have been in close contact with Japanese allies. Japan is a great ally. Japan is making serious efforts to stem devaluation in currency. Believe they will put right policies in place. Been in close contact. They are moving toward a budget that will have a primary surplus. Stable Yen important for both US and the region. If yen weakens, other currencies could follow. Have seen excess volatility in Korean Won. Proud to stand with Japan to help stabilise things. Intervention can give market signals but policy is key. Not going to prejudge what the BoJ should do. BoJ will do what is needed. Will require policy to follow up on intervention. Confident will see that follow through. Japan PM doing a fantastic job. Sees no reason for Japan to stop accumulating substantial overseas assets. Now will see strong growth in Japan. Japan tech sector is very strong. Re notepad picures that said to "buy JPY". Aimed to ensure reporters saw. Wanted to make sure reporters knew the symbol JPY.

**NORTH AMERICAN DATA**

- **US** Redbook YoY (Aug/01) Y/Y 8.7%.
- **US Imports (Jun) 388.0B (Prev. 395.3B).**
- **US Exports (Jun) 314.7B (Prev. 317.7B).**
- **US Balance of Trade (Jun) -73.30B vs. Exp. -73.0B (Prev. -77.6B); US-China Trade Deficit 15.8B (Prev. 14.4B).**
- **Canadian Imports (Jun) 73.63B (Prev. 72.86B).**
- **Canadian Balance of Trade (Jun) 3.86B vs. Exp. 3.0B (Prev. 4.24B).**
- **Canadian Exports (Jun) 77.49B (Prev. 77.1B).**

**NOTABLE GLOBAL EQUITY HEADLINES**

- **CXMT** is preparing to produce LPDDR6 smartphone memory chips in small quantities by year-end, pending satisfactory prototype testing, according to Bloomberg. The sixth-generation low-power chips offer faster data transfer and greater power efficiency for AI applications. Mass production would allow CXMT to compete directly with Micron (MU), SK Hynix (SKHY) and Samsung (SSNLF), which introduced its own LPDDR6 chip in March, the report said.



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