

- European bourses were mostly positive, though trade was lacklustre amid light macro newsflow heading into year-end.
- Japanese Finance Minister Katayama said clearly seeing one-sided rapid moves; Alarmed over FX moves.
- US President Trump said "I do not rule out a war with Venezuela", via NBC.

#### EQUITIES

- **European bourses were mostly positive**, though trade was lacklustre amid light macro newsflow. **European sectors** were broadly negative, with **Banks, Insurance, and Energy** leading modest gains despite limited catalysts. Laggards included **Consumer Products & Services, Real Estate, and Food, Beverage & Tobacco**. The Consumer Products & Services sector remained under pressure as **Adidas** and **Puma** declined following **Nike's** warning over Chinese-market weakness.
- **US equities opened firmer across the board**, with the **Nasdaq** leading after pre-market strength in **Oracle** and **CoreWeave**. Earlier, Fed's Williams said the latest CPI print was encouraging but stressed there is "no urgency" for policy action, while noting the Fed still has room to move rates back toward neutral.
- On the micro side, **Capital One** reportedly flagged rising AI-related cloud costs tied to its **AWS** relationship and may be exploring alternatives, per Business Insider citing an internal **NVIDIA** memo — though the update had little effect on the Nasdaq. US movers included **WhiteFiber** after signing a 10-year, 40MW colocation deal for its NC-1 data centre campus, **Oracle** on reports that ByteDance will transfer control of TikTok's US operations to a new JV, and **CoreWeave** after joining the Department of Energy's Genesis mission. On the downside, **Nike** tumbled after flagging China-related concerns and reporting weaker Converse revenue.

#### FX

- **JPY** was the clear outperformer in the G10FX space after what markets had expected to be a hawkish 25bps hike from the BoJ lacked forward guidance on further hikes, alongside jawboning from Japanese officials. On the latter point, Finance Minister Katayama's earlier comments implied there would be a higher threshold for FX intervention, though she recently was back on the wires and said "will take appropriate action against excessive moves" ... referencing today's c. 1.2% move in USD/JPY, pre-GFC highs in GBP/JPY and EUR/JPY ATHs. Since the most recent verbal intervention attempt from the Finmin, USD/JPY briefly dipped below the 157.00 level, before returning to around 11 pips from highs of the day.
- **EUR** traded lower for most of the session, but has since moved into the green, trading higher by a tenth against the USD amid the EGB yield environment. In Brussels, the EU reached a compromise on Russian frozen assets, where the bloc is to issue EUR 90bn in joint debt, updates which weighed on the EUR debt complex alongside French budget news, where the French parliamentary committee was unable to reach a compromise on the 2026 budget. (Bunds -45 ticks, OATs -44 ticks.) The government will now have to use a special law to extend the current budget to 2026. A Citi economist suggested the question is now how long the govt. can operate on a stopgap solution only.
- **DXY** traded higher for most of the session, helped by relatively strong moves in JPY (see JPY section), and post-CPI strength as participants digested the heavy caveats to the data. Fed Vice Chair Williams was on the wires, he said CPI was encouraging and that it shows more disinflation, although stressed it was distorted in some categories, which pushed down the reading. He added policy is mildly restrictive and has some room to get back to neutral, albeit policy is well positioned, and he is in no rush to change policy. Polymarket odds for Fed chair stand: Hasset 55%, Warsh 21%, Waller 14%, Reider 5%.
- **GBP** was uneventful, with cable trading within a 29 pip range (1.3358-1.3387) post BoE. Governor Bailey spoke this morning, he said he was confident that inflation would be close to target by late spring, giving a good reason to expect a bit more downward path on rates - no GBP move on this commentary. To briefly recap the meeting, BoE cut the bank rate by 25bps in a 5-4 split. However, Sterling gained as markets had moved to price in a more dovish vote split in the wake of recent soft inflation data, and there were also concerns on proximity to the neutral rate. GBP/JPY traded at levels not seen since pre-2008 GFC on a 210 handle. The high of August 2008 was 214.15, and it later bottomed at 116.84. Cable session low was marked near to the 100DMA @1.3362.

#### FIXED INCOME

- **JGBs** initially firmed overnight but quickly came under pressure after the BoJ delivered a unanimous 25bps hike as expected, with guidance reiterating that further tightening will occur if the economy and prices track forecasts. Traders focused on the Bank's emphasis on rising wages into the new year and its readiness to continue hiking, while attention also shifted to fiscal uncertainty under PM Takachi's cabinet, adding to volatility in JGBs which later stabilised around the neutral level towards the close.
- **Bunds** and **Gilts** saw exceptionally subdued trade, both holding a slight downside bias, with Bunds in a 127.08–127.52 band and Gilts in a 90.80–91.20 range. ECB speakers offered little of note, with Kocher reiterating that rates are "at a good place." Gilts mildly underperformed, extending the post-BoE hawkish tone from the prior session. BoE Governor Bailey said he is confident inflation will be close to target by late spring, supporting expectations for a continued downward path in rates, though the remarks failed to move the gilt market.
- **USTs** traded sideways overnight and through the European morning, slipping a few ticks within a 112-15 to 112-23 range. A

couple of downticks were seen on the commentary from Fed's Williams. Looking ahead, attention turns to scheduled remarks from President Trump — an announcement at 13:00 EST / 18:00 GMT and separate comments on the economy at 21:00 EST / 02:00 GMT.

## COMMODITIES

- **Crude** traded sideways through early Europe, with **WTI** and **Brent** moving in a narrow ~USD 0.30/bbl band amid light newsflow. Modest upside emerged after an NBC exclusive reported that President Trump is not ruling out a war with Venezuela and signalled additional seizures of oil tankers near the country. Both benchmarks climbed roughly USD 0.50/bbl over the next hour, then extended higher after Ukraine struck a Russian shadow-fleet tanker — though the reaction was limited as the vessel was empty. A more notable move followed reports from the SBU that Ukrainian drones hit a Russian oil rig. Prices pushed to session highs of **USD 56.57/bbl (WTI)** and **USD 60.36/bbl (Brent)** before easing back as the US session began.
- **Spot XAU** showed no clear direction through European trade after failing to hold above USD 4,350/oz on Thursday. The metal dipped to a USD 4,310/oz trough in early APAC hours before gradually retracing losses, but has since struggled to break beyond the session high of USD 4,337/oz set at the start of APAC trade.
- Despite muted action in **XAU**, **3M LME Copper** sustained its APAC-session strength and is set to finish the European session just shy of its all-time high at USD 11,944/t. The red metal briefly dipped to USD 11,744/t at the start of APAC trade before grinding higher through the European session, supported by an improved risk tone stateside as the tech-heavy NQ rebounded from Thursday's selloff. Into the week's close, **3M LME Copper** is on track to settle above USD 11.9k/t.
- **Exporters sell 134,000mT of soybeans to China for 2025/26 delivery, via USDA.**
- **CBR said gold reserves are at 74.8mIn ounces as of 1st December (U/C from November).**
- **US Senator Wyden contacts seven tanker companies over carter-linked maritime fuel smuggling between the US and Mexico, according to Reuters, citing the letters.**
- **Ukraine has hit Russian shadow fleet tanker in the Mediterranean sea for the first time, according to Reuters citing SBU source.** SBU's aerial drones hit the Qendil vessel, causing critical damage. However, vessel was empty at the time of the attack.
- **Black Sea CPC blend oil exports set at 1.65mIn BPD for January (prev. 1.7mIn BPD M/M), via Reuters sources.**

## EUROPEAN DATA

- **UK CBI Distributive Trades (Dec) -44.0 (Prev. -32.0).**
- **UK PSNCR, GBP (Nov) 10.293B GB (Prev. 20.825B GB, Rev. 20.460B GB).**
- **UK Retail Sales YY (Nov) 0.6% vs. Exp. 0.9% (Prev. 0.2%, Rev. 0.6%); MM (Nov) -0.1% vs. Exp. 0.4% (Prev. -1.1%, Rev. -0.9%).**
- **UK Retail Sales Ex-Fuel YY (Nov) 1.2% vs. Exp. 1.6% (Prev. 1.2%, Rev. 1.6%); MM (Nov) -0.2% vs. Exp. 0.2% (Prev. -1.0%, Rev. -0.8%).**
- **UK PSNB Ex Banks GBP (Nov) 11.653B GB vs. Exp. 10.0B GB (Prev. 17.434B GB, Rev. 21.189B GB).**
- **Italian Industrial Sales MM SA (Oct) -0.5% (Prev. 2.1%).**
- **Italian Industrial Sales YY WDA (Oct) 1.7% (Prev. 3.4%).**
- **Italian Mfg Business Confidence (Dec) 88.4 vs. Exp. 89.3 (Prev. 89.6, Rev. 89.5).**
- **Italian Consumer Confidence (Dec) 96.6 vs. Exp. 96.0 (Prev. 95.0).**
- **EU Current Account NSA, EUR (Oct) 32.0B (Prev. 38.1B).**
- **EU Current Account SA, EUR (Oct) 25.7B (Prev. 23.1B).**
- **Swedish Overall Sentiment (Dec) 103.7 (Prev. 101.7).**
- **Swedish Consumer Confidence SA (Dec) 95.8 (Prev. 96.1).**
- **Swedish Manufacturing Confidence (Dec) 103.8 (Prev. 100.9).**
- **Swedish Total Industry Sentiment (Dec) 107.4 (Prev. 105.8).**
- **Swedish Retail Sales YY (Nov) 5.6% (Prev. 3.4%, Rev. 3.5%); MM (Nov) 1.1% (Prev. -0.3%, Rev. -0.2%).**
- **French Producer Prices MM (Nov) 1.1%.**
- **Hungarian Gross Wages YY (Oct) 8.7% (Prev. 9.5%).**
- **Norwegian Reg'd Unemployment NSA (Dec) 2.1% vs. Exp. 2.2% (Prev. 2.1%).**
- **German Producer Prices YY (Nov) -2.3% vs. Exp. -2.2% (Prev. -1.8%).**
- **German GfK Consumer Sentiment (Jan) -26.9 vs. Exp. -23.2 (Prev. -23.2, Rev. -23.4).**
- **ECB Wage tracker suggests lower wage growth and gradual normalisation of negotiated wage pressures in 2026.** ECB wage tracker with unsmoothed one-off payments at 3.0% in 2025 and 2.7% in 2026.

## NOTABLE HEADLINES

- **Bank of Italy confirms Italian 2025 HICP inflation forecast at 1.7%, marginally lowers 2026 to 1.4% from 1.5%; confirms GDP growth at 0.5% in 2025 and 0.7% in 2026.**
- **Bundesbank cuts growth forecast for 2026 to 0.6% (prev. 0.7%) and raises 2026 inflation forecast for Germany to 2.2% (prev. 1.5%).** Nagel: "Starting in the second quarter of 2026, economic growth will strengthen markedly, driven mainly by government spending and a resurgence in exports." and adds that "....while progress will be subdued initially, it will then slowly pick up."
- **French Prime Minister Lecornu said parliament will be unable to vote on a budget for France before the end of the year.** Starting on Monday, he will meet with key political leaders to consult with them on the steps to be taken.
- **Joint Committee from French National Assembly and Senate cannot reach compromise text on 2026 budget, according to a**

Committee member.

- Swedish Think Tank NIER sees 2025 GDP at 1.6% (sept. fcst. +0.9%), 2026 GDP 2.9% (sept. fcst. 2.6%).
- UK Trade Minister Bryant confirms a hack of Government data.

## TRADE/TARIFFS

- **"Beijing's reaction to Trump's approval of Nvidia (NVDA) H200 exports to China has been very cold. Chinese public opinion especially opposes purchasing them."**, according to Chinese journalist Hu Xijin (cont). "China is now fully focused on developing independent semiconductor technology, completely excluding American chips from the Chinese supply chain. We are continuously making progress in this area." "The RESTRICT Act introduced by the House make Chinese public opinion, especially netizens, very happy."
- **USTR Greer said tariff plan is in good shape, via Bloomberg; Will do whatever needed to keep trade deals in place.** TARIFFS If countries do not comply with deals, "maybe we'll talk more." TIKTOK The US expects approval by the Chinese government. CHINA. Need trade with China to be more balanced. NVIDIA H200 export is a 'standalone' matter. Will make sure rare earths continue flowing from China. EU. Spoke with EU counterpart yesterday on tech regulation. Had a great conversation on the EU regulating US companies. INDIA The US is still negotiating with India on trade. USMCA Mexico is asking for reprieve on steel and aluminium duties.
- **China and Australia hold strategic economic dialogue.**
- **Paris Court rejects French Government request to suspend Shein's website as a whole for three months, saying it would be "disproportionate".** Court orders Shein not to sell adult products without age verification, set EUR 10k fine for any breach.
- **US President Trump told NBC "We're making so much money with tariffs", people would start getting the payments "very soon".** "Within the next few days, it'll all be out".
- **China's Commerce Ministry urges India to correct wrong practice on Telecom tariffs.** China files WTO case against India over ICT tariffs and Photovoltaic subsidies.
- **China's Commerce Ministry has launched an investigation into some rubber products from the US, South Korea and the EU.** Adds to keep anti-dumping duty rate of up to 222%. Will terminate anti-dumping measures against UK rubber imports from December 20th.

## CENTRAL BANKS

- **BoJ raised rates by 25bps to 0.75%, as expected, with the decision unanimous, while it stated interest rates are expected to remain at significantly low levels and will continue to raise policy rate if the economy and prices move in line with forecasts.**
- **BoJ Governor Ueda (post-policy press conference) said Japan's economy is recovering moderately, albeit with some weakness. Will make a decision on rate hike after checking the impact on the economy. Will conduct market operations swiftly, under exceptional circumstances in market. Delaying a rate hike could force a significant hike later. There is still some distance to lower the limit of neutral rate estimate. Several BoJ members mentioned that recent JPY weakness may affect prices going forward, and warrants attention. Members suggested that the weak JPY is possibly affecting underlying inflation.**
- **Japanese Finance Minister Katayama said clearly seeing one-sided rapid moves; Desirable for currencies to move in stable manner reflecting fundamentals; Will take appropriate action against excessive moves; Alarmed over FX moves.**
- **Japanese Economy Minister Kiuchi said they respect the BoJ's decision but they need to be mindful of economic outlook.**
- **Japanese Economy Minister Kiuchi said FX is affected by various factors, determined at markets.** Important for currencies to move in stable manner reflecting fundamentals. Closely watching market moves with a high sense of urgency, including long-term yields.
- **Fed's Williams (Voter) said CPI was encouraging and shows more disinflation; data was distorted in some categories which pushed down the reading.** Data. Will need more data to get a good read on inflation. New jobs data shows steady private sector job gains. Unemployment may have been pushed up by distortions, but it is not a surprising read. Jobs data does not show sharp deterioration in the hiring market. Data broadly consistent with recent trends and recent Fed cut. Rate Projections. When asked about if recent data changes his rate outlook, said this is only a bit of data, there is a lot more data due. Doesn't have a sense of urgency on changing monetary policy.
- **Fed Governor Waller had a "strong interview" for Fed Chair with US President Trump as Trump appears to turn focus to the job market, CNBC reported.** BlackRock's Rick Rieder will be interviewed at Mar-a-Lago for the Fed Chair job the last week of the year. The Fed chair candidate list has narrowed to four: Kevin Hassett, Kevin Warsh, Waller and BlackRock's Rick Rieder, who will be interviewed during the last week of the year. The positive description of the Waller interview by officials was not necessarily an indication that he was a favourite candidate for the job.
- **ECB's Wunsch said no longer has a dovish bias as risks are broadly balanced, if outlook holds, then rates can remain where they are. Is not making bets on the next rate move.**
- **ECB's Santos Pereira said at this moment, inflation is at target and they expect it to remain so in the coming months.**
- **ECB's Sleijpen said policy is in a good place but we must maintain a data-dependent and meeting-by-meeting approach.** Growth and inflation risks are large but fairly in balance.
- **ECB's Escriva said there are no reasons for any change in interest rates in any direction.** They are in a good place to have steady monetary policy. They don't know coming direction on next rate decision and could be either way.
- **ECB's Muller said it is too early to speculate what will happen in six months, imagines a scenario that weaker growth and further disinflation could justify more easing but the opposite could also be imagined, via Econostream.**
- **ECB's Kocher said they have not decided what course to take on rates, when asked if there are no more rate cuts coming.** Rates could be cut or raised, depending on developments.
- **ECB's Kocher said there are many risks to growth and inflation to the up and downside.** said they want to keep all options open to be able to react to the volatile situation. They are where they want to be on rates.
- **ECB's Rehn said outlook for growth and inflation remains highly uncertain due to trade war and geopolitical tensions.**

Reiterates meeting-by-meeting approach and ECB maintains full freedom of action and optionality.

- **BoE Governor Bailey said he is confident that inflation will be close to target by late spring, giving a good reason to expect a bit more downward path on rates.**
- **Russian Federation Central Bank Key Rate (Dec) 16.0% vs. Exp. 16.0% (Prev. 16.5%).** Further decisions will be made depending on the sustainability of the inflation slowdown and the dynamics of inflation expectations.

## GEOPOLITICS

### RUSSIA-UKRAINE

- **White House Envoy Witkoff & Ukraine National Security Adviser to meet with National Security Advisers of Germany, France and UK in Miami on Friday, via Axios.**
- **Russia's President Putin said they are ready to think about ensuring security in Ukraine during possible election.** Ukrainians who live in Russia should have the right to vote.
- **Ukrainian drones hit Russian oil rig in Caspian Sea, according to SBU.**
- **Russian President Putin said Ukraine's attacks on tankers won't hurt oil supplies; said Russia will always retaliate when asked about Ukraine's strikes on Russian vessels and civilian targets.**
- **Russia's President Putin restates that Russia will not attack Europe.** said Russia is ready to work with Europe and the US but on equal terms. Will be no more special military operations if the West respects Russia's interests and does not threaten its security, via Al Jazeera. Russia is ready to stop the conflict in Ukraine immediately if we get security guarantees.
- **Ukraine has hit Russian shadow fleet tanker in the Mediterranean sea for the first time, according to Reuters citing SBU source.** SBU's aerial drones hit the Qendil vessel, causing critical damage. However, vessel was empty at the time of the attack.
- **Russia's President Putin said US President Trump is making frank efforts to end the conflict in Ukraine.** said Russia has been asked to make compromise on Ukraine, in which Russia agreed to. The ball is on the West and Ukraine's court.
- **Russian Federation Central Bank Key Rate (Dec) 16.0% vs. Exp. 16.0% (Prev. 16.5%).** Further decisions will be made depending on the sustainability of the inflation slowdown and the dynamics of inflation expectations.
- **Russian President Putin said inflation will be below 6% by year end.**
- **Russian President Putin said we do not see Ukraine being ready for talks, ready and want to end the conflict via peaceful means.** Continue to create a safe zone on the border with Ukraine.
- **Belarus said "We are preparing to start the combat shift of the Russian Oryshnik missile system", via Al Arabiya.**

### MIDDLE EAST

- **A senior US official stated that the possibility of a renewed war in Israel is high, according to Israeli press cited by Al Jazeera.**
- **Contacts between Israel and Syria have not made much progress, according to Al Arabiya quoting US sources.**
- **Germany's Competition Authority approves the merger of Palo Alto (PANW) and Israel's Cyberark software.**
- **US ambassador to Israel said the US is not considering supplying Turkey with F-35 jets (LMT), which is not on the table under current US laws, via Sky News Arabia.**

### OTHERS

- **\*\*US President Trump said "I do not rule out a war with Venezuela", via NBC.** Trump said "I don't discuss it" when he was asked whether he rules out the possibility that such actions could lead to war. Trump also declined to say whether ousting Maduro was his ultimate goal. "He knows exactly what I want," Trump replied. "He knows better than anybody." Will be additional seizures of oil tankers near Venezuela. \*\*

### NOTABLE NORTH AMERICAN NEWS

- **BofA Flow Show: Bull & Bear indicator rises from to 8.5 (prev. 7.9), contrarian "sell signal" for risk assets triggered.** Lower inflation/yields more likely source of positive Q1 surprise to investors in H1'26. Not chasing Q1 risk-on consensus but playing lower CPI via long zero coupon bonds, mid caps, EM equities, natural resources. Weekly Flows (USD). 98.2bln into stocks. 7.9bln into bonds. 3.1bln into gold. 0.5bln from crypto. 43.9bln from cash (biggest outflow since April 2025).

### NORTH AMERICAN DATA

- **Canadian Retail Sales Ex-Autos MM (Oct) -0.6% vs. Exp. 0.2% (Prev. 0.2%, Rev. -0.1%).**
- **Canadian Retail Sales MM (Oct) -0.2% (Prev. -0.7%, Rev. -0.9%).**

### NOTABLE US EQUITY HEADLINES

- **US President Trump at 13:00 EST/18:00 GMT will be announcing more incredible deals that will lower prices of drugs and pharmaceuticals, according to Press Secretary Leavitt.**
- **Capital One (COF) reportedly concerned about AI costs rising via cloud computing relationship with AWS (AMZN) and may be looking for alternatives, via Business Insider citing an internal NVIDIA (NVDA) memo.** "They see their need for GPUs and reasoning models growing and the costs in AWS will soon get out of hand," the NVIDIA employee wrote, referring to Capital One. Nvidia and Capital One discussed "AI factory and neo-clouds," according to the email.
- **The first phase of a Nanto data centre cluster would have 400-megawatt power capacity, which would be ready for use by the end of 2028, via Reuters citing documents.**

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