

Markets nervous on Fed ceiling uncertainty

Markets were cautious on Tuesday, as the latest talks over the U.S. debt ceiling offered something for optimists and pessimists, leaving European shares just shy of last week's 15-month top, and U.S. benchmark yields at their highest in two months.

President Joe Biden and House Speaker Kevin McCarthy could not reach an agreement on Monday on how to raise the U.S. government's \$31.4 trillion debt ceiling with just 10 days before a possible default.

However, both sides stressed the need to avoid default with a bipartisan deal and said they would continue to talk, leaving investors cautious about making large bets either way.

Europe's broad STOXX 600 benchmark slipped 0.2%, trading a little below Friday's 15-month intraday high, largely looking through activity data that showed euro zone business growth remained resilient, if a touch softer than expected.

U.S. share futures were broadly flat.

In company news, Julius Baer's shares dropped 7.6% after the Swiss wealth manager reported modest money inflows in the first four months of this year, disappointing investors who had expected the Swiss wealth manager to benefit from Credit Suisse's troubles.

But the overall focus remained on events in Washington.

"The resumption of debt ceiling negotiations spurred some hopes, despite distinct risks of brinkmanship and blame-shifting remaining on the cards," said Mizuho economist Vishnu Varathan.

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