



Thursday, 14 November 2024

## KBC Sunrise Market Commentary

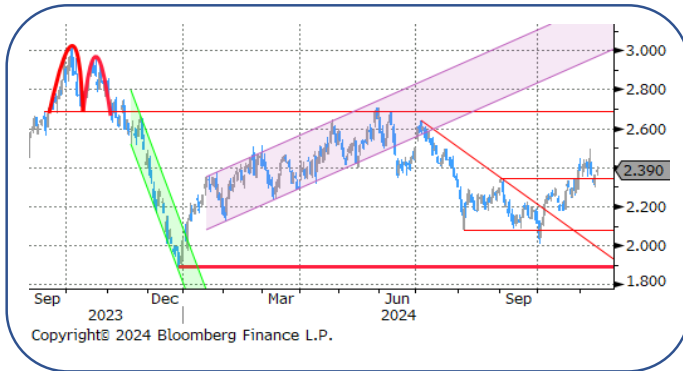
### Markets

- US October inflation figures printed bang in line with expectations. Headline inflation picked up to 2.6% and core inflation matched September's 3.3% with **clear signs of price stickiness** in housing-related costs (0.4% m/m) and core services ex housing. The latter rose 0.31% m/m and accelerated on an annualized three-month rolling average to 4.24% - the quickest since April of this year. US yields fell as much as 12.6 bps at the front **in absence of an upward inflation surprise** which, according to Fed Kashkari on Tuesday, could have nudged the Fed into pause in the wake of Trump's election victory. The dust settled quickly and yields eventually lost less than half of the initial losses at the front while the long end added almost 7 bps. The 10-yr yield escaped from a 13-month long downward wedge to test resistance at 4.47%. **German rates were inspired by Merz keeping the door wide open for reforming the constitutional debt brake** when speaking at a business conference yesterday. Merz' CDU/CSU party is leading the polls ahead of the February 23 snap election. Yields in the country added between 2.8-3.5 bps with Bunds underperforming vs swap. **Dollar domination continued on currency markets.** EUR/USD broke below 1.06 (previous YtD low) with an immediate technical acceleration bringing the pair towards 1.056, the weakest level since November 2023. EUR/USD is on track to revisit the 2023 low of 1.0448. The trade-weighted index cracked 106 and moves beyond the April/YtD high of 106.51 in Asian dealings this morning. **Dollar and US yield momentum is strong and there is little from the economic calendar's side that could change that near term.** Fed chair Powell speeches later today but will probably stick to the script of last week on the most important market topic today – Trump policy: *"We don't guess, we don't speculate, and we don't assume."* Sterling was better bid after Tuesday's slide, losing only against its larger Anglo-Saxo counterpart. EUR/GBP returned from an intraday high just south of 0.835 to 0.831. The UK calendar is empty but for a speech by Bank of England governor Bailey at the **Mansion House**. He shares the stage with Chancellor Reeves. UK Treasury said Reeves' debut address would *"set out how we will support our world-leading financial services sector to grow, innovate and finance growth around the country"*.

### News & Views

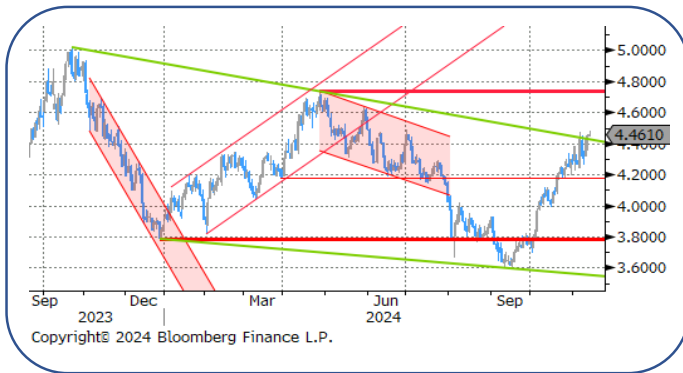
- The Australian labour market shows tentative signs of cooling in October but without endangering the broader healthy picture. **Monthly job growth erased from a very strong 61.3k in September to 15.9k in October.** The Australian Bureau of Statistics analyses that the 0.1% increase was the slowest in recent months. Over the previous six months employment rose by an average of 0.3% per month. **The unemployment rate for the third month in a row printed at 4.1%**, about 0.6% higher compared to the 3.5% of June 2023, but still 1.1 ppts below the March 2020 level when it was 5.5%. The number of unemployed people was 67k higher compared to a year ago, but still 82k lower compared to the March 2020 reference. With population growth in October outpacing the small rise in employment and unemployment, **the participation rate fell slightly to 67.1%** (from 67.2%). The report won't change the RBA assessment that its **too early to ease policy any time soon**. Markets currently discount a first rate cut by summer next year. The Aussie dollar nevertheless continues to suffer from broader USD strength with AUD/USD falling below the 0.65 big figure (currently 0.647).
- Eurex Clearing has postponed the introduction of a futures contract tied to European Union debt**, Bloomberg reported yesterday. The launch was originally planned for this year. However, in comments to Bloomberg, Eurex indicated that it was **a key prerequisite that the EU bond program becomes sustainable and of a long-term nature beyond 2026**. After stepping up issuance during the pandemic, the EU currently has no concrete plans to issue bonds raising the volume of debt beyond 2026. The exchange indicated it wants to see new debt beyond 2026 to support a 10-y futures contract.

# Graphs



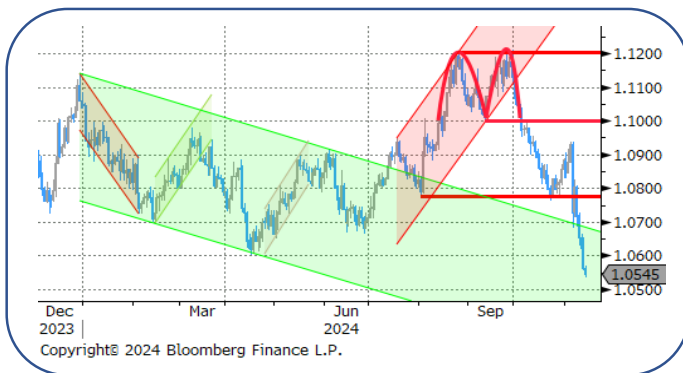
## GE 10y yield

The ECB delivered a third rate cut in October as the outlook deteriorated and inflation is expected to reach the target sooner than thought. **Another reduction in December is highly likely** even though Lagarde refrained from official guidance. The path towards neutral (2-2.5%) should eventually aid an ailing economy. Against this background and with a little help from ongoing strong US data, the 2% support in the 10-yr yield looks solid.



## US 10y yield

The Fed slowed the easing pace to 25 bps in November and reiterated the path to a more neutral stance is set by the economy. Recent **US data suggest there's no need for aggressive Fed support for now (25 bps steps will do)**. 3.60% acted as strong support before a Trump-trade driven rebound (and fiscal-related steepening trend) kicked in. This trend might continue after the Trump victory with the 4.73% next key reference.



## EUR/USD

**Solid early October US data started an impressive USD comeback** as money markets reduced Fed rate cut bets. **Relative yield dynamics pulled EUR/USD below 1.1002 to testing 1.0778 support**. **US elections and the risk of a new Trump term, including hawkish trade policy, added another to by default USD strength, with the 1.0601 YTD low currently under attack.**



## EUR/GBP

The BoE delivered a second **hawkish cut** in November. The expansionary Labour budget lifted the BoE's GDP and CPI forecasts. It forced Bailey to backtrack on his earlier call for an activist approach and instead **sounded cautious on future cuts**. The economic picture between the UK and Europe diverged **to the benefit of sterling**. The EUR/GBP 0.83 support zone is currently again under test. The picture remains fragile.

## Calendar & Table

| Thursday, 14 November |   | Consensus     | Previous    |
|-----------------------|---|---------------|-------------|
| <b>US</b>             |   |               |             |
| 14:30                 | PPI Final Demand MoM/YoY (Oct)                                    | 0.20%/2.30%   | 0.00%/1.80% |
| 14:30                 | PPI Ex Food and Energy MoM/YoY (Oct)                              | 0.20%/3.00%   | 0.20%/2.80% |
| 14:30                 | PPI Ex Food, Energy, Trade MoM/YoY (Oct)                          | 0.20%/--      | 0.10%/3.20% |
| 14:30                 | <b>Initial Jobless Claims</b>                                     | <b>220k</b>   | <b>221k</b> |
| 14:30                 | Continuing Claims   | 1873k         | 1892k       |
| <b>UK</b>             |   |               |             |
| 01:01                 | RICS House Price Balance (Oct)                                    | 16%A          | 11%         |
| <b>EMU</b>            |   |               |             |
| 11:00                 | GDP SA QoQ/YoY (3Q P)   | 0.40%/0.90%   | 0.40%/0.90% |
| 11:00                 | Employment QoQ/YoY (3Q P)   | --/--         | 0.20%/0.80% |
| 11:00                 | Industrial Production SA MoM/WDA YoY (Sep)                        | -1.40%/-2.00% | 1.80%/0.10% |
| <b>Poland</b>         |   |               |             |
| 10:00                 | GDP SA QoQ/YoY (3Q P)   | 0.30%/2.90%   | 1.50%/3.20% |
| <b>Events</b>         |   |               |             |
| 00:00                 | RBA's Bullock-Panel   |               |             |
| 13:00                 | Fed's Kugler Speaks on Economic Outlook                           |               |             |
| 15:00                 | Fed's Barkin Discusses Economy in Fireside Chat                   |               |             |
| 19:30                 | <b>ECB's Schnabel Gives Remarks and Joins Panel in Washington</b> |               |             |
| 21:00                 | <b>Powell Speaks at Event in Dallas</b>                           |               |             |
| 22:00                 | <b>BOE's Bailey Speaks</b>  |               |             |
| 22:45                 | <b>Fed's Williams Speaks at NY Fed Event</b>                      |               |             |

|                   |              |            |            |                   |              |            |                    |              |            |
|-------------------|--------------|------------|------------|-------------------|--------------|------------|--------------------|--------------|------------|
| <b>10-year</b>    | <u>Close</u> | <u>-1d</u> |            | <b>2-year</b>     | <u>Close</u> | <u>-1d</u> | <b>Stocks</b>      | <u>Close</u> | <u>-1d</u> |
| US                | 4.45         | 0.02       |            | US                | 4.29         | -0.05      | DOW                | 43958.19     | 47.21      |
| DE                | 2.39         | 0.03       |            | DE                | 2.17         | 0.03       | NASDAQ             | 19230.72     | -50.68     |
| BE                | 3.00         | 0.02       |            | BE                | 2.34         | 0.01       | NIKKEI             | 38535.7      | -185.96    |
| UK                | 4.52         | 0.02       |            | UK                | 4.49         | -0.01      | DAX                | 19003.11     | -30.53     |
| JP                | 1.06         | 0.01       |            | JP                | 0.54         | 0.01       | DJ euro-50         | 4740.34      | -4.35      |
|                   |              |            |            |                   |              |            |                    |              |            |
| <b>IRS</b>        | <u>EUR</u>   | <u>USD</u> | <u>GBP</u> | <b>EUR</b>        | <u>-1d</u>   | <u>-2d</u> | <b>USD</b>         | <u>-1d</u>   | <u>-2d</u> |
| 3y                | 2.25         | 4.01       | 4.26       | €STR              | 3.1640       | 0.0010     |                    |              |            |
| 5y                | 2.29         | 3.94       | 4.14       | Euribor-1         | 3.0990       | 0.0110     | SOFR-1             | 4.6075       | 0.0003     |
| 10y               | 2.35         | 3.94       | 4.08       | Euribor-3         | 3.0230       | -0.0110    | SOFR-3             | 4.4865       | -0.0428    |
|                   |              |            |            | Euribor-6         | 2.7790       | -0.0180    | SOFR-6             | 4.3907       | -0.0571    |
|                   |              |            |            |                   |              |            |                    |              |            |
| <b>Currencies</b> | <u>Close</u> | <u>-1d</u> |            | <b>Currencies</b> | <u>Close</u> | <u>-1d</u> | <b>Commodities</b> | <u>Close</u> | <u>-1d</u> |
| EUR/USD           | 1.0564       | -0.0059    |            | EUR/JPY           | 164.24       | -0.01      | CRB                | 280.28       | 0.89       |
| USD/JPY           | 155.46       | 0.85       |            | EUR/GBP           | 0.8312       | -0.0021    | Gold               | 2586.50      | -19.80     |
| GBP/USD           | 1.2708       | -0.0040    |            | EUR/CHF           | 0.9360       | -0.0007    | Brent              | 72.28        | 0.39       |
| AUD/USD           | 0.6485       | -0.0048    |            | EUR/SEK           | 11.6074      | 0.0265     |                    |              |            |
| USD/CAD           | 1.3997       | 0.0053     |            | EUR/NOK           | 11.7647      | -0.0032    |                    |              |            |

## Contacts

| KBC Economics – Markets Brussels    |                  | Global Sales Force           |                  |
|-------------------------------------|------------------|------------------------------|------------------|
| Mathias Van der Jeugt               | +32 2 417 51 94  | Corporate Desk(Brussels)     | +32 2 417 45 82  |
| Peter Wuyts                         | +32 2 417 32 35  | Institutional Desk(Brussels) | +32 2 417 46 25  |
| Mathias Janssens                    | +32 2 417 51 95  | CBC Desk (Brussels)          | +32 2 547 19 51  |
|                                     |                  | France                       | +32 2 417 32 65  |
|                                     |                  | London                       | +44 207 256 4848 |
|                                     |                  | Singapore                    | +65 533 34 10    |
|                                     |                  | Shanghai                     | +86 21 68236128  |
| CSOB Economics – Markets Prague     |                  | Prague                       |                  |
| Jan Cermak                          | +420 2 6135 3578 | Hong Kong                    | +852 2525 9232   |
| Jan Bures                           | +420 2 6135 3574 |                              | +420 2 6135 3535 |
| Petr Baca                           | +420 2 6135 3570 |                              |                  |
| CSOB Economics – Markets Bratislava |                  | Bratislava                   |                  |
| Marek Gabris                        | +421 2 5966 8809 |                              | +421 2 5966 8820 |
| K&H Economics – Markets Budapest    |                  | Budapest                     |                  |
| David Nemeth                        | +36 1 328 9989   |                              | +36 1 328 99 85  |

Discover more insights at [www.kbceconomics.be](http://www.kbceconomics.be)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

