



Monday, 12 January 2026

## KBC Sunrise Market Commentary

### Markets

- Chances had already become quite slim and **Friday's US eco data rubberstamped markets' feeling that the Fed has good reason to wait for clearer directional evidence** that the economy is weakening and/or inflation is moving decisively closer to target before further easing policy. Indeed, US December payrolls with monthly job growth at 50k (vs 70k expected) was no 'grand cru'. However, with the unemployment rate easing from 4.5% to 4.4%, it only **confirms the 'low-hiring, low firing' pattern that already reigns on the US labour market** for quite some time. Average hourly earnings at 0.3% M/M and 3.8% Y/Y even were marginally higher than expected. Later in the session, consumer confidence of the University of Michigan also printed slightly stronger than expected (54 vs 52.9) **with inflation expectations indicators** (4.2% at 1-y and 3.4% for the 5 & 10-y sector) **still printing uncomfortably high**. Markets now have fully priced out an end January Fed rate cut. **A next fine-tuning move now is only fully discounted for the June meeting**. The US yield curve logically flattened with the 2-y adding 4.4 bps as the 30-y yield ceded 2.5 bps. German yields only changed 1 bps (at best). Markets on Friday also looked out at the opinion/ruling of the Supreme Court on the IEEPA US trade tariffs, but the judgment was delayed, maybe until this week. **Equity markets at least could live with the Fed likely taking a balanced approach on further easing**. US indices added between 0.48% (Dow) and 0.81% (Nasdaq). The Eurostoxx 50 even remain on record path (+1.58%). **The dollar retained its advantage over other majors**. DXY closed a solid start to the new year at 99.13. EUR/USD dropped to close to week at 1.1637 (to be compared with a 1.1746 open on Jan 2).
- The week after the payrolls usually brings some data poverty. US CPI data tomorrow and retail sales (Wed.) still are worth looking at but likely won't change markets assessment on Fed policy. However, the lack of data drivers might be compensated for **by multiple event risks that resurfaced or intensified during the weekend**. Overnight, Fed Chair Powell said that the US central bank was served with grand jury subpoenas, related to Powell's testimony and the renovations of the Fed headquarters. However, **the Fed Chair clearly indicated that the move 'should be seen in the broader context of the administration's threats and ongoing pressure'**. The Fed Chair's forceful reaction marks a clear escalation in the fight on central bank independency. **In a first reaction US risk premia understandably are rising**. The 30-y US Treasury yield adds 3.5 bps. US equity futures are ceding 0.5%+. The dollar is falling prey to a reversal after recent gains. EUR/USD rebounds to the 1.167 area. **Also keep an eye at other (geo)political event risk including to the US reaction on the tensions in Iran and the still pending ruling of the US Supreme Court on tariffs**. Especially the fight on Fed independence will be highly debated on the financial newswires. In a first reaction it might put some further pressure on US assets, including the dollar. Still we are cautious to already draw firm, directional conclusions based on current 'headlines'. **The auction of US 3-y and 10-y paper this evening in this respect might be a good pointer of appetite for US assets as the Fed independency debate lingers**.

### News & Views

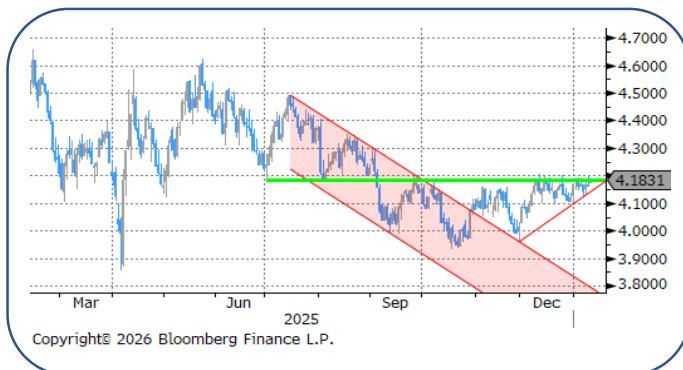
- Rumours are swirling in Japan that PM Takaichi will call for snap elections.** The co-leader of junior coalition party Ishin yesterday hinted at that when saying he felt "we have shifted to a new stage now" after talking with Takaichi. The biggest opposition party after the Sunday quote said they are now in election mode. Takaichi's LDP under her predecessor Ishiba lost its majority in both houses of parliament. It now has a razor-thin one in the powerful lower house thanks to Ishin and the support of three independent lawmakers. **Takaichi is polling high and is rumoured to announce the dissolution of the lower house as soon as January 23**. Japanese markets are closed today in observance of Coming-of-age Day but it is expected that snap elections may lift (longer-term) bond yields through rising fiscal risk premia.
- US President Trump is demanding credit-card companies to cap interest rates at 10%**, drastically down of the 20%+ in recent years. Lenders argue that such rates are to compensate for the lack of collateral when borrowers default and warn the rates cap could result in reduced credit availability. **Trump has set January 20 as a deadline** for companies to comply, adding that they would be "in violation of the law" if they didn't. POTUS' move follows instructions last week for government-sponsored enterprises Fannie Mae and Freddie Mac to purchase \$200bn in mortgage bonds, aimed at driving down mortgage rates.

## Graphs



### GE 10y yield

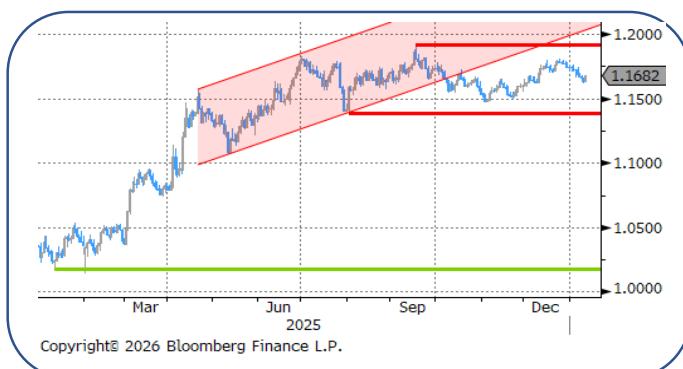
Confidence that inflation is returning to 2% allowed the ECB to reduce its policy rate to 2%, reaching neutral territory. The ECB considers it to be in a good place to respond to potential shocks. Recent comments ever more indicate that the next ECB move will be a rate hike. Combined with ongoing higher (fiscal) risk premia, this supported a rebound in EMU yields.



### US 10y yield

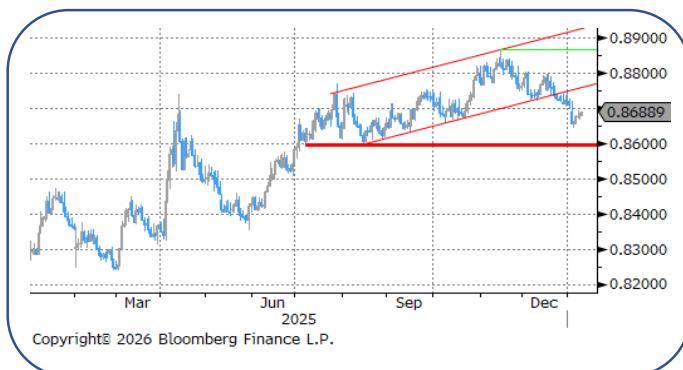
The Fed's focus shifted with increased attention for (risks to) the labour market with 25 bps rate cuts in September, October and December. The Fed now nears a neutral policy level, but the debate on further easing isn't finished yet. Some further steepening still might be on the cards even as the budgetary impact of President Trump's big, beautiful bill moved to the background.

4% support in the 10-y yield survives for now.



### EUR/USD

Trump's explosive policy mix triggered uncertainty on future US economic growth and sustainability of public finances with markets showing a loss of confidence in the dollar. The Fed restarting its easing cycle will reduce USD interest rate support while Lecornu's survival took the sting out of the French political impasse in the short run. The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation MT.



### EUR/GBP

Sterling snapped through multiple support zones, pushing EUR/GBP to its highest levels since early 2023. A new sell-off was avoided after Chancellor Reeves' November's Autumn Budget, but we stick to our view that EUR/GBP will return towards the 0.90 handle.

# Calendar & Table

Monday, 12 January			Consensus	Previous
<b>EMU</b>				
10:30	Sentix Investor Confidence (Jan)		-4,9	-6,2
<b>Events</b>				
<b>12JAN</b>	<b>Japanese markets closed for Coming-of-age Day</b>			
01:01	S&P Global, KPMG and REC UK Report on Jobs			
09:50	ECB's Guindos Speaks in Madrid			
17:30	U.S. To Sell USD58 Bln 3-Year Notes			
18:00	ECB's Villeroy Speaks in Paris			
18:30	Fed's Bostic Moderates Discussion with CEO of Intercontinental			
18:45	Fed's Barkin Participates in Fireside Chat			
19:00	U.S. To Sell USD39 Bln 10-Year Notes			

10-year	<u>Close</u>	<u>-1d</u>	2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,17	0,00	US	3,53	0,04	DOW	49504,07	237,96
DE	2,86	0,00	DE	2,11	0,01	NASDAQ	23671,35	191,33
BE	3,30	0,00	BE	2,14	0,00	NIKKEI	51939,89	0,00
UK	4,37	-0,03	UK	3,64	-0,01	DAX	25261,64	134,18
JP	2,10	0,00	JP	1,15	0,00	DJ euro-50	5997,47	93,15
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>-1d</u>	<u>-2d</u>	<u>USD</u>	<u>-1d</u>
3y	2,36	3,39	3,48	€STR	1,9320	-0,0010		
5y	2,55	3,49	3,61	Euribor-1	1,9710	0,0110	SOFR-1	3,6784
10y	2,88	3,80	3,95	Euribor-3	2,0190	-0,0120	SOFR-3	3,6714
				Euribor-6	2,1160	0,0020	SOFR-6	3,6250
Currencies	<u>Close</u>	<u>-1d</u>	Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1637	-0,0023	EUR/JPY	183,75	0,84	CRB	301,47	-0,91
USD/JPY	157,89	1,02	EUR/GBP	0,8681	0,0005	Gold	4500,90	40,20
GBP/USD	1,3404	-0,0035	EUR/CHF	0,9323	0,0007	Brent	63,34	1,35
AUD/USD	0,6687	-0,0012	EUR/SEK	10,7153	-0,0356			
USD/CAD	1,3913	0,0049	EUR/NOK	11,7493	-0,0064			

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