



Tuesday, 13 January 2026

KBC Sunrise Market Commentary

Markets

- Markets yesterday morning were **pondering the chances and/or the potential reach of a revival of the 'Sell America' trade** as the US Department of Justice served Fed Chair Jerome Powell and the Fed with subpoenas related to the renovation of the Fed building. Powell reacted forcefully to what he sees as a new attack on Fed independence. In a first reaction in Asia and Europe, US equities, the dollar and especially the ultra-long end of the curve suffered from rising US risk premia. However, tensions soon eased. **If anything it turned out to be only a very light version of Sell America.** US equities reversed early declines and even closed with marginal gains (S&P 500 +0.16%). The dollar indeed returned a limited part of its recent rebound. However, at a DXY close of 98.86 and EUR/USD at 1.167 the move was technically insignificant. US Treasuries underperformed Bunds, but bigger early session yield rises ended with a negligible steepening (2-y +0.2 bps; 30-y +1.5 bps). The 3-y (\$58 bln) and especially 10-y (\$39 bln) US **Treasury auction also met more than decent investor buying interest.** Maybe the pushback also from Republican Senators on the attack against Fed independence mitigated the market reaction. In Europe, interest markets extended the recent (corrective?) easing with German yields declining between 1.2 bps (2-y) and 2.6 bps (30-y). Expected softer inflation at the start of the year made markets conclude that the debate on an ECB rate hike is premature.
- Especially Japanese markets show rather forceful moves this morning** as press reports indicate a growing chance of PM Takaichi calling snap elections that might already take place mid-February. **Japanese equities** this morning are rising sharply on the prospect of a potential ongoing fiscal stimulus. At the same time, risk premia at the long end of the yield curve are rising sharply (30-y +8.1 bp to 3.5%). **The yen at the same time weakens** (USD/JPY 158.9, weakest level of the yen since July 2024). Japanese Fin Min Katayama expressing concerns on this one-way decline of the yen in a meeting with US Fin Min Scott Bessent, for now didn't provide much support. **In the US, President Trump added another layer of uncertainty on already complicated US trade relations** as he announced a tariff of **25% on goods from countries that are doing business with Iran.** For now, it is unclear which countries will be affected and how this will be implemented. US (equity) markets take a wait-and-see approach. Futures show negligible losses. Regarding **the eco data, the US December CPI takes center stage.** Markets expect 0.3% M/M and 2.7% Y/Y both for core and headline inflation. Figures still might feel some noise from the shutdown. We don't have a strong view on the risk to the outcome. Even so, a big downwards surprise is probably needed to reopen the debate on frontloading additional Fed easing. **NY Fed president John Williams** in comments overnight at least suggested that after the three consecutive rate cuts in H2 last year, the Fed is now well positioned to stabilize the labour market and bring inflation back to target. There are few data in EMU, but we look out on any potential spill-overs from the sell-off at the long end of the Japanese yield curve to other markets. In this respect, the US Treasury also sells 30-y bonds. The dollar (except for USD/JPY) shows little of a clear directional trend.

News & Views

- The **European Commission** in a plan outlined **yesterday is considering a minimum price system for Chinese electric vehicles** that would replace current import tariffs. The latter range up to 35% and were introduced after the EC concluded Chinese-made EVs enjoyed an unfair advantage from subsidies at home. Beijing retaliated but negotiations have since taken place to avoid the matter spiraling into an all-out trade war. The plan, under which Chinese exporters submit a minimum price proposal, annual volume limits as well as future investments in the region, all for the EC to then assess, should be seen in this context of defusing tensions.
- The **British Retail Consortium's retail sales gauge rose by 1.2% in December, well below the 12-month average of 2.3%.** Food sales rose 3.1%. The non-food category posted a 0.3% annual decline with both in-store and online sales falling in yearly terms. Same store sales rose 1% with a similar divergence seen in food (+2.7% y/y) and non-food (-0.5% y/y). BRC's Chief Executive Dickinson noted "It was a drab Christmas for retailers, as sales growth slowed for the fourth consecutive month." She explained food sales rose mainly due to ongoing food inflation and added that non-food sales fell flat as gifting items did worse than expected and consumers were holding out for discounts. Dickinson concluded that "These figures show that consumer spending remains cautious, with households squeezed by the rising cost of living. Now is the time to support struggling families [...]"

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 might be a rate hike. Combined with ongoing higher (fiscal) risk premia, this supported a rebound in EMU yields.



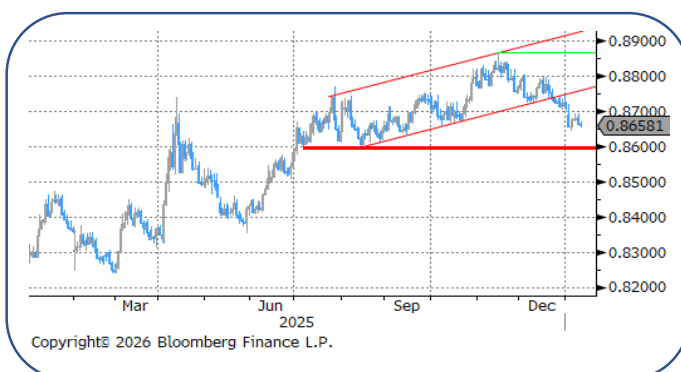
US 10y yield

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

Tuesday, 13 January		Consensus	Previous
US			
12:00	NFIB Small Business Optimism (Dec)	99.2	99
14:15	ADP Weekly Employment Change	--	--
14:30	CPI MoM/YoY (Dec)	0.30%/2.70%	-/2.70%
14:30	Core CPI MoM (Dec)	0.30%/2.70%	-/2.60%
14:30	Real Avg Hourly/Weekly Earning YoY (Dec)	-/-	0.90%R/0.90%R
16:00	New Home Sales Total/MoM (Oct)	715k/-10.60%	-/-
Japan			
00:50	Trade Balance BoP Basis (Nov)	¥625.3bA	¥98.3b
00:50	BoP Current Account Adjusted (Nov)	¥3137.8bA	¥2476.4b
00:50	Bank Lending Ex-Trusts YoY (Dec)	4.8%A	4.50%
06:00	Eco Watchers Survey Current SA (Dec)	48.6A	48.7
06:00	Eco Watchers Survey Outlook SA (Dec)	50.5A	50.3
UK			
01:01	BRC Sales Like-For-Like YoY (Dec)	1.00%A	1.20%
Hungary			
08:30	CPI MoM/YoY (Dec)	0.00%/3.20%	0.10%/3.80%
Events			
Q4 earnings	JPMorgan (13:00) ...		
13JAN	Fed's Williams Delivers Keynote Remarks		
10:00	BOE's Andrew Bailey Speaks		
10:40	ECB's Kocher Speaks in Vienna		
11:00	Italy to Sell Bonds		
11:30	Germany to Sell EU6 Billion of 2031 Bonds		
16:00	Fed's Musalem Speaks on MNI Webcast		
19:00	U.S. To Sell USD22 Bln 30-Year Bond		
22:00	Fed's Barkin in Moderated Conversation		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,18	0,01		US	3,53	0,00	DOW	49590,2	86,13
DE	2,84	-0,02		DE	2,10	-0,01	NASDAQ	23733,9	62,55
BE	3,28	-0,02		BE	2,14	0,00	NIKKEI	53549,16	1609,27
UK	4,37	0,00		UK	3,66	0,01	DAX	25405,34	143,70
JP	2,18	0,08		JP	1,17	0,02	DJ euro-50	6016,3	18,83
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	EUR	<u>-1d</u>	<u>-2d</u>	USD	<u>-1d</u>	<u>-2d</u>
3y	2,34	3,39	3,49	€STR	1,9310	-0,0010			
5y	2,52	3,50	3,60	Euribor-1	1,9890	0,0180	SOFR-1	3,6794	0,0010
10y	2,85	3,82	3,93	Euribor-3	2,0200	0,0010	SOFR-3	3,6725	0,0011
				Euribor-6	2,1300	0,0140	SOFR-6	3,6288	0,0038
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1667	0,0030		EUR/JPY	184,51	0,76	CRB	304,04	2,57
USD/JPY	158,14	0,25		EUR/GBP	0,8664	-0,0017	Gold	4614,70	113,80
GBP/USD	1,3465	0,0061		EUR/CHF	0,9303	-0,0020	Brent	63,87	0,53
AUD/USD	0,6711	0,0024		EUR/SEK	10,698	-0,0173			
USD/CAD	1,3879	-0,0034		EUR/NOK	11,7471	-0,0022			

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