



Thursday, 24 April 2025

KBC Sunrise Market Commentary

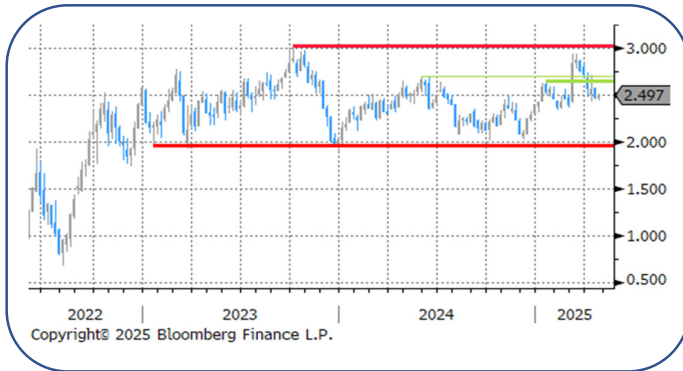
Markets

- In the 'Trump' era **glass-half-empty back to glass-half-full swings have become standard procedure and the trick was again at work yesterday**. After indications that he was considering options to dismiss the Fed chair earlier this week, US president Trump moved to **a more conciliatory tone vis-à-vis the Fed and its Chair**. At the same time, comments from president Trump and press reports (including from the WSJ) suggested that **some mitigation in the tariff war with China might be in the cards as well**. Some see it as a kind of (at least short-term) Trump put as market turmoil is at risk of spiraling into outright chaos. **Equity markets rebounded sharply in Europe and at the US open**. Even so, those markets soon realized that any comment remains conditional only up to the next phase in the US administration's communication. This 'feeling' only was reinforced **by comments from Treasury secretary Bessent that the US didn't intend to reduce tariffs on China unilaterally**. In the end, US equities still closed with decent gains (S&P 500 + 1.67%, Nasdaq 2.50%) but well off the intraday highs. **The US curve flattened** with the 2-y adding 5.2 bps while the 30-y declined 5.5 bps. **In the current environment, this move can be considered as an easing of the pressures** that were building earlier this week. The closely watched 5-y US action was OK. Similar story for the dollar. DXY rebounded to close near 99.85, to be compared with a correction low just below 98 on Monday. **Still, this doesn't improve the overall picture on the US currency in any profound way**. EUR/USD also corrected further to close at 1.1315. This euro 'decline' occurred even as the European/German yield curve bear flattened with German yields rising between 8.5 bps (2-y) and 5.2 bps (30-y). The move in the first place also should be **considered as a risk-on correction**. At the same time, EMU April PMI's saw some fall-out from the global uncertainty (composite PMI 50.1 from 50.9), **but the damage could even been bigger**, with especially manufacturing showing some (unexpected?) resilience. ECB comments from Lagarde and Villeroy indicated some potential deflationary effects for the EU economy from the current trade uncertainty. Even so, the PMI's suggest no need for the ECB rush into stimulative territory given current context of elevated uncertainty.
- Asian equity markets this morning show no clear directional trend as yesterday's WS optimism is petering out**. **Later today**, the eco calendar contains German IFO business confidence, US durable goods orders and jobless claims and a \$44 bln US 7-y Note auction. Recently, eco data most often only had limited impact on trading and often told more about market positioning rather than on the underlying eco narrative. The pressure on LT US Treasuries eased for now, but the 4.20%/4.25% area for 10-y looks like strong 'support'. In EUR/USD 1.1264/1.1144 are the first references that needs to be cleared to call of the EUR/USD ascent. We're not that far yet.

News & Views

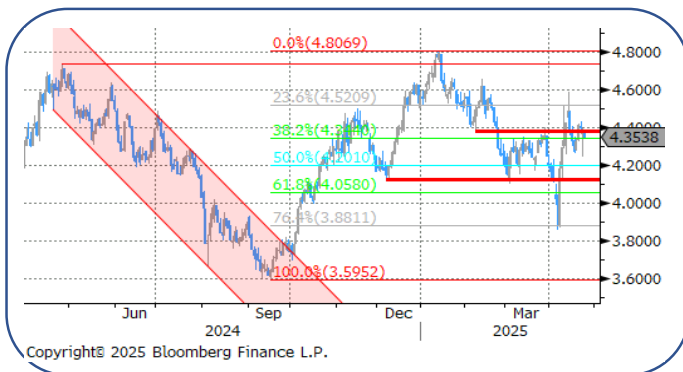
- The **European Automobile Manufacturers' Association (ACEA) showed new EU car registrations declining slightly in March (-0.2% Y/Y) with Q1 2025 registrations being 1.9% lower compared to Q1 2024** in the particularly challenging and unpredictable global (trade) context for auto makers. Hybrid electric vehicles are the most popular in EU, capturing 35.5% market share in Q1 (from 28.9% in Q1 2024). Battery EV's grab a 15.2% market share in the Jan-March period, up from 12% last year, but still way below where they were expected to be. Three of the four largest markets in the EU, accounted for 63% of all battery-electric car registrations, recorded robust gains: Germany (+38.9%; 17% market share Q1 2025), Belgium (+29.9%; 33.4% market share), and the Netherlands (+7.9%; 35.3% market share). This contrasted with France, which saw a decline of 6.6% (18.2% market share). Petrol cars (28.7% from 35.9%) are the second largest category of new registrations, but the combined share of petrol and diesel cars fell to 38.3% from 48.3% over the same period last year.
- The Financial Times reports that US President Trump is planning to spare carmakers from some of his most onerous tariffs**, in another trade war climbdown following intense lobbying by industry executives over recent weeks. It would be a destacking of duties, exempting car parts from tariffs on imports from China related to fentanyl chemical exports as well as from those on steel and aluminum. They are already shielded from reciprocal tariffs while imports for cars from Mexico and Canada already have better terms if they comply with the USMCA trade treaty (only tariffs on non-US content). The 25% tariff imposed on all imports of foreign-made cars would stay in play as well as the separate 25% on parts which is due to take effect from May 3.

Graphs



GE 10y yield

At the April meeting, confidence that inflation is returning to 2.0%, **allowed the ECB to reduce to policy rate to 2.25%, reaching neutral territory.** The ECB now moves to an outright data dependent approach, but overall uncertainty remains elevated. This could lead to a prolonged policy pause. At the same time, **German bunds ever more gain safe haven status** as uncertainty with respect to US assets intensifies. This for now slows the rise in LT yields.



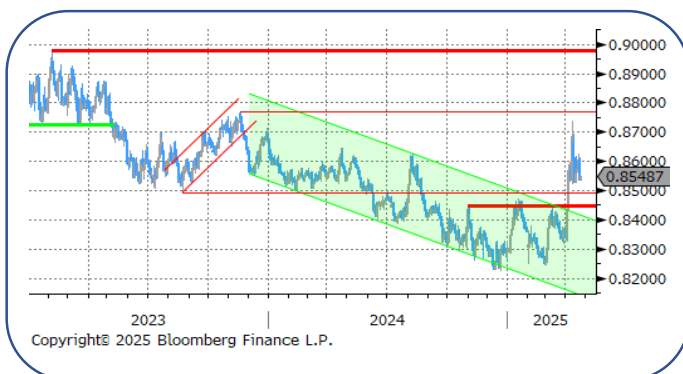
US 10y yield

The Fed's updated forecasts in March are **full of stagflation risks. The Fed's priority remains inflation until growth is visibly weakening.** It means the extended pause announced in January got confirmed, in theory supporting the bottom below front end yields. The long end remained more vulnerable for how the explosive policy mix could backfire to the US economy. Risk-off of late dominated, with the sell US(T) pressure building.



EUR/USD

Trump's explosive policy mix (DOGE, tariffs) triggered uncertainty on future US economic growth with markets **starting to discount the possibility of a US recession, weighing on the dollar. The euro profited from growth-lifting fiscal spending and the process towards peace in Ukraine.** EUR/USD took out **1.1214/74/76 (2024/2023 top/62% retracement) resistance. Uncertainty on Fed independence also puts the 1.1495 February 2022 under heavy strain.**



EUR/GBP

Long end Gilt underperformance due to fiscal risks weighed on sterling earlier this year. Temporary relief as president Trump seemed to be more forgiving towards the UK when it comes to tariffs, didn't last long. UK stagflation risk persists. **EUR-strength, renewed pressure on LT gilts and a global risk-off finally pushed EUR/GBP for a test of the 0.87 area.** Sterling stays vulnerable.

Calendar & Table

Thursday, 24 April		Consensus	Previous
US			
14:30	Chicago Fed Nat Activity Index (Mar)	0.12	0.18
14:30	Durable Goods Orders (Mar P)	2.00%	1.00%
14:30	Durables Ex Transportation (Mar P)	0.30%	0.70%
14:30	Cap Goods Orders Nondef Ex Air (Mar P)	0.10%	-0.20%
14:30	Cap Goods Ship Nondef Ex Air (Mar P)	0.20%	0.80%
14:30	Initial Jobless Claims	222k	215k
14:30	Continuing Claims	1869k	1885k
16:00	Existing Home Sales Total/MoM (Mar)	4.13m/-3.10%	4.26m/4.20%
17:00	Kansas City Fed Manf. Activity (Apr)	-6	-2
Japan			
1:50	PPI Services YoY (Mar)	3.10%A	3.20%R
UK			
12:00	CBI Trends Total Orders (Apr)	-35	-29
12:00	CBI Trends Selling Prices (Apr)	20	22
12:00	CBI Business Optimism (Apr)	--	-47
EMU			
6:00	EU27 New Car Registrations (Mar)	-0.20%ù	-3.40%
Germany			
10:00	IFO Business Climate (Apr)	85.2	86.7
10:00	IFO Current Assessment (Apr)	85.4	85.7
10:00	IFO Expectations (Apr)	85.0	87.7
Belgium			
15:00	Business Confidence (Apr)	-16.0	-15.1
Events			
Q1 earnings	PepsiCo (12:00), Alphabet (aft-mkt)n Intel (aft-mkt) ...		
0:30	Fed's Hammack Speaks on Balance Sheet		
14:00	Germany's Nagel, Kukies Speak		
15:00	ECB's Lane, BOE's Lombardelli, Riksbank's Seim in DC		
15:25	BOE's Lombardelli Speaks		
16:05	ECB's Simkus Speaks in Washington		
17:35	ECB's Rehn Speaks in Washington		
19:00	U.S. To Sell 7-Year Notes		
23:00	Fed's Kashkari Speaks in Moderated Discussion		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,38	-0,02		US	3,87	0,05	DOW	39606,57	419,59
DE	2,50	0,05		DE	1,75	0,09	NASDAQ	16708,05	407,63
BE	3,09	0,03		BE	1,92	0,07	NIKKEI	35004,34	135,71
UK	4,55	0,01		UK	3,92	0,09	DAX	21961,97	668,44
JP	1,32	-0,02		JP	0,67	-0,02	DJ euro-50	5098,74	137,29
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	2,00	3,58	3,69	€STR	2,1670	-0,2500			
5y	2,18	3,64	3,75	Euribor-1	2,1340	0,0330	SOFR-1	4,3209	-0,0064
10y	2,48	3,85	4,07	Euribor-3	2,1580	-0,0330	SOFR-3	4,2924	0,0074
				Euribor-6	2,1040	-0,0690	SOFR-6	4,1663	0,0274
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1316	-0,0105		EUR/JPY	162,35	0,64	CRB	295,62	-1,68
USD/JPY	143,45	1,88		EUR/GBP	0,8537	-0,0031	Gold	3294,10	-125,30
GBP/USD	1,3254	-0,0078		EUR/CHF	0,9400	0,0047	Brent	66,12	-1,32
AUD/USD	0,636	-0,0007		EUR/SEK	10,9747	0,0452			
USD/CAD	1,3882	0,0067		EUR/NOK	11,9214	0,0452			

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