

## Sunrise



Moving forward together.

Tuesday, 29 April 2025

# KBC Sunrise Market Commentary

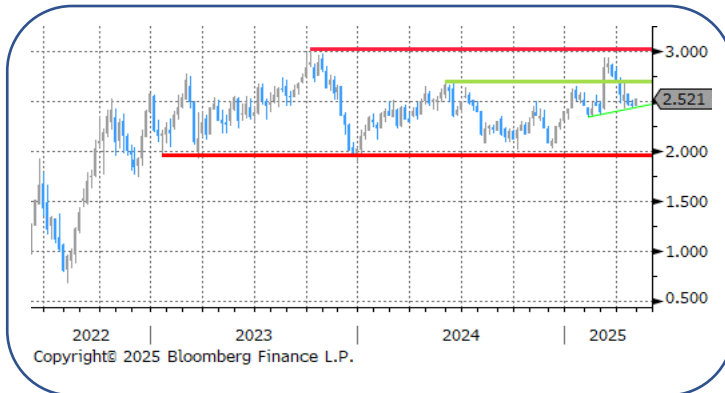
## Markets

- The US yield curve yesterday abruptly swapped a bear steepening move for a flattening one** with net daily changes varying between -5.5 (2-yr) to -1.9 bp (30-yr). The intraday rise against the backdrop of an empty eco calendar and relative silence on the trade front lost momentum around the start of US dealings. A dramatically weaker Dallas Fed manufacturing activity index did the rest even though the indicator has nowhere near the importance of the likes of the ISMs. Either way, the headline index dropped to its lowest level since the pandemic while the six month outlook was the poorest in 1.5 years amid the “insanity” and “chaos” Trump’s tariff had sparked. **Bunds underperformed.** German yields rose, **supported by the technical charts.** Changes varied between 2.3 bps (2-yr) and 5.8 bps (30-yr). The US yield decline weighed on the dollar. DXY moved a bit deeper below 100 again and EUR/USD keeps the pressure on 1.14 high. USD/JPY slid from 143.64 at the open to 142.01 in the close. Sterling had a nice run. EUR/GBP was (and still is) testing the 0.85 area. The White House yesterday said **trade talks with the UK are moving in a very positive direction.** US stocks gradually fell before finding a bottom mid-session. Wall Street eventually closed mixed with minor gains for the DJI and losses for the Nasdaq.
- The economic calendar will flush the market in the coming days. We’re curious to find out whether (US) eco data regain importance now the tariff storm ebbed (not disappeared, though). In today’s kick-off the US releases JOLTS job openings and a closely followed consumer confidence indicator (Conference Board). The ECB publishes its monthly consumer inflation expectations survey while the first inflation and Q1 GDP numbers are on tap in the likes of Belgium and Spain. **We stick to our call of having entered a short-term period of market consolidation.** The dollar is currently having a slight upper hand in the FX market going into the numbers. From a technical point of view we could see EUR/USD oscillating in the 1.1274 (2023 top) - 1.1573 (April high) range. GBP’s momentum may stretch to first resistance at EUR/GBP 0.84735. We feel bond yields have dropped far enough but calling the bottom proves tricky. The 10-yr yield in the US is currently attacking support at 4.20% (50% retracement on the Sept-Jan rally) with the next reference located near 4.10%. Germany’s 10-yr yield is set for a lower open and is eyeing strong support around 2.4%.

## News & Views

- Czech central bank (CNB) deputy governor Eva Zamrazilova in an interview yesterday indicated that the CNB easing cycle may be coming to an end, Bloomberg reported.** The CNB currently has its policy rate at 3.75% and has a next policy meeting next week on May 7. Zamrazilova indicated that she will decide between cutting the key interest rate by 25 bps or holding it unchanged. She also **questions market pricing that there might be scope for further easing over the next year.** The deputy governor in particular referred to the housing market as an upside driver of inflation as rising property prices via imputed rent will support a trend of higher core and headline inflation. Even as the trade war is curbing global demand, Zamrazilova sees other aspects of deglobalization creating inflationary pressures. In this respect, she also **indicated that market expectations for a terminal interest rate at around 3.0% might be overly optimistic.** Yesterday, CNB Governor Michl in another interview said that any further easing would be **very cautious.** The Czech koruna yesterday was again well bid and strengthened further below EUR/CZK 25.00 (24.94).
- The Liberal Party according to the latest available results is expected to have won the parliamentary elections in Canada.** However, for now it is **still highly uncertain whether the party led by Mark Carney will secure the 172 seats that are needed to secure an outright majority** in the House of Commons. Latest results/estimates currently give the Liberal party 165 seats (43% of the national vote) with 147 for the Conservative party. **This might force Carney to cooperate with other parties to pass legislation.** In this respect an important role is seen for the **Bloc Quebecois** which is estimated to have secured 23 seats. Managing the trade war with the US and addressing the challenges that it brings will be an important task of the new government. The Canadian dollar initially rebound after first results came in, but (more than) reversed these gains as chance grew that the government would fail to reach an outright majority (USD/CAD 1.387 currently).

## Graphs



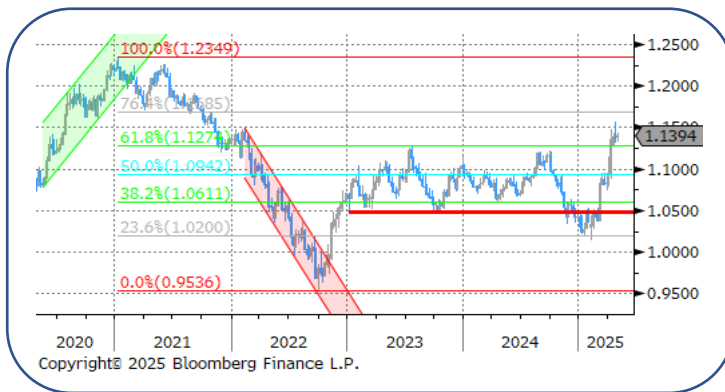
### GE 10y yield

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. Treasuries slid in the Sell US trade before finding a short term bottom.



### 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

Tuesday, 29 April		Consensus	Previous
<b>US</b>			
14:30	Advance Goods Trade Balance (Mar)	-\$145.0b	-\$147.8bR
14:30	Wholesale Inventories MoM (Mar P)	0.60%	0.30%
14:30	Retail Inventories MoM (Mar)	0.30%	0.10%
15:00	FHFA House Price Index MoM (Feb)	0.30%	0.20%
15:00	S&P CoreLogic CS 20-City MoM/YoY SA (Feb)	0.40%/4.70%	0.46%/4.67%
16:00	<b>JOLTS Job Openings (Mar)</b>	<b>7500k</b>	<b>7568k</b>
16:00	JOLTS Job Openings Rate (Mar)	4.50%	4.50%
16:00	JOLTS Quits Level (Mar)	3153k	3195k
16:00	JOLTS Quits Rate (Mar)	--	2.0%
16:00	JOLTS Layoffs Level (Mar)	1816k	1790k
16:00	JOLTS Layoffs Rate (Mar)	--	1.1%
16:00	<b>Conf. Board Consumer Confidence (Apr)</b>	<b>88.0</b>	<b>92.9</b>
16:00	Conf. Board Present Situation (Apr)	--	134.5
16:00	Conf. Board Expectations (Apr)	--	65.2
16:30	Dallas Fed Services Activity (Apr)	--	-11.3
<b>UK</b>			
1:01	BRC Shop Price Index YoY (Apr)	-0.10%A	-0.4%
<b>EMU</b>			
10:00	<b>ECB 3 Year CPI Expectations (Mar)</b>	<b>2.3%</b>	<b>2.4%</b>
10:00	<b>ECB 1 Year CPI Expectations (Mar)</b>	<b>2.5%</b>	<b>2.6%</b>
11:00	Consumer Confidence (Apr F)	4.0%	--
11:00	<b>Economic Confidence (Apr)</b>	<b>94.5</b>	<b>95.2</b>
11:00	Industrial Confidence (Apr)	-10.4	-10.6
11:00	Services Confidence (Apr)	2.2	2.4
<b>Germany</b>			
8:00	GfK Consumer Confidence (May)	--	--
<b>Italy</b>			
10:00	Consumer Confidence Index (Apr)	94.1	95
10:00	Manufacturing Confidence (Apr)	85.9	86.0
10:00	Economic Sentiment (Apr)	--	93.3
<b>Belgium</b>			
29APR	<b>CPI MoM/YoY (Apr)</b>	<b>-/-</b>	<b>-0.07%/2.91%</b>
11:00	<b>GDP SA QoQ/YoY (1Q P)</b>	<b>-/-</b>	<b>0.2%/1.1%</b>
<b>Spain</b>			
9:00	<b>GDP QoQ/YoY (1Q P)</b>	<b>0.70%/0.40%</b>	<b>0.8%/3.4%</b>
9:00	CPI MoM/YoY (Apr P)	0.40%/2.00%	0.1%/2.30%
9:00	CPI Core YoY (Apr P)	2.30%	2.00%
9:00	<b>CPI EU Harmonised MoM/YoY (Apr P)</b>	<b>0.3%/2.0%</b>	<b>0.7%/2.2%</b>
<b>Sweden</b>			
8:00	Retail Sales MoM/WDA YoY (Mar)	--/--	0.1%/2.8%
8:00	GDP Indicator SA QoQ/WDA YoY (1Q)	0.20%/1.70%	0.2%/1.1%
9:00	Economic Tendency Survey (Apr)	--	95.2
9:00	Consumer Confidence (Apr)	--	89.8
<b>Events</b>			
16:00	ECB's Holzmann Speaks in Vienna ()		
9:00	ECB's Cipollone Speaks in Frankfurt ()		
18:30	SNB's Martin Speaks in Geneva ()		
11:40	BOE's Ramsden Speaks ()		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.21	-0.03		US	3.69	-0.06	DOW	40227.59	114.09
DE	2.52	0.05		DE	1.74	0.02	NASDAQ	17366.13	-16.81
BE	3.10	0.05		BE	1.91	0.02	NIKKEI	35839.99	0.00
UK	4.51	0.03		UK	3.87	0.01	DAX	22271.67	29.22
JP	1.32	0.00		JP	0.69	0.00	DJ euro-50	5170.49	16.37
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	1.99	3.39	3.62	€STR	2.1670	0.0000			
5y	2.17	3.45	3.68	Euribor-1	2.1510	0.0120	SOFR-1	4.3230	0.0024
10y	2.50	3.70	4.00	Euribor-3	2.1860	0.0120	SOFR-3	4.2788	0.0021
				Euribor-6	2.1240	-0.0170	SOFR-6	4.1187	-0.0042
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1420	0.0055		EUR/JPY	162.24	-1.06	CRB	297.88	-0.58
USD/JPY	142.01	-1.66		EUR/GBP	0.8497	-0.0039	Gold	3347.70	49.30
GBP/USD	1.3441	0.0126		EUR/CHF	0.9366	-0.0042	Brent	65.86	-1.01
AUD/USD	0.6431	0.0036		EUR/SEK	10.9407	-0.0708			
USD/CAD	1.383	-0.0033		EUR/NOK	11.8084	-0.0544			

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