



Wednesday, 30 April 2025

KBC Sunrise Market Commentary

Dear reader,

There will be no KBC Sunrise on Thursday, May 1st and Friday, May 2nd. We resume the publication on Monday, May 5th.

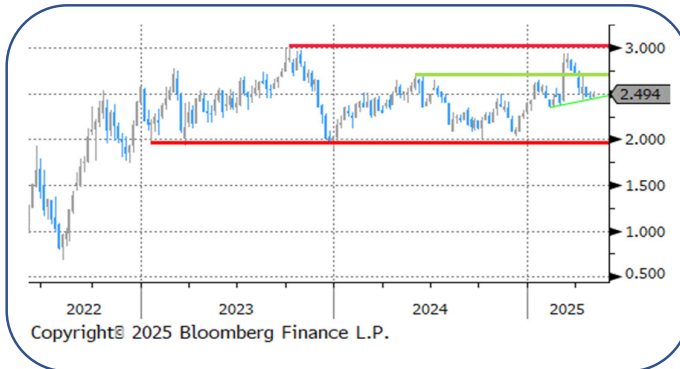
Markets

- The US released a first batch of economic data yesterday. Both JOLTS (7.19mn March vs 7.48mn in February) and Conference Board consumer confidence (April) fell short of expectations. The latter saw a particular deterioration in the forward looking component, which tumbled to the lowest since 2011. Given the survey's skew to the employment and income situation, **the numbers are essentially a partial update of the labour market ahead of Friday's payrolls**. It explains the market reaction, consisting of a 3.4-4.7 bps yield drop across the US curve, wiping out earlier gains. There was a slight outperformance at the front as markets raised Fed easing bets to just shy of 100 bps for the year. President Trump would approve. He lashed out at Fed chair Powell again during an event to mark his 100th day in office. He also touted his tariff policy, saying it would bring growth and manufacturing back to the US. Net daily changes for Bund yields varied between -0.6 bps (2-yr) to -2.4 bps (10-yr). The dollar held a minor advantage in technically insignificant trading. EUR/USD oscillated around 1.14, the trade-weighted dollar index held north of 99. Sterling's attack at the EUR/GBP 0.85 level is unrelenting but could soon face tough resistance around the 0.8474 area in case of a break. **The economic calendar today goes straight into highest gear** with GDP numbers in France this morning (printed in line with expectations), Germany and the euro area (expected at 0.2% q/q, 1.1% y/y). Those member states also release April inflation numbers. The ADP job report is due in the US and could show employment growth easing from 155k to 115k. Q1 GDP growth is also on tap. Heavy import frontloading ahead of the April 2 tariff announcement weighs on the expected headline print (-0.2% q/q annualized). We are therefore **focused at the contribution coming from consumer and capital spending**. US price deflators published simultaneously should confirm the Fed's limited scope to cut rates in the near term – as long as the labour market remains resilient. A unidirectional market reaction against the backdrop of such a wide data range is not obvious. We're instead looking for some bottoming out and consolidation in core bond yields, especially in Europe where we think markets went ahead of themselves. EUR/USD & DXY are locked in a stalemate in the 1.14 & 98-100 area.

News & Views

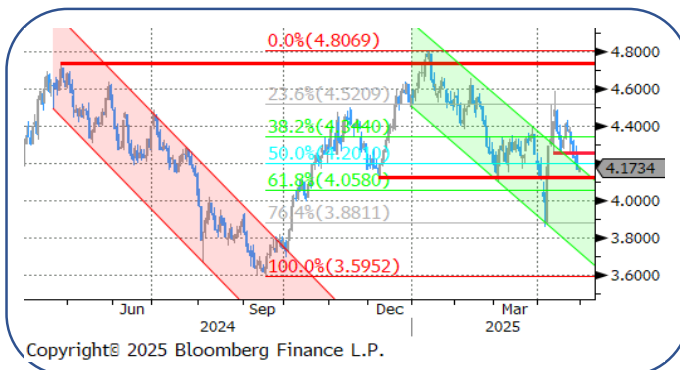
- Australian Q1 inflation was a bit mixed but didn't change market expectations for the Reserve Bank of Australia to continue with a second 25 bps rate cut at the May 19-20 meeting.** Headline inflation printed 0.9% Q/Q (from 0.2% Q/Q). Y/Y measures unexpectedly stayed unchanged at 2.4%. The trimmed mean measure rose slightly more than expected from 0.5% Q/Q to 0.7% Q/Q. Even so, the Y/Y figure slowed from 3.3% to 2.9%, the lowest since 2021Q4. It also brings this inflation measure back within the 2-3% RBA inflation target range. Annual services inflation was 3.7% in the March quarter, down from 4.3% in the December quarter and **the slowest since the June 2022 quarter**. The Aussie dollar this morning rises modestly to AUD/USD 0.6415, but stays in consolidation modus after recent rebound against a broadly weaker dollar.
- The central bank of Hungary (MNB) as expected yesterday left its policy rate unchanged at 6.50%.** A careful and patient approach to monetary policy remains necessary due to risks to the inflation environment as well as trade policy and geopolitical tensions, it said. For now maintaining tight monetary conditions is warranted. The MNB expects inflation to cool further in April after a decline to 4.7% in March. From there it is expected to **remain near the upper bound of the central bank tolerance band in the coming months**. Profit margin caps introduced by the authorities are expected to moderate inflation, as will lower energy prices. However, **upside risks to inflation could intensify** in the event of increases in tariff rates. Rising uncertainty in international financial markets also increases **risk aversion towards Hungarian assets**, which also poses a risk of higher inflation. Despite current MNB cautious wait-and-see attitude markets still expect the MNB to cut interest rate further in 2025H2. The forint hardly reacted and maintained recent gains (EUR/HUF 404.35).

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

Wednesday, 30 April		Consensus	Previous
US			
14:15	ADP Employment Change (Apr)	115k	155k
14:30	GDP Annualized QoQ (1Q A)	-0.20%	2.40%
14:30	Personal Consumption (1Q A)	1.20%	4.00%
14:30	GDP Price Index (1Q A)	3.10%	2.30%
14:30	Core PCE Price Index QoQ (1Q A)	3.10%	2.60%
14:30	Employment Cost Index (1Q)	0.90%	0.90%
16:00	Personal Income/Spending (Mar)	0.40%/0.60%	0.8%/0.4%
16:00	Real Personal Spending (Mar)	0.60%	0.1%
16:00	PCE Price Index MoM/YoY (Mar)	0.00%/2.2%	0.3%/2.50%
16:00	Core PCE Price Index MoM (Mar)	0.10%/2.6%	0.4%/2.8%
16:00	Pending Home Sales MoM/YoY (Mar)	1.00%/-5.70%	0.2%/-7.2%
Japan			
1:50	Dept. Store, Supermarket Sales YoY (Mar)	1.70%A	0.70%R
1:50	Retail Sales MoM/YoY (Mar)	-0.30%A/3.10%A	0.40R%/1.30%R
1:50	Industrial Production MoM/YoY (Mar P)	-1.10%A/-0.30%A	2.30%/0.10%
UK			
1:01	Lloyds Business Barometer (Apr)	39A	49
8:00	Nationwide House PX MoM/NSA YoY (Apr)	0.1%/4.2%	0.0%/3.90%
EMU			
11:00	GDP SA QoQ/YoY (1Q A)	0.2%/1.10%	0.2%/1.20%
Germany			
10:00	GDP SA QoQ/YoY (1Q P)	0.20%/-0.20%	-0.20%/-0.20%
14:00	CPI MoM/YoY (Apr P)	0.3%/2.0%	0.3%/2.2%
14:00	CPI EU Harmonized MoM/YoY (Apr P)	0.4%/2.10%	0.4%/2.30%
8:00	Retail Sales MoM/NSA YoY (Apr)	-0.4%/2.4%	0.8%/0.5%
9:55	Unemployment Change (000's) (Apr)	15.0k	26.0k
9:55	Unemployment Claims Rate SA (Apr)	6.30%	6.30%
France			
7:30	GDP QoQ/YoY (1Q P)	0.10%/0.70%	-0.10%/0.60%
8:45	CPI EU Harmonized MoM/YoY (Apr P)	0.40%/0.70%	0.20%/0.90%
Italy			
10:00	GDP WDA QoQ/YoY (1Q P)	0.20%/0.40%	0.10%/0.6%
11:00	CPI EU Harmonized MoM/YoY (Apr P)	0.6%/2.3%	1.6%/2.1%
China			
3:30	Manufacturing PMI (Apr)	49.0A	50.5
3:30	Non-manufacturing PMI (Apr)	50.4A	50.8
3:30	Composite PMI (Apr)	50.2A	51.4
3:45	Caixin China PMI Mfg (Apr)	50.4A	51.2
Events			
8:30	ECB's Muller Speaks in Tallinn ()		
11:30	Germany to Sell Bonds		
13:00	BOE's Lombardelli Speaks ()		
14:30	US Treasury Quarterly Refunding Statement		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.17	-0.04		US	3.65	-0.04	DOW	40527.62	300.03
DE	2.50	-0.02		DE	1.74	-0.01	NASDAQ	17461.32	95.19
BE	3.08	-0.02		BE	1.90	-0.01	NIKKEI	35994.94	154.95
UK	4.48	-0.03		UK	3.84	-0.02	DAX	22425.83	154.16
JP	1.32	0.00		JP	0.67	-0.01	DJ euro-50	5161.9	-8.59
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.00	3.34	3.59	€STR	2.1670	0.0000			
5y	2.16	3.39	3.65	Euribor-1	2.1600	0.0090	SOFR-1	4.3198	-0.0031
10y	2.47	3.65	3.96	Euribor-3	2.1760	-0.0100	SOFR-3	4.2719	-0.0069
				Euribor-6	2.1310	0.0070	SOFR-6	4.0978	-0.0209
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1387	-0.0033		EUR/JPY	162.08	-0.16	CRB	294.23	-3.65
USD/JPY	142.33	0.32		EUR/GBP	0.8492	-0.0004	Gold	3333.60	-14.10
GBP/USD	1.3409	-0.0032		EUR/CHF	0.9381	0.0015	Brent	64.25	-1.61
AUD/USD	0.6384	-0.0047		EUR/SEK	10.9637	0.0230			
USD/CAD	1.3833	0.0003		EUR/NOK	11.8067	-0.0017			

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