



Friday, 13 June 2025

## KBC Sunrise Market Commentary

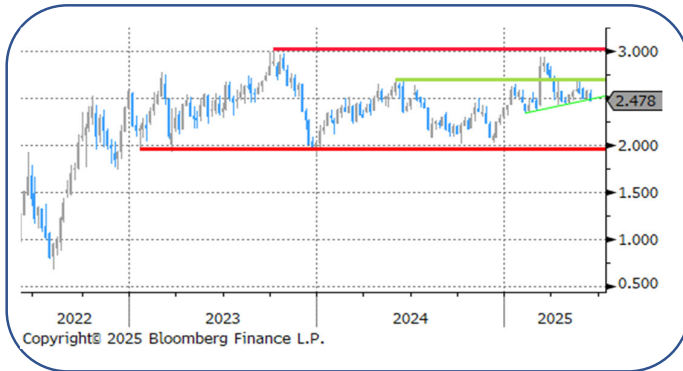
### Markets

- Add trade uncertainty, geopolitical tensions and underwhelming economic data in a bowl, mix it and top it off with solid demand for one of the most closely watched long-term US bond auctions in recent history.** The outcome: significantly lower core bond yields. US yields fell another 4.4-7.6 bps in a bull flattening move yesterday. Optimism, if any, after the US and China reinstated the Geneva trade truce quickly faded after Trump's renewed threat to impose unilateral trade tariffs in two weeks or so. On the geopolitical front, tensions with Iran are running increasingly high. Suspense has been growing over the last couple of days and culminated in Israel bombing Iranian nuclear facilities overnight. Two top military commanders were killed along with several prominent scientists. Iran already started a retaliatory response. **Oil prices surged** more than 13% at some point. Brent pared some of those gains but still trades around \$75/b, the highest since early April. Around a month ago, Brent was struggling not to drop below \$60/b. Yesterday's economic data included slower than expected PPIs and an unexpected increase in jobless claims to 248k. Both of secondary importance but coming after the slight miss in the CPI the day before nevertheless picked up as an argument for some bond buying. And then finally the 30-year US bond sale. Demand was solid and the auction stopped through the WI yield, triggering some kind of a **relief rally on the part of the curve that represents all the kinds of US risk markets need to deal with lately**: inflation, public finances, growth, institutional. German bunds attracted a (safe haven) bid too, pushing yields down 2.9-7.3 bps in a similar bull flattener. Dollar weakness lifted EUR/USD towards the highest level since 2021 north of 1.16 before paring losses to below that level in the close. The overnight risk-off is helping the greenback a hand as well, maybe via higher oil prices (the US turned from net energy importer to self-reliant to a net exporter), but we're not so sure this is a durable driver. The geopolitical theme tends to have a short shelf life for markets and it doesn't offset all of the other lingering dollar negatives. But it can set the tone for today of course. Stock markets are a sea of red in Asian dealings and are set for a lower open in Europe and the US. Treasuries extend gains and Bunds will probably do the same at the cash market open. The German fiscal narrative moved to the background these last couple of weeks but that doesn't mean things are idle. The Financial Times reported that Germany seeks to fast-track spending from its €500bn infrastructure fund by addressing the poor state of its railway first. **This became the symbol of Germany's years of underinvestment.** No longer: €22bn infrastructure investments earmarked for 2025 (of which €10.5bn for railways) would grow to €35bn a year until 2029. FYI: this comes on top of the de facto unlimited defense spending pledge Germany made early March. As this week draw to a close, attention already shifts to the next with the Fed policy meeting taking center stage. Rates will remain unchanged, despite pressure from the White House, including president Trump (arguing for a 100 bps cut) and VP Vance. The WH's growing frustration is causing speculation in markets that Trump could soon (shortly after the Fed decision?!) nominate Powell's successor. The idea is that acting as a **shadow Fed chair**, he could then already start talking markets towards lower rates when taking over the helmet in May next year.

### News & Views

- The June KPMG and REC UK jobs survey compiled by S&P Global on the UK labour market showed mixed signals. **The report points to a further reduction in UK recruitment activity in May** with survey members reporting that weaker confidence around the outlook and concerns over costs had dampened staff hiring. Permanent placements fell at a slightly sharper rate. At the same time, **the decline in temp billings was the slowest in six months.** On the supply side of the labour market, candidate supply expands at sharpest rate since end of 2020 amid reports of redundancies and fewer job opportunities. **Vacancies still declined at a solid pace suggesting lower demand, but the downturn eased during the survey period.** Pay growth strengthened again, but remained below trend.
- The government of Poland on its website published some economic variables that will be used as the basis for its next year's budget. The government expects **annual inflation to ease to 3% in 2026**, compared to the NBP's 3.4% in its March inflation report. The government left the 2026 **growth forecast unchanged at 3.6%.** Average wage is seen at 6.7% for the overall national economy and at 6.9% (from 7.7% in the April forecast) for the corporate sector. The government sees registered unemployment at 4.9%.

## Graphs



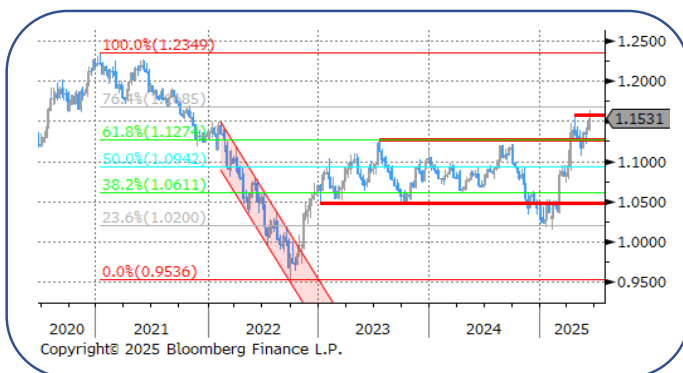
### GE 10y yield

Confidence that inflation is returning to 2% **allowed the ECB to reduce to policy rate to 2%, reaching neutral territory**. The ECB moved to an outright data-dependent approach, but overall uncertainty remains elevated. **German bunds ever more gain safe haven status** as uncertainty with respect to US assets intensifies. This slowed the rise in LT yields when market focus shifted from tariff wars to public finances.



### US 10y yield

The Fed's **priority stays on inflation until the labour market is visibly weakening**. It suggests steady policy rates at least until after summer, supporting the bottom below front end yields. **Long term bond yields' trend higher on President Trump's big, beautiful, deficit-increasing bill recently stalled again on renewed growth concerns**. This market flip-flopping between the fiscal and economic theme is here to stay.



### EUR/USD

Trump's explosive policy mix (DOGE, tariffs) triggered uncertainty on future US economic growth with markets **also showing loss of confidence in the dollar**. **EUR/USD is in a buy-the-dip pattern on track to test the April/multiyear high of 1.1573**. The ECB nearing the end of its easing cycle might reinforce this process.



### EUR/GBP

**Long end Gilt underperformance due to fiscal risks** weighed on sterling earlier this year. Some relieve kicked in as president Trump seemed to be more forgiving towards the UK when it comes to tariffs. Recently, UK eco data weren't that bad and the Bank of England in May held to a path of gradual easing. Sterling rebounded from the general Liberation Day panic before running into resistance around EUR/GBP 0.84. **We consider this a strong support**.

## Calendar & Table

Friday, 13 June		Consensus	Previous
<b>US</b>			
16:00	U. of Mich. Sentiment (Jun P)	53.6	52.2
16:00	U. of Mich. Current Conditions (Jun P)	59.3	58.9
16:00	U. of Mich. Expectations (Jun P)	49.7	47.9
16:00	U. of Mich. 1 Yr Inflation (Jun P)	6.4%	6.60%
16:00	U. of Mich. 5-10 Yr Inflation (Jun P)	4.1%	4.20%
<b>Japan</b>			
6:30	Capacity Utilization MoM (Apr)	--	-2.40%
6:30	Tertiary Industry Index MoM (Apr)	0.20%	-0.30%
<b>UK</b>			
10:30	BoE/Ipsos Inflation Next 12 Mths (May)	--	3.40%
<b>EMU</b>			
11:00	Trade Balance SA (Apr)	18.3b	27.9b
11:00	Industrial Production SA MoM/WDA YoY (Apr)	-1.70%/1.20%	2.60%/3.60%
11:00	Trade Balance NSA (Apr)	--	36.8b
<b>Events</b>			
1:01	S&P Global, KPMG and REC UK Report on Jobs		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.36	-0.06		US	3.91	-0.04	DOW	42967.62	101.85
DE	2.48	-0.06		DE	1.82	-0.03	NASDAQ	19662.48	46.60
BE	3.03	-0.04		BE	1.91	-0.03	NIKKEI	37763.85	-409.24
UK	4.48	-0.07		UK	3.87	-0.05	DAX	23771.45	-177.45
JP	1.40	-0.05		JP	0.74	-0.01	DJ euro-50	5360.82	-32.33
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.04	3.60	3.66	€STR	1.9230	-0.0010			
5y	2.20	3.62	3.70	Euribor-1	1.8920	-0.0220	SOFR-1	4.3140	0.0030
10y	2.51	3.84	3.99	Euribor-3	1.9750	0.0220	SOFR-3	4.3097	-0.0046
				Euribor-6	2.0520	0.0030	SOFR-6	4.2215	-0.0179
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1584	0.0097		EUR/JPY	166.22	0.14	CRB	302.76	-0.33
USD/JPY	143.48	-1.08		EUR/GBP	0.8509	0.0029	Gold	3402.40	58.70
GBP/USD	1.3613	0.0066		EUR/CHF	0.9387	-0.0036	Brent	69.36	-0.41
AUD/USD	0.6533	0.0032		EUR/SEK	10.943	-0.0381			
USD/CAD	1.3604	-0.0068		EUR/NOK	11.5119	-0.0530			

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