



Monday, 23 June 2025

## KBC Sunrise Market Commentary

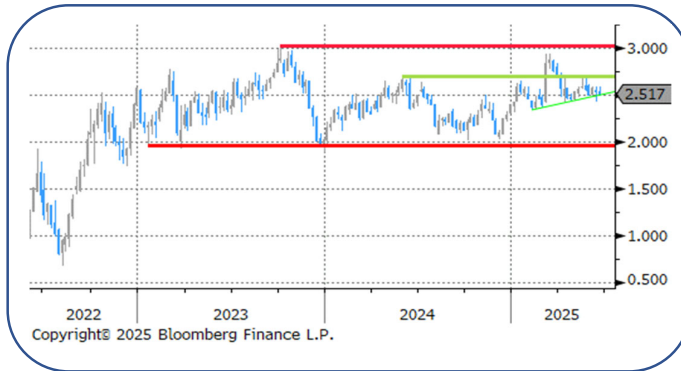
### Markets

- European markets on Friday started with a **cautious risk-on bias** as US President Trump suggested that it could take up to two weeks for the US to decide whether to get involved in the military action against Iran. This kind of guidance of course still provided **limited real visibility**. The Eurostoxx 50 after a poor performance on Thursday closed 0.70% higher. US indices also opened positive after Juneteenth holiday but returned to a more cautious modus going into the weekend. (S&P 500 -0.2%). A similar reaction was visible in **US yield markets**. Yields initially gained a few bps but turned south later. Most Fed governors are holding the line that the Fed is in a good position to monitor the developments and decide later (e.g. Fed Daly, Barkin commenting). **Fed Waller at least is a notorious exception to this rule as he is prepared to consider a rate cut already at the July meeting**. His comments at least contributed to the intraday reversal with US yields closing between 3.4 bps lower (2-y) and unchanged (30-y). Changes on the German yields were less than one bp across the curve. The **dollar traded** in the defensive for most of the day, but regained some momentum going into the close/weekend. (DXY close at 98.7 from 98.9, EUR/USD close 1.1523).
- 'Two days' also fell within US President Trump's guidance of two weeks for the US to decide on the military action against Iran. **Markets now try to assess the impact and the consequences of the US airstrike against Iran nuclear sites**. The market focus now in the first place is on the potential retaliation of Iran. **This adds another layer of uncertainty for the global economy and for markets**. In a first reaction in Asia this morning, equities declined slightly, Brent oil briefly surpassed \$80 p/b but eased back to \$78. The dollar gained (modestly). **Even so, the moves are limited and orderly**. This might suggest that markets consider the Iran conflict will remain regional. At the same time, for markets it also becomes ever more difficult to hedge/react to (geopolitical) event risk that might again change very soon. **In this respect, this morning's modest reaction also feels a bit like 'paralysis' and being unable to anticipate the next step**. US yields are marginally higher this morning. The dollar struggles to maintain early gains against the euro (EUR/USD 1.1505). The yen underperforms (USD/JPY 147.2). **Geopolitical headlines will continue to set the tone for trading, but we also keep an eye at the preliminary PMI releases**. European PMI's printed rather bleak last month (50.2). For now, there is at least no better visibility on the outcome of the trade negotiations or on the geopolitical context. The US measure (expected at 52.1 from 53) last month still supported the Fed's wait-and-see approach, but weaker figures might revive the market debate on an 'earlier' start (cf Waller supra). We also again take notice of the fact that **geopolitical uncertainty at least at this stage isn't a big support for the dollar, which is still captured in a sell-on-upticks pattern**. ECB's Lagarde also speaks to the European Parliament this afternoon.

### News & Views

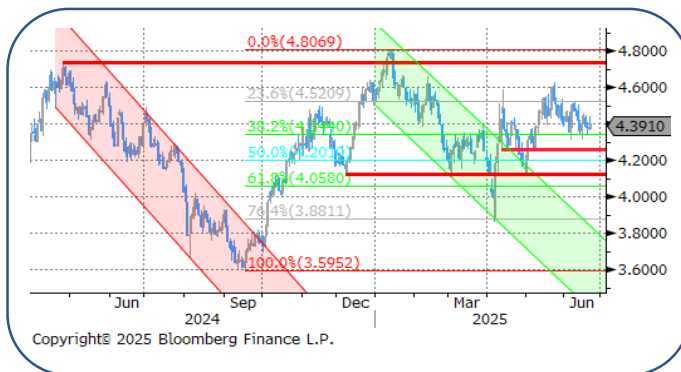
- Japanese June PMIs improved across the board**. The **composite indicator** rose from 50.2 to 51.4, **the highest level in four months**. The manufacturing sector printed the first 50+ reading since June 2024, thanks to renewed increase in output and stock purchases as well as a slightly quicker rise in employment. **Demand conditions remain muted though as new (export) orders again declined**. The **services sector** (51.5 from 51) signaled a stronger increase in new order flow, growing employment and accumulating backlogs. Both manufacturing and services input cost inflation held close to over a year-long low but remained sharp. **Charged prices showed a diverging picture** with manufacturing selling prices among the softest of the past four years but those in the services sector increased at the steepest pace since January. Japanese private sector firms remained cautious on the year-ahead outlook amid lingering trade uncertainty however. The PMIs had little impact on the yen this morning, being outweighed by the geopolitical (oil) narrative. **USD/JPY rises to 147.1, the highest level since mid-May**.
- Sticking in Japan, **PM's Ishiba's ruling party (Liberal Democratic Party) suffered a major blow in local assembly elections in Tokyo**. His party won a record-low 22 seats in the 127-member assembly. The setback comes ahead of the July 20 upper house elections. A sizeable loss for the LDP could further cripple the wider coalition government's ability to govern after lower house snap elections in October last year already stripped them off their majority. A cost of living crisis (with soaring rice prices as the poster child) is cited as one of the key reasons for the poor results. Ishiba has again pledged cash handouts for every citizen ahead of the upper house elections.

## Graphs



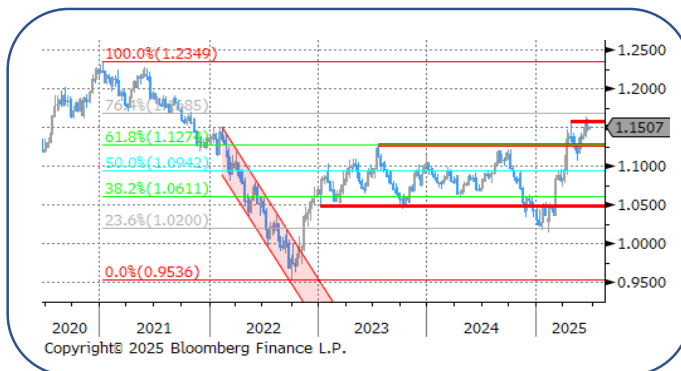
### GE 10y yield

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 with market focus fluctuating between 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. **LT 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, big beautiful bill) triggered uncertainty on future US economic growth and sustainability of public finances with markets **showing a loss of confidence in the dollar.** **EUR/USD is in a buy-the-dip pattern on track with a medium term target at 1.2349.** The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation.



### 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. **Recent UK eco data led money markets back to discounting an additional two rather than one BoE rate cut this year.** Sterling suffered a new setback, bouncing off strong technical support around EUR/GBP 0.84.

## Calendar & Table

Monday, 23 June		Consensus	Previous
<b>US</b>			
15:45	S&P Global US Manufacturing PMI (Jun P)	51	52
15:45	S&P Global US Services PMI (Jun P)	52.9	53.7
15:45	<b>S&amp;P Global US Composite PMI (Jun P)</b>	<b>52.1</b>	<b>53</b>
16:00	Existing Home Sales Total/MoM (May)	3.95m/-1.30%	4.00m/-0.50%
<b>Japan</b>			
2:30	<b>Jibun Bank Japan PMI Composite (Jun P)</b>	<b>51.4A</b>	<b>50.2</b>
2:30	Jibun Bank Japan PMI Mfg (Jun P)	50.4A	49.4
2:30	Jibun Bank Japan PMI Services (Jun P)	51.5A	51
7:00	Tokyo Condominiums for Sale YoY (May)	--	3.50%
<b>UK</b>			
10:30	<b>S&amp;P Global UK Composite PMI (Jun P)</b>	<b>50.5</b>	<b>50.3</b>
10:30	S&P Global UK Manufacturing PMI (Jun P)	46.9	46.4
10:30	S&P Global UK Services PMI (Jun P)	51.3	50.9
<b>EMU</b>			
10:00	HCOB Eurozone Manufacturing PMI (Jun P)	49.8	49.4
10:00	HCOB Eurozone Services PMI (Jun P)	50.0	49.7
10:00	<b>HCOB Eurozone Composite PMI (Jun P)</b>	<b>50.5</b>	<b>50.2</b>
<b>Germany</b>			
9:30	HCOB Germany Manufacturing PMI (Jun P)	49.0	48.3
9:30	HCOB Germany Services PMI (Jun P)	47.9	47.1
9:30	HCOB Germany Composite PMI (Jun P)	49.1	48.5
<b>France</b>			
9:15	HCOB France Manufacturing PMI (Jun P)	49.8	49.8
9:15	HCOB France Services PMI (Jun P)	49.1	48.9
9:15	HCOB France Composite PMI (Jun P)	49.3	49.3
<b>Events</b>			
9:00	<b>Fed's Waller Gives Opening Remarks</b>		
11:30	EU to Sell Bonds		
12:00	Belgium to Sell Bonds		
15:00	<b>ECB President Lagarde Speaks in EU Parliament</b>		
16:00	Bowman Speaks on Monetary Policy and Banking		
17:00	ECB's Nagel Speaks in Freiburg		
19:10	Fed's Goolsbee Speaks in Moderated Discussion		
20:30	Fed's Williams, Kugler Host Fed Listens Event		
20:30	Fed's Kugler Gives Welcoming Remarks		

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	3,91	-0,03	DOW	42206,82	35,16
DE	2,52	0,00		DE	1,85	0,01	NASDAQ	19447,41	-98,86
BE	3,10	-0,02		BE	1,95	0,00	NIKKEI	38344,7	-58,53
UK	4,54	0,01		UK	3,91	0,02	DAX	23350,55	293,17
JP	1,41	0,01		JP	0,73	0,01	DJ euro-50	5233,58	36,55
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	2,07	3,59	3,70	€STR	1,9170	-0,0050			
5y	2,23	3,60	3,75	Euribor-1	1,8990	0,0230	SOFR-1	4,3220	0,0011
10y	2,54	3,84	4,03	Euribor-3	2,0340	-0,0020	SOFR-3	4,3166	-0,0118
				Euribor-6	2,0350	-0,0150	SOFR-6	4,2234	-0,0231
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1523	0,0028		EUR/JPY	168,34	1,18	CRB	312,53	-1,87
USD/JPY	145,45	0,32		EUR/GBP	0,8566	0,0029	Gold	3408,10	0,00
GBP/USD	1,3451	-0,0014		EUR/CHF	0,9426	0,0037	Brent	77,01	-1,84
AUD/USD	0,6452	-0,0030		EUR/SEK	11,1404	0,0604			
USD/CAD	1,3735	0,0035		EUR/NOK	11,5417	0,0855			

## Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 51
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
		Shanghai	+86 21 68236128
		Hong Kong	+852 2525 9232
		Prague	+420 2 6135 3535
CSOB Economics – Markets Prague		Bratislava	
Jan Cermak	+420 2 6135 3578		+421 2 5966 8820
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		Budapest	
Marek Gabris	+421 2 5966 8809		+36 1 328 99 85
K&H Economics – Markets Budapest			
David Nemeth	+36 1 328 9989		

Discover more insights at [www.kbceconomics.be](http://www.kbceconomics.be)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

