



Tuesday, 24 June 2025

## KBC Sunrise Market Commentary

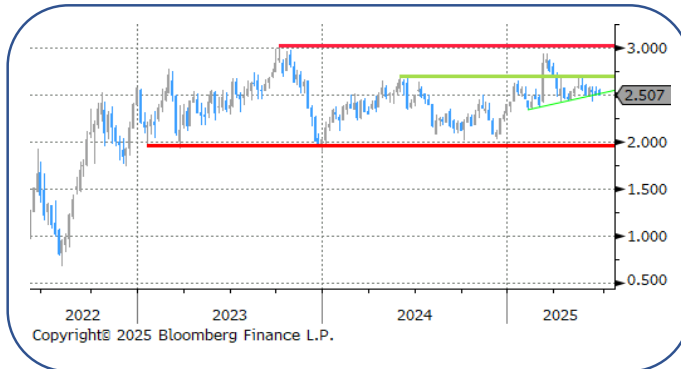
### Markets

- Markets yesterday **felt some kind of ‘four seasons in one day experience’** with market **themes/focus constantly switching throughout the day**. A mild initial reaction after the weekend US air strike on Iran nuclear facilities, a growing risk-off feeling intraday, largely ignored EMU and US PMI’s and **some Fed governors** (Bowman, Goolsbee) fueling the debate on a July rate cut if the pass-through of tariffs costs remains limited. Later during US trading hours, **markets gradually came to understand that the tensions in the Israel-US-Iran conflict might be cooling**. Iranian retaliations in the form of an attack on a US military base in Qatar was limited and said to be well preannounced. Later after the close of US markets, US president Trump announced that **a ceasefire between Israel and Iran had been agreed**. The prospect of easing tensions caused the oil price to fall off a cliff with **Brent currently trading near \$70 p/b** compared to levels near \$80 yesterday. (US) equities, admittedly with a temporary setback, gained traction as the US trading proceeded, supported by more benign headlines from the Middle East, but also by interest rate markets taking notice of the July rate comments from Goolsbee and Bowman. The S&P closed 0.96 % in green. **US yields at the end of the session eased between 4.5 bps (2-y) and 1.5 bps (30-y)**. Despite recent guarded ‘guidance’ from Fed Chair Powell, **a 25 bps cut at the September meeting is now again almost fully discounted**. German yields were little changed (about 1 bp across the curve) as the EMU PMI’s confirmed a lackluster growth performance and mixed inflation picture. Also **quite an impressive intraday reversal in FX markets**. The dollar outperformed on high oil prices and geopolitical uncertainty during the European session, but made a sharp U-turn initially triggered by the debate on a July Fed rate cut and accelerated by easing geopolitical tensions and the sharp drop in the oil price. DXY touched 99.40 intraday but closed at 98.41. **EUR/USD rebounded from the 1.1455 area to finish the day at 1.1578**. USD/JPY in a similar move tumbled from the 148 area to close at 146.15. Most smaller currency (AUD, NZD,...) facing strong headwinds intraday also reversed most/all intra-day losses.
- Asian markets this morning evidently are in an outright risk-on modus after the announcement of ceasefire in the Middle East. Most indices are up between 1% and 2.0%. The dollar is losing further ground with EUR/USD regaining the 1.16 mark. In a first instance, the focus will remain on the sustainability of the Israel-Iran ‘ceasefire’. However, if it holds, **other themes (Fed policy, US budget, trade) soon will return to the forefront**. Regarding the data, US consumer confidence of the Conference board is worth looking at. However, even more attention will go to **Fed Powell’s semi-annual appearance before House financial Committee**. We assume that Bowman and Goolsbee were among the softer dots in a highly dispersed ‘forecast’ in last week’s SEP. Even so, any indication of the Fed Chair giving more weight to soft labour market tendencies and/or milder CPI risks, won’t go unnoticed at the short end of the US yield curve and might weigh further on the dollar. DXY (98.05) is nearing the YTD low (97.60). EUR/USD (1.1603) is only a whisker away from the 1.1631 top.

### News & Views

- The EU yesterday released its funding plan for the second half of this year**. The EC intends to issue €70bn of EU bonds via 4 syndications (focus on 5y, 7y, 15y and 30y) and 6 regular bond auctions. That’s less than the €90bn targeted between January and June, but €5bn more than H2 2024. **NextGenerationEU Green Bond issuances will take place via tapping of existing bonds to support the liquidity of these lines before launching a new line**. As of autumn (exact date to be confirmed) the EC will implement a non-competitive auction allocation to EU primary dealers allowing for the allocation of additional amounts of auctioned bonds (20% of initially allocated auction volume) the day following the bond auction. The EC will also continue to issue EU-Bills (3m, 6m and 12m).
- French President Macron and German Chancellor Merz published an op-ed in the Financial Times ahead of this week’s NATO Summit labeled “Europe must arm itself in an unstable world”**. France and Germany will reaffirm their support for US efforts to bring an end to the Russian war in Ukraine. But shouldering responsibilities goes beyond Ukraine. France and Germany will aim to reach 3.5% of GDP in defense spending and 1.5% in broader expenses contributing to the defense effort in order to strengthen the European pillar of NATO. Nuclear deterrence will remain the cornerstone of the alliance’s security. Leaders also eye **a reform of procurement systems by applying the “three S’s”: standardization, simplification and scale**.

## Graphs



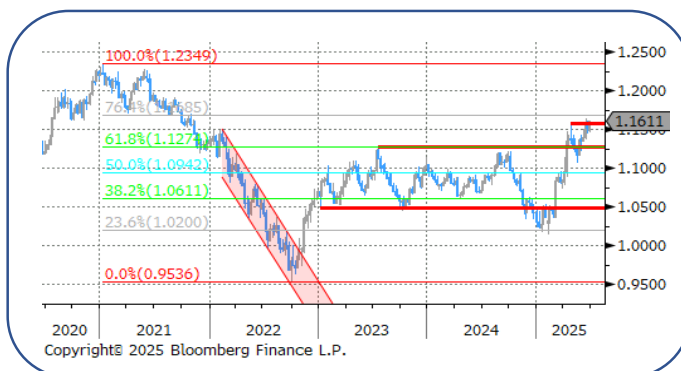
### GE 10y yield

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

Tuesday, 24 June		Consensus	Previous
<b>US</b>			
14:30	Philadelphia Fed Non-Manufacturing Activity (Jun)	--	-41.9
15:00	FHFA House Price Index MoM (Apr)	0.00%	-0.10%
15:00	S&P CoreLogic CS 20-City MoM SA/YoY NSA (Apr)	0.00%/3.94%	-0.12%/4.07%
16:00	Richmond Fed Manufact. Index (Jun)	-10	-9
16:00	Richmond Fed Business Conditions (Jun)	--	-18
16:00	<b>Conf. Board Consumer Confidence (Jun)</b>	<b>99.8</b>	<b>98</b>
16:00	Conf. Board Present Situation (Jun)	--	135.9
16:00	Conf. Board Expectations (Jun)	--	72.8
<b>Canada</b>			
14:30	<b>CPI NSA MoM/YoY (May)</b>	<b>0.50%/1.70%</b>	<b>-0.10%/1.70%</b>
14:30	Median YoY% (May)	3.00%	3.20%
14:30	Trim YoY% (May)	3.00%	3.10%
<b>UK</b>			
12:00	CBI Trends Total Orders (Jun)	-28	-30
12:00	CBI Trends Selling Prices (Jun)	25	26
<b>Germany</b>			
10:00	IFO Business Climate (Jun)	88.0	87.5
10:00	IFO Current Assessment (Jun)	86.5	86.1
10:00	IFO Expectations (Jun)	89.9	88.9
<b>Belgium</b>			
15:00	Business Confidence (Jun)	-13.0	-13.5
<b>Hungary</b>			
14:00	<b>Central Bank Rate Decision</b>	<b>6.50%</b>	<b>6.50%</b>
<b>Events</b>			
24-26JUN	Annual Meeting of the New Champions, aka Summer Davos		
24-27JUN	China holds Standing Committee of the National People's Congress		
11:30	Germany to Sell EU4 Billion of 1.7% 2027 Bonds		
11:30	BOE's Greene Speaks		
15:15	Fed's Hammack Speaks on Monetary Policy		
15:35	BOE's Ramsden Speaks		
15:55	<b>ECB's Lane Gives Speech in London</b>		
16:00	<b>Fed's Powell to Deliver Semi-annual Policy Testimony</b>		
16:00	<b>BOE's Bailey at House of Lords hearing</b>		
16:15	ECB's Lane on Panel in London		
17:40	BOE's Pill Speaks		
17:50	BOE's Breeden Speaks		
18:30	Fed's Williams Gives Keynote Remarks		
19:00	U.S. To Sell USD69 Bln 2-Year Notes		
20:00	Fed's Collins Speaks on State of Nation's Housing		
22:00	Fed's Barr 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	4,35	-0,03		US	3,86	-0,04	DOW	42581,78	374,96
DE	2,51	-0,01		DE	1,84	-0,01	NASDAQ	19630,97	183,56
BE	3,09	-0,01		BE	1,96	0,00	NIKKEI	38771,19	417,10
UK	4,49	-0,04		UK	3,89	-0,03	DAX	23269,01	-81,54
JP	1,42	0,00		JP	0,74	0,00	DJ euro-50	5221,9	-11,68
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	2,06	3,54	3,67	€STR	1,9250	0,0020			
5y	2,22	3,56	3,72	Euribor-1	1,8890	0,0180	SOFR-1	4,3236	0,0016
10y	2,53	3,80	4,01	Euribor-3	2,0310	-0,0030	SOFR-3	4,3074	-0,0092
				Euribor-6	2,0360	0,0010	SOFR-6	4,1997	-0,0237
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1578	0,0055		EUR/JPY	169,2	0,86	CRB	305,05	-7,48
USD/JPY	146,15	0,06		EUR/GBP	0,8560	-0,0006	Gold	3395,00	9,30
GBP/USD	1,3524	0,0073		EUR/CHF	0,9407	-0,0019	Brent	71,48	-5,53
AUD/USD	0,646	0,0008		EUR/SEK	11,1135	-0,0269			
USD/CAD	1,3734	-0,0001		EUR/NOK	11,6786	0,0373			

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