



Monday, 30 June 2025

KBC Sunrise Market Commentary

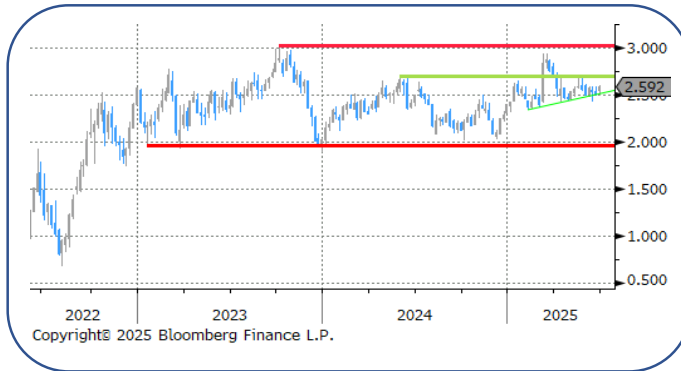
Markets

- US yields looked for and found a bottom after a two-week slide in which the front end outperformed. Net daily changes on Friday amounted to 2.9-4.5 bps across the curve. European rates added up to 2.5 bps at the front amidst markets slowly coming to terms with the end of the ECB's easing cycle. The risk-on vibes, initiated by US Commerce Secretary Lutnick, supported the move. The July 9 tariff pause deadline approaches fast but the US says **several deals are in the making**. According to US Treasury Secretary Bessent that could be the case for 10 or 12 of the important 18 trade relationships. He added that the remaining 20 others or so may be wrapped up by Labor Day (Sep 1). **Noises coming from the EU-US trade talks are encouraging** with both sides confident about reaching a deal by the July deadline. And Canada ditched its digital services tax in a bid to revive talks (see below). Trump's massive tax bill, meanwhile, was being massaged through the Senate. This is particularly important for the long end of the curve. **The Senate's version of the BBB cleared the initial vote by 51-49 over the weekend**. It paves the way for a marathon voting session today on dozens of amendments, to be followed by a final vote. That could come as soon as late Monday or early Tuesday. It then returns to the House. If they vote it down, both chambers need to work on a compromise that will almost certainly delay the July 4 deadline imposed by president Trump. If the House greenlights the Senate version, then we'll be looking for **a roughly \$3.3tn increase to the US deficit in the 2025-2034 period**, the Congressional Budget Office estimated on Friday. More than half, \$2tn, would already come in the next five years. Such a dire budgetary prospects don't bode well for the dollar. We remain structurally cautious on sterling for a similar reason. The greenback continues to decline, be it gradually. The trade-weighted index confirmed a break towards new multiyear lows and is currently floating just north of 97. EUR/USD is closing in on the 1.18 big figure ever since it moved beyond final resistance (ahead of the 2021 high) at 1.1685/1.1704. The pair is trending higher nicely along an upward sloping channel.
- This week's economic calendar offers an important update on the US economy with the ISM business confidence indicators, JOLTS job openings and the June payrolls report. **US markets are particularly vulnerable for downside surprises that could spur more speculation on Fed cuts**. Portugal's Sintra is in the center of attention with the ECB's yearly **Forum on Central Banking** taking place. Kick-off is today. The central bank also releases its conclusions of its strategic review while Germany is scheduled to release inflation numbers ahead of the European print tomorrow.

News & Views

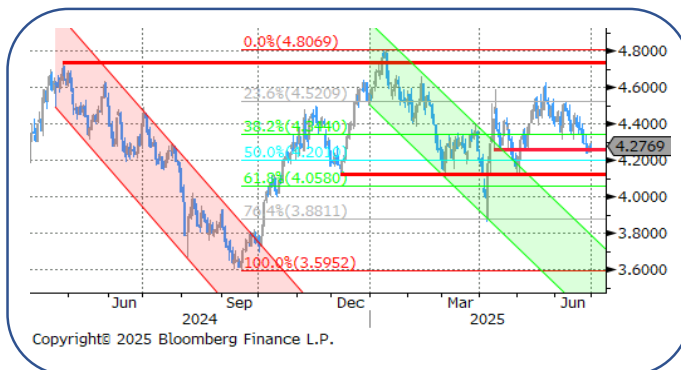
- News agency Reuters this weekend reported that **OPEC+ will decide at its July 6 meeting on another 411k b/day production boost** for the month of August. They implemented similar-sized output increases in May, June and July. The rumours – according to four OPEC+ delegates – triggered a test of last week's post cease-fire low in oil prices (Brent crude \$67/b). Both easing of geopolitical risks and OPEC's course boost supply expectations at a time when global demand growth is strained by uncertainty over the impact of trade policies.
- Canada pulled a 3% tax on revenue for the biggest technology companies** just hours before it came into effect. The digital services tax prompted US President Trump to terminate ongoing trade talks between both nations. Canadian PM Carney said that scrapping the tax will **support a resumption of negotiations towards a July 21 deadline** agreed at this month's G7-meeting. The Canadian Loonie was in for a wild ride with USD/CAD gaining a big figure on Friday after the Trump comments, only fall all the way back to 1.3665 this morning following the Canadian U-turn.

Graphs



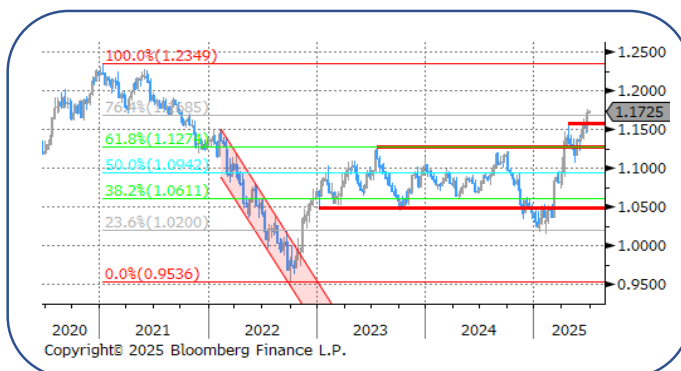
GE 10y yield

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. **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, 30 June		Consensus	Previous
US			
15:45	MNI Chicago PMI (Jun)	42.9	40.5
Japan			
01:50	Industrial Production MoM / YoY (May P)	0.50%A/-1.80%A	-1.10%/0.50%
UK			
01:01	Lloyds Business Barometer (Jun)	51A	50
01:01	Lloyds Own Price Expectations (Jun)	61A	63
08:00	GDP QoQ / YoY (1Q F)	0.70%/1.30%	0.70%/1.30%
08:00	Current Account Balance (1Q)	-20.3b	-21.0b
10:30	Money Supply M4 MoM / YoY (May)	--	0.00%/3.20%
EMU			
10:00	M3 Money Supply YoY (May)	4.00%	3.90%
Germany			
08:00	Import Price Index MoM / YoY (May)	-0.40%/-0.80%	-1.70%/-0.40%
08:00	Retail Sales MoM / NSA YoY(May)	0.50%/3.60%	-0.90%R/4.40%R
10:00	CPI Hesse MoM / YoY (Jun)	--	0.00%/2.30%
10:00	CPI Bavaria MoM / YoY (Jun)	--	0.10%/2.10%
10:00	CPI Brandenburg MoM / YoY (Jun)	--	0.00%/2.20%
10:00	CPI Saxony MoM / YoY (Jun)	--	0.00%/2.30%
10:00	CPI Baden Wuerttemberg MoM / YoY (Jun)	--	-0.10%/2.20%
10:00	CPI North Rhine Westphalia MoM / YoY (Jun)	--	0.20%/2.00%
14:00	CPI MoM / YoY (Jun P)	0.20%/2.20%	0.10%/2.10%
14:00	CPI EU Harmonized MoM / YoY (Jun P)	0.30%/2.20%	0.20%/2.10%
Italy			
10:00	Deficit to GDP YTD (1Q)	--	3.40%
11:00	CPI EU Harmonized MoM / YoY (Jun P)	0.30%/1.80%	-0.10%/1.70%
China			
03:30	Manufacturing PMI (Jun)	49.7A	49.5
03:30	Non-manufacturing PMI (Jun)	50.5A	50.3
03:30	Composite PMI (Jun)	50.7A	50.4
Events			
00:00	ECB Forum on Central Banking in Sintra		
10:30	ECB's Guindos Speaks in Madrid		
13:00	ECB Press Conference on Conclusion of Strategy Review		
16:00	Fed's Bostic Speaks on the Economic Outlook		
19:00	Fed's Goolsbee Speaks in a Moderated Discussion		
21:00	ECB's Lagarde Speaks in Sintra		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.28	0.04		US	3.75	0.03	DOW	43819.27	432.43
DE	2.59	0.02		DE	1.86	0.04	NASDAQ	20273.46	105.55
BE	3.15	0.03		BE	1.98	0.04	NIKKEI	40406.36	255.57
UK	4.50	0.03		UK	3.84	0.01	DAX	24033.22	383.92
JP	1.44	0.00		JP	0.75	0.00	DJ euro-50	5325.64	81.61
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.08	3.43	3.60	€STR	1.9280	-0.0010			
5y	2.26	3.46	3.68	Euribor-1	1.9160	-0.0130	SOFR-1	4.3232	-0.0026
10y	2.59	3.73	4.01	Euribor-3	1.9390	-0.0410	SOFR-3	4.2969	0.0037
				Euribor-6	2.0360	-0.0010	SOFR-6	4.1502	0.0042
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1718	0.0017		EUR/JPY	169.48	0.50	CRB	299.74	1.52
USD/JPY	144.65	0.23		EUR/GBP	0.8542	0.0020	Gold	3287.60	-60.40
GBP/USD	1.3716	-0.0012		EUR/CHF	0.9359	-0.0005	Brent	67.77	0.04
AUD/USD	0.6529	-0.0017		EUR/SEK	11.1161	0.0027			
USD/CAD	1.3689	0.0045		EUR/NOK	11.8087	0.0176			

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