



Thursday, 10 July 2025

KBC Sunrise Market Commentary

Dear reader,

There will be no KBC Sunrise on Friday, July 11. We resume the publication on Monday, July 14.

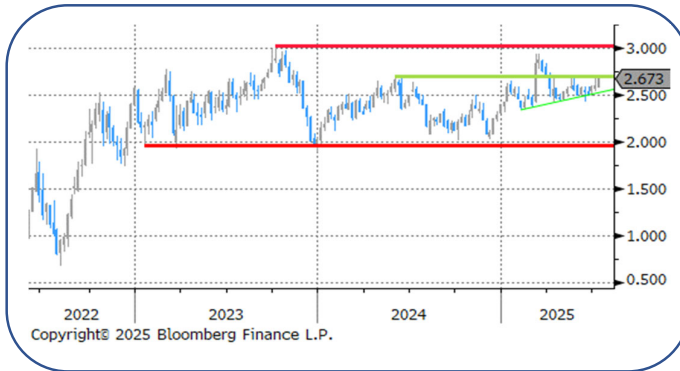
Markets

- The **steepening trend**, fueled by investor worries on fiscal sustainability in multiple developed countries including the UK, Japan and the US gradually **lost some momentum yesterday**. After recent rise in LT risk premia at least some investors moved to a more neutral approach. Some high profile yields/resistance levels coming nearby was also in play. Later in US dealings, **the move was validated by a solid \$39 bln US Treasury 10-y note sale**. US yields eased between 4.8 bps (2-y) and 6.7 bps (10-y). The **Fed minutes of the June meeting** showed ample uncertainty and a divide within the MPC on how tariffs will impact inflation going forward. This also translated into divergent views on the timing and the path of policy easing. However, that already appeared in the dot plot published at the time of the meeting. Some governors showed signs to be open for a July rate cut in case of soft data (Waller, Bowman), but this scenario in the meantime was 'rejected' by still decent US June payrolls published last week. German yields eased 1-2 bps across the curve. **Equities remained well bid despite multiple trade noise**. The Nasdaq (+ 0.94%) even closed at a record. **Only limited moves in the major cross rates** (DXY close at 97.55, EUR/USD 1.1725). Yen underperformance halted (USD/JPY close 146.33 from 146.58). After sending a new batch of tariff letters to countries earlier in the session, US president Trump after the close threatened to impose **50% levy on Brazil exports to the US**, mainly inspired by a political rift with president Lula Da Silva. Later, he also confirmed the 50% tariff on copper to take effect on August 1. Brazilian assets are hit. USD/BRL jumped from the 5.50 area to close near 5.573.
- The post-close tariff announcements this morning have a mild impact. Asian equity markets are trading mixed to modestly higher (South Korea and China a.o.). US equity futures are ceding modest ground (about -0.3%), as does the dollar (DXY 97.4, EUR/USD 1.174, USD/JPY 146.21). **A 20-y Japan bond sale this morning was ok/neutral** and might temper recent steepening trend, but uncertainty in the run-up to the July 20 Japan Upper House elections persists. **Today's** eco calendar is again thin. US jobless claims in the current environment still might cause intraday volatility. **Markets will look out whether a \$22 bln 30-y US Note auction can copy yesterday's benign 10-y performance**. Trade(war) noise evidently will continue to swirl.

News & Views

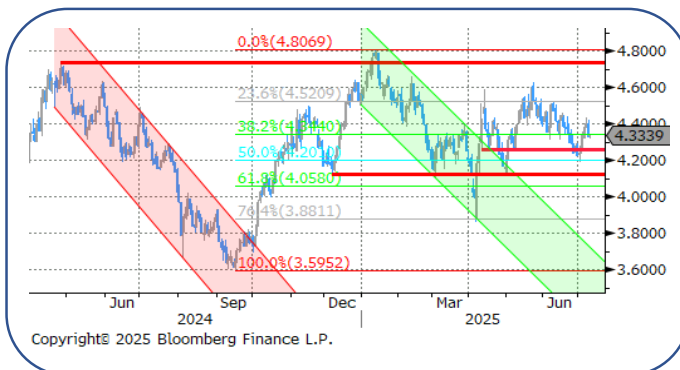
- **The central bank of South Korea left its policy rate unchanged at 2.5%**. The status quo was expected and comes as the Bank of Korea is striking **a balance** between having **an accommodative policy to support an economy** hit by trade uncertainty while watching **potential imbalances fueled by booming house prices**. South Korea was informed earlier this week of a 25% levy on its US exports. But the starting date, August 1, offers extra time for negotiations. Meanwhile the SK government is planning regulations to reign in (household) property borrowing. The BoK found the most **prudent thing to do was to wait before making its next easing move**. The decision was unanimous though four of the six members signaled openness to a cut in the next three months. The next BoK meeting takes place on August 28. The South Korean currency trades little changed in response to the policy outcome (USD/KRW 1373.4).
- **S&P Global Market Intelligence** in its tri-annual report found that **German companies are the most optimistic about the economy since early 2022**. The survey of around 12000 manufacturers and service providers also showed willingness to invest: for the first time in two years companies are planning to increase capex and R&D spending outweigh those anticipating cuts. Businesses referred to the government's spending boost as supporting an economic upturn while further gains are seen by expanding into new markets, the adoption of technologies such as AI and digitalization that can improve efficiency. However, S&P Global adds that growth forecasts and investments intentions **are still running below pre-pandemic averages** amid geopolitical concerns and increased US protectionism.

Graphs



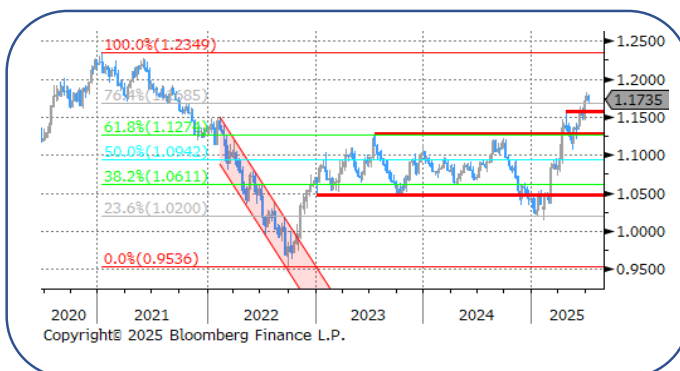
GE 10y yield

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 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

Thursday, 10 July		Consensus	Previous
US			
14:30	Initial Jobless Claims	235k	233k
14:30	Continuing Claims	--	1964k
Japan			
1:50	PPI MoM/YoY (Jun)	-0.20%A/2.90%A	-0.10%R/3.30%R
UK			
1:01	RICS House Price Balance (Jun)	-7%A	-7%R
Italy			
10:00	Industrial Production MoM/WDA YoY (May)	-0.20%/0.40%	1.00%/0.30%
Norway			
8:00	CPI MoM/YoY (Jun)	--/3.20%	0.40%/3.00%
8:00	CPI Underlying MoM/YoY (Jun)	0.50%/3.00%	0.20%/2.80%
Sweden			
8:00	Industrial Orders MoM/NSA YoY (May)	--/--	-6.30%/7.00%
8:00	Household Consumption MoM/YoY (May)	--/--	0.50%/2.70%
8:00	Private Sector Production MoM/YoY (May)	--/--	2.30%/3.40%
8:00	Industry Production Value YoY (May)	--	5.00%
8:00	Service Production Value YoY (May)	--	3.40%
Events			
9:00	ECB's Cipollone Speaks in Ljubljana		
10:00	ECB's Villeroy Speaks in Paris		
15:00	Fed's Musalem Speaks on US Economy and Monetary Policy		
20:30	Fed's Daly Speaks on US Economic Outlook		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,33	-0,07		US	3,84	-0,05	DOW	44458,3	217,54
DE	2,67	-0,01		DE	1,86	-0,01	NASDAQ	20611,34	192,88
BE	3,22	-0,01		BE	1,98	-0,01	NIKKEI	39572,56	-248,72
UK	4,61	-0,02		UK	3,88	0,01	DAX	24549,56	342,65
JP	1,50	-0,01		JP	0,76	-0,01	DJ euro-50	5445,65	73,70
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	2,10	3,51	3,63	€STR	1,9190	0,0000			
5y	2,28	3,52	3,72	Euribor-1	1,9250	0,0090	SOFR-1	4,3413	-0,0027
10y	2,62	3,78	4,07	Euribor-3	1,9690	0,0210	SOFR-3	4,3220	-0,0134
				Euribor-6	2,0510	0,0320	SOFR-6	4,1971	-0,0207
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1720	-0,0005		EUR/JPY	171,5	-0,36	CRB	301,65	-0,64
USD/JPY	146,33	-0,25		EUR/GBP	0,8627	0,0000	Gold	3321,00	4,10
GBP/USD	1,3586	-0,0006		EUR/CHF	0,9309	-0,0024	Brent	70,19	0,04
AUD/USD	0,6535	0,0005		EUR/SEK	11,1507	-0,0177			
USD/CAD	1,3685	0,0025		EUR/NOK	11,8398	-0,0003			

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