

Sunrise



Thursday, 24 July 2025

KBC Sunrise Market Commentary

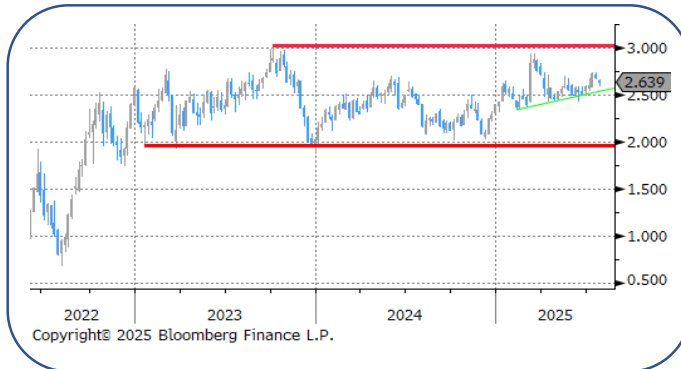
Markets

- The Japan-US trade deal set the tone for global trading yesterday. The agreement including a broad (reciprocal) tariff of 15% with commitments on investment and opening up domestic markets for US exports, was seen as a blueprint for deals with other major trading partners, potentially also with EU. **The prospect of trade uncertainty moving to background triggered a risk rally specially among US trading partners.** The EuroStoxx 50 closed 1.02% higher. The S&P 500 (6358.91; +0.78%) finished at a record. Sentiment even was further supported by a FT report after the close of European equity markets indicating that the EU and the US indeed were closing in a trade deal. The headlines also triggered **a sharp rise in EMU (and to a lesser extent US) yields.** German yields rose between 3.2 bps (2-y) and 5.6 bps (30-y). The underperformance at the long end suggests that the topic of fiscal sustainability is still in play. US yields added between 4.7 bps (2-y) and 1.8 bps (30-y). LT US yields eased modestly after a decent US 20-y bond sale. Trade optimism (despite higher US yields) helped non-USD currencies. DXY extended this week's decline (close 97.2). EUR/USD finished at 1.177. Cyclical currencies like the Aussie dollar also were well bid (AUD/USD jumped north of 0.66). Even de yen, still haunted by fiscal/political uncertainty, slightly underperformed the USD (USD/JPY 146.5).
- Overnight, president Trump indicated that the US base case is for reciprocal tariffs between 15% and 50%. So the floor might be higher than the 10% than some hoped for. For now, these comments don't dent trade driven market optimism. Most Asian equity indices continue yesterday's rally. The dollar still trades in the defensive (EUR/USD 1.1775, USD/JPY 146.0). Japanese and US yields also gain modestly. **Trade related headlines most likely will dominate market sentiment also today.** At the same time, the **(US & EMU) PMI's and the ECB policy decision are also worth keeping an eye on.** The EMU composite PMI is expected to hold just north of the 50 barrier (expected 50.7). PMI's are providing **an insight on the EMU eco momentum 'on the eve' of a potential US-EU trade deal.** The US PMI is expected to hold at a solid 52.8. Even more than is the case for Europe, we keep a close eye the price indicators in the US PMI. The ECB, after reducing the policy rate to 2% early June, **indicated that it was in a good place to assess upcoming developments, including trade risks.** This put the bank in data-dependent wait-and-see modus. With recent inflation data coming in close to expectations and no concrete trade deal available, the GC today has every reason to keep that wait-and-see approach and not commit on if/when they might consider a final easing step for this cycle. The September forecasts will provide the next evaluation point. Yields might continue their (trade-related, risk-on driven) rise. **The dollar is holding in the defensive.**

News & Views

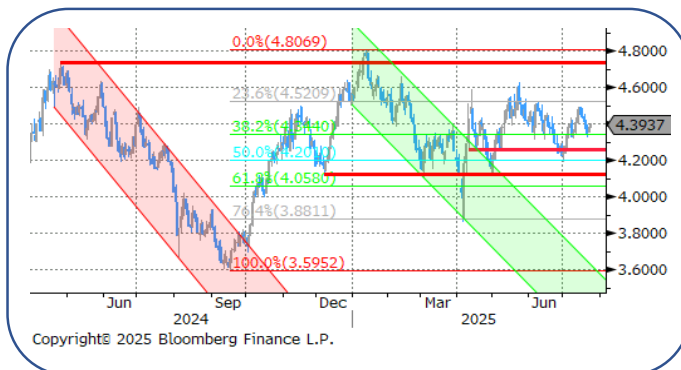
- **Japanese PMI's in July diverged** with the manufacturing gauge easing from 50.1 to 48.8 but the services one improving from 51.7 to the second-highest reading of the year so far at 53.5. **The composite figure matched June's 51.5.** Increased services activity was linked to firmer demand conditions and client numbers while lingering uncertainty over future US trade policy was one of the key elements weighing down on the industry. The latter, of course, may be less of an issue in coming readings thanks to the freshly closed trade deal. Services companies recorded a sustained rise in new work while orders continued to decline in the factories. Japanese private firms adopted a more cautious stance regarding hiring, with the weakest increase in 1.5 years. This comes amid lower business confidence for the year ahead, across sectors, hitting the second-lowest since August 2020 (after April 2025) on trade-related uncertainty. Input cost inflation eased to the weakest in four years but remained sharp overall on higher labour, fuel and raw material costs. Companies as a result increased selling prices again in July at a solid rate.
- **South Korea's economy expanded at a faster-than-expected clip of 0.6% q/q in Q2 of this year,** bouncing back from a 0.2% contraction in Q1 and bringing GDP 0.6% higher than one year ago. Growth was driven by **the services sector** (+0.6% q/q), suggesting private consumption at work. Manufacturing grew 2.7% q/q while construction (-4.4%) and the utility sector (-3.2%) weighed on the economy. The upbeat numbers **limit the probability of a near-term (ie August) rate cut by the Bank of Korea,** which is likely to revise its growth forecasts higher at the next meeting. The Korean won strengthens to USD/KRW 1365.5 this morning with first KRW resistance at 1350 coming closer.

Graphs



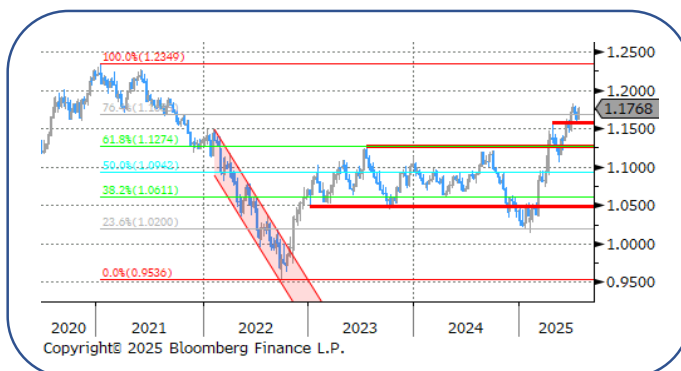
GE 10y yield

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.



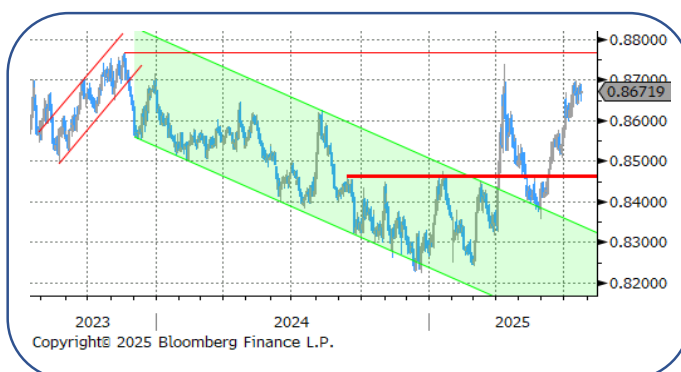
US 10y yield

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, 24 July		Consensus	Previous
US			
14:30	Initial Jobless Claims	226k	221k
14:30	Continuing Claims	1954k	1956k
14:30	Chicago Fed Nat Activity Index (Jun)	-0.15	-0.28
15:45	S&P Global US Manufacturing PMI (Jul P)	52.7	52.9
15:45	S&P Global US Services PMI (Jul P)	53.0	52.9
15:45	S&P Global US Composite PMI (Jul P)	52.8	52.9
16:00	New Home Sales Total/MoM (Jun)	650k/4.30%	623k/-13.70%
17:00	Kansas City Fed Manf. Activity (Jul)	0	-2
Canada			
14:30	Retail Sales MoM (May)	-1.00%	0.30%
14:30	Retail Sales Ex Auto MoM (May)	-0.30%	-0.30%
Japan			
2:30	S&P Global Japan PMI Composite (Jul P)	51.5A	51.5
2:30	S&P Global Japan PMI Mfg (Jul P)	48.8A	50.1
2:30	S&P Global Japan PMI Services (Jul P)	53.5A	51.7
UK			
10:30	S&P Global UK Manufacturing PMI (Jul P)	48	47.7
10:30	S&P Global UK Services PMI (Jul P)	52.9	52.8
10:30	S&P Global UK Composite PMI (Jul P)	51.8	52
12:00	CBI Trends Total Orders (Jul)	-28	-33
12:00	CBI Trends Selling Prices (Jul)	20	19
12:00	CBI Business Optimism (Jul)	-25	-33
EMU			
10:00	HCOB Eurozone Manufacturing PMI (Jul P)	49.8	49.5
10:00	HCOB Eurozone Services PMI (Jul P)	50.6	50.5
10:00	HCOB Eurozone Composite PMI (Jul P)	50.7	50.6
14:15	ECB Deposit Facility Rate	2.00%	2.00%
14:15	ECB Main Refinancing Rate	2.15%	2.15%
14:15	ECB Marginal Lending Facility	2.40%	2.40%
Germany			
8:00	GfK Consumer Confidence (Aug)	-19.3	-20.3
9:30	HCOB Germany Manufacturing PMI (Jul P)	49.5	49
9:30	HCOB Germany Services PMI (Jul P)	50.0	49.7
9:30	HCOB Germany Composite PMI (Jul P)	50.7	50.4
France			
9:15	HCOB France Manufacturing PMI (Jul P)	48.5	48.1
9:15	HCOB France Services PMI (Jul P)	49.6	49.6
9:15	HCOB France Composite PMI (Jul P)	49.1	49.2
Events			
Q2 earnings	Intel (aft-mkt) ...		
24JUL	EU-China summit in Beijing		
14:45	ECB President Christine Lagarde Holds Press Conference		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,38	0,04		US	3,88	0,05	DOW	45010,29	507,85
DE	2,64	0,05		DE	1,84	0,03	NASDAQ	21020,02	127,33
BE	3,17	0,04		BE	1,94	0,03	NIKKEI	41922,81	751,49
UK	4,64	0,07		UK	3,88	0,04	DAX	24240,82	198,92
JP	1,61	0,02		JP	0,86	0,03	DJ euro-50	5344,25	53,77
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,10	3,53	3,66	€STR	1,9240	0,0010			
5y	2,30	3,56	3,76	Euribor-1	1,9120	0,0080	SOFR-1	4,3495	0,0005
10y	2,65	3,85	4,13	Euribor-3	1,9390	-0,0050	SOFR-3	4,3160	-0,0043
				Euribor-6	2,0340	0,0020	SOFR-6	4,2037	0,0011
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1771	0,0017		EUR/JPY	172,47	0,11	CRB	303,85	0,06
USD/JPY	146,51	-0,12		EUR/GBP	0,8669	-0,0017	Gold	3455,10	-46,70
GBP/USD	1,3582	0,0049		EUR/CHF	0,9330	0,0017	Brent	68,51	-0,08
AUD/USD	0,6602	0,0046		EUR/SEK	11,1887	0,0042			
USD/CAD	1,3597	-0,0008		EUR/NOK	11,8921	0,0472			

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