



**Friday, 01 August 2025**

Dear reader,

There will be no KBC Sunrise from Monday, August 4 until Monday, August 11. We resume the publication on Tuesday, August 12.

## KBC Sunrise Market Commentary

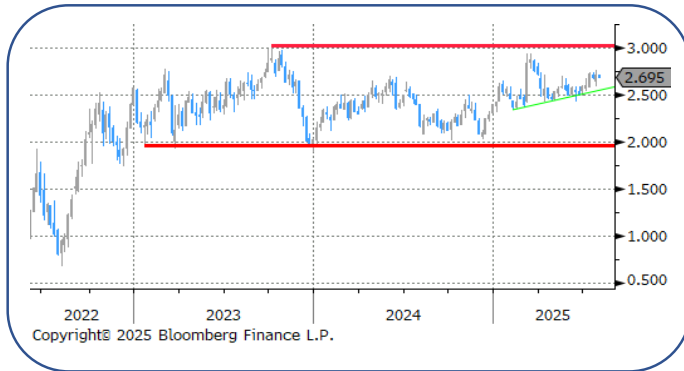
### Markets

- From economic data to the Fed over to trade and some back and fourth switching in between: this is a week that's keeping markets on edge. The economic calendar yesterday offered no more than some second tier eco data, resulting in relatively small market moves. Core bond yields changed less than 2-3 bps across the curve in both the dollar and euro kept each other balanced around but north of 1.14. JPY underperformed. It wasn't until after the market close that we were treated with some actual news though. Going into the August 1 deadline, a White House document released a **slew of unilateral tariffs announcements**. President Trump kept a 10% minimum reciprocal tariff rate globally. Many countries faced higher rates though, including New Zealand (15%), Taiwan (20%), South Africa (30%) and Thailand and Cambodia (both 19%). Switzerland is looking at a whopping 39% and Trump raised the tariff for Canada to 35% from 25%. Goods traded under the rules of the US-Mexico-Canada trade agreement (covering the vast majority of US-Canadian trade) are exempted though. With the announcement, there's at least some kind of clarity: worst case scenario's were largely avoided and there's a clear starting point. **Countries that haven't struck a deal yet can now try to bring their rates down through negotiations**. Uncertainty is not at all gone though with sectoral tariffs still a pending matter. Talks with China are also ongoing and likely to be extended beyond the August 12 deadline. But all things considered, the Asian market response could have been worse. SK stands out (cfr. infra) but most other indices cap losses to less than 1% with some even trading in the green. European futures do suggest further losses after yesterday's -1.3% drop, also catching up with a late-session swoon on WS. The euro holds a tiny upper hand over the dollar while CHF along with NZD is lagging.
- And from trade it's back to the data again. **US July payrolls** are closely watched today to check whether they vindicate the Fed's cautious stance. Yesterday's June PCE price deflators already did so. The bar is set at a relatively low 104k for employment growth and at 4.2%, up from 4.1% in June, for the unemployment rate. **A beat would further reduce Fed easing bets**, in particular for September although we don't expect markets to fully let go on the idea. **Front-end underperformance of the US yield curve may trigger further dollar strength** even as we're now seeing some signs of bottoming out in EUR/USD. Technically, next meaningful support in EUR/USD only pops up at 1.1214/1.1184 but going this far would require a massive upside payrolls surprise and could also be prevented by intermediate support at the 2023 high of 1.1276.

### News & Views

- Germany's finance minister Klingbeil warned that the country is facing a budget gap of as much as €170bn by 2029**, posing what he calls a "massive challenge". Germany lifted the constitutional debt brake (capping German deficits at 0.35% of GDP) but this only applied for defence spending. **Other areas of the federal budget are still subjected to it**, meaning Germany is now forced to either hike taxes (already ruled out by the government coalition) or cut spending across ministries and reform the welfare system. One potential windfall could come from growth though. **Germany has pencilled in conservative growth forecasts** of 0% this year and 1% annually between 2026-2029. Stronger than expected growth could help close the shortfall.
- South Korean stock markets hugely underperform** regional peers this morning. **It follows government plans to hike the capital gains tax** by lowering the threshold to KRW 1bn from KRW 5bn as well as increase the transaction tax. Other measures include a reversal of the previous administration's cut to 24% from 25% of the top corporate tax rate. South Korea's major stock indices decline almost 4%.

## Graphs



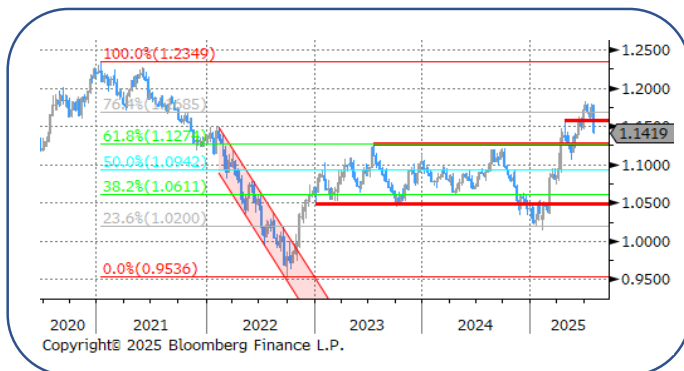
### GE 10y yield

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 stalled on renewed growth concerns and found a short-term equilibrium in the meantime.** 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. Markets **show a loss of confidence in the dollar.** The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation. **EUR/USD is in a buy-the-dip with a medium term target at 1.2349.** The current drop has potential to 1.1276 first and 1.1184 next.



### 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

Friday, 1 August		Consensus	Previous
<b>US</b>			
14:30	Change in Nonfarm Payrolls (Jul)	104k	147k
14:30	Change in Private Payrolls (Jul)	100k	74k
14:30	Change in Manufact. Payrolls (Jul)	0k	-7k
14:30	Average Hourly Earnings MoM/YoY (Jul)	0.30%/3.80%	0.20%/3.70%
14:30	Average Weekly Hours All Employees (Jul)	34.2	34.2
14:30	Unemployment Rate (Jul)	4.20%	4.10%
14:30	Labor Force Participation Rate (Jul)	62.30%	62.30%
14:30	Underemployment Rate (Jul)	--	7.70%
16:00	ISM Manufacturing (Jul)	49.7	49
16:00	ISM Prices Paid (Jul)	49.5	69.7
16:00	ISM New Orders (Jul)	70.0	46.4
16:00	ISM Employment (Jul)	48.7	45
<b>Japan</b>			
1:30	Jobless Rate (Jun)	2.50%A	2.50%
2:30	S&P Global Japan PMI Mfg (Jul F)	1.22A	48.8
<b>UK</b>			
10:30	S&P Global UK Manufacturing PMI (Jul F)	48.2	48.2
<b>EMU</b>			
10:00	HCOB Eurozone Manufacturing PMI (Jul F)	49.8	49.8
11:00	CPI MoM/YoY (Jul P)	-0.10%/1.90%	0.30%/2.00%
11:00	CPI Core YoY (Jul P)	2.30%	2.30%
<b>Italy</b>			
10:00	Retail Sales MoM/YoY (Jun)	0.30%/1.60%	-0.40%/1.30%
9:45	HCOB Italy Manufacturing PMI (Jul)	48.7	48.4
<b>China</b>			
3:45	S&P Global China PMI Mfg (Jul)	49..5	50.4
<b>Norway</b>			
10:00	DNB/NIMA PMI Manufacturing (Jul)	--	49.3
8:00	Unemployment Rate SA (Jul)	--	--
<b>Spain</b>			
9:15	HCOB Spain Manufacturing PMI (Jul)	51.8	51.4
<b>Sweden</b>			
8:30	Swedbank/Silf PMI Manufacturing (Jul)	52.5	51.9
<b>Events</b>			
01AUG	US tariff deadline		
Q2 earnings	Chevron (bef-mkt), Exxon Mobil (12:30) ...		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.37	0.00		US	3.96	0.02	DOW	44130.98	-330.30
DE	2.70	-0.01		DE	1.96	0.01	NASDAQ	21122.45	-7.22
BE	3.21	-0.01		BE	2.05	0.01	NIKKEI	40812.5	-257.32
UK	4.57	-0.03		UK	3.86	-0.01	DAX	24065.47	-196.75
JP	1.56	0.00		JP	0.81	-0.01	DJ euro-50	5319.92	-73.26
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.20	3.61	3.66	€STR	1.9190	-0.0050			
5y	2.36	3.61	3.73	Euribor-1	1.8860	0.0020	SOFR-1	4.3484	-0.0038
10y	2.68	3.85	4.07	Euribor-3	2.0080	-0.0090	SOFR-3	4.3232	-0.0004
				Euribor-6	2.0750	-0.0100	SOFR-6	4.2450	0.0090
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1415	0.0010		EUR/JPY	172.08	1.57	CRB	299.78	-5.46
USD/JPY	150.75	1.24		EUR/GBP	0.8643	0.0027	Gold	3348.60	-4.20
GBP/USD	1.3207	-0.0030		EUR/CHF	0.9274	-0.0022	Brent	71.70	-0.77
AUD/USD	0.6425	-0.0009		EUR/SEK	11.1768	0.0032			
USD/CAD	1.3856	0.0028		EUR/NOK	11.794	0.0201			

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