

## Sunrise



Moving forward  
together.

Thursday, 14 August 2025

Dear reader,

There will be no KBC Sunrise on Friday August 15. We resume the publication on Monday, August 18.

# KBC Sunrise Market Commentary

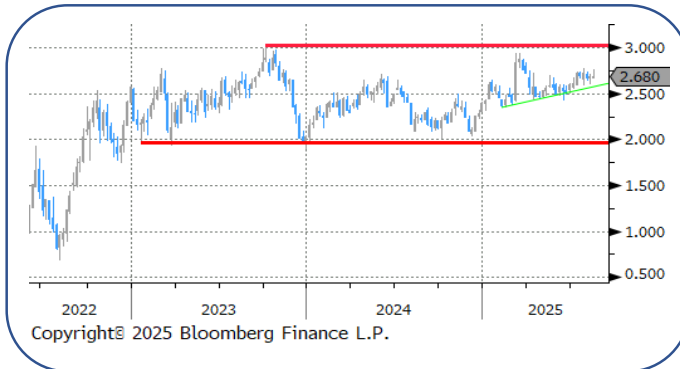
## Markets

- An [interview with US Treasury Secretary Bessent](#) got full coverage thanks to an otherwise empty economic agenda. He suggested that the Fed should cut rates by 50 bps in September given lack of evidence of significant tariff-related inflation and following significant downward revisions to June and May payrolls data. Bessent thinks that the Fed probably already pulled the trigger if data would have been more accurate. He sees scope for the Fed funds target range to fall by 150-175 bps. [While we don't side with the total magnitude of policy easing, we do side with the argument that once the Fed engages to additional rate cuts, they should/could opt for a bigger start.](#) The Powell Fed has a history of waiting until they are absolutely convinced about something and then opting to move quickly. In this respect, it's [telling that US money markets in the wake of the Bessent interview for the first time discounted more than a 25 bps rate cut in September.](#) It even triggered hawkish comments by [Chicago Fed Goolsbee \(voter\) who warned against being lurching into action](#) especially given persisting services inflation. We'd [err on the side of the dovish positioning to be extended though](#) if today's (producer price inflation, weekly jobless claims) or tomorrow's (retail sales, empire manufacturing survey, University of Michigan consumer confidence) data shows signs of weakness. [US Treasuries rallied yesterday with the curve moving lower in a parallel shift \(5-6 bps across\).](#) [We continue to prefer steepening going forward. EUR/USD closed above 1.17 for the first time since end July with the YtD top at 1.1829 being the reference.](#) The approaching Alaska summit between US president Trump and Russian president Putin is a wildcard for trading.

## News & Views

- [Australian labour market data](#) for the month of July came out near consensus this morning. [Employment rose by 24.5k](#) (from +2k in June and vs +25k consensus). The full-time/part-time breakdown was opposite to last month. [More pronounced gains in full-time occupations \(+60.5k\) were partly offset by a 35.9k decline in part-time jobs.](#) [The unemployment rate ticked lower \(4.3% to 4.2%\) but the participation rate \(67.1% to 67%\) did the same thing.](#) The female employment-to-population ratio and participation rate reached 60.9% and 63.5% respectively, both new historical highs. In a separate release, the Australian Bureau of Statistics indicated that average weekly ordinary time earnings for full-time adults has been greater than A\$2000 for the first time ever in May (A\$2010). [Annual wage growth remained high at 4.5%.](#) The solid labour market report strengthens the view that the Reserve Bank of Australia can take [a gradual normalization approach going forward](#) after lowering its policy rate by 25 bps to 3.6% earlier this week. [Money markets favour a skip at the next, September, meeting followed by a 25 bps rate cut in November.](#) They see room for [one more additional move after that early next year.](#) The Aussie dollar briefly profited from the labour numbers, but couldn't hold on to gains. AUD/USD (0.6550) is locked in a trading range between roughly 0.64 and 0.66.
- The [UK Royal Institution of Chartered Surveyors \(RICS\)](#) released its July [Residential Market Survey](#). [Sales market conditions remain challenging with previous signs of recovery faltering somewhat.](#) [Measures of demand](#) (new buyer enquiries – 6 from +4) and agreed sales (-16 from -4) slipping back into negative territory. Meanwhile, forward-looking sentiment now points to a largely flat picture for activity in the near-term (1 from 7). At the 12-month time horizon, sentiment is a little more positive, with a net balance of +8% of contributors anticipating a pick-up in sales activity. [Supply indicators](#) point at marginal growth when it comes to new listings on the market and a flatter pipeline for new instructions moving forward. [House price indicators](#) signalled a small downward adjustment in average house prices across the country. Over the coming three months, respondents expect prices to remain under a small degree of downward pressure. The 12-month outlook however thus suggest and increase in prices.

## Graphs



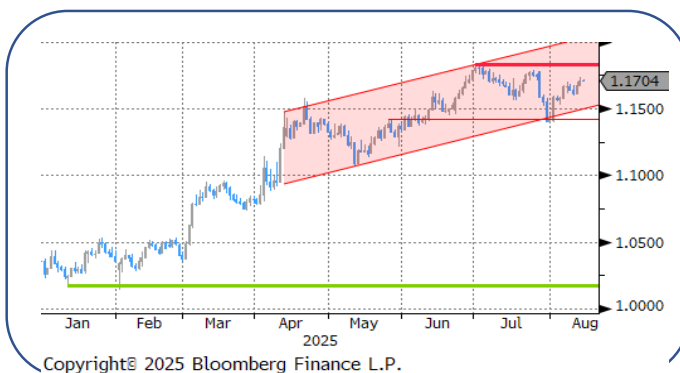
### GE 10y yield

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.



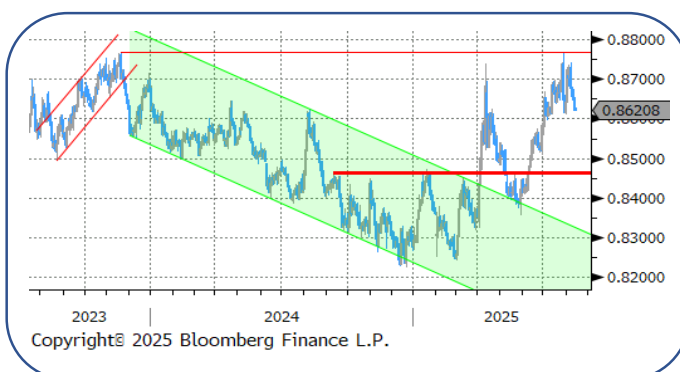
### US 10y yield

The Fed's **priority stays on inflation until the labour market is visibly weakening**. Downward revisions in the July payrolls report boosted odds that the September FOMC meeting could be a tipping point. **LT bond yields' trend higher on President Trump's big, beautiful, deficit-increasing bill recently stalled on growth concerns**. This 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. The Bank of England is on a quarterly 25 bps cutting cycle since August of last year (4% policy rate currently), with next action expected in November. EUR/GBP tested the November 2023 high at 0.8768, but a break higher didn't materialize (yet).

# Calendar & Table

Thursday, 14 August		Consensus	Previous
<b>US</b>			
14:30	<b>PPI Final Demand MoM/YoY (Jul)</b>	<b>0.20%/2.50%</b>	<b>0.00%/2.30%</b>
14:30	PPI Ex Food and Energy MoM/YoY (Jul)	0.20%/3.00%	0.00%/2.60%
14:30	PPI Ex Food, Energy, Trade MoM/YoY (Jul)	0.30%/2.50%	0.00%/2.50%
14:30	<b>Initial Jobless Claims</b>	<b>225k</b>	<b>226k</b>
14:30	Initial Claims 4-Wk Moving <u>Avg</u>	--	220.75k
14:30	Continuing Claims	1965k	1974k
<b>UK</b>			
1:01	RICS House Price Balance (Jul)	A:-13.00%	-7.00%
10:30	Output Per Hour YoY (2Q)	--	-0.20%
8:00	<b>GDP QoQ/YoY (2Q P)</b>	<b>0.10%/1.00%</b>	<b>0.70%/1.30%</b>
8:00	Private Consumption QoQ (2Q P)	0.20%	0.40%
8:00	Government Spending QoQ (2Q P)	0.80%	-0.40%
8:00	Gross Fixed Capital Formation QoQ (2Q P)	-1.40%	2.00%
8:00	Exports QoQ (2Q P)	0.1%	3.30%
8:00	Imports QoQ (2Q P)	0.5%	2.00%
8:00	Total Business Investment QoQ/YoY (2Q P)	0.3%/--	3.90%/6.10%
8:00	<b>Industrial Production MoM/YoY (Jun)</b>	<b>0.30%/-0.20%</b>	<b>-0.90%/-0.30%</b>
8:00	Manufacturing Production MoM/YoY (Jun)	0.40%/-0.80%	-1.00%/0.30%
8:00	Index of Services MoM & 3M/3M (Jun)	0.20%/0.20%	0.10%/0.40%
8:00	Construction Output MoM/YoY (Jun)	0.30%/1.50%	-0.60%/1.20%
8:00	Visible Trade Balance GBP/Mn (Jun)	-£21875m	-£21688m
<b>EMU</b>			
11:00	GDP SA QoQ / YoY (2Q S)	0.10%/1.40%	0.10%/1.40%
11:00	Industrial Production SA MoM / WDA YoY (Jun)	-1.00%/1.50%	1.70%/3.70%
11:00	Employment QoQ / YoY (2Q P)	--/--	0.20%/0.70%
<b>Norway</b>			
10:00	<b>Deposit Rates</b>	<b>4.25%</b>	<b>4.25%</b>
<b>Events</b>			
20:00	Fed's Barkin Speaks in NABE Webinar		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.23	-0.06		US	3.67	-0.06	DOW	44922.27	463.66
DE	2.68	-0.06		DE	1.93	-0.03	NASDAQ	21713.14	31.24
BE	3.18	-0.07		BE	2.01	-0.03	NIKKEI	42701.84	-572.83
UK	4.59	-0.04		UK	3.86	-0.02	DAX	24185.59	160.81
JP	1.55	0.04		JP	0.81	0.03	DJ euro-50	5388.25	52.28
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.15	3.35	3.65	€STR	1.9230	0.0010			
5y	2.32	3.40	3.73	Euribor-1	1.8440	-0.0220	SOFR-1	4.3592	-0.0040
10y	2.64	3.71	4.07	Euribor-3	2.0360	0.0070	SOFR-3	4.1867	-0.0299
				Euribor-6	2.1000	0.0020	SOFR-6	4.0096	-0.0317
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1705	0.0030		EUR/JPY	172.5	-0.10	CRB	294.82	-0.54
USD/JPY	147.38	-0.46		EUR/GBP	0.8622	-0.0026	Gold	3408.30	9.30
GBP/USD	1.3576	0.0076		EUR/CHF	0.9428	0.0011	Brent	65.63	-0.49
AUD/USD	0.6546	0.0016		EUR/SEK	11.1753	0.0223			
USD/CAD	1.3759	-0.0013		EUR/NOK	11.9287	0.0024			

## Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 51
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
		Shanghai	+86 21 68236128
		Hong Kong	+852 2525 9232
		Prague	+420 2 6135 3535
CSOB Economics – Markets Prague		Bratislava	
Jan Cermak	+420 2 6135 3578		+421 2 5966 8820
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		Budapest	
Marek Gabris	+421 2 5966 8809		+36 1 328 99 85
K&H Economics – Markets Budapest			
David Nemeth	+36 1 328 9989		

Discover more insights at [www.kbceconomics.be](http://www.kbceconomics.be)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

