
**Tuesday, 19 August 2025**

# KBC Sunrise Market Commentary

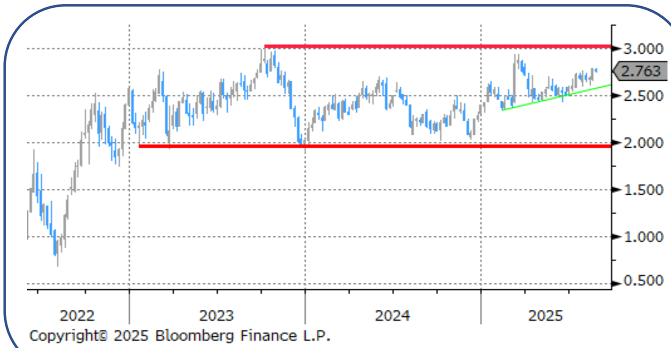
## Markets

- Most markets started the week with **rangebound technical trading** after last week's up-tick in global yields. **Eco data were confined to further declining** confidence of the Association of US home builders (NAHB) (32 from 34). The index nears the lows of end 2022/April 2020. The NAHB chief economist argued in favor of lower Fed interest rates, a call that might resonate among US politicians, including US president Trump. The direct impact on trading was limited. The latter also applied to the **high level talks at the White House** between US president Trump, Ukrainian president Zelenskyy and a long chorus of EU leaders. The US president supports a direct meeting between Zelenskyy and Putin and committed to "co-ordinate" security guarantees for Ukraine that mainly will have to be provided by Europe. Even as the parties involved assessed the outcome of the meeting as a good step on the way to a solution, **the outcome wasn't specific enough to have a big market impact,** especially as the reaction of Russia remains unclear. At the end of the day, US yields added 1-2 bps across the curve. German yields early in the session corrected after Friday's jump higher (especially at the long end of the curve), but changes were rather modest at the close (between -1.2 bps for 2-y and -2.5 bps for 10-y). Lingering/underlying pressure at the long end of the curve was mainly visible in UK gilts. At 5.6%, the UK 30-y yield is nearing the highest levels since 1998! Interest rate movements nor the White House talks on Ukraine were able to provide clear guidance for equity trading. US indices closed almost unchanged. The Eurostoxx 50 lost marginally (-0.26%). The dollar slightly outperformed, but within recent (narrow) ranges (close DXY 98.16, EUR/USD 1.1661, USD/JPY 147.9). Rising LT UK yields (risk premium) didn't help sterling. At EUR/GBP 0.8636, the pair stayed away from the 0.86 support tested last week.
- Asian (equity) markets show no clear trend this morning, with mostly limited moves. **A 20-y Japanese government bond auction showed mediocre buying interest, at best.** Japanese yields in the 10-30-y sector add 2-3 bps, with multi-year peak levels still within reach. Later today, the eco calendar is extremely thin. European markets will keep an eye at further developments regarding the war in Ukraine. Fed Chair Powells' speech at Jackson Hole on Friday remains the key reference for trading. In the meantime we continue to keep a close look at the very long end of the yield curves. Will LT risk premia at some point become a source of global market uncertainty/volatility?

## News & Views

- **Rating agency S&P affirmed the US's AA+ rating while keeping the outlook stable.** The decision comes after congressional approval of the One Big Beautiful Bill (tax & spending). The stable outlook indicates that although fiscal deficit outcomes won't meaningfully improve, **S&P doesn't project a persistent deterioration over the next several years.** This incorporates **a view that changes underway in domestic and international policies won't weigh on the resilience and diversity of the US economy.** And, in turn, broad revenue buoyancy, including robust tariff income, will offset any fiscal slippage from tax cuts and spending increases. Other factors supporting the stable outlook are effective monetary policy execution and the $5tn increase in the debt ceiling. In a downside scenario, S&P could still opt lot lower the US credit rating over the next two to three years if already high deficits increase or if political developments weigh on the strength of American institutions (eg Fed), jeopardizing the dollar's status as the world's leading reserve currency.
- **Australian consumer sentiment, measured by the Westpac-Melbourne Institute, posted a solid gain in August,** rising 5.7% to 98.5, from 93.1 in June. Data suggest that the second longest stretch of continuous pessimism (<100; 42 months) may finally be coming to an end. The latest improvement follows a further easing in interest rates and more positive tone from the RBA. **All 5 components of the consumer sentiment index posted gains in August.** Consumers appear much less anxious about their finances, there is also some tentative optimism about the Australian economy, the RBA's August rate cut has reinforced expectations for further interest rates declines, consumers remain relatively secure about the outlook for jobs and the central bank's policy gave a substantial boost to housing-related sentiment.

# 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. Still the market is keeping a close eye on public finances, putting a floor for LT yields.


## 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

| Tuesday, 19 August | | Consensus | Previous |
|---|---|---|---|
| US | | | |
| 14:30 | Housing Starts / MoM (Jul) | 1300k/-1.60% | 1321k/4.60% |
| 14:30 | Building Permits / MoM (Jul P) | 1388k/-0.40% | 1393k/-0.10% |
| Canada | | | |
| 14:30 | CPI NSA MoM / YoY (Jul) | 0.30%/1.80% | 0.10%/1.90% |
| 14:30 | CPI Core- Median YoY% (Jul) | 3.10% | 3.10% |
| 14:30 | CPI Core- Trim YoY% (Jul) | 3.10% | 3.00% |
| Events | | | |
| 11:30 | Germany to Sell €4.5bn of 2.2% 2030 Bonds | | |
| 20:10 | Fed's Bowman Speaks at Wyoming Blockchain Symposium 2025 | | |

| 10-year | Close | -1d | | 2-year | Close | -1d | Stocks | Close | -1d |
|---|---|---|---|---|---|---|---|---|---|
| US | 4,33 | 0,02 | | US | 3,76 | 0,01 | DOW | 44911,82 | -34,30 |
| DE | 2,76 | -0,02 | | DE | 1,96 | -0,01 | NASDAQ | 21629,77 | 6,79 |
| BE | 3,29 | -0,03 | | BE | 2,04 | -0,01 | NIKKEI | 43632,87 | -81,44 |
| UK | 4,74 | 0,04 | | UK | 3,97 | 0,03 | DAX | 24314,77 | -44,53 |
| JP | 1,59 | 0,02 | | JP | 0,84 | 0,01 | DJ euro-50 | 5434,64 | -13,97 |
| **IRS** | **EUR** | **USD** | **GBP** | **EUR** | **-1d** | **-2d** | **USD** | **-1d** | **-2d** |
| 3y | 2,19 | 3,44 | 3,73 | €STR | 1,9240 | 0,0000 | | | |
| 5y | 2,37 | 3,49 | 3,82 | Euribor-1 | 1,9210 | 0,0200 | SOFR-1 | 4,3408 | -0,0147 |
| 10y | 2,70 | 3,80 | 4,18 | Euribor-3 | 2,0280 | 0,0020 | SOFR-3 | 4,2175 | 0,0034 |
| | | | | Euribor-6 | 2,1110 | 0,0000 | SOFR-6 | 4,0704 | 0,0076 |
| **Currencies** | **Close** | **-1d** | | **Currencies** | **Close** | **-1d** | **Commodities** | **Close** | **-1d** |
| EUR/USD | 1,1661 | -0,0042 | | EUR/JPY | 172,45 | 0,27 | CRB | 296,02 | 0,48 |
| USD/JPY | 147,89 | 0,70 | | EUR/GBP | 0,8635 | -0,0001 | Gold | 3378,00 | -4,60 |
| GBP/USD | 1,3504 | -0,0050 | | EUR/CHF | 0,9416 | -0,0023 | Brent | 66,60 | 0,75 |
| AUD/USD | 0,6491 | -0,0016 | | EUR/SEK | 11,1544 | -0,0281 | | | |
| USD/CAD | 1,3803 | -0,0016 | | EUR/NOK | 11,9013 | -0,0269 | | | |

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