

## Sunrise



Wednesday, 03 September 2025

# KBC Sunrise Market Commentary

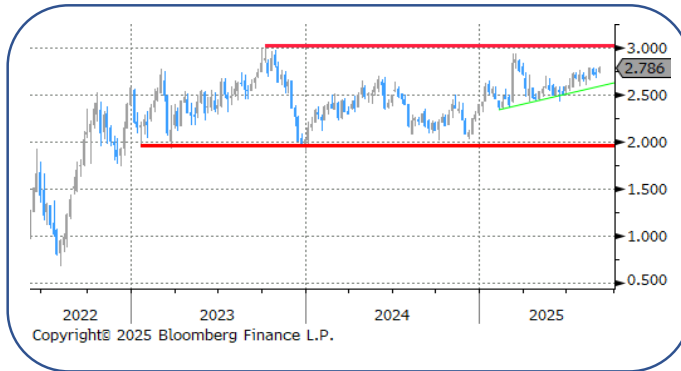
## Markets

- Curve steepening was the name of the game yesterday.** Higher risk premia (public finances) drove the underperformance at the long end of the curve in which the UK, as usual, took the lead. Its 30-year maturity hit the highest level since 1998. German and European (swap) rates joined the move higher, to a 14-year high and the 3% mark respectively. Japan's 30-year yield gauge rose 2.7 bps and extends the rise this morning by adding 7 bps ahead of tomorrow's auction. It is now trading at its highest level since inception in 1999. Treasuries slightly outperformed, with yields adding between 2.2 and 3.6 bps. They pulled back from their intraday highs in early US dealings and in the **wake of the August US manufacturing ISM**. The headline figure printed near consensus (48.7 vs 49 expected) and new orders rose (51.4) for the first time since January this year. The employment component, though, remains deeply mired in contraction territory. The 43.8 outcome was lower than expected (45) and among the weakest since the Covid recession. It reveals markets' sensitiveness for any data points related to the labour market. Stock markets ended with losses and the greenback dominated the FX landscape. DXY advanced to 98.4, EUR/USD depreciated to 1.164, down from 1.171 at the open. The yen suffered not only from fiscal risks but (not totally unrelated) political ones as well after a key figure tendering his resignation sparked speculation for early party elections. USD/JPY tested the 200DMA around 148.9 and sticks around in today's Asian session. Sterling was an obvious underperformer, most notably against the dollar. GBP/USD tumbled from 1.355 to 1.34 with follow-up losses this morning to 1.336.
- US JOLTS job openings feature the economic agenda today. Though the indicator is lagging most other labour market gauges (July vs August readings), it could still trigger some intraday volatility. Tomorrow and Friday is the real deal though, with the ADP job report, services ISM and payrolls coming up. ECB's Lagarde speeches at the European Systemic Risk Board's conference, probably without touching on monetary policy. The Fed releases its Beige Book, kickstarting its FOMC September cycle. The US administration meanwhile plans to go to the Supreme Court today for **an expedited decision on last Friday's US Court of Appeals ruling on Trump's reciprocal tariffs**. Its outcome serves as a wildcard but probably shouldn't be expected for the very near future. Short term, we're looking for the public finances narrative to keep upward pressure on long-term yields and add to the steepening move. The 30-year (4.98%) in the US nears the **symbolically important 5% barrier**. That could release more market nervousness, particularly in stock markets. The dollar reaction yesterday suggests it can still enjoy some safe haven support but the jury's out whether it'll remain the "go to" currency.

## News & Views

- Australian GDP growth accelerated to 0.6% Q/Q in Q2 after more subdued growth in Q1** (0.3% Q/Q; heavily impacted by weather events). Household spending accelerated from 0.4% Q/Q to 0.9% Q/Q with sales related to the end of the financial year and new product releases contributing to discretionary spending on good. Government spending increased as well, with their final consumptions growing from 0.3% Q/Q to 1% Q/Q mainly because of a rise in social benefits to households. Net trade also contributed to GDP growth (+0.1 ppt), led by exports of mining commodities which saw a rebound in production following severe weather disruptions in Q1. Imports of services was the largest detractor to net trade led by travel services. Public investment was the largest detractor from overall growth with public investments falling by 3.9% Q/Q driven by a decrease in state government expenditure on transport and health infrastructure, and a fall in defense investment. **Today's strong GDP number took Australian markets by surprise. They turn less certain on another RBA rate cut at the November policy meeting.** The AUD swap rate curve bear flattens this morning with yields rising by 6.7 bps (30-yr) to 9.5 bps (3-yr). The Aussie dollar fails to profits but holds steady against a stronger greenback at AUD/USD 0.6510.

## 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.



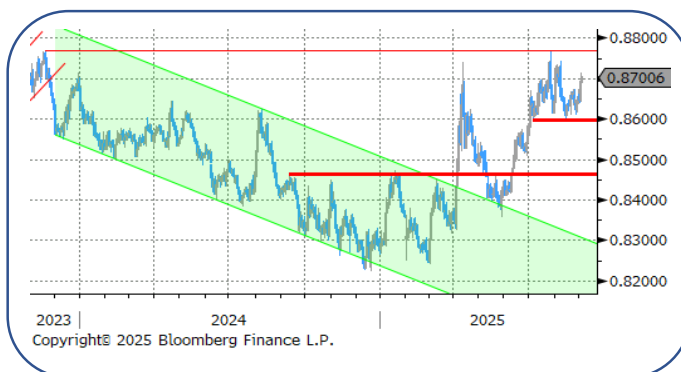
### US 10y yield

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

Wednesday, 03 September		Consensus	Previous
<b>US</b>			
16:00	<b>JOLTS Job Openings (Jul)</b>	<b>7382k</b>	<b>7437k</b>
16:00	JOLTS Job Openings Rate (Jul)	--	4.40%
16:00	JOLTS Quits Level (Jul)	3136k	3142k
16:00	JOLTS Quits Rate (Jul)	--	2.00%
16:00	JOLTS Layoffs Level (Jul)	1675k	1604k
16:00	JOLTS Layoffs Rate (Jul)	--	1.00%
16:00	Factory Orders (Jul)	-1.30%	-4.80%
16:00	Durable Goods Orders (Jul F)	-2.80%	-2.80%
16:00	Cap Goods Ship Nondef Ex Air (Jul F)	--	0.70%
<b>Canada</b>			
14:30	Labor Productivity QoQ (2Q)	-0.20%	0.20%
<b>Japan</b>			
2:30	S&P Global Japan PMI Composite (Aug F)	52.0	51.9
2:30	S&P Global Japan PMI Services (Aug F)	53.1	52.7
<b>UK</b>			
10:30	S&P Global UK Services PMI (Aug F)	53.6	53.6
10:30	S&P Global UK Composite PMI (Aug F)	53.0	53
<b>EMU</b>			
10:00	HCOB Eurozone Services PMI (Aug F)	50.7	50.7
10:00	HCOB Eurozone Composite PMI (Aug F)	51.1	51.1
11:00	PPI MoM/YoY (Jul)	0.30%/0.10%	0.80%/0.60%
<b>Italy</b>			
9:45	HCOB Italy Services PMI (Aug)	52.1.	52.3
9:45	HCOB Italy Composite PMI (Aug)	51.6	51.5
<b>China</b>			
3:45	RatingDog China PMI Composite (Aug)	51.9A	50.8
<b>3:45</b>	<b>RatingDog China PMI Services (Aug)</b>	<b>53.0A</b>	<b>52.6</b>
<b>Poland</b>			
<b>03SEP</b>	<b>Poland Base Rate Announcement</b>	<b>4.75%</b>	<b>5.00%</b>
<b>Spain</b>			
9:15	HCOB Spain Services PMI (Aug)	--	55.1
9:15	HCOB Spain Composite PMI (Aug)	--	54.7
<b>Sweden</b>			
8:30	Swedbank/Silf PMI Services (Aug)	--	48.8
8:30	Swedbank/Silf PMI Composite (Aug)	--	50.3
<b>Events</b>			
<b>9:30</b>	<b>ECBs Lagarde Speaks at ESRB Event</b>		
10:00	RBA's Bullock-Lecture		
10:15	BOE's Breeden Speaks		
11:30	Germany to Sell EU5 Billion of 2.6% 2035 Bonds		
15:00	Fed's Musalem Speaks on Economy and Policy at Peterson		
<b>15:15</b>	<b>BOE Rate-Setters Appear in Parliament</b>		
<b>20:00</b>	<b>Fed Releases Beige Book</b>		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4.26	0.03		US	3.64	0.02	DOW	45295.81	-249.07
DE	2.79	0.04		DE	1.97	0.02	NASDAQ	21279.63	-175.92
BE	3.36	0.04		BE	2.10	0.03	NIKKEI	41935.16	-375.33
UK	4.80	0.05		UK	3.98	0.02	DAX	23487.33	-550.00
JP	1.65	0.02		JP	0.87	-0.01	DJ euro-50	5291.04	-76.04
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2.19	3.32	3.78	€STR	1.9220	-0.0030			
5y	2.36	3.36	3.88	Euribor-1	1.8980	0.0230	SOFR-1	4.2533	-0.0195
10y	2.72	3.72	4.25	Euribor-3	2.0750	0.0010	SOFR-3	4.1520	-0.0120
				Euribor-6	2.0890	0.0030	SOFR-6	4.0020	-0.0110
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1.1640	-0.0071		EUR/JPY	172.7	0.34	CRB	304.38	2.03
USD/JPY	148.36	1.18		EUR/GBP	0.8692	0.0047	Gold	3592.20	76.10
GBP/USD	1.3394	-0.0151		EUR/CHF	0.9366	-0.0009	Brent	69.14	0.99
AUD/USD	0.652	-0.0032		EUR/SEK	11.0113	0.0116			
USD/CAD	1.3782	0.0031		EUR/NOK	11.6854	-0.0243			

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