Tuesday, 09 September 2025

KBC Sunrise Market Commentary

Markets

- Markets started slow but after all **constructive to the new trading week,** with bonds and equities closing in green. Upcoming event risk (French confidence vote a.o.) for now didn't spoil the game. US interest rate markets facilitated **a further easing of global financing conditions**, with today's BLS benchmark revision for the US payrolls a potential catalyst for more aggressive Fed easing. The **US yield curve** in **a nice bull flattening move eased between 2.3 bps (2-y) and 6.7 bps (30-y).** Fiscal worries/risk premia have subsided a bit, at least for now. **EMU/German yields followed this trend**, albeit at a distance as the ECB has ended its easing cycle. Bund yields declined between 0.3 bps (2-y) and 3.3 bps (30-y). The French-German 10-y spread was unchanged (77 bps), slightly off last week's peak levels. After the close of European markets, **French PM Bayrou as expected lost the confidence vote in Parliament over his budget plans,** highlighting the political stalemate. However, for now, markets apparently feel no need to push French risk premia even wider as long as president Macron doesn't call new snap elections. Short-term, Friday's rating review by Fitch (AA- with negative outlook) still might cause some additional jitters. **The global easing of financing conditions also supported equites** (Nasdaq +0.45%, EuroStoxx 50 +0.84%). On FX markets, the dollar on Friday only lost modest ground in the wake of much weaker than expected payrolls. Still, losses were extended in yesterday's 'risk-on' context. DXY (Close 97.45) is at risk of slipping below the July/August lows near 97.55. Dollar weakness also dominated in the EUR/USD cross rate, with the pair drifting higher in the 1.17 big figure (close 1.1763).

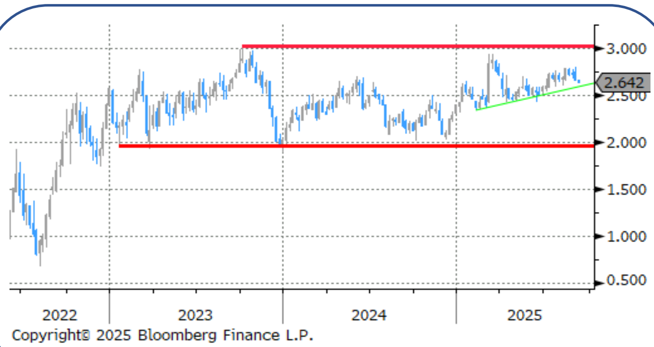
- **Today's eco calendar is thin.** European markets will keep an eye on how French president Macron manages the political crisis. In the US, NFIB small business confidence is interesting when assessing the broader picture on the US economy, but no market mover. The market focus will be on the BLS benchmark revision of the US payrolls' statistics. **Consensus sees a potential downward revision of US payrolls in the year up to March 2025 by 700K.** Whatever the number, the report probably will indicate a much weaker starting point as the Fed is embarking for a next phase in its policy normalization process. This might cause the central bank to add further weight to labour market conditions **and raise expectations on accelerated easing.** The US 2-y yield has downward potential towards a neutral 3% and also trigger further USD weakness. EUR/USD 1.1789 is final intermediate resistance ahead of the YTD top at 1.1829. Later today, the **US Treasury** starts its mid-month refinancing operation with a $58bn 3-y Note sale.

News & Views

- **Inflation expectations ticked up 0.1 ppt to 3.2%** at the one-year-ahead horizon, the **New York Fed August survey** revealed yesterday. The gauge hasn't been below 3% this year so far and the closest it got to the Fed's 2% target since the start of 2024 was in October (2.9%). The 3-yr and 5-yr horizon expectations were unchanged at 3% and 2.9% respectively. **Job market sentiment showed further cracks** with the perceived probability of finding a job fell 5.8 ppt to a series low (since June 2013) of 44.9%. Consumers also find it more likely **that the unemployment rate will rise one year from now** (+1.7ppt to 39.1%) and that they'll lose their jobs (+0.1 ppt to 14.5%). Income expectations remain unchanged for a second month straight (2.9%) while those for spending growth rose marginally to 5%.

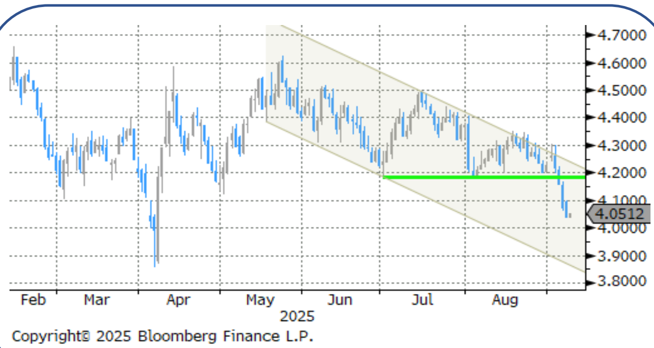
- Data from the US Treasury Department showed **that India has been steadily reducing its purchases of US bonds.** Investment in June dropped to $227.4bn from $235.3bn in May and around $242bn a year ago**. India's central bank (RBI) has also increased the amount of gold reserves, other data revealed.** The country's finance minister said last week the RBI was taking a "very considered decision" to diversify its reserves, which are the world's fourth-largest. The moves are seen as geopolitically inspired and happen against the backdrop of a trade dispute with the US. The latter in August imposed a 50% levy on Indian exports, with half of that being a penalty for buying Russian oil..

Graphs



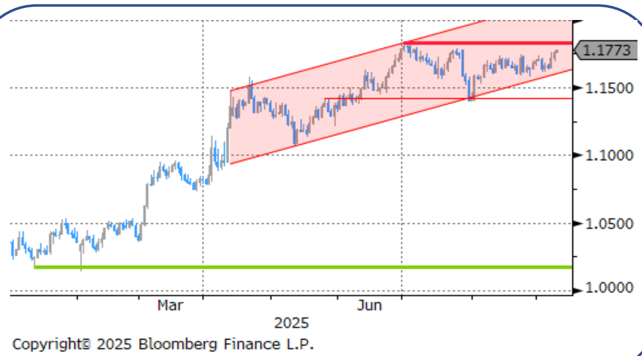
GE 10y yield

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. It merely slowed the rise in LT yields with the ongoing public finances narrative keeping the upward trajectory in tact.



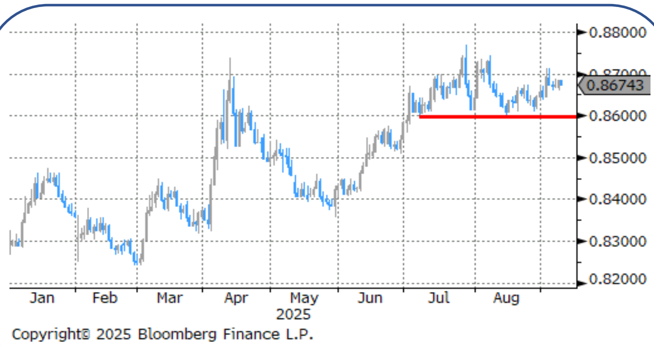
US 10y yield

The Fed's **focus since Jackson Hole has shifted with increased attention for (risks to) the labour market.** Poor August/September US payrolls data confirm a scenario of accelerated Fed rate cuts, confirming a break of 10-y yield below the 4.20/12% support. The budgetary impact of **President Trump's big, beautiful bill moved to the background (for now).**



EUR/USD

Trump's explosive policy mix 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 towards 1.2349. **The Fed restarting its easing cycle will further reduce USD interest rate support.** The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation but is offset by short-term political (France) uncertainty.



EUR/GBP

Long end Gilt underperformance due to fiscal risks continues to weigh on sterling. The Bank of England cut rates to 4% in August but sticky inflation (rather than exceptional growth) probably means an even slower easing pace (than 25 bps quarterly) from now on. It's not the kind of rate support that helps sterling. EUR/GBP holds near the recent highs with the July high at 0.8769 serving as first resistance.

Calendar & Table

Tuesday, 09 September		Consensus	Previous
US			
12:00	NFIB Small Business Optimism (Aug)	-100.5.	100.3
Japan			
1:50	Money Stock M3 YoY (Aug)	0.80%A	0.60%
8:00	Machine Tool Orders YoY (Aug P)	--	3.60%
UK			
1:01	BRC Sales Like-For-Like YoY (Aug)	2.90%	1.80%
France			
8:45	Industrial Production MoM/YoY (Jul)	-1.40%/0.70%	3.80%/2.00%
8:45	Manufacturing Production MoM/YoY (Jul)	-1.20%/--	3.50%/2.40%
Hungary			
8:30	**CPI MoM/YoY (Aug)**	**0.00%/4.30%**	**0.40%/4.30%**
Events			
11:30	Germany to Sell Bonds		
13:30	ECB's Nagel Speaks at BIS Event		
13:50	SNB's Schlegel Speaks on BIS Panel		
17:15	ECB's Villeroy Speaks at BIS Event		
16:00	**BLS Preliminary Benchmark Revision to Establishment Survey Data**		
17:15	BOE's Breeden Moderates Fireside Chat		
19:00	U.S. To Sell USD58 Bln 3-Year Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,04	-0,03		US	3,49	-0,02	DOW	45514,95	114,09
DE	2,64	-0,02		DE	1,93	0,00	NASDAQ	21798,7	98,31
BE	3,20	-0,03		BE	2,01	-0,01	NIKKEI	43565,74	-78,07
UK	4,61	-0,04		UK	3,90	-0,01	DAX	23807,13	210,15
JP	1,56	-0,01		JP	0,84	0,01	DJ euro-50	5362,81	44,66
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,14	3,16	3,68	€STR	1,9220	-0,0010			
5y	2,29	3,19	3,74	Euribor-1	1,8860	0,0060	SOFR-1	4,1946	-0,0097
10y	2,61	3,51	4,09	Euribor-3	2,0340	-0,0190	SOFR-3	4,0578	-0,0140
				Euribor-6	2,1050	0,0050	SOFR-6	3,8614	-0,0229
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1763	0,0046		EUR/JPY	173,5	0,76	CRB	299,40	1,63
USD/JPY	147,5	0,07		EUR/GBP	0,8684	0,0010	Gold	3677,40	24,10
GBP/USD	1,3545	0,0036		EUR/CHF	0,9331	-0,0022	Brent	66,02	0,52
AUD/USD	0,6592	0,0035		EUR/SEK	11,0053	0,0036			
USD/CAD	1,3803	-0,0027		EUR/NOK	11,7462	-0,0233			

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