

Sunrise



Wednesday, 10 September 2025

KBC Sunrise Market Commentary

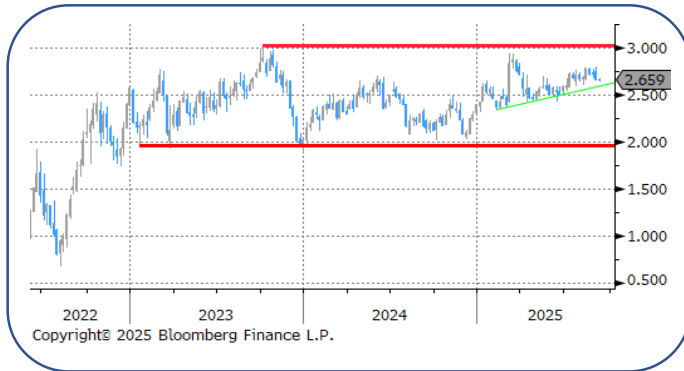
Markets

- The highly awaited BLS payrolls benchmark revision yesterday triggered somewhat of a **remarkable buy-the-rumour, sell-the-fact reaction**. With a downward revision of April 2024-March 2025 payrolls growth by 911k, the revision was bigger than expected and suggested that the US economy was already in a weak spot mid-2024. Even as the data don't give any concrete info on the actual development of the US economy in the post-tariff era, it might still have supported the case for some faster Fed easing due to a weaker starting point. **US yields in a first reaction briefly tried a test of the downside, but the move already reversed before it really started**. The 3.50%/3.43% level for the US 2-y yield (post Liberation day low) proved a solid support for now. US yields even reversed part of Friday's post-payrolls decline, rising between 7.2 bps (2-y) and 3.9 bps (30-y). The **Fed remains on track to bring the policy rate closer to a neutral level, but the pace of this process remains subject to debate**. The dots at next week's meeting might provide some guidance in this respect. gyrations in European/German yields were far more limited. **German yields added 1.5-2 bps across the curve after the recent (global-driven) easing**. In France, President Macron, named Sebastien Lecornu as the new prime minister. He is seen as a loyalist to the president but was asked to hold talks with all political groups in parliament before announcing his new cabinet in order to find a compromise on a new budget. A workable (budget) outcome still looks very difficult. This very much looks like kicking the can further down the (political) road. It might put French risk premia/spreads in a 'hold at a high level'. The repositioning post BLS, initially pushed US equities slightly lower, but the move was easily reversed (S&P 500 +0.27%). **On FX markets**, the dollar maintained the upper hand. An intraday test of the 1.178 area was already rejected before BLS. EUR/USD closed the session at 1.171. The EUR/USD trading range capped by the 1.1829 resistance remains firmly in place.
- Sentiment this morning on Asian equity markets remains constructive despite yesterdays rise in US yields and a stronger dollar. Later today, the focus turns to **US price data** with the PPI report today paving the way for the more important CPI data scheduled for tomorrow. Final demand PPI is expected at 0.3% M/M and 3.3% Y/Y. US inflation data gave some conflicting signals over the previous months both with respect to the impact of tariffs as well as with respect to underlying (services) inflation. Despite yesterday's reaction to the BLS revision, we assume that a big upward surprise is needed for market to profoundly backtrack on a scenario of 25 bps cuts at each of the three remaining Fed meeting this year. In his scenario, the upside in the dollar also should be limited.

News & Views

- **Chinese consumer prices failed to increase in August**. The monthly number was flat, dragging the year-on-year CPI to the slowest pace since February, at -0.4%. **Goods inflation** acted as a major drag (-1% y/y) due to food deflation (-4.3%) but services CPI marginally quickened from 0.5% to 0.6%, the first uptick in three months and the highest since February this year. **Core CPI, which excludes food and energy, rose to an 18-month high of 0.9%**. Whether or not it's (again) a false positive of inflation having some underlying, be it still subdued, momentum remains to be seen as **domestic demand is still frail**. Signs of easing deflation also emerged from **PPI numbers coming in at -2.9% from -3.6% y/y in July**, snapping a five month streak of factory prices dropping at an increasing pace. The Chinese yuan gapped lower at the open this morning before paring declines back to yesterday's close around USD/CNY 7.124.
- Belgium's foreign minister Prévot in an interview with the Financial Times suggested the government may be open to changes in the way the **EU is handling the frozen Russian assets at Euroclear**. Right now, profits generated from maturing assets cannot be paid out and have to be reinvested instead. The proceeds of that are used to repay a €50bn loan granted to Ukraine. But as the war drags on, **the European Commission is now exploring ways to reinvest the cash in riskier assets**. Prévot said this requires a solid legal basis and wants both legal and financial risks pooled among the 27 EU countries. He said the government remains opposed to outright seizure of the Russian assets, warning that it could raise fears among all other countries that have assets in Europe and potentially eroding confidence in the euro.

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

Wednesday, 10 September		Consensus	Previous
US			
14:30	PPI Final Demand MoM/YoY (Aug)	0.30%/3.30%	0.90%/3.30%
14:30	PPI Ex Food and Energy MoM/YoY (Aug)	0.30%/3.50%	0.90%/3.70%
14:30	PPI Ex Food, Energy, Trade MoM/YoY (Aug)	0.30%/--	0.60%/2.80%
China			
3:30	PPI YoY (Aug)	-2.90%A	-3.60%
3:30	CPI YoY (Aug)	-0.40%A	0.00%
Norway			
8:00	CPI MoM/YoY (Aug)	--/3.50€	0.80%/3.30%
8:00	CPI Underlying MoM/YoY (Aug)	-0.90%/2.90%	0.80%/3.10%
Sweden			
8:00	Industrial Orders MoM/NSA YoY (Jul)	--/--	5.70%/1.00%
8:00	Household Consumption MoM/YoY (Jul)	--/--	0.60%/2.10%
8:00	Industry Production Value YoY (Jul)	--	12.80%
8:00	Service Production Value YoY (Jul)	--	3.20%
Events			
10SEP	EC President von der Leyen delivers annual State of the Union		
11:30	Germany to Sell EU1.5 Billion of 2.6% 2041 Bonds		
13:45	SNB's Schlegel Speaks in Lugano		
19:00	U.S. To Sell USD39 Bln 10-Year Notes		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,09	0,05		US	3,56	0,07	DOW	45711,34	196,39
DE	2,66	0,02		DE	1,94	0,02	NASDAQ	21879,49	80,79
BE	3,21	0,01		BE	2,02	0,01	NIKKEI	43762,84	303,55
UK	4,62	0,02		UK	3,91	0,01	DAX	23718,45	-88,68
JP	1,58	0,00		JP	0,85	0,01	DJ euro-50	5368,82	6,01
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	EUR	<u>-1d</u>	<u>-2d</u>	USD	<u>-1d</u>	<u>-2d</u>
3y	2,15	3,23	3,69	€STR	1,9230	0,0010			
5y	2,30	3,25	3,75	Euribor-1	1,9010	0,0150	SOFR-1	4,1890	-0,0057
10y	2,62	3,56	4,09	Euribor-3	2,0290	-0,0050	SOFR-3	4,0768	0,0191
				Euribor-6	2,1060	0,0010	SOFR-6	3,9016	0,0403
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1708	-0,0055		EUR/JPY	172,59	-0,91	CRB	300,14	0,74
USD/JPY	147,41	-0,09		EUR/GBP	0,8656	-0,0028	Gold	3682,20	4,80
GBP/USD	1,3528	-0,0017		EUR/CHF	0,9338	0,0007	Brent	66,39	0,37
AUD/USD	0,6585	-0,0007		EUR/SEK	10,9843	-0,0210			
USD/CAD	1,3842	0,0039		EUR/NOK	11,6875	-0,0587			

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