



Friday, 12 September 2025

KBC Sunrise Market Commentary

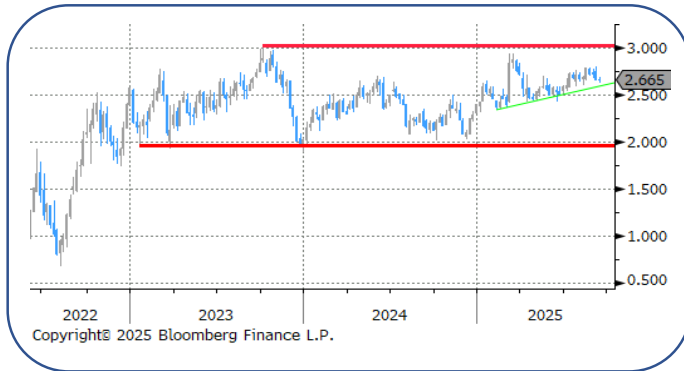
Markets

- Weekly jobless claims outweighed the **ECB policy meeting**, US CPI and a 30-y Treasury auction yesterday! The ECB as expected left its **policy rate unchanged at 2%**. New staff projections were little changed from June, basically confirming **inflation has returned close to target** and is expected to stay there over the policy horizon. (2.1% from 2% for this year; 1.7% from 1.6% in 2026 and 1.9% from 2% in 2027). Projections for core inflation were little changed and confirm 2% price stability as well. **Growth was upwardly revised for this year 1.2%** (due to a strong start of the year). It will ease next year to 1%. However, the context isn't that bad with uncertainty on tariffs easing and fiscal support supporting activity further out. Interestingly, during the press conference, the ECB chair guided **that risks to growth have become more balanced** and, even stronger, that **the 'disinflation process is over'**. Even in a data-dependent approach, **this doesn't suggest any further easing anymore**. The German yield curve **bear flattened** with yields rising 3.4 bps at the short end (2-y). The 30-y declined marginally. Market pricing of a final ECB rate cut next year dropped to less than 50%. **In the US**, intraday market volatility was mainly driven by a sharp jump in US jobless claims (263k from 236k). **US August CPI data didn't bring the hoped for soft surprise as was the case for PPI on Wednesday**. Headline inflation rose 0.4% M/M and 2.9% Y/Y (from 2.7%). Core prices added 0.3% M/M and 3.1% Y/Y. The follow-through of tariffs to consumers remains under control (at least of now). **US yields initially spiked lower on the jobless claims (2-y below 3.5%; 10-y below 4%), but the move again couldn't be sustained**. At the end of the day, the US yield curve even slightly bull flattened with the 2-y only marginally lower (-0.2 bps) and the 30-y easing 4.25 bps supported by a solid 30-y auction. The **euro outperformed** but with an EUR/USD close at 1.1734, the tight **sideways consolidation pattern easily holds**. US equities still gain on mildly bad news/easing of financial conditions, with the three major indices closing at record levels. (Dow +1.36%)
- Today's **eco calendar is thin in Europe**. Even so, markets will keep **a close look at Moody's reassessing its credit rating of France (AA- with negative outlook)**. Will the agency reduce the rating to the A-category? In the US, the **Michigan consumer confidence survey** contains the closely watched inflation expectations gauges, but we don't expect these to profoundly change the markets' assessment for next week's Fed meeting. Last but not least, **US Congressional Budget Office** updates its economic forecast to include the macro-economic effects of tariffs (period 2025-2028). Of late, markets tended to embrace a scenario that tariffs might at least partially mitigate the negative impact on budget/the debt trajectory of the Big Beautiful bill. If this is confirmed by CBO, it might, at least temporary, mitigate fiscal risk premia (at the long end of the US yield curve). Even so, we stay cautious to see the US 10-y yield settling below the 4% barrier for a long period.

News & Views

- The **International Energy Agency** is projecting **an ever bigger record oil surplus for 2026**. In updated forecasts, the agency rose estimates for global oil demand this year and the next slightly to 740k bpd, citing weaker oil prices and a "somewhat improved" economic outlook. **Output, however, will exceed consumption by an average of 3.33 mln bpd in 2026 with the number even higher in H1 2026 (4 mln barrels per day)**. The 2026 average is 360k more than expected last month's report and a record, barring the 2020 pandemic episode. IEA's assessment followed the OPEC+ decision this weekend to restore a new layer of halted supplies by more than a year early. **Oil prices fell yesterday** and continue to do so this morning. Brent returns to the lower bound of the summer trading range around \$65/b..
- Gold prices over the last couple of days hit another record near the \$3650 area**. While the precious metal has already set more than 30 nominal records so far this year, the latest surge meant it has also **topped the inflation-adjusted peak set in 1980**. Demand for gold has been strong with the usual suspects having sustained a blistering rally: from geopolitical uncertainty over lingering inflation woes to huge debt buildup and the prospect of Fed rate cuts. Central banks are among the major buyers while ETF inflows have shot up too.."

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 intact.



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. At the same time, 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

Friday, 12 September		Consensus	Previous
US			
16:00	U. of Mich. Sentiment (Sep P)	58.0	58.2
16:00	U. of Mich. Current Conditions (Sep P)	62.0	61.7
16:00	U. of Mich. Expectations (Sep P)	56.2	55.9
16:00	U. of Mich. 1 Yr Inflation (Sep P)	4.80%	4.80%
16:00	U. of Mich. 5-10 Yr Inflation (Sep P)	3.40%	3.50%
Japan			
6:30	Capacity Utilization MoM (Jul)	--	-1.80%
UK			
10:30	BoE/Ipsos Inflation Next 12 Mths (Aug)	--	3.20%
8:00	Monthly GDP MoM/3M-3M (Jul)	0.00%/0.20%	0.40%/0.30%
8:00	Industrial Production MoM/YoY (Jul)	0.00%/1.10%	0.70%/0.20%
8:00	Manufacturing Production MoM/YoY (Jul)	0.10%/1.70%	0.50%/0.00%
8:00	Index of Services MoM/3M-3M (Jul)	0.00%/0.30%	0.30%/0.40%
8:00	Trade Balance GBP/Mn (Jul)	£4100m	£5015m
Events			
12SEP	CBO updates US economic forecast to include macroeconomic effects of tariffs		
10:00	ECB's Kocher Speaks in Vienna		
10:00	ECB's Rehn Speaks on Monetary Policy in Helsinki		
10:15	ECB's Nagel Speaks in Frankfurt		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,02	-0,02		US	3,54	0,00	DOW	46108	617,08
DE	2,66	0,00		DE	1,99	0,03	NASDAQ	22043,07	157,01
BE	3,19	-0,01		BE	2,07	0,03	NIKKEI	44762,23	389,73
UK	4,61	-0,03		UK	3,93	-0,01	DAX	23703,65	70,70
JP	1,60	0,02		JP	0,87	0,01	DJ euro-50	5386,77	25,30
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,19	3,21	3,70	€STR	1,9250	0,0030			
5y	2,32	3,23	3,75	Euribor-1	1,8770	-0,0160	SOFR-1	4,1620	-0,0239
10y	2,60	3,50	4,06	Euribor-3	2,0140	-0,0150	SOFR-3	4,0301	-0,0363
				Euribor-6	2,1190	0,0050	SOFR-6	3,8458	-0,0425
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1734	0,0039		EUR/JPY	172,75	0,29	CRB	300,32	-1,53
USD/JPY	147,21	-0,25		EUR/GBP	0,8645	0,0001	Gold	3673,60	-8,40
GBP/USD	1,3574	0,0045		EUR/CHF	0,9337	-0,0009	Brent	66,37	-1,12
AUD/USD	0,6659	0,0046		EUR/SEK	10,9225	-0,0146			
USD/CAD	1,3833	-0,0031		EUR/NOK	11,5694	-0,0544			

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
CSOB Economics – Markets Prague		Prague	
Jan Cermak	+420 2 6135 3578		+420 2 6135 3535
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
K&H Economics – Markets Budapest		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

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