



Friday, 03 October 2025

KBC Sunrise Market Commentary

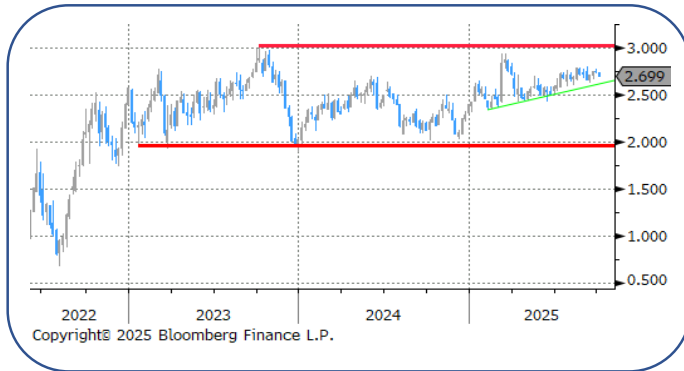
Markets

- The US government shutdown to a large degree translated into a ‘market info shutdown’.** US data releases including jobless claims and factory orders were delayed, depriving investors of some potential drivers. Especially jobless claims over the previous weeks showed some (intraday) market moving potential. With no key data in other developed economies like the EMU or the UK, **this only reinforced the low volatility environment.** This not only applies to US equity markets but also to interest rate markets and FX. A measure of US bond market volatility has dropped to the lowest level since end 2021! As a point in case, US yields yesterday changed between + 0.4 bp (2y) and -2.1 bps (30-y). German yields in similar directionless trading eased between 0.3 bps (2-y) and -2.5 bps (30-y). **For now, the adagio ‘no news is good news’ reigns.** The S&P 500 closed at a marginal new all-time record. The EuroStoxx 50 decisively confirmed Wednesday’s break into uncharted territory (+1.15%). A similar low-volatility narrative also plays in the major dollar cross rates. The dollar didn’t budge despite a positive risk sentiment and the prospect/hope of Fed easing. DXY gained marginally (97.85) but perfectly holds in the 96.21/98.83 short-term consolidation range. Idem for EUR/USD (close 1.1715 from 1.1732). **Even the yen, one of the more outspoken directional trades in major FX this week, wasn’t able to maintain its momentum.** After a failed test of the 150 area end last week, the yen rebounded yesterday after running into resistance in the USD/JPY 146.60 area. Comments supportive of a (potential) rate hike at the end of this month from deputy government Uchida, didn’t help further yen gains.
- Most **Asian equity markets continue a (tech-driven) rally this morning with Japan one of the outperformers.** China and South Korea are closed. Still the dollar gains marginally, with the yen this time underperforming after ‘balanced’ comments from BOJ governor Ueda (see below). An unexpected rise in the Japanese unemployment rate in this respect probably also doesn’t help (2.6% from 2.3%). **Later today,** the US labour market data won’t be published due to the shutdown, but markets at least have the **US services ISM** as one of the few remain guides in the run-up to the October 29 Fed decision. US confidence indicators recently suggested a further loss of momentum including softer labour market conditions. Today’s services ISM is expected at 51.7 (from 52) with the employment index near 46.5. **With two follow-up 25 bps Fed rate cuts almost fully discounted, there is far less room for a similar reaction compared to this week’s ADP miss.** Maybe it might still have some limited impact on the dollar, more than on US interest rates, with USD/JPY most sensitive even as Japanese domestic factors (LDP leadership vote) are in play.

News & Views

- Bank of Japan governor Ueda kept options open for the end-of-the month policy meeting.** In a speech for local business leaders, he didn’t extend market momentum endorsing a 25 bps rate hike instead **sticking to official guidance.** “If the baseline scenario for economic activity and prices outlined so far is realized, the bank, in accordance with improvement in economic activity and prices, will continue to raise the policy rate”. On the economic front, the **central bank monitors the global economy and the impact of US tariffs on Japan’s corporate profits.** On the price front, **wage and food inflation require attention.** Ueda made no reference to domestic political uncertainty, but for sure keeps a close eye on local LDP leadership elections this weekend. The risk of snap parliamentary elections ahead of the next BoJ meeting is still a tail risk.
- Bank of Canada deputy governor Mendes indicated** that markets are too focused on the central bank’s “preferred” core inflation measures. They were introduced in 2016 under former governor Poloz with two of the three original ones remaining (trimmed mean and median). **They show annual price pressures around 3%, but the BoC sees underlying inflation in the vicinity of 2.5%.** Mendes argued that the way the central bank measures inflation will be **part of next year’s framework renewal.** As an example, he suggested revising inflation gauges so they all “pre-exclude mortgage interest costs”. The BoC revamped its cutting cycle in September after a six-month pause with money markets 50/50-split over the possibility of a new rate cut (to 2.25%) at the end of this month.

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 (the first one delivered in September) 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.



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, 03 October		Consensus	Previous
US			
	US GOVERNMENT RELEASES ARE IMPACTED BY SHUTDOWN		
14:30	Change in Nonfarm Payrolls (Sep)	53k	22k
14:30	Change in Private Payrolls (Sep)		38k
14:30	Change in Manufact. Payrolls (Sep)	-8k	-12k
14:30	Unemployment Rate (Sep)	4.30%	4.30%
14:30	Labor Force Participation Rate (Sep)	62.30%	62.30%
14:30	Underemployment Rate (Sep)	--	8.10%
14:30	Average Hourly Earnings MoM/YoY (Sep)	0.30%/3.70%	0.30%/3.70%
14:30	Average Weekly Hours All Employees (Sep)	34.2	34.2
16:00	ISM Services Index (Sep)	51.70	52
16:00	ISM Services Prices Paid (Sep)	68.0	69.2
16:00	ISM Services New Orders (Sep)	54.0	56
16:00	ISM Services Employment (Sep)	46.6	46.5
Japan			
1:30	Jobless Rate (Aug)	A: 2.60%	2.30%
1:30	Job-To-Applciant Ratio (Aug)	A: 1.20	1.22
UK			
10:30	S&P Global UK Services PMI (Sep F)	51.9	51.9
10:30	S&P Global UK Composite PMI (Sep F)	51	51
EMU			
10:00	HCOB Eurozone Services PMI (Sep F)	51.4	51.4
10:00	HCOB Eurozone Composite PMI (Sep F)	51.2	51.2
11:00	PPI MoM/YoY (Aug)	-0.1%/-0.4%	0.40%/0.20%
France			
8:45	Industrial Production MoM/YoY (Aug)	0.30%/0.60%	-1.10%/1.30%
8:45	Manufacturing Production MoM/YoY (Aug)	0.30%/--	-1.70%/1.50%
Italy			
10:00	Retail Sales MoM/YoY (Aug)	--/--	0.00%/1.80%
11:00	Deficit to GDP YTD (2Q)	--	8.50%
9:45	HCOB Italy Services PMI (Sep)	51.5	51.5
9:45	HCOB Italy Composite PMI (Sep)	51.6	51.7
Sweden			
8:30	Swedbank/Silf PMI Services (Sep)	--	53.4
8:30	Swedbank/Silf PMI Composite (Sep)	--	53.9
Events			
03-04OCT	First day of voting in Czech parliamentary elections		
11:30	ECB's Sleijpen Speaks in Amsterdam		
11:40	ECB's Lagarde Speaks in Amsterdam		
12:05	Fed's Williams Speaks in Amsterdam		
12:30	ECB's Villeroy, IMF's Gopinath Speak in Amsterdam		
15:20	BOE's Bailey Speaks in Amsterdam		
15:50	ECB's Schnabel, Turkey's Karahan Speak in Amsterdam		
19:40	Fed's Jefferson Speaks on Economic Outlook		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,08	-0,02		US	3,54	0,00	DOW	46519,72	78,62
DE	2,70	-0,01		DE	2,01	0,00	NASDAQ	22844,05	88,89
BE	3,24	-0,01		BE	2,11	0,00	NIKKEI	45742,32	805,59
UK	4,71	0,01		UK	3,98	0,02	DAX	24422,56	308,94
JP	1,66	0,00		JP	0,94	-0,01	DJ euro-50	5645,81	64,60
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	2,22	3,28	3,76	€STR	1,9230	-0,0040			
5y	2,36	3,32	3,83	Euribor-1	1,9260	0,0170	SOFR-1	4,1124	-0,0166
10y	2,67	3,60	4,15	Euribor-3	2,0000	-0,0170	SOFR-3	3,9455	-0,0034
				Euribor-6	2,0830	0,0040	SOFR-6	3,7859	-0,0072
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1715	-0,0017		EUR/JPY	172,52	-0,01	CRB	298,33	-2,18
USD/JPY	147,26	0,19		EUR/GBP	0,8716	0,0012	Gold	3868,10	-29,40
GBP/USD	1,344	-0,0038		EUR/CHF	0,9348	-0,0003	Brent	64,11	-1,24
AUD/USD	0,6596	-0,0017		EUR/SEK	11,021	0,0146			
USD/CAD	1,3968	0,0033		EUR/NOK	11,7002	0,0635			

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