



Monday, 13 October 2025

## KBC Sunrise Market Commentary

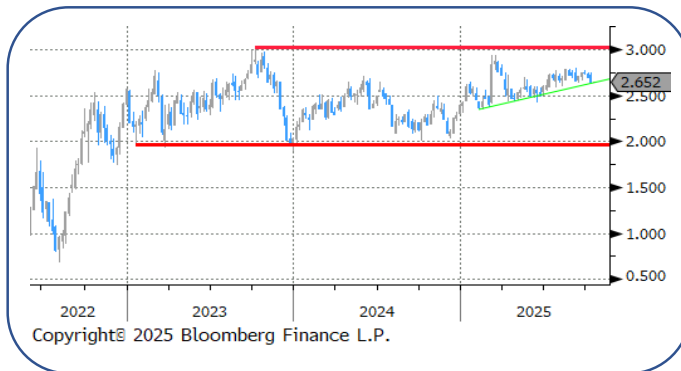
### Markets

- US president Trump did on Friday what he does best: spice up a trading session. China announced tighter export controls on rare earths and other critical materials earlier in the week. **Trump responded amongst others with an additional 100% tariff hike starting November 1.** That would bring the effective rate to around 140%, killing off trade between the two major economies and shattering a months-long trade truce. Stock markets, lulled to sleep by the recent extremely low volatility, paid the biggest price. The tech-heavy Nasdaq lost about 3.5%. European equities responded to the news in their final trading hour by tumbling up to 1.7% (EuroStoxx50). Core bonds rallied with US Treasuries outperforming Bunds. US yields dropped between 9.1 and 11.1 bps across the curve. German rates eased 3.8-5.9 bps. The US dollar lost ground, unable to profit from the risk aversion. EUR/USD clawed back to north of 1.16, the trade-weighted index retreated to 98.98. The yen outperformed and punched USD/JPY lower to 151.2. We should add that the greenback had a strong run earlier in the week though. With the first important resistance levels either nearby (USD/JPY 153.4) or effectively under attack (EUR/USD 1.1573, DXY 99.51) conditions were ripe for a technically-inspired pullback as well, particularly going into a long weekend. **The US is (partially) closed for Columbus Day today**, with the exception of the stock exchanges. With Japanese market shut as well and an empty economic calendar, we're bound to see sentiment-driven trading in a daily perspective with some distraction coming from the **annual IMF/World Bank meeting** kickoff. Asian markets still suffer from Trump's latest tariff threat, despite the US administration late yesterday signalling it remains open to a deal. European (and US, for what it's worth) equity futures seem keen to buy into it, suggesting a 0.5% open. The US dollar fluctuates north of EUR/USD 1.16. From the European side of the equation all attention is going to France once more. **French president Macron reappointed Lecornu as prime minister** after trading desks closed on Friday. There's already a new cabinet, be it with the same ministers in key positions (finance, budget, foreign affairs) as in Lecornu 1.0. The ~~former caretaking~~ new prime minister is **running extremely short on time** to present a budget in time to have it approved before the end of the year. He has until today/tomorrow. In a sign of fragility, those from Les Républicains that have been appointed as minister are being ousted from the party. The far-right Rassemblement National already said they would table **a vote of no confidence today, with a vote probably taking place on Wednesday**. The fate of the then three-days old government will be decided by the Socialist Party. The risk of yet another collapse is very high, after which new parliamentary elections become all but unavoidable.

### News & Views

- Rating agency Moody's on Friday completed a periodic review of Belgium's credit ratings. **They didn't announce a credit rating action, with the sovereign still at Aa3 with a negative outlook.** The review merely summarizes Moody's current views on Belgium. The negative outlook reflects the **risk that the government will be unable to implement measures that would stabilize the government debt burden.** In the absence of a large fiscal consolidation programme, debt will continue to rise due to the material structural increase in expenditures in recent years and persistent spending pressure. Structural headwinds to fiscal consolidation and the lack of intergovernmental coordination mechanisms to achieve such effort at all level of government further hamper deficit and debt reduction. Evidence that Belgium's competitiveness is being permanently weakened by recent high wage increases and/or energy costs would also be credit negative, as well as a marked deterioration in the geopolitical risks in Europe that yields tangible evidence of weakened support from key allies, in particular the US.
- Chinese export growth rose from 4.4% Y/Y in August to 8.3% Y/Y in September in USD-terms.** They are now 6.1% higher YTD 2025, compared with 5.8% over the same period of last year. **Export growth to non-US destinations accelerated to the fastest pace since March 2023** (+14.8% Y/Y) while shipments to the US slumped for a sixth consecutive month, dropping by -27% Y/Y. Import growth increased from 1.3% Y/Y to 7.4% Y/Y with the trade balance shrinking from \$102.33bn in August to \$90.45bn in September.

## 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% 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**. **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 medium term, but **the single currency is vulnerable short term because of French politics**.



### 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 moves back lower in the range as the euro suffers from a French fever.

## Calendar & Table

Monday, 13 October		Consensus	Previous
<b>Events</b>			
13OCT	US government data releases impacted by shutdown		
13OCT13	US bond markets closed for Columbus Day (stock exchanges open)		
13OCT13	Japanese markets closed for Health-sports Day		
13-14OCT	NABE Annual Conference		
13-18OCT	IMF and World Bank Annual Meetings		
13:05	BOE's Greene Speaks		
18:55	Fed's Paulson Speaks at NABE		
21:10	BOE's Mann Speaks		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,03	-0,11		US	3,50	-0,09	DOW	45479,6	-878,82
DE	2,64	-0,06		DE	1,96	-0,04	NASDAQ	22204,43	-820,20
BE	3,22	-0,04		BE	2,08	-0,04	NIKKEI	48088,8	0,00
UK	4,68	-0,07		UK	3,96	-0,05	DAX	24241,46	-369,79
JP	1,69	0,00		JP	0,92	0,00	DJ euro-50	5531,32	-94,24
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	2,18	3,23	3,75	€STR	1,9260	-0,0010			
5y	2,33	3,28	3,82	Euribor-1	1,9200	-0,0060	SOFR-1	4,0328	-0,0120
10y	2,64	3,55	4,13	Euribor-3	2,0090	-0,0160	SOFR-3	3,8922	-0,0201
				Euribor-6	2,0990	-0,0050	SOFR-6	3,7347	-0,0451
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1619	0,0055		EUR/JPY	175,79	-1,21	CRB	292,76	-6,57
USD/JPY	151,19	-1,88		EUR/GBP	0,8699	0,0005	Gold	4000,40	27,80
GBP/USD	1,336	0,0056		EUR/CHF	0,9289	-0,0035	Brent	62,73	-2,49
AUD/USD	0,6474	-0,0082		EUR/SEK	11,0469	0,0177			
USD/CAD	1,4006	-0,0014		EUR/NOK	11,7548	0,1113			

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