



Friday, 24 October 2025

KBC Sunrise Market Commentary

Markets

- Different market segments to some extent again focused on different markets themes/drivers.** Core yields showed **tentative signs of bottoming** yesterday, after a protracted decline throughout most of this month. A jump in oil prices (Brent \$65.75 p/b currently compared to low \$60 p/b early this week) after the US announced sanctions against the two largest Russian Oil companies **made investors' pondering recent gradual easing in inflation expectations.** Uncertainty ahead of **today's US CPI release** probably also injected some caution. US yields yesterday rebounded between 4.5 bps and 5.6 bps with the belly of the curve slightly underperforming. **The US 10-y yield is testing the 4% barrier.** European yields followed at a distance with German yields rising about 2 bps across the curve. The rise in oil prices/higher yields hardly had any (negative) impact on equity markets. Equity investors apparently focused on a potential easing of trade tensions between the US and China as US president Trump and Chinese President Xi Jinping will meet next week. US indices added between 0.31% (Dow) and 0.89% (Nasdaq). **No clear tend in for USD trading yet.** EUR/USD closed marginally higher at 1.1618. The yen still underperforms (USD/JPY close at 152.6). EUR/GBP closed north of 0.87 as markets are still considering the timing of further BoE easing after this week's better/less worse than expected UK inflation data.
- Eco data for once might capture the market focus today** with the EMU and US September PMI's and the (delayed) US September CPI. The EMU composite PMI is expected to confirm sluggish growth at the start of Q4 (51.1). Even as the ECB is in a firm wait-and-see modus, markets recently were not convinced on the EU eco momentum, raising the implied probability of an additional rate cut next year to >50%. EMU yields and EUR/USD still might be a bit more sensitive to negative news rather than to in line/slightly better data. In the US, September headline CPI is expected to accelerate to 0.4% M/M and 3.1% Y/Y (from 2.9%). Core inflation is seen unchanged from August at 0.3% M/M and 3.1% Y/Y. Such data would only confirm rather stubborn inflation since April. Even so, with the Fed focus shifting to labour market softness rather than inflation, **it's unlikely the report will profoundly change expectations on the Fed further reducing policy tightening by 25 bps next week and in December,** bringing it closer to neutral. Given the Fed focus on the labour market/economic activity, the US PMI's (composite expected at 53.5 from 53.9) and, to a lesser extent, (final) **Michigan consumer confidence** also deserve attention. Overall, we see a slightly higher chance for US yields to take a breather after recent decline. It's probably too early to step up expectations on the pace of further Fed easing next year. EMU yields might be a bit more vulnerable in case of negative news. In this context, **the dollar might have slightly better cards compared to the euro.** The 1.1542/43 area marks first intermediate support. In the UK, consumer confidence and especially September retail sales were much stronger than expected. In a first reaction, EUR/GBP is ceding some ground but for now still holds north of 0.87.

News & Views

- Japanese headline inflation accelerated to 2.9% from 2.7% in September.** The gauge excluding fresh food (preferred by the Bank of Japan) was a copy paste while the series without both fresh food and energy eased to 3% from 3.3%. Services CPI slowed to 1.4% from 1.5%. The waiver of child fees in Tokyo and slower gains in dining out on a drop in (still-elevated) rice prices are among the reasons cited. **Other labor-intensive services showed quicker price rises.** The umpteenth above-target (3%) reading is unlikely to result in a rate hike next week as reports suggested **the BOJ sees no urgency to do so just yet.** It may first need a clearer view on domestic policies by the freshly announced PM Takaichi. **Japanese data also included the October PMIs.** They all eased from last month with the composite signaling the slowest growth since May (50.9). Services momentum is dwindling (52.4 **from 53.3**) and **manufacturing remains stuck in decline. The latter has become more upbeat on the year ahead though. Price indicators continue to point at strong inflationary pressures.** JPY loses ground this morning with USD/JPY pushing towards 153.
- US president Trump said he'll terminate all trade negotiations with Canada.** That announcement came after he having seen a Canadian advertisement in which former Republican president Reagan hailed the benefits of free trade and slammed tariffs. Trump said the move appears timed to interfere with the Supreme Court case that's looking in the legality of his Liberation Day levies. It's scheduled to hear oral arguments on November 5. It's not the first time Trump has threatened to call off trade talks **but the Loonie nevertheless is feeling selling pressures. USD/CAD this morning rises above 1.40.**

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 considers it to be in a good place to respond to potential shocks. **German bunds meanwhile ever more gain safe haven status** as uncertainty with respect to US assets lingers against the backdrop of trade tensions between the US and China flaring up again. That is denting a public finance-driven rise in LT yields.



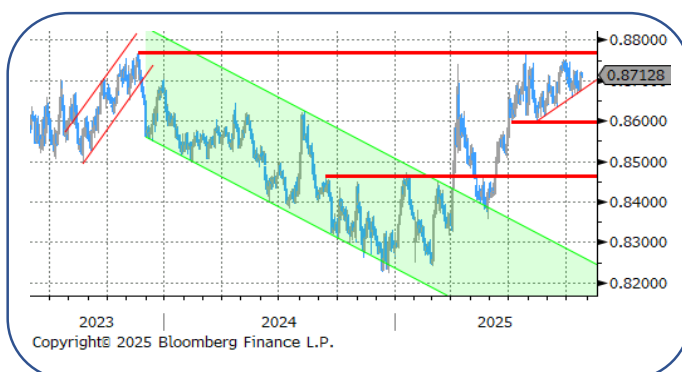
US 10y yield

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 reduce USD interest rate support** while Lecornu's survival took the sting out of the French political impasse in the short run. The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation medium term.



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

Friday, 24 October		Consensus	Previous
US			
14:30	CPI MoM/YoY (Sep)	0.40%/3.10%	0.40%/2.90%
14:30	Core CPI MoM/YoY (Sep)	0.30%/3.10%	0.30%/3.10%
15:45	S&P Global US Manufacturing PMI (Oct P)	52.0	52
15:45	S&P Global US Services PMI (Oct P)	53.5	54.2
15:45	S&P Global US Composite PMI (Oct P)	53.5	53.9
16:00	New Home Sales Total/MoM (Sep)	708k/-11.50%	800k/20.50%
16:00	U. of Mich. Sentiment (Oct F)	54.5	55
17:00	Kansas City Fed Services Activity (Oct)	--	-9
Japan			
1:30	Natl CPI YoY (Sep)	2.90%A	2.70%
1:30	Natl CPI Ex Fresh Food YoY (Sep)	2.90%A	2.70%
1:30	Natl CPI Ex Fresh Food. Energy YoY (Sep)	3.00%A	3.30%
2:30	S&P Global Japan PMI Composite (Oct P)	50.9A	51.3
2:30	S&P Global Japan PMI Mfg (Oct P)	48.3A	48.5
2:30	S&P Global Japan PMI Services (Oct P)	52.4A	53.3
UK			
1:01	GfK Consumer Confidence (Oct)	-17A	-19
10:30	S&P Global UK Services PMI (Oct P)	51.0	50.8
10:30	S&P Global UK Manufacturing PMI (Oct P)	46.6	46.2
10:30	S&P Global UK Composite PMI (Oct P)	50.5	50.1
8:00	Retail Sales Inc Auto Fuel MoM/YoY (Sep)	-0.40%/0.40%	0.50%/0.70%
8:00	Retail Sales Ex Auto Fuel MoM/YoY (Sep)	-0.60%/0.60%	0.80%/1.20%
EMU			
10:00	HCOB Eurozone Manufacturing PMI (Oct P)	49.8	49.8
10:00	HCOB Eurozone Services PMI (Oct P)	51.2	51.3
10:00	HCOB Eurozone Composite PMI (Oct P)	51.1	51.2
Germany			
9:30	HCOB Germany Manufacturing PMI (Oct P)	49.5	49.5
9:30	HCOB Germany Services PMI (Oct P)	51.0	51.5
9:30	HCOB Germany Composite PMI (Oct P)	51.5	52
France			
8:45	Consumer Confidence (Oct)	86	87
9:15	HCOB France Manufacturing PMI (Oct P)	48.2	48.2
9:15	HCOB France Services PMI (Oct P)	48.7	48.5
9:15	HCOB France Composite PMI (Oct P)	48.4	48.1
Belgium			
15:00	Business Confidence (Oct)	--	-7.9
Sweden			
8:00	PPI MoM/YoY (Sep)	--/--	0.50%/-0.70%
Events			
Q3 earnings	Procter & Gamble (bef-mkt) ...		
20OCT-XX	US government data impacted by shutdown		
24OCT	Rating reviews: Belgium, France, Slovakia		
14:45	ECB's Nagel, Villeroy Speak in Berlin		

10-year	Close	-1d		2-year	Close	-1d		Stocks	Close	-1d
US	4,00	0,05		US	3,49	0,04		DOW	46734,61	144,20
DE	2,58	0,02		DE	1,93	0,02		NASDAQ	22941,8	201,40
BE	3,14	0,02		BE	2,02	0,01		NIKKEI	49312,75	671,14
UK	4,42	0,01		UK	3,78	0,01		DAX	24207,79	56,66
JP	1,66	-0,01		JP	0,94	0,00		DJ euro-50	5668,33	29,12
IRS	EUR	USD	GBP	EUR	-1d	-2d		USD	-1d	-2d
3y	2,15	3,23	3,53	€STR	1,9290	0,0020		SOFR-1	3,9891	-0,0269
5y	2,29	3,29	3,61	Euribor-1	1,8700	-0,0200		SOFR-3	3,8602	-0,0139
10y	2,60	3,56	3,94	Euribor-3	2,0650	-0,0010		SOFR-6	3,7046	0,0006
Currencies	Close	-1d		Currencies	Close	-1d		Commodities	Close	-1d
EUR/USD	1,1618	0,0007		EUR/JPY	177,26	0,80		CRB	305,02	7,09
USD/JPY	152,57	0,59		EUR/GBP	0,8718	0,0026		Gold	4145,60	80,20
GBP/USD	1,3326	-0,0030		EUR/CHF	0,9240	-0,0002		Brent	65,99	3,40
AUD/USD	0,6512	0,0024		EUR/SEK	10,9056	-0,0163				
USD/CAD	1,3992	-0,0002		EUR/NOK	11,5869	-0,0481				

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