



Monday, 03 November 2025

## KBC Sunrise Market Commentary

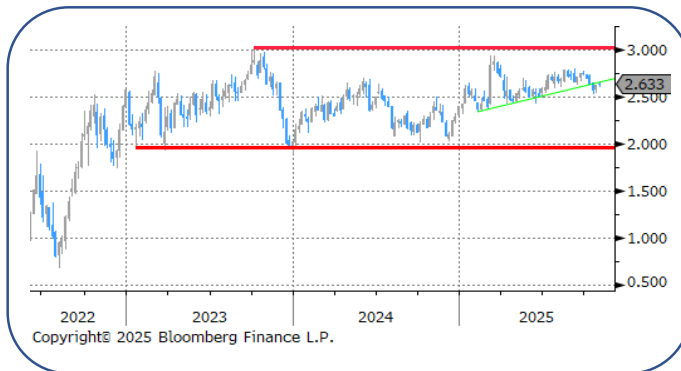
### Markets

- The US dollar pushed beyond the first technical boundaries** going into the weekly and monthly close. EUR/USD fell below the previous October low of 1.1542 last Friday, setting the stage for a revisit of the August trough at 1.1392. USD/JPY consolidated around 154 after a sharp rally the day before with a better bid yen counterbalancing overall USD strength. The trade-weighted dollar index hovered near three-month highs close to but below the psychologically important 100 barrier. Drivers supporting the greenback remain the same as the last couple of sessions. The Fed in particular gave a boost with its hawkish rate cut: a December follow-up move “is not a forgone conclusion – far from it”. It also triggered a kneejerk yield rebound. Both short-term and long-tenors had been looking for direction after nearing the lower bound of a downward trading range. In (technical) theory they have now further room to check the upper bound again, the long end in particular. Improving US-Sino trade relations are the second pillar of renewed USD strength and the third being a more fragile risk environment. While (US) stocks ended higher end last week, it was on a bumpy road and with instant profit-taking after the higher open. European equities finished lower (-0.65% for the EuroStoxx50). German rates grinded south with minor changes of no more than 2 bps. The ultra-long end underperformed (30-yr, +1.2 bps). French OATs slightly underperformed peers. France’s parliament approved a new version of Macron’s wealth tax in a move demanded by the Socialists. **Lecornu’s minority government needs them to get the 2026 budget approved but Socialist support is still far from certain**, despite Friday’s concession. Lecornu is moving to closed-door talks. Sterling prevented a close north of the EUR/GBP 0.88 level but held above the December 2023 low (EUR/GBP high) nonetheless. **The technical picture remains GBP negative going into the Bank of England’s policy meeting on Thursday**. A rate cut is for less than 30% discounted, a grave underestimation. Official inflation was lower than expected, including for food – a key element that shapes inflation expectations and which kept some policymakers reluctant to lower rates further. More timely indicators (eg. BRC’s October print last week) suggest food price rises to slow further. With UK prime minister Starmer very recently refusing to rule out income tax hikes (and breaking the manifesto pledge) to cut deficits, there’s an additional argument for the BoE to lean in. In the remainder of this week’s eco calendar we’ll look out for some much-needed input regarding the state of the US economy: October ISMs are on tap, along with the ADP job report and consumer confidence (Michigan). The JOLTS, weekly jobless claims and payrolls are once again affected by the government shutdown. The US Supreme Court on Wednesday is hearing the Trump administration’s appeal arguments for keeping the reciprocal (and some other) tariffs in place after lower courts ruled they were illegal. A slew of Fed and ECB speakers hit the wires.

### News & Views

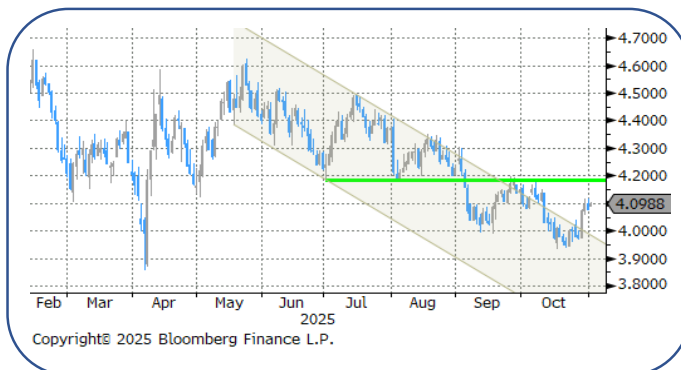
- Ratingdog’s Chinese manufacturing PMI suggested growth in the sector slowed in October. **The headline index for the third consecutive month printed above the 50 no-change threshold but eased from 51.2 to 50.6**, indicating only marginal growth. A less pronounced increase in production and a slowdown in new order growth drove the decline. The report mentions ongoing better domestic demand to support new business, but at the same time external demand was said to have dampened the overall rate of growth. **Export orders even fell at the fastest pace since May** as respondents mentioned rising trading uncertainty. Concerns over the outlook for growth also led to a **reduction in the level of optimism** among goods producers. Despite slow(er) growth, the report mentions a slight increase in the rate of job creation. Input costs continued to rise, mainly related to **higher raw material costs**. But intense market competition was mentioned to force producers to offer discounts, leading to a **further decline in average output prices**. Average export charges declined for the first time since April.
- At a virtual meeting on Sunday **OPEC+ announced that it will implement a further production hike of 137k barrels per day from the 1.65 bln p/d adjustment that was announced in April 2023**. The rise was of a similar amount as the ones implemented in October and November and will start December 1. Beyond that, the eight countries decided to **pause the production increments in January, February, and March 2026**, referring to a seasonal slowdown that usually takes place during that period. The pause also comes as sanctions on Russian oil exports add an additional factor of uncertainty in the market. The oil price this morning gains modestly with Brent oil trading near \$ 65.2 p/b.

## 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.



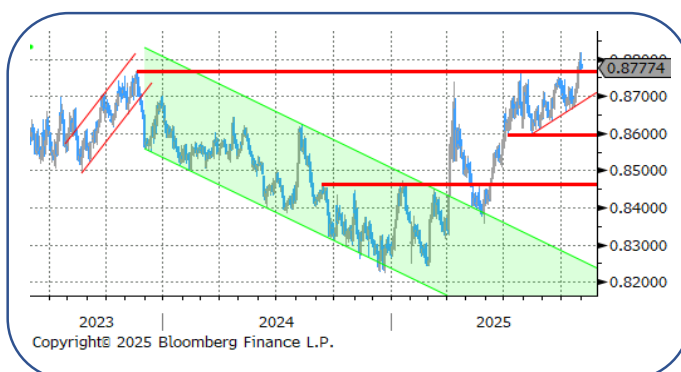
### US 10y yield

The Fed's **focus shifted with increased attention for (risks to) the labour market**. The Fed resumed rate cuts in September & October. December is a coin toss. QT will end in December but proceeds from maturing bonds are skewed to Tbills, in theory supporting a further curve steepening even as the budgetary impact of **President Trump's big, beautiful bill moved to the background (for now)**. 4% support in the 10-y yield survives 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 MT.



### EUR/GBP

Sterling snapped through multiple support zones, pushing EUR/GBP to its highest levels since early 2023. **Slowing food inflation strips hawks at the BoE of key arguments not to lower rates**. Markets were positioned for the BoE to ease even more gradual than the current quarterly pace and are now adjusting their views. Lingered fiscal risks going into end-November's Autumn Budget continue to weigh on GBP in the background.

## Calendar & Table

Monday, 03 November		Consensus	Previous
<b>US</b>			
16:00	ISM Manufacturing (Oct)	49.5	49.1
16:00	ISM Prices Paid (Oct)	62.5	61.9
16:00	ISM New Orders (Oct)	--	48.9
16:00	ISM Employment (Oct)	--	45.3
<b>EMU</b>			
10:00	HCOB Eurozone Manufacturing PMI (Oct F)	50	50
<b>Italy</b>			
9:45	HCOB Italy Manufacturing PMI (Oct)	49.3	49
<b>China</b>			
2:45	RatingDog China PMI Mfg (Oct)	50.6A	51.2
<b>Norway</b>			
10:00	DNB/NIMA PMI Manufacturing (Oct)	--	49.9
<b>Spain</b>			
9:15	HCOB Spain Manufacturing PMI (Oct)	51.9	51.5
<b>Sweden</b>			
8:30	Swedbank/Silf PMI Manufacturing (Oct)	55.5	55.6
<b>Events</b>			
03-07NOV	US government data releases impacted by shutdown		
Q3 earnings	ON Semiconductor (bef-mkt), Palantir (aft-mkt) ...		
9:50	ECB's Simkus Speaks in Vilnius		
11:30	EU to Sell Bonds		
13:00	ECB's Lane Speaks in Dublin		
13:30	ECB's Escriva Speaks in Madrid		
14:30	ECB's Kocher Speaks in Vienna		
18:00	Fed's Daly in Moderated Conversation		
20:00	Fed's Cook Speaks on Economy and Monetary Policy		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,08	-0,02		US	3,57	-0,03	DOW	47562,87	40,75
DE	2,63	-0,01		DE	1,97	-0,02	NASDAQ	23724,96	143,82
BE	3,17	0,00		BE	2,04	-0,02	NIKKEI	52411,34	0,00
UK	4,41	-0,02		UK	3,77	-0,02	DAX	23958,3	-160,59
JP	1,67	0,00		JP	0,93	0,00	DJ euro-50	5662,04	-37,14
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,20	3,33	3,54	€STR	1,9210	-0,0100			
5y	2,33	3,38	3,61	Euribor-1	1,9170	0,0060	SOFR-1	3,9925	-0,0010
10y	2,64	3,65	3,92	Euribor-3	2,0400	-0,0100	SOFR-3	3,8876	-0,0035
				Euribor-6	2,1380	0,0110	SOFR-6	3,7853	-0,0029
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1537	-0,0028		EUR/JPY	177,67	-0,58	CRB	302,54	1,77
USD/JPY	153,99	-0,14		EUR/GBP	0,8772	-0,0022	Gold	3996,50	-19,40
GBP/USD	1,3152	0,0001		EUR/CHF	0,9283	0,0008	Brent	64,77	0,40
AUD/USD	0,6545	-0,0010		EUR/SEK	10,9489	0,0275			
USD/CAD	1,401	0,0024		EUR/NOK	11,6815	0,0489			

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