



Wednesday, 05 November 2025

KBC Sunrise Market Commentary

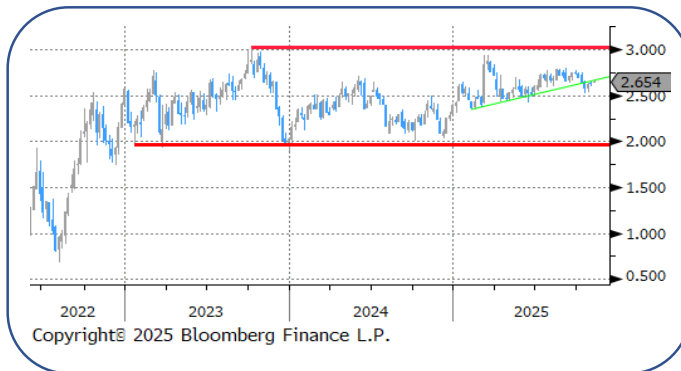
Markets

- The US tech-heavy Nasdaq led the correction lower on Wall Street**, ceding 2% after coming inches of a new record high on Monday. Losses for the Dow Jones (-0.5%) and S&P 500 (1.15%) were more contained, with the focus on **lofty AI valuations**. The Eurostoxx 50 lost up to 1.8% intraday, but managed to limit losses to 0.34% eventually. This morning in Asia, South Korea and Taiwan are underperforming giving larger exposure to the sector. **Fragile risk sentiment in absence of other drivers helped the US trade-weighted dollar to a fifth consecutive trading day gain**. DXY exceeded the 100-mark to test the August high at 100.26. The 200d moving average at 100.35 is also nearby. A break higher would have significant technical importance with 101.55 (38% retracement on YTD decline and 101.98 (May high) being the next targets. **EUR/USD closed below the 1.15-handle for the first time since the final trading day of July**. EUR/USD 1.1392 (Aug low) – 1.1334 (200d mov avg) - 1.1240 (38% retracement on YTD move higher) is the marching order. **Core bond gains were all in all modest given the risk sell-off** with German and US yields respectively losing around 1.5 bps and 2.5 bps across the curve. **General risk sentiment remains today's overall market driver even if we get some rare US eco data** with the October ADP employment report and the US services ISM.
- Sterling faced another setback with EUR/GBP closing above 0.88 for the first time since May 2023. GBP/USD is currently hovering just above the 1.30-mark (lowest since April)**. UK Chancellor Reeves reaffirmed her commitment to the fiscal rules (tax receipts covering day-to-day spending by the end of the decade) and like PM Starmer last week **didn't rule out broad-based tax hikes** in the November 26 budget that go against the Labour party's election manifesto. The Office for Budget Responsibility's expected 0.3 percentage point downgrade to productivity forecasts means Reeves is **looking for at least £35bn to restore her slim £9.9bn fiscal buffer and probably £50bn to create some additional breathing room**. That number is floated by the UK's National Institute of Economic and Social Research (NIESR) this morning. The think-tank said that the trajectory of UK public debt is becoming unsustainable and calls for running primary surpluses, something the UK failed to do since 2001-2002.

News & Views

- New Zealand labour market conditions eased further in the third quarter. The unemployment rate rose from 5.2% to 5.3%**, a level not seen since 2016. After four quarters of negative quarterly job growth, **employment growth stabilized in Q3**. Still it was weaker than expected and 0.6% lower compared to the same period last year. The participation rate eased further from 70.5 to 70.3%, the lowest level since 2020. **Wage inflation** (salary and wage rates including overtime, LCI) **over all sectors rose a modest 0.4% Q/Q and 2.1% Y/Y** (from 0.6% Q/Q in Q2). Ongoing soft labour market data are **reinforcing the case for additional easing by the Reserve Bank of New Zealand** at its next meeting scheduled for November 26. A 25 bps rate cut is now fully discounted. NZD dollar this morning touched a ST low at NZD/USD 0.5631. Due to a divergent monetary policy, the **NZD/AUD cross rate this morning also briefly dropped below the September 2022 low (0.8703), touching levels not seen since 2013**.
- The **Bank of Japan** published the **Minutes of the September 19 monetary policy meeting**. The BoJ left its policy rate unchanged at 0.50%, but at that meeting two members proposed to raise the policy rate by 25 bps to 0.75%, which was rejected by the majority. Some members indicated that the conditions for gradually raising rates are falling into place especially considering the domestic economic developments in Japan. Other members still indicated that in considering to costs and benefits of waiting, **the MPC should take into consideration the long experience of deflation in the country**. A number of them also wanted to **avoid surprising the market with a rate hike at that time**. As the internal debate within the BoJ is moving to a further step at the December 19 meeting, the market currently discounts a 50-50 chance of a rate hike of that happening, with **the focus still being on further sustained (real) wage growth**.

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.



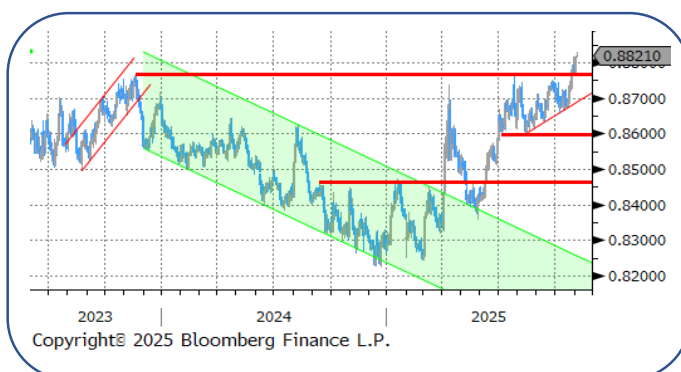
US 10y yield

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

Wednesday, 05 November		Consensus	Previous
US			
13:00	MBA Mortgage Applications	--	7.10%
14:15	ADP Employment Change (Oct)	30k	-32k
16:00	ISM Services Index (Oct)	50.8	50
16:00	ISM Services Prices Paid (Oct)	68.0	69.4
16:00	ISM Services New Orders (Oct)	51.0	50.4
16:00	ISM Services Employment (Oct)	47.6	47.2
UK			
10:00	New Car Registrations YoY (Oct)	--	13.70%
10:30	S&P Global UK Services PMI (Oct F)	51.1	51.1
10:30	S&P Global UK Composite PMI (Oct F)	51.1	51.1
EMU			
10:00	HCOB Eurozone Services PMI (Oct F)	52.6	52.6
10:00	HCOB Eurozone Composite PMI (Oct F)	52.2	52.2
11:00	PPI MoM/YoY (Sep)	0.00%/-0.20%	-0.30%/-0.60%
Germany			
8:00	Factory Orders MoM/WDA YoY (Sep)	0.90%/-4.10%	-0.80%/1.50%
France			
8:45	Industrial Production MoM/YoY (Sep)	0.10%/0.60%	-0.70%/0.40%
8:45	Manufacturing Production MoM/YoY (Sep)	0.30%/--	-0.70%/0.50%
Italy			
10:00	Retail Sales MoM/YoY (Sep)	--/--	-0.10%/0.50%
9:45	HCOB Italy Services PMI (Oct)	53.0	52.5
9:45	HCOB Italy Composite PMI (Oct)	52.1	51.7
China			
2:45	RatingDog China PMI Composite (Oct)	51.8A	52.5
2:45	RatingDog China PMI Services (Oct)	52.6A	52.9
Czech Republic			
9:00	CPI MoM/YoY (Oct P)	0.30%/2.30%	-0.60%/2.30%
Poland			
05NOV	Poland Base Rate Announcement	4.25%	4.50%
Spain			
9:15	HCOB Spain Services PMI (Oct)	54.5	54.3
9:15	HCOB Spain Composite PMI (Oct)	54.3	53.8
Sweden			
8:30	Swedbank/Silf PMI Services (Oct)	57.1	57.7
8:30	Swedbank/Silf PMI Composite (Oct)	--	57.1
9:30	Riksbank Policy Rate	1.75%	1.75%
Events			
Q3 earnings	BMW (07:30), McDonald's (bef-mkt), Snap (aft-mkt), QUALCOMM (aft-mkt) ...		
05NOV	The US Supreme Court hears arguments on the legality of President Trump's reciprocal tariffs		
04:35	Japan to Sell Bonds		
10:00	ECB Wage Tracker (TBC)		
11:00	ECB's Villeroy, Nagel Speak in Paris		
11:30	Germany to Sell Bonds		
16:00	ECB's Kocher Speaks in Vienna		
17:15	BOE's Breeden Speaks		

Contacts

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,09	-0,03		US	3,58	-0,03	DOW	47085,24	-251,44
DE	2,65	-0,01		DE	2,00	0,00	NASDAQ	23348,64	-486,08
BE	3,19	-0,01		BE	2,07	0,00	NIKKEI	50212,27	-1284,93
UK	4,43	-0,01		UK	3,78	-0,01	DAX	23949,11	-183,30
JP	1,67	0,00		JP	0,94	0,00	DJ euro-50	5660,2	-19,05
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,21	3,33	3,54	€STR	1,9310	-0,0010			
5y	2,36	3,39	3,62	Euribor-1	1,8810	-0,0330	SOFR-1	3,9878	-0,0125
10y	2,66	3,66	3,93	Euribor-3	2,0140	-0,0090	SOFR-3	3,8753	-0,0149
				Euribor-6	2,1340	-0,0080	SOFR-6	3,7732	-0,0188
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1482	-0,0038		EUR/JPY	176,44	-1,22	CRB	304,18	-1,91
USD/JPY	153,67	-0,55		EUR/GBP	0,8818	0,0051	Gold	3960,50	-53,50
GBP/USD	1,3021	-0,0119		EUR/CHF	0,9304	-0,0004	Brent	64,44	-0,45
AUD/USD	0,649	-0,0047		EUR/SEK	11,0012	0,0769			
USD/CAD	1,4104	0,0048		EUR/NOK	11,7403	0,0740			

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