



Wednesday, 12 November 2025

KBC Sunrise Market Commentary

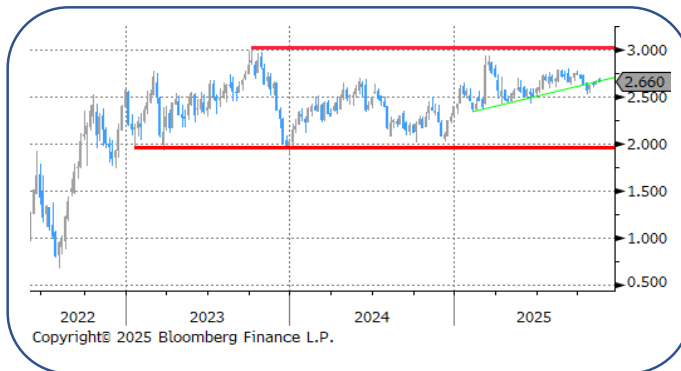
Markets

- On Monday, the US **Senate approved a bill to end the shutdown of the US government** and this is expected to be rubberstamped by the House of Representatives today. The new bill will fund the US government through January 30. Senate Republicans agreed on a vote to healthcare subsidies that Democrats wanted to be prolonged, but there is no guarantee that this will be approved. After some volatility last week, (US) equity markets saw the end of the shutdown as a good enough reason to resume a buy-the-dip strategy. In a session with US bond markets closed for Veteran's Day, the **Dow Jones yesterday closed at a record (+1.18%)**. The Nasdaq jumped higher on Monday, but couldn't build on that momentum yesterday (-0.25%), suggesting high valuations on some AI-related sectors are a source of market caution. US yields this morning open 2-3 bps lower across the board. US fixed income futures yesterday jumped as ADP reported that the US private sector lost 11 250 jobs/week in the four weeks ended Oct 25, suggesting a cooling in the labour market. The reaction yesterday suggests markets see the restart of publishing US data as raising chances for a follow-up Fed rate cut at the Decr 10 meeting. Still, **recent Fed comments suggest highly divided views within the FOMC, with a several members staying cautious to 'commit' to further easing with inflation still above target and the Fed policy come closer to a neutral level**. The risk-on and ADP data, **tempered last week's USD bid**. DXY closed at 99.43, to be compared with a 100.36 top last week. EUR/USD extends its rebound and tested the 1.16 big figure yesterday (close 1.1582). The yen underperforms with USD/JPY (154.65 area) testing the highest levels since February. **Sterling is also still fighting an uphill battle**. Labour market data published yesterday showed the unemployment rate in September rising to 5% (from 4.8%). October job growth (-32k) and earnings data were also softer than expected, reinforcing the case for a December BoE rate cut. The UK yield curve bull steepened with yields declining between 8.3 bps (2-y) and 6.7 bps (30-y). EUR/GBP returned north of 0.88. Last week's top (0.8829, weakest level of sterling against the euro since April 2023) is again within reach.
- Risk sentiment in Asia remains positive this morning**. There are only second tier eco data scheduled for release today. As the US House today is expected to approve the spending bill to reopen the government, markets will look forward to the restart of the US data publication over the coming week(s). For now, it's far from sure this process will provide a clear view to (re)assess Fed policy in the run-up to the December Fed meeting. **Interesting to see how far current risk rebound goes. For, now dollar losses at least stay very modest**.

News & Views

- The Hungarian Economy Ministry yesterday raised deficit targets for both this year and next. **Minister of National Economy Nagy said that they'll keep the deficit stable at 2024 levels instead of reducing it**. This means a 5% of GDP shortage for both 2025 and 2026. Originally, the government planned to reduce it to 3.7% of GDP both this year (later revised to 4.1%) and in 2026 (adopted this summer, but later on watered down to 4%). To finance the shortfall, the government will freeze all of the HUF192bn in reserves included in next year's budget and will collect HUF370bn instead of HUF185bn via an extra profit tax on banks. **PM Orban also suggested that he could activate the "financial shield" agreed with US president Trump** to protect the economy from speculative attacks. Plans to issue foreign currency (USD?) bonds early next year could be seen in that direction. The Hungarian forint lost ground yesterday, with EUR/HUF coming off a YtD low at 383.50 to close around 385. The Hungarian bond yield curve bear steepened with yield rising by 3.5 bps (2-yr) to 10 bps (30-yr). Hungarian risk premia rise with markets keeping a close eye on credit rating verdicts by Moody's (Nov 28; Baa2 with negative outlook), Fitch (Dec 5; BBB with stable outlook) and especially S&P (date unknown; BBB- with negative outlook).
- The **International Energy Agency published its World Energy Outlook today**. It added/re-introduced a new scenario ("Current Policies scenario) in which global oil and gas demand will rise for the next 25 years as governments' commitment to climate goals are fading. Since 2020, the IEA's modelling all assumed that fossil fuel consumption would peak this decade. A huge growth in electricity demand is central in all of the IEA's scenario's, rising by 40%-50% by 2035 with demand coming from the increasing penetration of white goods and air conditioners, shift to electric cars as well as advanced manufacturing and data centers.

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.



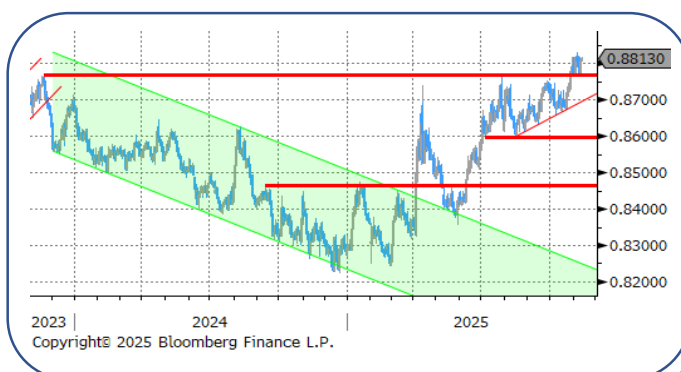
US 10y yield

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 more gradually than the quarterly pace. Even so, the close 5-4 vote at the November BOE meeting suggests a next step in December. Lingering fiscal risks going into end-November's Autumn Budget continue to weigh on GBP in the background.

Calendar & Table

Wednesday, 12 November		Consensus	Previous
Japan			
0:50	Money Stock M3 YoY (Oct)	A: 1.00%	1.00%
7:00	Machine Tool Orders YoY (Oct P)	A: 16.8%	11.00%
Italy			
10:00	Industrial Production MoM/WDA YoY (Sep)	1.50%/-0.50%	-2.40%/-2.70%
Events			
12NOV	US Treasury Market Conference at NY Fed		
11:30	Germany to Sell Bonds		
11:45	ECB's Schnabel Speaks in London		
12:15	ECB's Guindos Speaks in Dublin		
13:05	BOE's Pill Speaks		
15:20	Fed's Williams Delivers Keynote Speech		
16:00	Fed's Paulson speaks on Fintech		
16:20	Fed's Waller Speaks on Payments		
18:15	Fed's Bostic Speaks at Atlanta Economics Club		
18:30	Fed's Miran Speaks in Fireside Chat		
19:00	U.S. To Sell USD42 Bln 10-Year Notes		

10-year	Close	-1d		2-year	Close	-1d		Stocks	Close	-1d
US	4,12	0,00		US	3,59	0,00		DOW	47927,96	559,33
DE	2,66	-0,01		DE	2,00	0,00		NASDAQ	23468,3	-58,87
BE	3,19	-0,01		BE	2,08	0,00		NIKKEI	51063,31	220,38
UK	4,39	-0,07		UK	3,72	-0,08		DAX	24088,06	128,07
JP	1,69	0,00		JP	0,94	0,00		DJ euro-50	5725,7	61,24
IRS	EUR	USD	GBP	EUR	-1d	-2d		USD	-1d	-2d
3y	2,22	3,35	3,49	€STR	1,9300	-0,0010		SOFR-1	3,9575	-0,0015
5y	2,37	3,41	3,57	Euribor-1	1,8920	-0,0100		SOFR-3	3,8530	-0,0126
10y	2,67	3,68	3,89	Euribor-3	2,0320	0,0270		SOFR-6	3,7473	-0,0231
Currencies	Close	-1d		Currencies	Close	-1d		Commodities	Close	-1d
EUR/USD	1,1582	0,0025		EUR/JPY	178,55	0,40		CRB	307,05	2,00
USD/JPY	154,16	0,01		EUR/GBP	0,8808	0,0036		Gold	4116,30	-5,70
GBP/USD	1,315	-0,0025		EUR/CHF	0,9271	-0,0033		Brent	65,16	1,10
AUD/USD	0,6527	-0,0009		EUR/SEK	10,961	-0,0349				
USD/CAD	1,4018	-0,0003		EUR/NOK	11,654	-0,0475				

Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 51
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
		Shanghai	+86 21 68236128
		Hong Kong	+852 2525 9232
CSOB Economics – Markets Prague		Prague	
Jan Cermak	+420 2 6135 3578		+420 2 6135 3535
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
K&H Economics – Markets Budapest		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

Discover more insights at www.kbceconomics.be

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

