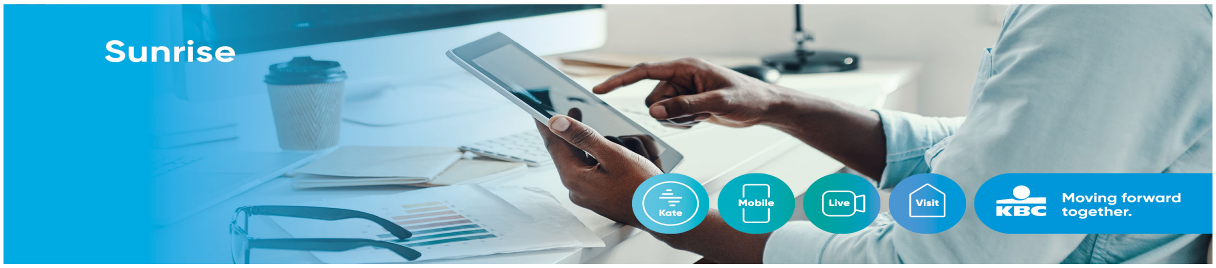


Friday, 14 November 2025

KBC Sunrise Market Commentary

Markets

- Stock momentum faded, resulting into declines of more than 2% for the likes of the Nasdaq. European equities swapped gains for losses of around 1% across the continent. President Trump effectively ended the shutdown by signing the Congress-approved bill into law yesterday but markets clearly had been frontrunning the outcome. **The number one question now is whether the upcoming official data either supports or opposes further Fed easing**, in December in particular. Chair Powell was very clear at the October meeting that a third risk-management rate cut is not at all a given but markets up until this week remained pretty certain (+/- 70%). **That changed yesterday with the odds dipping below 50% for the first time.** Non-voting member Kashkari from the Minneapolis Fed said he's undecided on December but he opposed the October cut, citing the underlying economic resilience and too-high inflation. Since then, available data suggested "more of the same". Cleveland Fed Hammack repeated that she favours a pause next month with concerns about inflation outweighing those about the labour market. She said rates (3.75-4%) are "barely restrictive, if at all" and advocates keeping them steady around the current level. Musalem of the St Louis Fed argued again for moving cautiously with inflation running above the 2% target. The room to lower them is limited. US yields rose between 2.2 and 5 bps in a daily perspective. Long end underperformance followed a tailed $25bn 30-year auction. Demand metrics were slightly weaker but had to be compared with October's record low primary dealer award. European rates rose in similar fashion. The 2-yr swap rate rallied to an 8-month high, surpassing the September high of 2.18%. The 10-yr tenor nears the upper bound of the current (since July) sideways trading range and **30-yr topped 3%,** the first such close since 2023. EUR/USD's rate-driven recovery was blocked around 1.1630 by US risk aversion. USD/JPY's upside momentum hit resistance around 155, meaning DXY lacked the safety net it had on Tuesday. The trade-weighted index slipped towards the 99 handle. China's yuan finished at the strongest level since October 2024, at 7.096. The below-consensus monthly update (including retail sales, IP, housing data and jobless rate) thwarts a further rise though. USD/CNY stabilizes around yesterday's closing levels. For lack of an inspiring eco calendar – US retail sales and PPI are stilling missing while US government offices are working their way through the backlogs – **we keep an eye at GBP today.** EUR/GBP pushes through to the highest level since April 2023 around 0.885. Renewed sterling weakness creeped in after reports that UK Chancellor Reeves is reconsidering plans to raise income tax rates and other levies in the Nov 26 budget. Doing so would break with key election promises and has triggered internal revolt. **GBP markets are left wondering what measures she'll take to address the gaping deficit of almost 5% of GDP.** Without higher taxes, growth-dampening austerity is the only viable option – assuming Starmer and Reeves don't want to be the next Truss-Kwarteng.

News & Views

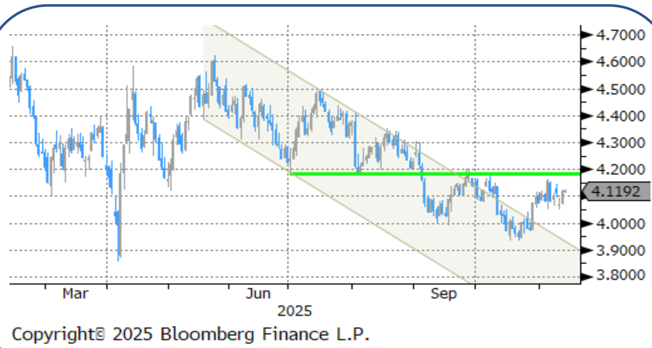
- **KPMG and REC's monthly UK report on jobs showed temp billings increasing for the first time in 16 months in October.** The downturn in permanent placements eased for the fourth straight month. Overall, employers remain hesitant to commit to new hires though amid a weaker economic climate and uncertainty over the upcoming government Budget. Vacancies continued to fall at a historically marked pace while both permanent and temporary staff availability rises at rates amongst the quickest since 2020. This supply/demand mismatch keeps pay pressures weak. **The surveyors are hopeful that a Budget that build business confidence could be a catalyst for new hiring. They label today's report as the best since the summer of 2024** but admit that this is just a more stable market.

- **The US administration released joint statements yesterday with four Latin-American countries** (Ecuador, Argentina, El Salvador and Guatemala) **saying that the US would reduce tariffs on a variety of goods not produced (sufficiently) domestically.** Officials later confirmed that these goods would include products like bananas, coffee and beef. Certain textile and apparel products would also be under consideration. The press releases follow comments earlier this week by Treasury Secretary Bessent hinting in that direction in order **to bring down domestic prices very quickly** to temper the cost-of-living crisis. Tariff rates on non-exempted products will remain the same at 15% for Ecuador and 10% for the other three nations.

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. The theme interferes from time to time with a structural 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 toin coss. 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

Friday, 14 November		Consensus	Previous
Japan			
5:30	Tertiary Industry Index MoM (Sep)	0.20%	-0.40%
EMU			
11:00	GDP SA QoQ/YoY (3Q S)	0.20%/1.30%	0.20%/1.30%
11:00	Employment QoQ/YoY (3Q P)	--/--	0.10%/0.60%
11:00	Employment YoY (3Q P)	--	0.60%
Italy			
10:00	Trade Balance Total (Sep)	--	2050m
China			
2:30	New Home Prices MoM (Oct)	-0.45%A	-0.41%
2:30	Used Home Prices MoM (Oct)	-0.66%A	-0.64%
3:00	**Retail Sales YoY/YTD YoY (Oct)**	**2.90%A/4.30%A**	**3.00%/4.50%**
3:00	**Industrial Production YoY/YTD YoY (Oct)**	**4.90%A/6.10%A**	**6.50%/6.20%**
3:00	Fixed Assets Ex Rural YTD YoY (Oct)	-1.70%A	-0.50%
3:00	Surveyed Jobless Rate (Oct)	5.10%A	5.20%
3:00	Property Investment YTD YoY (Oct)	-14.70%A	-13.90%
3:00	Residential Property Sales YTD YoY (Oct)	-9.40%A	-7.60%
Sweden			
8:00	Unemployment Rate SA (Oct)	8.60%	8.70%
Events			
1:01	S&P Global. KPMG and REC UK Report on Jobs		
8:05	ECB's Vujcic Speaks in Singapore		
11:30	ECB's Elderson Speaks in Frankfurt		
12:00	Riksbank Governor Erik Thedeen Speaks in Frankfurt		
15:20	Fed's Bostic To Participate in Moderated Conversation		
16:00	**ECB's Lane Speaks in Zurich**		
16:05	Fed's Schmid Speaks at Energy Conference		
20:30	Fed's Logan Speaks in Fireside Chat		
21:20	Fed's Bostic To Participate in Moderated Conversation		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,12	0,05		US	3,59	0,02	DOW	47457,22	-797,60
DE	2,69	0,05		DE	2,03	0,03	NASDAQ	22870,36	-536,10
BE	3,20	0,04		BE	2,10	0,03	NIKKEI	50376,53	-905,30
UK	4,44	0,04		UK	3,76	0,04	DAX	24041,62	-339,84
JP	1,71	0,01		JP	0,93	0,00	DJ euro-50	5742,79	-44,52
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,26	3,34	3,53	€STR	1,9300	0,0000			
5y	2,41	3,40	3,61	Euribor-1	1,8760	0,0050	SOFR-1	3,9644	-0,0016
10y	2,72	3,69	3,93	Euribor-3	2,0640	0,0160	SOFR-3	3,8814	0,0146
				Euribor-6	2,1460	0,0070	SOFR-6	3,7863	0,0164
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1633	0,0040		EUR/JPY	179,8	0,35	CRB	302,35	-0,31
USD/JPY	154,56	-0,23		EUR/GBP	0,8820	-0,0008	Gold	4194,50	-19,10
GBP/USD	1,3192	0,0059		EUR/CHF	0,9224	-0,0024	Brent	63,01	0,30
AUD/USD	0,6529	-0,0012		EUR/SEK	10,9461	-0,0054			
USD/CAD	1,4036	0,0030		EUR/NOK	11,6589	-0,0221			

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