



Wednesday, 26 November 2025

KBC Sunrise Market Commentary

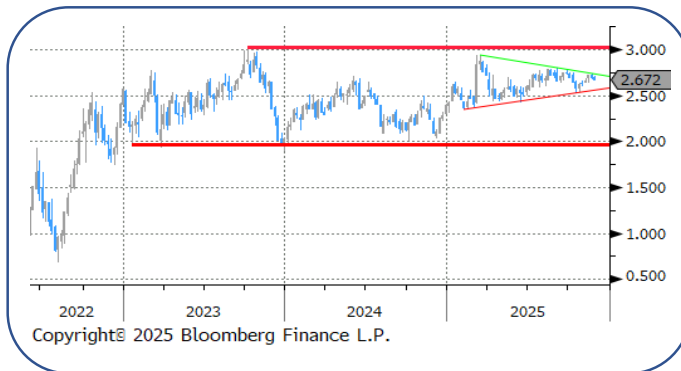
Markets

- There was **action on all fronts yesterday**. Let's start with **geopolitics**. Ukrainian President Zelensky said that negotiations on a truce remained ongoing after headlines that Ukraine agreed to the US-brokered peace deal. **Markets nevertheless reacted positively (equity, EUR, CE FX up; gas/oil down), embracing the progress made since high-level Geneva talks over the weekend**. The past two days, the US was also involved with Russian officials in Abu Dhabi, working to a meeting between US chief negotiator Witkoff and his team and Russian President Putin in Moscow likely next week. The Ukraine-Russia situation was one of the topics touched on during a phone call between US President Trump and his Chinese counterpart Xi Jinping who seem **back on speaking terms** after extending the trade truce by a year at the end of October. Next came **(US) eco data** with delayed September retail sales and producer prices and up-to-date November Richmond Fed manufacturing index (-15 from -4 vs -5 expected) and consumer confidence. **Data disappointed apart from in line with consensus US PPI**. Headline retail sales growth slowed from a strong 0.6% M/M in August to 0.2% (vs 0.4% consensus) with all core categories weaker than expected as well. Despite the lower September numbers, real consumer spending was robust over Q3, expected at 3.2% annualized (vs +2.5% Q/Qa in Q2). November consumer confidence crashed from 95.5 to 88.7, the lowest outcome since the Covid-pandemic with the exception of April of this year (Liberation Day). There was an obvious setback in the present situation gauge given the US government shutdown, but the expectations comments fell even further back. **The eco numbers put an extra burden on the dollar intraday while pushing US yields lower a first time**. A third topic added to those moves: headlines that **Kevin Hassett was seen as frontrunner to replace Fed Chair Powell next year**. From the remaining shortlist of 5 candidates (Waller, Bowman, Warsh and Rieder), Hassett has **the most dovish profile**. He advocates aggressive rate cuts, prioritizing growth of inflation control. The bar to reverting to QE under his watch is probably lowest as he closely aligns with Trump's agenda. Hassett nevertheless stresses the importance of a fully independent central bank. US yields eventually closed around 3 bps lower across the curve with EUR/USD rising from 1.1521 to 1.1570. **The short term faith of the US stock market was the final talking point**. Key indices tested the October low/100d mavg recently. Dip buyers showed up last Friday and gained strength on Monday and also yesterday despite a negative open (-1% and more for Nasdaq). Main indices eventually ended +0.67% (Nasdaq) to 1.4% (Dow) higher. The S&P 500 tested last week's high. **Taking that out would put fears to bed of a sell-on-ticks pattern being established**.
- Today's eco calendar is less exciting. Keep in mind that **US markets are closed tomorrow for Thanksgiving and that traded volumes are traditionally lower on (Black) Friday**. Attention will shift to the UK with the **long-awaited 2026 Autumn Budget**. UK assets are extremely sensitive to the topic. From a risk point of view, a lot can go wrong/be considered as insufficient to address the public finances situation.

News & Views

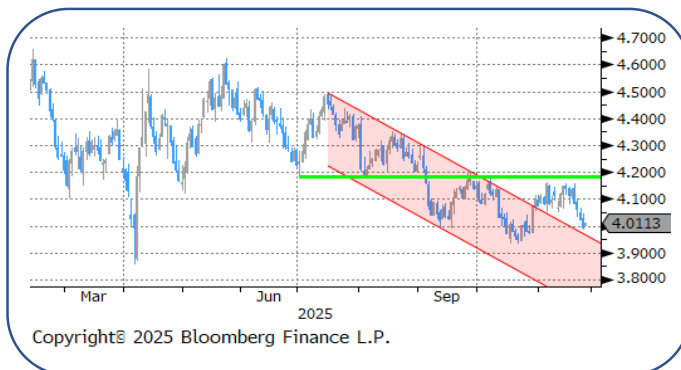
- The Reserve Bank of New Zealand cut its policy rate by another 25 bps to 2.25% in a 5-1 vote. (one vote for unchanged)**. In explaining its current and future actions/intentions, the RBNZ admits that CPI inflation has increased to the top of the 1%-3% target range in Q3, but given spare capacity in the economy it is expected to **return to 2% by mid-2026**. Economic activity was weak in mid-2025, but the RBNZ sees it picking up. Lower interest rates are supporting household spending and the labour market is stabilizing. A weaker exchange rate is supporting exporters' income. **The RBNZ now sees risks to the inflation outlook as broadly balanced**. In its updated forecast, the central bank now **expects the policy rate at 2.2% in the first three quarters of next year**. The bar for further easing looks very high. The 2-y NZ government bond yield rises by 7.5 bps this morning (2.66%). The kiwi dollar jumps sharply from the 0.5625 area to currently 0.5695.
- Australian October CPI rose from 3.6% Y/Y to 3.8% Y/Y**. The largest contributor to annual inflation was housing (5.9%), followed by food and non-alcohol beverages and recreation and culture, both rising 3.2%. **Underlying inflation accelerated from 3.2% Y/Y to 3.3% Y/Y**. Annual services inflation was 3.9%, up from 3.5%. Inflation rising further above the 2-3% RBA target range leaves the central bank **no room to cut the policy rate any further**. Markets now even ponder the chances of a rate hike end 2026. The 3-y Australia government bond yield jumps 14 bps (3.88%). The Aussie dollar jumps from the AUD/USD 0.647 area to currently trade near 0.6505.

Graphs



GE 10y yield

Confidence that inflation is returning to 2% **allowed the ECB to reduce its 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** with 25 bps 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.** 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. The close 5-4 unchanged vote at the November BoE meeting suggests a next step in December is likely given data weakness. Linger fiscal risks going into end-November's Autumn Budget continue to weigh on GBP in the background with EUR/GBP heading towards the 0.90 handle.

Calendar & Table

Wednesday, 26 November		Consensus	Previous
US			
13:00	MBA Mortgage Applications	--	-5.20%
14:30	Initial Jobless Claims	225k	220k
14:30	Continuing Claims	1963k	1974k
14:30	Durable Goods Orders (Sep P)	0.50%	2.90%
14:30	Durables Ex Transportation (Sep P)	0.20%	0.30%
14:30	Cap Goods Ship Nondef Ex Air (Sep P)	0.20%	-0.40%
14:30	Cap Goods Orders Nondef Ex Air (Sep P)	0.30%	0.40%
15:45	MNI Chicago PMI (Nov)	43.6	43.8
Japan			
0:50	PPI Services YoY (Oct)	2.70%A	3.10%R
Norway			
8:00	GDP QoQ (3Q)	--	0.80%
8:00	GDP Mainland QoQ (3Q)	0.20%	0.60%
New Zealand			
2:00	RBNZ Official Cash Rate	2.25%A	2.50%
Events			
3:00	RBNZ Governor News Conference After OCR Decision		
04:35	Japan to Sell 40-Year Bonds		
10:00	ECB Publishes Financial Stability Review		
10:00	ECB's Muller Speaks in Tallinn		
11:30	Germany to Sell EU3 Billion of 2.6% 2035 Bonds		
13:30	UK Chancellor of the Exchequer Rachel Reeves Presents Budget		
15:00	ECB's Vujcic Speaks in Copenhagen		
17:10	ECB's Lane Speaks in Paris		
17:30	U.S. To Sell USD44 Bln 7-Year Notes		
20:00	Fed Releases Beige Book		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,00	-0,03	US	3,46	-0,04	DOW	47112,45	664,18	
DE	2,67	-0,02	DE	2,02	0,00	NASDAQ	23025,59	153,58	
BE	3,18	-0,04	BE	2,09	0,00	NIKKEI	49559,07	899,55	
UK	4,49	-0,04	UK	3,77	-0,02	DAX	23464,63	225,45	
JP	1,82	0,01	JP	0,98	0,00	DJ euro-50	5573,91	45,24	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,23	3,22	3,55	€STR	1,9260	0,0020			
5y	2,39	3,27	3,65	Euribor-1	1,9260	0,0120	SOFR-1	3,8974	-0,0191
10y	2,73	3,58	4,00	Euribor-3	2,0660	0,0070	SOFR-3	3,7992	-0,0188
			Euribor-6	2,1210	0,0010	SOFR-6	3,7045	-0,0228	
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1570	0,0049	EUR/JPY	180,53	-0,23	CRB	294,39	-1,59	
USD/JPY	156,05	-0,84	EUR/GBP	0,8788	-0,0003	Gold	4177,30	46,50	
GBP/USD	1,3166	0,0061	EUR/CHF	0,9344	0,0030	Brent	62,48	-0,89	
AUD/USD	0,6469	0,0005	EUR/SEK	11,0302	0,0229				
USD/CAD	1,4098	-0,0010	EUR/NOK	11,835	0,0456				

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