



Thursday, 27 November 2025

KBC Sunrise Market Commentary

Markets

- The battle might be won, but the war definitely ain't over.** The corner stone of UK Chancellor Reeves' Autumn Budget are **£26bn of back-loaded tax rises** (eg freezing income tax thresholds from 2028-29) which **lift her fiscal buffer from £9.9bn to £22bn** and help pay for higher welfare spending. Reeves avoids breaking her self-imposed rule that day-to-day public spending has to be covered by tax revenues by 2030. The Budget is a flurry of small measures, but **lacks the big promised reforms to boost UK productivity/competitiveness and/or sustainably improve public finances**. The Office for Budget Responsibility scaled back average growth from 1.8% to 1.5%. The public deficit is forecast on a declining path from 5.1% of GDP last year via 4.5% this year to 1.9% by 2029/2030. Debt as a share of GDP is seen at 95% this year and holding at 96% at the end of the decade. It's clear that **it won't take a lot to derail the still precarious situation**. UK markets traded initially volatile, partly because of the unwanted mismatch of OBR forecasts and Chancellor Reeves' address, but in the end **a fresh sell-off in UK assets was avoided**. It suggests **some more room for recovery in the very short run**. Structurally we hold our bearish view against UK Gilts and sterling. In a daily perspective, UK yield curve bull flattened with yields ending 2.8 bps (2-yr) to 11.5 bps (30-yr) lower. Short-term (inflation-dampening) political incentives to safeguard UK households purchasing power might also **help tipping the balance towards a slightly more dovish Bank of England in coming months**. EUR/GBP closed at 0.8750 from a start around 0.8790.
- US markets are closed today for Thanksgiving holiday** with traded volumes expected to remain low tomorrow (Black Friday) with an early (US) close. The EMU eco calendar contains EC sentiment data and Minutes of the previous ECB meeting, but those won't have a profound market impact. **The risk rebound which started last Friday became technically relevant yesterday by taking out last week's high** and stemming fears of a potential sell-on-upticks pattern. The recent **outperformance of US Treasuries and buoyant sentiment helped EUR/USD back towards 1.16**. On a geopolitical level, any comments/developments in US-brokered peace talks between Ukraine and Russia remain a wildcard for trading.

News & Views

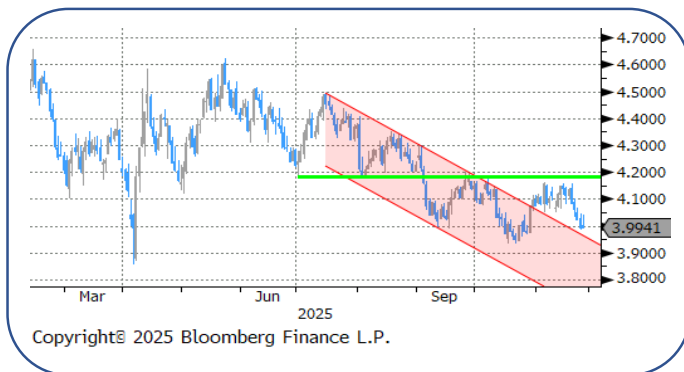
- The **Hungarian GKI Sentiment index** showed a mild adjustment this month after three consecutive months of increases. Business expectations changed marginally (from -9.3 to -9.9). **Consumers adapted somewhat more downbeat views with the index easing from -25.6 to -27.2**. The Composite GKI sentiment index, summarizing these expectations, declined from -13.5 to -14.4, which GKI assesses as a shift **within the margin of error**. The retreat in business confidence was driven solely by industry (-2). The construction index was unchanged, while the retail and services indicators each rose (+2). The retail indicator has not stood this high for fourteen months, nor the services indicator for thirteen. Looking ahead, construction remains the least, and business services the most optimistic. **Firms willingness to hire rose to the highest in a year**. The price indicator tracking firms' expected sales prices over the next three months rose slightly after three months of stagnation. GKI consumer confidence eased from a 14-month high. Households' assessment of their financial situation deteriorated noticeably, and their financial outlook worsened slightly. Changes in indices on the economic outlook, on major purchases or inflation didn't change much. **Prospects on future unemployment improved markedly**.
- The Bank of Korea voted to keep the policy rate at 2.5% for the fourth consecutive meeting this morning**. The BoK also **changed its assessment on future policy** as it now indicates that it will *"decide whether and when to implement further rate cuts"*, being **less explicit on a rate cut bias compared to previous meeting** (maintaining a rate cut stance). At the press conference governor Rhee admitted **a divide within the MPC** as three members preferred the option to keep rates unchanged while three others believe the possibility of a rate cut should remain open. The governor also sees current policy rate as **close to a neutral level**. The BoK in an updated forecast **upwardly revised is 2026 growth forecast to 1.8% from 1.6%**. **Inflation next year now is expected at 2.1% (from 1.9%)**. Aside from financial stability concerns due to elevated property prices and high debt, the MPC also grows **more concerned on the risk of a weak won raising inflation**. The won gains marginally this morning (USD/KRW 1464.76), but holds near multi-year lows.

Graphs



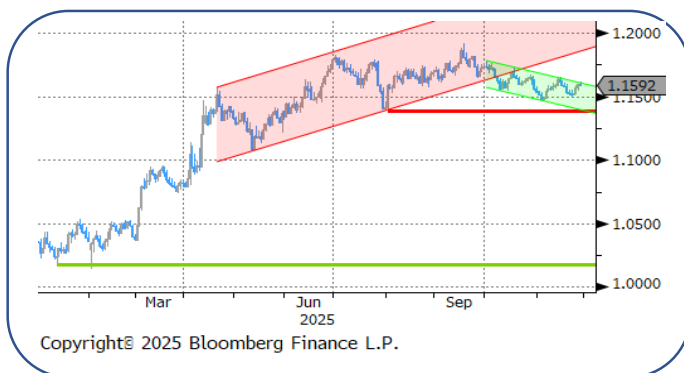
GE 10y yield

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

| Thursday, 27 November | | Consensus | Previous |
|-----------------------|-------------------------------------------------------|----------------|--------------------|
| EMU | | | |
| 10:00 | M3 Money Supply YoY (Oct) | 2.80% | 2.80% |
| 11:00 | Consumer Confidence (Nov F) | -- | -14.2 |
| 11:00 | Economic Confidence (Nov) | 97.0 | 96.8 |
| 11:00 | Industrial Confidence (Nov) | -8.3 | -8.2 |
| 11:00 | Services Confidence (Nov) | 4.4 | 4 |
| Germany | | | |
| 8:00 | GfK Consumer Confidence (Dec) | -23.5 | -24.1 |
| Italy | | | |
| 10:00 | Consumer Confidence Index (Nov) | 97.6 | 97.6 |
| 10:00 | Economic Sentiment (Nov) | -- | 94.3 |
| 11:00 | Industrial Sales MoM/WDA YoY (Sep) | --/-- | -0.70%/-0.10% |
| Belgium | | | |
| 11:30 | CPI MoM/YoY (Nov) | --/-- | 0.36%/2.00% |
| China | | | |
| 2:30 | Industrial Profits YoY/YTD YoY (Oct) | -5.50%A/1.90%A | 21.60%/3.20% |
| Norway | | | |
| 8:00 | Unemployment Rate Trend (Oct) | -- | 4.70% |
| Sweden | | | |
| 9:00 | Economic Tendency Survey (Nov) | 101.0 | 100.8 |
| 9:00 | Consumer Confidence (Nov) | -- | 96.8 |
| Events | | | |
| 27NOV | US financial markets closed for Thanksgiving | | |
| 11:00 | Italy to Sell Bonds | | |
| 13:30 | ECB Publishes Account of Oct. 30 Rate Decision | | |
| 17:00 | BOE's Greene Speaks | | |

| 10-year | Close | -1d | | 2-year | Close | -1d | Stocks | Close | -1d |
|------------|--------|---------|------|------------|---------|---------|-------------|----------|---------|
| US | 3,99 | 0,00 | | US | 3,48 | 0,02 | DOW | 47427,12 | 314,67 |
| DE | 2,67 | 0,00 | | DE | 2,02 | 0,00 | NASDAQ | 23214,69 | 189,10 |
| BE | 3,17 | -0,01 | | BE | 2,09 | 0,00 | NIKKEI | 50167,1 | 608,03 |
| UK | 4,42 | -0,07 | | UK | 3,74 | -0,03 | DAX | 23726,22 | 261,59 |
| JP | 1,80 | -0,01 | | JP | 0,97 | 0,00 | DJ euro-50 | 5655,58 | 81,67 |
| | | | | | | | | | |
| | | | | | | | | | |
| IRS | EUR | USD | GBP | EUR | -1d | -2d | USD | -1d | -2d |
| 3y | 2,23 | 3,22 | 3,52 | €STR | 1,9280 | 0,0020 | | | |
| 5y | 2,39 | 3,28 | 3,61 | Euribor-1 | 1,9600 | 0,0340 | SOFR-1 | 3,8764 | -0,0210 |
| 10y | 2,73 | 3,58 | 3,94 | Euribor-3 | 2,0690 | 0,0030 | SOFR-3 | 3,7864 | -0,0128 |
| | | | | Euribor-6 | 2,1170 | -0,0040 | SOFR-6 | 3,6975 | -0,0070 |
| | | | | | | | | | |
| | | | | | | | | | |
| Currencies | Close | -1d | | Currencies | Close | -1d | Commodities | Close | -1d |
| EUR/USD | 1,1595 | 0,0025 | | EUR/JPY | 181,43 | 0,90 | CRB | 297,85 | 3,46 |
| USD/JPY | 156,47 | 0,42 | | EUR/GBP | 0,8757 | -0,0031 | Gold | 4202,30 | 25,00 |
| GBP/USD | 1,3241 | 0,0075 | | EUR/CHF | 0,9327 | -0,0017 | Brent | 63,13 | 0,65 |
| AUD/USD | 0,6518 | 0,0049 | | EUR/SEK | 11,0141 | -0,0161 | | | |
| USD/CAD | 1,4044 | -0,0054 | | EUR/NOK | 11,8252 | -0,0098 | | | |

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