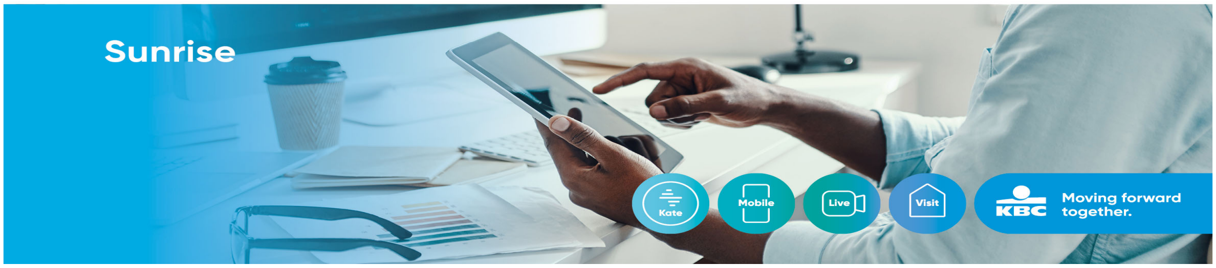

Wednesday, 03 December 2025

KBC Sunrise Market Commentary

Markets

- The Japanese-inspired core bond selloff eased yesterday. An unconvincing attempt to eke out a few more bps during European dealings was more or less killed off in the US session. Net daily changes for US Treasury yields eventually varied between -2.1 bps to +0.9 bps in technical trading. The German curve shifted similarly by shedding 1.4 bps at the front. Even UK yields swapped earlier gains for minor declines across the curve. We wouldn't call it a day on the underlying forces though. **Japanese yields this morning are again headed north** with new highs for the (ultra) long maturities including the 30-year ahead of a closely watched **auction tomorrow.** News in any case was scarce yesterday and that seemed to suffice for riskier assets to recover some ground. European and US equities inched 0.3-0.6% higher and crypto markets rebounded in a daily perspective after the violent selloff in recent weeks. The likes of Bitcoin extend gains to almost 94k, the strongest level since mid-November. The meeting between US envoy Witkoff and Russian president Putin and his entourage was called **constructive by the Kremlin but no compromise was reached yet.** Sticking to event risks, **French politics reared its head again** with local newspaper Le Figaro reporting that Horizons won't back premier Lecornu's social security budget bill in the upcoming vote December 9. Being part of the coalition government, Horizons' lack of support is a reminder of how fragile and perhaps deceiving the current French calm is. **OATs underperformed** compared to European peers. The euro ignores the matter for now. After an uninspiring session yesterday, EUR/USD is gently trending north this morning towards first resistance around 1.165-1.167 (short term highs). The trade-weighted dollar index depreciates back to the 99 area. The economic agenda has things in store that could spice up the session today. ECB president Lagarde appears before parliament. **The ADP job report and services ISM are to further shape Fed expectations for December.** A rate cut is priced for 95% now. At this stage it would take blow-out numbers to flip the balance again by December 10. The next Fed chair meanwhile is becoming ever more certain. Hassett emerges as the frontrunner and favours a growth-supporting policy – perhaps the most compared to the other contestants. President Trump will officially announce Powell's successor early 2026. Barring renewed risk aversion for whatever reason (France, public finances, equity valuation …) we'd expect the dollar to remain on the backfoot. Were EUR/USD to take out the recent highs, the 1.1728 October top – 1.1747 61.2% recovery on the Sep-Nov decline emerges as the next reference. EUR/GBP's three-day win streak ran into resistance around 0.88. We hold our negative bias for sterling though and assume EUR/GBP's fundamental level to be 0.90+.

News & Views

- **Australian GDP growth slowed from an upwardly revised 0.7% Q/Q in in Q2 to 0.4% in Q3** (vs +0.7% consensus), the average quarterly growth pace since the end of the COVID-19 pandemic. Annual growth ticked up from 2% to 2.1%. Details showed **final consumption rising by 0.6% Q/Q with both household (+0.5%) and government (+0.8%) spending contributing to growth.** The household saving ratio rose from 6% in Q2 to 6.4% in Q3 with gross disposable income (+1.7%) rising faster than nominal household spending (+1.4%). **Total gross fixed capital formation rose a strong 3% Q/Q** mainly due to a rebound in public investments (+3% Q/Q after -3.5% Q/Q in Q2). Net trade detracted 0.1 ppt from GDP growth, with imports up 1.5%, and exports up 1%. Today's numbers **strengthen market belief that the next move by the Reserve Bank of Australia will a rate hike next year.** AUD/USD builds on its recent comeback, eyeing first resistance around 0.66. The Aussie yield curve bear flattens this morning with yields rising by 5.8 bps (2-yr) to 3.2 bps (30-yr).

- **The EU agreed to gradually prohibit Russian LNG gas import by the end of 2026, one year faster than originally planned.** Russia is still the second-largest LNG-provider (15% of total) to Europe after the US. The deadline now matches with the ban of seaborne deliveries which is already part of EU sanctions against Russia. The EU's RePowerEU plan also targets halting to pipeline gas imports under long-term deals by the end of Q3 2027. **The commission also plans to put forward a legislative proposal on phasing out Russian oil imports no later than the end of 2027.**

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. A new sell-off was avoided after Chancellor Reeves' November's Autumn Budget, but we stick to our view that EUR/GBP will return towards the 0.90 handle.

Calendar & Table

Wednesday, 03 December		Consensus	Previous
US			
13:00	MBA Mortgage Applications	--	0.20%
14:15	**ADP Employment Change (Nov)**	**10k**	**42k**
14:30	Import Price Index MoM/YoY (Sep)	0.10%/0.40%	0.30%/0.00%
14:30	Import Price Index ex Petroleum MoM (Sep)	0.10%	0.20%
14:30	Export Price Index MoM/YoY (Sep)	-0.10%/--	0.30%/3.40%
15:15	Capacity Utilization (Sep)	77.20%	75.80%R
15:15	Industrial Production MoM (Sep)	0.00%	0.10%
16:00	**ISM Services Index (Nov)**	**52.0**	**52.4**
16:00	ISM Services Prices Paid (Nov)	68.0	70
16:00	ISM Services New Orders (Nov)	--	56.2
16:00	ISM Services Employment (Nov)	--	48.2
Japan			
01:30	S&P Global Japan PMI Composite (Nov F)	52.0A	52
01:30	S&P Global Japan PMI Services (Nov F)	53.2A	53.1
UK			
10:30	S&P Global UK Services PMI (Nov F)	50.5	50.5
10:30	S&P Global UK Composite PMI (Nov F)	50.5	50.5
EMU			
10:00	HCOB Eurozone Services PMI (Nov F)	53.1	53.1
10:00	HCOB Eurozone Composite PMI (Nov F)	52.4	52.4
11:00	PPI MoM/YoY (Oct)	0.10%/-0.50%	-0.10%/-0.20%
Italy			
09:45	HCOB Italy Services PMI (Nov)	53.9	54
09:45	HCOB Italy Composite PMI (Nov)	52.8	53.1
China			
02:45	RatingDog China PMI Composite (Nov)	51.2A	51.8
02:45	RatingDog China PMI Services (Nov)	52.1A	52.6
Poland			
03DEC	**Poland Base Rate Announcement**	**4.00%**	**4.25%**
Spain			
09:15	HCOB Spain Services PMI (Nov)	56.3	56.6
09:15	HCOB Spain Composite PMI (Nov)	55.8	56
Sweden			
08:30	Swedbank/Silf PMI Services (Nov)	56.0	55.4
08:30	Swedbank/Silf PMI Composite (Nov)	--	55.3
Events			
09:30	**ECB's Lagarde Speaks in European Parliament**		
11:30	**ECB's Lane Speaks in Ljubljana**		
16:30	ECB's Lagarde Speaks in European Parliament		
18:00	BOE's Mann Speaks		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,09	0,00		US	3,51	-0,02	DOW	47474,46	185,13
DE	2,75	0,00		DE	2,05	-0,01	NASDAQ	23413,67	137,75
BE	3,26	0,00		BE	2,11	-0,02	NIKKEI	49864,68	561,23
UK	4,47	-0,01		UK	3,74	-0,02	DAX	23710,86	121,42
JP	1,90	0,03		JP	1,02	0,00	DJ euro-50	5686,17	18,69
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,27	3,28	3,53	€STR	1,9290	-0,0010			
5y	2,45	3,36	3,64	Euribor-1	1,8960	-0,0650	SOFR-1	3,8401	-0,0149
10y	2,79	3,67	3,98	Euribor-3	2,0430	-0,0170	SOFR-3	3,7610	-0,0135
				Euribor-6	2,1210	-0,0020	SOFR-6	3,6835	-0,0164
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1625	0,0015		EUR/JPY	181,16	0,67	CRB	300,87	-1,87
USD/JPY	155,88	0,42		EUR/GBP	0,8798	0,0012	Gold	4220,80	-54,00
GBP/USD	1,3213	0,0000		EUR/CHF	0,9336	-0,0007	Brent	62,45	-0,72
AUD/USD	0,6563	0,0019		EUR/SEK	10,968	-0,0054			
USD/CAD	1,397	-0,0029		EUR/NOK	11,7788	0,0147			

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 19
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
CSOB Economics – Markets Prague		**Prague**	+420 2 6135 3535
Jan Cermak	+420 7 3704 4494		
Jan Bures	+420 6 0455 4876		
Dominik Rusinko	+420 7 2390 1089		
CSOB Economics – Markets Bratislava		**Bratislava**	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
K&H Economics – Markets Budapest		**Budapest**	+36 1 328 99 85
David Nemeth	+36 1 328 9989		