



Thursday, 04 December 2025

## KBC Sunrise Market Commentary

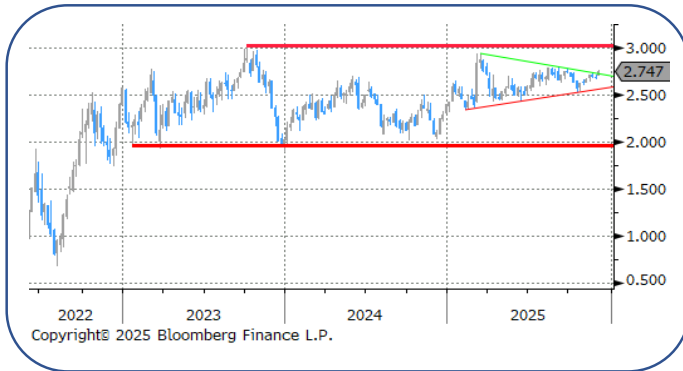
### Markets

- US economic data yesterday all but cemented next week's Fed rate cut expectations. **The ADP job report unexpectedly showed a 32k job loss – the second worst reading since June 2020 – and wage growth cooling.** But while a further rate reduction to 3.5-3.75% may be a done deal, the bigger question remains what the next move(s) will be. **Yesterday's services ISM in any case argues against going full force.** The prices paid gauge fell to a seven-month low but remains historically elevated. Activity rose to a three-month high of 54.5, helping lift the headline index to 52.6. New orders growth fell compared to last month but continued to expand nevertheless (52.9). The employment series remained sub 50 but showed signs of stabilizing. **The ISM chair concluded that the November edition had "positive signs of an emerging recovery for the services sector".** It lifted US yields, particularly at the front end, off their intraday lows. Net daily changes varied between -1.5 and -2.6 bps in a bull steepener. European rates hovered sideways in directionless trading. Interest rate differentials along with a modest constructive risk environment gave the euro an edge over the dollar. EUR/USD rose to 1.1671, the highest in over a month. DXY dropped below the 99 barrier. Sterling had a nice bull run, supported amongst others by upwardly revised final PMIs to 51.2. EUR/GBP slid to 0.874. GBP/USD jumped to well north of 1.33.
- Japan's 30-year bond auction stood at the center of attention in Asian dealings this morning. It drew the strongest demand since 2019, profiting from the recent yield uptick to new (record) highs. While the ultralong end of the Japanese curve enjoys some bids as a result, maturities up to 20 year still eke out several basis points. **The 10-yr tenor rose to the highest level since 2007.** It's keeping the rest of global peers (Treasures, Bund futures) under pressure as well. The steepening could be tied to increased rate cut bets by the Fed. That helps explain the solid (Japanese) stock performance. European stock futures also suggest a higher open of around 0.5-0.6%. It's a small step, though, for markets to redirect the focus to public finances in a context of rising bond yields again. The economic calendar is pretty empty with only jobless claims in the US as worth mentioning. FX markets will be the playground of technically-savvy investors. EUR/USD currently snaps an 8-day winning streak.

### News & Views

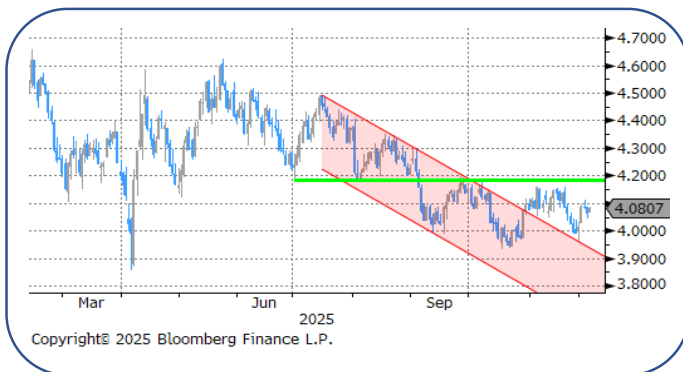
- The National Bank of Poland cut its policy rate by another 25 bps yesterday to 4%, bringing this year's total effort at 175 bps of policy easing.** In a brief statement, the NBP pointed out that inflation annual inflation decline to 2.4% in November, below the 2.5% inflation target. The central bank removed a reference to elevated services inflation and pointed at a slowdown in wage growth. Recent strong growth is on the other side of the balance with domestic demand pushing the annual growth rate to 3.8% in Q3. NBP governor Glapinski holds a press conference this afternoon. **Key talking point will be the remaining policy room towards a neutral interest rate level.** Polish money markets put the floor currently at 3.5%. Yesterday's NBP statement indicates that further decisions will depend on incoming data. Fiscal policy, recovery of demand in the economy as well as developments in wage growth, energy prices and inflation abroad remain risk factors for the Polish inflation outlook. EUR/PLN remains stuck in the extremely narrow 4.22-4.30 trading range in place since mid-April.
- Hungarian PM Orban announced this morning that the country will lift the minimum wage by 11%** after an agreement between the government, employers and trade unions. It's less than the previously agreed 13% with disappointing economic growth triggering the revision. Guaranteed minimum wages for positions requiring secondary education or vocational training will be raised by 7%.

## 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

Thursday, 04 December		Consensus	Previous
<b>US</b>			
13:30	Challenger Job Cuts YoY (Nov)	48.00%	175.30%
<b>14:30</b>	<b>Initial Jobless Claims</b>	<b>220k</b>	<b>216k</b>
14:30	Continuing Claims	1963k	1960k
<b>UK</b>			
10:00	New Car Registrations YoY (Nov)	--	0.50%
10:30	DMP 3M Output Price Expectations (Nov)	3.70%	3.70%
10:30	DMP 1 Year CPI Expectations (Nov)	3.30%	3.40%
<b>EMU</b>			
11:00	Retail Sales MoM/YoY (Oct)	0.00%/1.30%	-0.10%/1.00%
<b>Czech Republic</b>			
<b>09:00</b>	<b>CPI MoM/YoY (Nov P)</b>	<b>0.10%/2.50%</b>	<b>0.50%/2.50%</b>
<b>Sweden</b>			
08:00	CPI MoM/YoY (Nov P)	-0.20%/0.50%	0.30%/0.90%
<b>08:00</b>	<b>CPIF MoM/YoY (Nov P)</b>	<b>-0.10%/2.50%</b>	<b>0.40%/3.10%</b>
08:00	CPIF Excl. Energy MoM/YoY (Nov P)	-0.30%/2.60%	0.30%/2.80%
<b>Events</b>			
04:35	Japan to Sell 30-Year Bonds		
10:00	ECB's Kocher Speaks in Vienna		
10:30	Spain to Sell Bonds		
10:50	France to Sell Bonds		
13:45	BOE's Mann Speaks		
14:00	ECB's Cipollone Chairs Panel		
16:00	ECB's Lane Speaks in Frankfurt		
18:00	Fed's Bowman Speaks on Bank Supervision and Regulation		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,06	-0,02		US	3,48	-0,02	DOW	47882,9	408,44
DE	2,75	0,00		DE	2,06	0,01	NASDAQ	23454,09	40,42
BE	3,26	0,00		BE	2,12	0,01	NIKKEI	51028,42	1163,74
UK	4,45	-0,02		UK	3,75	0,01	DAX	23693,71	-17,15
JP	1,94	0,04		JP	1,02	0,00	DJ euro-50	5694,56	8,39
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,27	3,26	3,52	€STR	1,9260	-0,0030			
5y	2,44	3,33	3,62	Euribor-1	1,8860	-0,0100	SOFR-1	3,8272	-0,0130
10y	2,78	3,65	3,95	Euribor-3	2,0290	-0,0140	SOFR-3	3,7489	-0,0122
				Euribor-6	2,1130	-0,0080	SOFR-6	3,6667	-0,0168
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1671	0,0046		EUR/JPY	181,21	0,05	CRB	302,26	1,39
USD/JPY	155,25	-0,63		EUR/GBP	0,8740	-0,0058	Gold	4232,50	11,70
GBP/USD	1,3353	0,0140		EUR/CHF	0,9333	-0,0003	Brent	62,67	0,22
AUD/USD	0,6601	0,0038		EUR/SEK	10,938	-0,0300			
USD/CAD	1,395	-0,0020		EUR/NOK	11,7359	-0,0429			

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