



Tuesday, 09 December 2025

KBC Sunrise Market Commentary

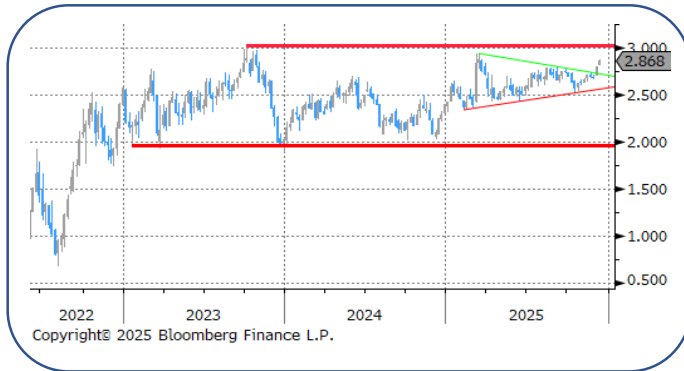
Markets

- In advance one could have assumed **that a thin calendar and markets awaiting additional guidance from Wednesday's Fed meeting to result in subdued technical trading in core yield markets. Quod non.** It didn't take into account **some trend-supporting quotes from influential ECB board member Isabel Schabel.** She advocated that some kind of reflatory momentum helped by a supportive fiscal policy might narrow the EU output gap and prevent a further decline in EMU (core) inflation even as headline inflation might temporarily drop below 2%. However, if this downward deviation is small, Schnabel assesses that the ECB should look through it. In such a scenario, it is possible that after a period of rate stability, the next ECB move could be a rate hike. Over the previous weeks, Japan and the UK often were the drivers of higher risk bond premia. **Yesterday's Schnabel comments took over that role. Bunds underperformed Treasuries, gilts and JGB's** with yields adding 7.8 bps (5-y) to 3.1% (30-y), the belly of the curve underperforming. US yields initially also jumped substantially higher, but momentum dwindled as the US session proceeded. A decent \$58 bln US 3-y action helped to smooth the pressure. In a daily perspective, **US yields** added between 1.5 bps (2-y) and 3.5 bps (5-y). Higher yields/risk premia also arrested the recent equity rebound (S&P 500 -0.35%, Eurostoxx 50 +0.03%). **On FX markets,** the euro initially tried to capitalize on additional interest rate support, but the move was again abruptly countered by an intraday USD comeback in US dealings. EUR/USD even closed the session marginally softer at 1.1637. USD/JPY extended its recovery to close just below the 156 handle. EUR/GBP finished little changed near 0.8735.
- Today's eco calendar is again relatively thin, but yesterday's price action illustrated that this is no guarantee for subdued trading. In the US, October JOLTS job openings give some (admittedly) delayed insights on momentum in the US job market. Questions is whether/to what extent markets are prepared to change recent rather 'hawkish positioning' even in case of softer than expected data. In Europe, the vote on **the French social security budget** again is expected to be a close call to avoid further political/budgetary chaos. BoE policymakers will attend a hearing before the Treasury Committee of Parliament. The US Treasury will sell \$39 bln of 10-y. In FX markets, **current 'noisy market sentiment' in some way apparently still supports the dollar** even as non-US yields are rising at least as fast as is the case in the US. The EUR/USD 1.1682/1.1725 area in this respect proofs relative strong resistance short-term.

News & Views

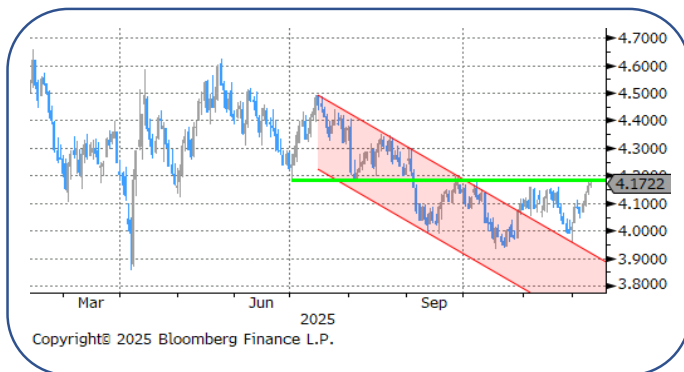
- "The question is, is it just an extended hold from here or is it possibility of a rate rise?"** This one quote from Governor Bullock of the Reserve Bank of Australia is telling of the central bank's state of mind. **It kept the policy rate steady at 3.6% this morning and is clearly worried about inflation.** The RBA does not like where prices are headed to and said **risks have flipped to the upside.** The October monthly print quickened from 3.6% to 3.8%. That's well above the 2%-3% target range and comes after the Q3 quarterly outcome - still the gold standard for the RBA - had significantly surpassed the RBA's previous expectations. **Core gauges also run hotter than the RBA would like to.** The board sees "signs of a more broadly based pick-up in inflation" which against the backdrop of recovering economic activity and still tight labour market conditions needs to be monitored for its persistence. Bullock at the presser said policymakers hadn't explicitly considered the case for a rate hike but did discuss the circumstances where one could be needed. **The market implied probability for such a move increased significantly with 50-50 odds for the March meeting next year.** A first full rate hike was pulled forward from August to June. Australian swap yields surge up to 8 bps at the front. AUD/USD appreciates to 0.664.
- Consumers' inflation expectations in the NY Fed's monthly survey stabilized at all horizons:** 3.2% for the one-year ahead gauge and 3% for the 3- and 5-year one. Household perceptions of their current financial situation deteriorated notably, however, with a larger share of respondents reporting they are worse off than a year ago. Expectations about the year-ahead situation also worsened, be it slightly. In a positive sign, the household mean probability of unemployment to be higher one year from now decreased by 0.4 percentage points to 42.1%. Lastly, there is a decrease in the net share of respondents who expect that credit will be easier to obtain a year from now.

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 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

Tuesday, 9 December		Consensus	Previous
US			
12:00	NFIB Small Business Optimism (Nov)	98.3	98.2
16:00	JOLTS Job Openings (Oct)	7117k	--
16:00	JOLTS Job Openings Rate (Oct)	--	--
16:00	JOLTS Quits Level (Oct)	3150k	--
16:00	JOLTS Quits Rate (Oct)	--	--
16:00	JOLTS Layoffs Level (Oct)	--	--
16:00	JOLTS Layoffs Rate (Oct)	--	--
UK			
01:01	BRC Sales Like-For-Like YoY (Nov)	1.20%A	1.50%
Germany			
08:00	Trade Balance SA (Oct)	15.7b	15.2bR
08:00	Exports SA MoM (Oct)	0.20%	1.40%
08:00	Imports SA MoM (Oct)	-0.50%	3.10%
Australia			
04:30	RBA Cash Rate Target	3.60%A	3.60%
Hungary			
08:30	CPI MoM/YoY (Nov)	0.10%/3.90%	0.00%/4.30%
Events			
09:00	ECB's Nagel Speaks in Frankfurt		
15:15	BOE Rate-Setters in Parliament		
16:00	BLS Releases Sept. & Oct. JOLTS Data		
19:00	U.S. To Sell USD39 Bln 10-Year Notes		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,16	0,03		US	3,58	0,01	DOW	47739,32	-215,67
DE	2,86	0,06		DE	2,16	0,06	NASDAQ	23545,9	-32,23
BE	3,36	0,06		BE	2,21	0,05	NIKKEI	50655,1	73,16
UK	4,53	0,05		UK	3,81	0,03	DAX	24046,01	17,87
JP	1,96	-0,01		JP	1,07	0,00	DJ euro-50	5725,59	1,66
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	EUR	<u>-1d</u>	<u>-2d</u>	USD	<u>-1d</u>	<u>-2d</u>
3y	2,41	3,37	3,63	€STR	1,9300	0,0010			
5y	2,59	3,45	3,73	Euribor-1	1,9040	-0,0070	SOFR-1	3,7957	-0,0103
10y	2,90	3,76	4,04	Euribor-3	2,0690	-0,0060	SOFR-3	3,7437	-0,0036
				Euribor-6	2,1500	0,0030	SOFR-6	3,6776	-0,0019
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1637	-0,0005		EUR/JPY	181,46	0,64	CRB	301,48	-4,49
USD/JPY	155,92	0,59		EUR/GBP	0,8736	0,0002	Gold	4217,70	-25,30
GBP/USD	1,3322	-0,0006		EUR/CHF	0,9388	0,0020	Brent	62,49	-1,26
AUD/USD	0,6624	-0,0016		EUR/SEK	10,9427	-0,0036			
USD/CAD	1,3857	0,0040		EUR/NOK	11,7896	0,0251			

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