



Tuesday, 16 December 2025

KBC Sunrise Market Commentary

Markets

- Yesterday was your typical **waiting game** in the run-up to today much anticipated US payrolls report. **Rotation forces remained at play** on stock markets with the tech-heavy Nasdaq (-0.5%) underperforming against the industrial Dow Jones index (-0.1%), but also European equities (EuroStoxx50 +0.55%). **Advanced peace talks in Germany resulted in cautious optimism both from the European (Merz) and the US (Trump) side:** *“a really far-reaching, substantive agreement that we have not had so far”*. After Ukraine dropped its Nato membership demand over the weekend, yesterday saw **progress in terms of European security guarantees, backed by the US**. There’s still no breakthrough on the most thorniest issue though, territory concession. Moves on fixed income markets were small with a slight outperformance at the front end of the US yield curve. EUR/USD closed at 1.1769 from a start at 1.1735.
- US payrolls look a little different today.** In addition to the full November report, the Bureau of Labour Statistics will **also release October payrolls data**. The monthly survey of households, from which for example the unemployment rate is derived, will be released for November thanks to an extension of the collection period after the shutdown (which also cause today’s later-than-normal release) but **such statistics couldn’t be retroactively collected for October so will be missing today**. Consensus expects a combined job growth number of 50k for Oct-Nov today. **Fed Chair Powell last week downplayed the number since he fears big downward revisions to numbers since April** (average job losses of -20k instead of +40k; related to BLS’ companies birth-death model; final benchmark revisions come with Jan2026 payrolls report). Markets reacted to those dovish comments and suggest **a preference to react on a weaker outcome, lifting odds of a continuation of the Fed’s normalization cycle in Q1 2026**. The dollar is vulnerable for more losses (EUR/USD 1.1919 resistance) in case of an outperformance by short-term US Treasuries. For US equity markets, it could give some short term relief if the focus switches from potential data weakness to the prospect of a more accommodative Fed stance. We keep a close eye on **the unemployment rate** as well. It has been steadily rising from 4.1% in June to 4.4% in September. **A new uptick to 4.5% or even 4.6% won’t go unnoticed** and implies that **the SAHM recession indicator** (3-month moving average of unemployment rate more than 0.5 ppt above low-point of the past 12 months) **could be triggered soon**. Apart from Oct-Nov payrolls, today’s agenda also features October retail sales and global December PMI surveys. The impact of EMU (& UK) numbers will be overshadowed by the US agenda from a market perspective. After today, November US CPI numbers (Thursday) and Q3 GDP data (Dec 23) are the ones to watch from a US perspective.

News & Views

- December Indian PMI surveys showed growth easing to a 10-month low even as output level continued to rise sharply.** The composite out index slowed to 58.9 from 59.7, with both activity in the services sector (59.1 from 59.8) and the manufacturing output index (58.4 from 59.6) easing. **Growth of new orders slowed at the end of the year, but remained noticeable.** Growth in new export orders improved. At the same time, companies kept their staffing levels broadly unchanged amid a further easing of business confidence. **Inflationary pressures were again muted.** Input costs increased modestly, and at a pace that was only slightly faster than the near five-and-a-half-year low posted in November. Output prices also increased modestly, and at the second-slowest pace in the past nine months. The rate of inflation seen in December was weaker than the average across 2025 as a whole. **The India rupee this morning continues to set record lows levels** with the USD/INR cross rate surpassing the 91 big figure.
- National Bank of Poland policy maker Henryk Wnorowski** gave **a rather mild assessment** yesterday on NBP policy going forward. He indicated that it was **unlikely that anything will change in monetary policy before March**. However, for the rest of 2026 it didn’t rule out anything, but suggested **the possibility of further rate cuts**, perhaps even several steps. He deemed it **very unlikely that the policy rate will decline below 3%**. Other NBP members, including governor Glapinski, recently suggested **a higher level for the bottom of the NBP easing cycle** (3.5% area). The National Bank of Poland since May reduced the policy rate from 5.75% to 4%. The zloty remains well bid with EUR/PLN testing the bottom of the 4.22/4.31 trading range.

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. Recent comments ever more indicate that the next ECB move will be a rate hike. Combined with ongoing higher (fiscal) risk premia, this supported a rebound in EMU yields.



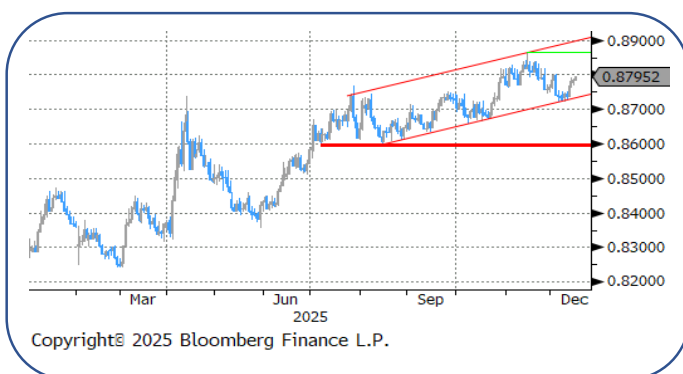
US 10y yield

The Fed's **focus shifted with increased attention for (risks to) the labour market** with 25 bps rate cuts in September, October and December. The Fed now nears a neutral policy level, but the debate on further easing isn't finished yet. Some further steepening still might be on the cards 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, 16 December		Consensus	Previous
US			
14:30	Change in Nonfarm Payrolls (Nov)	50k	--
14:30	Two-Month Payroll Net Revision (Nov)	--	--
14:30	Change in Private Payrolls (Nov)	50k	--
14:30	Change in Manufact. Payrolls (Nov)	-5k	--
14:30	Nonfarm Payrolls 3-Mo Avg Chg (Nov)	--	--
14:30	Average Hourly Earnings MoM / YoY (Nov)	0.30%/3.60%	-/-
14:30	Average Weekly Hours All Employees (Nov)	34.2	--
14:30	Unemployment Rate (Nov)	4.40%	--
14:30	Underemployment Rate (Nov)	--	--
14:30	Labor Force Participation Rate (Nov)	62.40%	--
14:30	Retail Sales Advance MoM (Oct)	0.10%	0.20%
14:30	Retail Sales Ex Auto MoM (Oct)	0.20%	0.30%
14:30	Retail Sales Ex Auto and Gas (Oct)	0.40%	0.10%
14:30	Retail Sales Control Group (Oct)	0.40%	-0.10%
15:45	S&P Global US Manufacturing PMI (Dec P)	52.1	52.2
15:45	S&P Global US Services PMI (Dec P)	54.0	54.1
15:45	S&P Global US Composite PMI (Dec P)	53.9	54.2
Japan			
1:30	S&P Global Japan PMI Composite (Dec P)	51.5	52
1:30	S&P Global Japan PMI Mfg (Dec P)	49.7	48.7
1:30	S&P Global Japan PMI Services (Dec P)	52.5	53.2
UK			
10:30	S&P Global UK Services PMI (Dec P)	51.6	51.3
10:30	S&P Global UK Manufacturing PMI (Dec P)	50.3	50.2
10:30	S&P Global UK Composite PMI (Dec P)	51.5	51.2
8:00	Average Weekly Earnings 3M/YoY (Oct)	4.40%	4.80%
8:00	Weekly Earnings ex-Bonus 3M/YoY (Oct)	4.50%	4.60%
8:00	Private Earnings ex-Bonus 3M/YoY (Oct)	3.80%	4.20%
8:00	ILO Unemployment Rate 3Mths (Oct)	5.10%	5.00%
8:00	Employment Change 3M/3M (Oct)	-75k	-22k
8:00	Payrolled Employees Monthly Change (Nov)	-20k	-32k
8:00	Claimant Count Rate (Nov)	--	4.40%
8:00	Jobless Claims Change (Nov)	--	29.0k
EMU			
10:00	HCOB Eurozone Manufacturing PMI (Dec P)	49.9	49.6
10:00	HCOB Eurozone Services PMI (Dec P)	53.3	53.6
10:00	HCOB Eurozone Composite PMI (Dec P)	52.6	52.8
11:00	ZEW Survey Expectations (Dec)	--	25
11:00	Trade Balance SA (Oct)	--	18.7b
Germany			
9:30	HCOB Germany Manufacturing PMI (Dec P)	48.6	48.2
9:30	HCOB Germany Services PMI (Dec P)	53.0	53.1
9:30	HCOB Germany Composite PMI (Dec P)	52.4	52.4
11:00	ZEW Survey Expectations (Dec)	38.4	38.5
11:00	ZEW Survey Current Situation (Dec)	-80.0	-78.7
France			
9:15	HCOB France Manufacturing PMI (Dec P)	48.1	47.8
9:15	HCOB France Services PMI (Dec P)	51.1	51.4
9:15	HCOB France Composite PMI (Dec P)	50.2	50.4
Events			
14:15	ADP Weekly Employment Preliminary Estimate		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,17	-0,01		US	3,50	-0,02	DOW	48416,56	-41,49
DE	2,85	0,00		DE	2,15	0,00	NASDAQ	23057,41	-137,76
BE	3,34	-0,01		BE	2,20	0,00	NIKKEI	49383,29	-784,82
UK	4,50	-0,02		UK	3,75	0,01	DAX	24229,91	43,42
JP	1,96	0,00		JP	1,07	-0,01	DJ euro-50	5752,52	31,81
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	3,34	3,56	€STR	1,9300	-0,0020			
5y	2,59	3,45	3,68	Euribor-1	1,9290	-0,0050	SOFR-1	3,7435	-0,0132
10y	2,92	3,77	4,01	Euribor-3	2,0720	-0,0100	SOFR-3	3,7058	-0,0040
				Euribor-6	2,1680	-0,0020	SOFR-6	3,6315	-0,0099
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1753	0,0013		EUR/JPY	182,43	-0,51	CRB	295,50	-2,79
USD/JPY	155,23	-0,58		EUR/GBP	0,8786	0,0006	Gold	4335,20	6,90
GBP/USD	1,3376	0,0005		EUR/CHF	0,9358	0,0015	Brent	60,56	-0,56
AUD/USD	0,6641	-0,0011		EUR/SEK	10,9123	0,0290			
USD/CAD	1,3768	-0,0004		EUR/NOK	11,9283	0,0332			

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