



Monday, 19 January 2026

KBC Sunrise Market Commentary

Markets

- **US President Trump** so far doesn't let a weekend pass by without shaking up markets. After the Maduro kidnapping and the Fed subpoena's, he now **raised the stakes over Greenland**. In his pursuit over the strategically import island, he announced **10% tariffs on goods from 8 EU & NATO countries** (Germany, France, the UK, the Netherlands and the four Scandinavian countries) taking effect February 1st. Without a deal on the purchase of Greenland, they will be raised to 25% in June. It prompted **an immediate response by the EU**, with European parliament halting last year's trade deal approval, the EU readying retaliatory tariffs against €93bn worth of US goods and French President Macron arguing in favour using the EU's Anti-Coercion Instrument (ACI). That legal tool entered into force at the end of 2023 but hasn't been used yet. It allows the EU to deter, respond to and ultimately counter economic pressure applied by non-EU countries. Developments over the weekend are **prelude to high-level talks** between the US President and EC president von der Leyen and other EU leaders in the side-lines of the World Economic Forum in Davos which Trump visits **on Wednesday and on Thursday**. Apart from the Greenland crisis, these were also intended to be used to discuss support to Ukraine.
- **European equity futures lose more than 1% this morning in a risk-off move that sends gold and silver prices higher again.** German Bund futures and US Treasury futures spiked higher, but especially in the US cede ground again. Be aware that there will be no cash trading in the US today because of **Martin Luther King Holiday**, squeezing overall volumes. **EUR/USD moved from the 1.1580 area towards 1.1630 in the current Sell America move.** Today's empty eco calendar means that the Greenland narrative will remain the dominant one. **Erring on the side of caution** going into the Wednesday/Thursday meetings seems to be the way to go.
- **Recall that US Treasuries sold off last Friday, with the belly of the curve underperforming.** US yields ended 2.2 bps (2-yr) to 5.4 bps (7-yr) higher in a move triggered by **Trump's suggestion that he prefers to keep White House economic adviser Kevin Hassett in his seat rather than nominating him as the next Fed chair**. Hassett was widely regarded as the most dovish pick amongst five remaining contenders and together with Kevin Warsh considered to be leading the race. From a technical point of view, **the US 10-yr yield closed above key resistance at 4.2%, suggesting technical clearance for a move towards 4.5%/4.6%**. The return of the US risk premium narrative adds the fundamental touch to the technical break.

News & Views

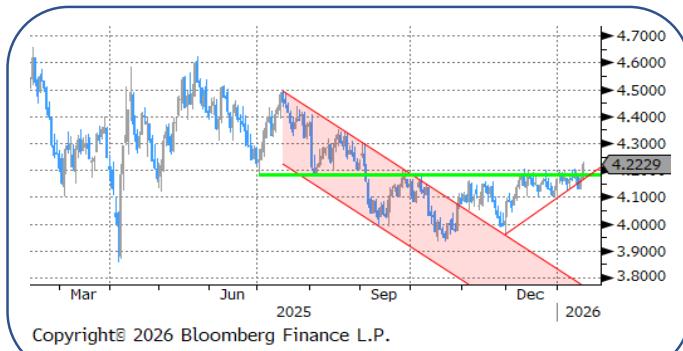
- **China this morning published Q4 2025 GDP growth data.** Economic growth in 2025 **exactly reached the 5% growth target**. Added value in the primary industry rose by 3.9%. In the secondary industry by 4.5% and the tertiary industry by 5.4%. However, **Y/Y growth throughout the year eased from 5.4% in Q1 to 4.5% in Q4 with the quarterly growth at 1.2% in the final quarter of last year**. Activity data for the final month of last year also showed an ongoing dichotomy illustrating **lackluster domestic growth contrasting with the surging (export-driven) production sector**. Retail sales last year increased by an uninspiring cumulative 3.7% over the 12-months to December. Industrial production gained 5.9% (5.2% Y/Y in December). At the same, fixed asset investments declined by -3.8% YTD Y/Y, property investments even declining 17.2% YTD, illustrating ongoing stress in this part of the economy. **The unemployment rate was unchanged at 5.1% on December**. A further weakening momentum in domestic demand suggests more (selective) measures to support domestic activity this year, including further monetary easing. Despite mediocre growth data and (selective) credit support measures published last week, **the yuan extends its gradual rise** with USD/CNY currently trading at 6.9635, the best level since May 2023.
- **Asking prices for UK Houses rose by 2.8% M/M and 0.5% Y/Y in the four weeks to January 10** according to UK property website Rightmove. Admittedly, the rebound comes **after two monthly declines** of 1.8% M/M in December and November. Still the rise was **the largest monthly increase since June 2015**. While Rightmove assessed that this marks a positive start of the year, it also advocated some caution as asking house prices **are now only back at the level where they were before the summer**. The rise also occurs in a context where **the number of homes for sale was at the highest level for this time of the year in 12 years**.

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 might 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 to 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 as focus returns to US risk premia.

4.2% resistance is at risk of a break higher.



EUR/USD

In 2025, 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 reduced USD interest rate support. However, recently the dollar regained a better bid. Despite political pressure, the Fed holds a gradual approach on further easing. Geopolitical tensions so far didn't help the euro, but the Greenland narrative warrants close monitoring.



EUR/GBP

Sterling snapped through multiple support zones, pushing EUR/GBP to its highest levels since early 2023. A new sell-off was avoided after Chancellor Reeves' November Autumn Budget, but we stick to our view that EUR/GBP will return towards the 0.90 handle.

Calendar & Table

Monday, 19 January			Consensus	Previous
Canada				
14:30	CPI NSA MoM/YoY (Dec)		-0.30%/2.20%	0.10%/2.20%
14:30	CPI Core-Median YoY% (Dec)		2.70%	2.80%
14:30	CPI Core-Trim YoY% (Dec)		2.70%	2.80%
Japan				
00:50	Core Machine Orders MoM/YoY (Nov)		-11.00%A/-6.40%A	7.00%/12.50%
05:30	Capacity Utilization MoM (Nov)		-5.30%A	3.30%
05:30	Tertiary Industry Index MoM (Nov)		-0.20%A	0.90%
UK				
01:01	Rightmove House Prices MoM/YoY (Jan)		2.80%/0.50%	-1.80%/-0.60%
EMU				
11:00	CPI MoM/YoY (Dec F)		0.20%/2.00%	0.20%/2.00%
11:00	CPI Core YoY (Dec F)		2.30%	2.30%
China				
02:30	New Home Prices MoM (Dec)		-0.37%A	-0.39%
02:30	Used Home Prices MoM (Dec)		-0.70%A	-0.66%
03:00	GDP YTD YoY (4Q)		5.00%A	5.20%
03:00	GDP SA QoQ/YoY (4Q)		1.20%A/4.50%A	1.10%/4.80%
03:00	Retail Sales YTD YoY/YoY (Dec)		3.70%A/0.90%A	4.00%/4.80%
03:00	Industrial Production YTD YoY/YoY (Dec)		5.90%A/5.20%A	6.00%/4.80%
03:00	Fixed Assets Ex Rural YTD YoY (Dec)		-3.80%A	-2.60%
03:00	Surveyed Jobless Rate (Dec)		5.10%A	5.10%
03:00	Property Investment YTD YoY (Dec)		-17.20%A	-15.90%
03:00	Residential Property Sales YTD YoY (Dec)		-13.00%A	-11.20%
Events				
19JAN	US financial markets closed for Martin Luther King Day			
19-23JAN	World Economic Forum			

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d
US	4,22	0,05	US	3,59	0,02	DOW	49359,33	-83,11
DE	2,84	0,02	DE	2,11	0,01	NASDAQ	23515,39	-14,63
BE	3,41	0,15	BE	2,15	0,01	NIKKEI	53583,57	-352,60
UK	4,40	0,01	UK	3,67	0,00	DAX	25297,13	-55,26
JP	2,27	0,08	JP	1,23	0,02	DJ euro-50	6029,45	-11,69
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d
3y	2,37	3,45	3,53	ESTR	1,9300	0,0000		
5y	2,54	3,56	3,66	Euribor-1	1,9850	0,0160	SOFR-1	3,6692
10y	2,86	3,86	4,00	Euribor-3	2,0330	0,0070	SOFR-3	3,6684
				Euribor-6	2,1430	0,0020	SOFR-6	3,6319
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1598	-0,0011	EUR/JPY	183,42	-0,74	CRB	302,05	0,30
USD/JPY	158,12	-0,51	EUR/GBP	0,8669	-0,0006	Gold	4595,40	-28,30
GBP/USD	1,338	-0,0001	EUR/CHF	0,9313	-0,0011	Brent	64,13	0,37
AUD/USD	0,6683	-0,0016	EUR/SEK	10,6944	-0,0153			
USD/CAD	1,3914	0,0023	EUR/NOK	11,7083	-0,0312			

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