



Wednesday, 21 January 2026

## KBC Sunrise Market Commentary

### Markets

- **US President Trump's key note speech** at the World Economic Forum in Davos is scheduled around 2:30 pm CET today. In an opinion piece in the Financial Times, US secretary of commerce explained that the US administration **isn't going to Davos to uphold the globalist status quo, but to confront it head-on.** *"We aren't going to Davos to blend in. We're not asking permission or seeking approval. We are here to declare that the era of America Last has come to an end."* America first, although that doesn't mean America alone. As long as you play ball with America of course. After his keynote speech, he'll **meet with EU leaders who hope to defuse the Greenland crisis or at least drop the tariff treats.** An interview with CNBC is scheduled after European market close. **Transatlantic relations hit rock bottom this week. Financial markets cramped, turning against US assets in general and selling off bonds and stocks in lockstep.** Main US equity indices lost 1.75% (Dow) to 2.4% (Nasdaq) after reopening from the long weekend. EUR/USD closed at 1.1725 from a start at 1.1646. The US yield curve bear steepened with yields adding 1 bp (2-yr) to 8.2 bps (30-yr). The US 10-yr yield confirmed the technical break above 4.2%. Recall that the US administration in the aftermath of the Liberation Panic started moderating its aggressive opening gambits when long term US yields hit certain levels (respectively 4.5% and 5% area for 10y & 30y yield). It suggests that US rhetoric could remain hawkish going into the Feb 1st deadline for 10% tariffs on eight EU countries. **We're not yet inclined to step in and buy the dip already on US assets.** On a sidetrack, we today follow **the US supreme court hearing regarding President Trump's Fed governor Cook.** It boils down to the interpretation of firing board members "for cause". That's not formally defined but understood to mean because of serious malfeasance in office. Lower courts have ruled in favour of Cook, indicating a strict definition of "for cause". **A more expansive interpretation by the conservative supreme court hands the US president a strong precedent and harms legal protections against the independent US central bank.** Such outcome is a wildcard for trading but would add fuel to the market fire.
- **Tensions on the Japanese bond market, another fire accelerator, ease somewhat this morning.** The long end of the curve corrects 15 bps lower after this week's violent JGB sell-off as markets fear that PM Takaichi might overdue it on the fiscal stimulus should her LDP party gain an outright majority in February 8 lower house (snap) elections. The Japanese FM tried to restore calm yesterday after Asian trading hours, suggesting that a sales tax cut proposal for food wouldn't be funded by new borrowing. **Japan's second largest bank**, Sumitomo Mitsui Financial Group, **this morning announced plans to increase its Japanese government bond portfolio to as much as double the current JPY 10.6tn.**

### News & Views

- In first public comments after becoming member of the **MPC of the Polish National Bank** end last year, **Marcin Zarzecki** agreed with the decision to leave the policy rate unchanged at 4% this month. He indicated that **a return to interest rate cuts should only take place if the new projections clearly confirm that the disinflationary process is sustainable.** Keeping rates at a reasonable level increases the **anti-inflationary effectiveness** of policy and solidifies the process of anchoring inflation expectations. Zarzecki even warned that soft incoming inflation figures shouldn't automatically green light further easing as the MPC is focused on the inflation outlook. There are signs that there is some **division within the MPC on the timing of further easing** as other members recently **left the door open for a Q1 rate cut.** Zarzecki sees Governor Glapinski's indications about the rate cut cycle **bottoming out near 3.5% as a reasonable point of reference.** The new MPC member also warned that an overly accommodative policy might limit the MPC's ability to respond to potential external shocks, such as an escalation in geopolitical tensions.
- Reuters reports that **the German Government is in the process of lowering its GDP forecast for this year from 1.3% to 1%.** According to a draft report, also **2027 growth might be downwardly revised from 1.4% to 1.3%.** The 2026 growth is still substantially higher compared to the 2025 outcome of 0.2% yearly growth. The revision might be included in the annual economic report of the Ministry of Finance that will be revealed on January 28.

## Graphs



### GE 10y yield

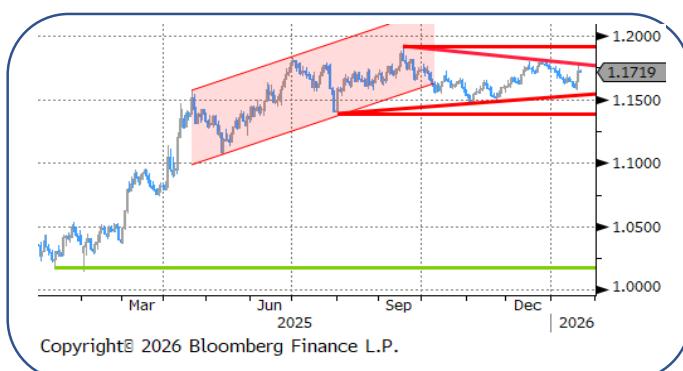
Confidence that inflation is returning to 2% allowed the ECB to reduce its policy rate to 2%, reaching neutral territory. The ECB considers it to be in a good place to respond to potential shocks. Recent comments ever more indicate that the next ECB move might be a rate hike. Combined with ongoing higher (fiscal) risk premia, this supported a rebound in EMU yields.



### US 10y yield

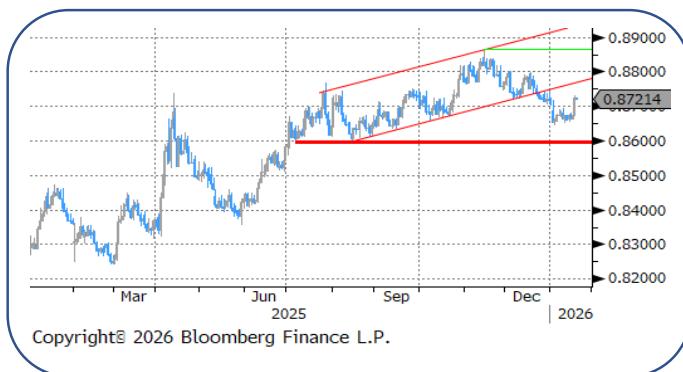
The Fed's focus shifted to increased attention for (risks to) the labour market with 25 bps rate cuts in September, October and December. The Fed now nears a neutral policy level, but the debate on further easing isn't finished yet. Some further steepening still might be on the cards as focus returns to US risk premia.

The US 10-yr yield broke through key resistance at 4.2%.



### 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

Wednesday, 21 January			Consensus	Previous
<b>US</b>				
13:00	MBA Mortgage Applications		--	28.50%
16:00	Construction Spending MoM (Oct)		0.10%	--
16:00	Pending Home Sales MoM/NSA YoY (Dec)		-0.30%/-	3.30%/-0.30%
<b>UK</b>				
<b>08:00</b>	<b>CPI MoM/YoY (Dec)</b>		<b>0.40%/3.30%</b>	<b>-0.20%/3.20%</b>
08:00	CPI Core YoY (Dec)		3.30%	3.20%
08:00	CPI Services YoY (Dec)		4.50%	4.40%
08:00	CPIH YoY (Dec)		3.60%	3.50%
08:00	RPI MoM/YoY (Dec)		0.60%/4.10%	-0.40%/-3.80%
08:00	RPI Ex Mort Int.Payments (YoY) (Dec)		--	3.70%
08:00	PPI Output NSA MoM/YoY (Dec)		0.10%/3.40%	0.10%/-3.40%
08:00	PPI Input NSA MoM/YoY (Dec)		-0.10%/1.00%	0.30%/1.10%
10:30	House Price Index YoY (Nov)		--	1.70%
12:00	CBI Business Optimism (Jan)		--	-31
12:00	CBI Trends Total Orders (Jan)		-33	-32
12:00	CBI Trends Selling Prices (Jan)		16	19
<b>Events</b>				
Q4 earnings	Halliburton (bef-mkt) ...			
<b>08:30</b>	<b>ECB's Lagarde Speaks on Panel in Davos</b>			
10:15	ECB's Villeroy Speaks on Panel in Davos			
11:30	Germany to Sell Bonds			
17:45	ECB's Lagarde Speaks on Panel in Davos			
19:30	ECB's Nagel Speaks in Davos			

<b>10-year</b>	<u>Close</u>	<u>-1d</u>	<b>2-year</b>	<u>Close</u>	<u>-1d</u>	<b>Stocks</b>	<u>Close</u>	<u>-1d</u>
<b>US</b>	4,29	0,07	<b>US</b>	3,60	0,01	<b>DOW</b>	48488,59	-870,74
<b>DE</b>	2,86	0,02	<b>DE</b>	2,07	-0,01	<b>NASDAQ</b>	22954,32	-561,07
<b>BE</b>	3,44	0,03	<b>BE</b>	2,12	-0,01	<b>NIKKEI</b>	52774,64	-216,46
<b>UK</b>	4,46	0,04	<b>UK</b>	3,68	0,00	<b>DAX</b>	24703,12	-255,94
<b>JP</b>	2,28	-0,08	<b>JP</b>	1,23	0,01	<b>DJ euro-50</b>	5892,08	-33,74
<b>IRS</b>	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	<b>EUR</b>	<u>-1d</u>	<u>-2d</u>	<b>USD</b>	<u>-1d</u>
<b>3y</b>	2,34	3,46	3,55	<b>ESTR</b>	1,9320	0,0030		
<b>5y</b>	2,53	3,59	3,69	<b>Euribor-1</b>	1,9810	0,0230	<b>SOFR-1</b>	3,6731
<b>10y</b>	2,88	3,91	4,05	<b>Euribor-3</b>	2,0270	-0,0020	<b>SOFR-3</b>	3,6714
				<b>Euribor-6</b>	2,1510	-0,0040	<b>SOFR-6</b>	3,6309
<b>Currencies</b>	<u>Close</u>	<u>-1d</u>	<b>Currencies</b>	<u>Close</u>	<u>-1d</u>	<b>Commodities</b>	<u>Close</u>	<u>-1d</u>
<b>EUR/USD</b>	1,1725	0,0079	<b>EUR/JPY</b>	185,43	1,31	<b>CRB</b>	306,35	4,30
<b>USD/JPY</b>	158,15	0,04	<b>EUR/GBP</b>	0,8723	0,0049	<b>Gold</b>	4765,80	170,40
<b>GBP/USD</b>	1,3439	0,0014	<b>EUR/CHF</b>	0,9260	-0,0026	<b>Brent</b>	64,92	0,98
<b>AUD/USD</b>	0,6737	0,0023	<b>EUR/SEK</b>	10,699	-0,0220			
<b>USD/CAD</b>	1,3837	-0,0032	<b>EUR/NOK</b>	11,7183	0,0013			

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