



Friday, 23 January 2026

KBC Sunrise Market Commentary

Markets

- Yesterday's risk rebound lifted key US and European stock indices by 0.5% to 1.25%.** Changes on US and German bond markets were minimal, but the dollar faced a tough time. **EUR/USD moved from 1.1684 to 1.1755, closing in on first resistance at 1.1773/1.1808 (upside closing triangle formation/December top).** A refocus on peace between Ukraine and Russia might be at play. New talks involving the US are scheduled in UAE. Today's eco calendar contains global PMI's, but these are unlikely to set the tone for trading. **We look to overall risk sentiment and keep in mind that US President Trump in 2026 so far liked to "surprise" over the weekend.** His pick of the new Fed chair is high on the agenda.
- The Bank of Japan kept its policy rate unchanged this morning at 0.75%** in an 8-1 majority vote. BoJ member Takata considered that the price stability target had been more or less achieved and that, with overseas economies being in a recovery phase, risks to prices in Japan were skewed to the upside. He proposed lifting the policy rate to 1%. In its quarterly outlook for economic activity and prices, **the BoJ lifted its short-term growth path, mainly due to the effects of the government's economic measures.** It now expects real GDP growth of 0.9% and 1% in fiscal years 2025 & 2026 (up from 0.7% for both in October). The growth projection for FY 2027 was lowered from 1% to 0.8%. The headline inflation path was unchanged apart from a 0.1 ppt upward revision for FY 2026: 2.7%-1.9%-2%. More importantly, **core-core CPI (excl. fresh food and energy) is now seen at 3%-2.2%-2.1% over the policy horizon up from 2.8%-2%-2% three months ago.** The main factors that determine underlying inflation are **an improving trend in the output gap towards positive territory** and a **greater than expected tightening of labor market conditions**, partly due to a deceleration in the pace of increase in labor force participation of women and seniors. Upward pressure on wages and prices is likely to be stronger than suggested by the output gap, given that firms in many industries have started to face labor supply constraints. Risks to both economic activity and prices are **generally balanced**, but the BoJ mentions **two specific upside inflation risks: firms' wage- and price-setting behavior and its impact on inflation expectations and future development in FX rates and import prices.** If the aforementioned outlook for economic activity and prices will be realized, the Bank of Japan will **continue to raise the policy interest rate and adjust the degree of monetary accommodation. Japanese money market currently fully discount a next hike to 1% by the June meeting and see the EoY policy rate between 1.25% and 1.5%.** The JGB yield curve flattens this morning with the front end creeping 3.4 bps higher while the very long end remains more in correction mode following this week's earlier violent sell-off (-3 bps). Interestingly, BoJ governor Ueda at the press conference said that the BoJ will maintain close cooperation with government on deciding whether to conduct possible stabilizing bond (buying operations). **USD/JPY holds near the recent highs (158.75) despite an overall weaker USD.**

News & Views

- New-Zealand inflation was higher than expected in Q4 2025 at 0.6% Q/Q and 3.1% Y/Y (from 3% in Q3) and returned north of the Reserve Bank of New Zealand's 1-3% target range.** It was the fastest pace since Q2 2024. While inflation slowed considerably from its 2022 peak, Statistics New-Zealand also mentions that inflation **increased each quarter since Q4 2024.** The largest contributors to annual inflation are electricity, local authority rates and rent. In a quarterly perspective, an increase in air transport prices was an important driver for higher prices. **Tradeable inflation increased to 0.7% Q/Q. Price for non-tradeables rose by 0.6% Q/Q.** The Q4 2025 outcome was also above the November RBNZ projection (2.7% Y/Y). At that meeting, the RBNZ in a 5-1 vote still cut the policy rate by 25 bps to 2.25% as it preferred to support output, even as there were already tentative signs of an economic rebound admittedly with still ample spare capacity. **Markets now see two 25 bps rate hikes by end this year.** While this might be a bit premature, the 2-y government bond yield today rises by 5 bps (3.32%). The Kiwi dollar yesterday already gained sharply against an overall weaker dollar and holds north of NZD/USD 0.59 (vs 0.57 one week ago).
- Indian private sector growth recovered after losing some momentum at the end of last year.** The composite output PMI rose to 59.5 (from 57.8), with both services activity (59.3) and manufacturing output (59.9) improving. The improvement was supported by job creation and a rebound in business confidence. At the same time, **aggregate rates of input cost and output charge inflation remained moderate despite quickening since December.** On another topic related to the Indian economy Bloomberg this morning runs an article that **India's holdings of US Treasures have fallen to \$174bn, a five-year low**, referring to US government data published last week. The move is linked to India and other regional countries **diversifying their reserves away from US assets**, including raising the share of gold in their reserves. **Central bank action to support the local currency** might also be in play.

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

Friday, 23 January		Consensus	Previous
US			
15:45	S&P Global US Manufacturing PMI (Jan P)	52	51.8
15:45	S&P Global US Services PMI (Jan P)	52.9	52.5
15:45	S&P Global US Composite PMI (Jan P)	53.0	52.7
16:00	U. of Mich. Sentiment (Jan F)	54	54
17:00	Kansas City Fed Services Activity (Jan)	--	3
Japan			
23JAN	BOJ Target Rate	0.75%A	0.75%
23JAN	BOJ GDP Current Forecast (1Q)	0.90%A	0.70%
23JAN	BOJ GDP Current Forecast +1 (1Q)	1.00%A	0.70%
23JAN	BOJ GDP Current Forecast +2 (1Q)	0.80%A	1.00%
23JAN	BOJ Core CPI Current Forecast (1Q)	2.70%A	2.70%
23JAN	BOJ Core CPI Current Forecast +1 (1Q)	1.90%A	1.80%
23JAN	BOJ Core CPI Current Forecast +2 (1Q)	2.00%A	2.00%
23JAN	BOJ Core CPI Ex-Energy Current (1Q)	3.00%A	2.80%
23JAN	BOJ Core CPI Ex-Energy Current Forecast +1 (1Q)	2.20%A	2.00%
23JAN	BOJ Core CPI Ex-Energy Current Forecast +2 (1Q)	2.10%A	2.00%
00:30	Natl CPI YoY (Dec)	2.10%A	2.90%
00:30	Natl CPI Ex Fresh Food YoY (Dec)	2.10%A	3.00%
00:30	Natl CPI Ex Fresh Food. Energy YoY (Dec)	2.40%A	3.00%
01:30	S&P Global Japan PMI Composite (Jan P)	52.8A	51.1
01:30	S&P Global Japan PMI Mfg (Jan P)	51.5A	50
01:30	S&P Global Japan PMI Services (Jan P)	53.4A	51.6
06:30	Nationwide Dept Sales YoY (Dec)	1.10%A	0.90%
UK			
01:01	GfK Consumer Confidence (Jan)	-16A	-17
08:00	Retail Sales Inc Auto Fuel MoM/YoY (Dec)	0.00%/1.10%	-0.10%/0.60%
08:00	Retail Sales Ex Auto Fuel MoM/YoY (Dec)	0.00%/1.70%	-0.20%/1.20%
10:30	S&P Global UK Services PMI (Jan P)	51.7	51.4
10:30	S&P Global UK Manufacturing PMI (Jan P)	50.6	50.6
10:30	S&P Global UK Composite PMI (Jan P)	51.5	51.4
EMU			
10:00	HCOB Eurozone Manufacturing PMI (Jan P)	49.2	48.8
10:00	HCOB Eurozone Services PMI (Jan P)	52.6	52.4
10:00	HCOB Eurozone Composite PMI (Jan P)	51.9	51.5
Germany			
09:30	HCOB Germany Services PMI (Jan P)	52.5	52.7
09:30	HCOB Germany Composite PMI (Jan P)	51.7	51.3
09:30	HCOB Germany Manufacturing PMI (Jan P)	47.8	47
France			
09:15	HCOB France Manufacturing PMI (Jan P)	50.5	50.7
09:15	HCOB France Services PMI (Jan P)	50.3	50.1
09:15	HCOB France Composite PMI (Jan P)	50.0	50
Sweden			
08:00	Unemployment Rate SA (Dec)	8.80%	9.10%
Events			
10:30	BOE's Megan Greene Speaks		
11:00	ECB's Lagarde, IMF's Georgieva Speak on Panel in Davos		

10-year	<u>Close</u>	<u>-1d</u>		2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,24	0,00		US	3,61	0,02	DOW	49384,01	306,78
DE	2,89	0,01		DE	2,11	0,03	NASDAQ	23436,02	211,20
BE	3,44	-0,01		BE	2,15	0,02	NIKKEI	53846,87	157,98
UK	4,47	0,02		UK	3,68	0,00	DAX	24856,47	295,49
JP	2,26	0,01		JP	1,26	0,03	DJ euro-50	5956,17	73,29
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>-1d</u>	<u>-2d</u>	<u>USD</u>	<u>-1d</u>	<u>-2d</u>
3y	2,38	3,48	3,56	€STR	1,9330	0,0010			
5y	2,57	3,59	3,70	Euribor-1	1,9670	0,0110	SOFR-1	3,6703	-0,0006
10y	2,90	3,89	4,05	Euribor-3	2,0300	-0,0040	SOFR-3	3,6700	-0,0009
				Euribor-6	2,1490	-0,0070	SOFR-6	3,6373	0,0007
Currencies	<u>Close</u>	<u>-1d</u>		Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1755	0,0070		EUR/JPY	186,2	1,22	CRB	308,41	-0,81
USD/JPY	158,41	0,11		EUR/GBP	0,8705	0,0003	Gold	4913,40	75,90
GBP/USD	1,3501	0,0072		EUR/CHF	0,9276	-0,0021	Brent	64,06	-1,18
AUD/USD	0,684	0,0078		EUR/SEK	10,587	-0,0575			
USD/CAD	1,3786	-0,0048		EUR/NOK	11,5869	-0,0532			

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