



Monday, 26 January 2026

KBC Sunrise Market Commentary

Markets

- The Japanese yen hijacks all market attention. JPY goes through the roof against all global peers, in particular the US dollar. USD/JPY fell off a cliff Friday, from an intraday high of 159.23 to 155.7 in the close. The sharp decline continues at the start of the new week with the pair trading at 154.4 currently, breaking below the 154.83 support (23.6% retracement on the USD/JPY April-Jan rally). Support between 154.35 (December lows) and around 154 (big figure, 100 dMA) appears to hold for the time being. JPY strength originated after Bank of Japan governor Ueda concluded its presser. Ueda disappointed JPY bulls with its agonizingly slow hiking cycle even as inflation remains well north of the 2% target. That prompted the intraday high in USD/JPY. But **then rumours began swirling that financial institutions had been asked to check on the yen's exchange rate**. This is typically the last stage before actual FX interventions. This time around, though, it weren't just Japanese authorities doing the rate check, but **the NY Fed**. That suggests a possible coordinated FX market response in which one party (the US) essentially has unlimited firepower to buy JPY and sell USD. Japanese authorities have been frustrated over JPY weakness for quite some time and have since 2022 stepped unilaterally a couple of times. **The last such coordinated JPY buying operation was in 1998**. Japanese PM Takaichi, finance minister Katayama and other high-ranking officials over the weekend and today have all added fuel to the already wildly raging speculation fire. **The topic will remain top of mind today**. USD/JPY moves have spilled and are spilling over to other USD pairs. EUR/USD on Friday pierced through resistance at around 1.1775 coming from a downward sloping trendline connecting the Sep and Dec highs, smashed the 1.18 big fig and came just shy of the 1.19 level this morning. Key resistance is located at 1.1919, the September multiyear high. GBP/USD (cable) shot up to a 5-month high of 1.3664. The broader DXY index tumbled to 97.11 with the 96.22 lows looming. Commodities, metals in particular, are surging too. Gold hits a new high north of the symbolical 5k barrier, silver leaped beyond the \$100 mark already on Friday. It's suggestive of general dollar weakness, which we still see as a consequence of rising US risk premia tied to the administration's unpredictable policies, domestic and foreign. The **Senate Democrats are threatening with a partial shutdown** over the Minnesota incident (see below) and serves as a case in point. Core bonds gain slightly this morning after a fairly uneventful session on Friday, when PMIs failed to inspire. The move lacks strength though and could be capped, especially in Europe, by another huge 10% jump in gas prices. In focus later this week are the Fed policy meeting along with some other smaller central banks (Hungary, Canada, Sweden, EU member states' inflation and GDP numbers and some high-profile company earnings (Microsoft, Tesla, Meta, Apple ...).

News & Views

- Democratic Senate Minority leader Schumer calls for changes to the Department of Homeland Security's funding bill** which he finds woefully inadequate to rein in the abuses of ICE (Immigration and Customs Enforcement). The Democratic move came after a second protestor died in Minnesota where the US administration sent huge numbers of federal officers to conduct a sweeping immigration crackdown and respond to escalating protests. **Schumer wants to isolate the DHS bill from five other funding bills which the House last week voted in favor of (in one package)**. Any such proposed changes by the Senate **would require a new vote in the House** which is on recess this coming week. Unfortunately, **the clock is ticking against Congress with a January 31 deadline looming**. That's when they run out of funding for much of the federal government. Passing the deadline without a deal in place risks triggering a **partial government shutdown**.
- US president Trump reacted to the trade deal reached between Canada and China last week**. It's a wide-ranging agreement to lower trade barriers and rebuild ties. It includes lower tariffs on Canadian rapeseed, on Chinese EV's, but also visa-free travel to Canadians. **Trump now threatens Canada with 100% of tariffs against all goods and products coming into the US** if Canada pushes through with its resolution on several important tariff issues. The Loonie isn't impressed and holds its ground against an overall weak USD. USD/CAD (1.3675) slides towards the 1.36 support area.

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

Monday, 26 January		Consensus	Previous
US			
14:30	Chicago Fed Nat Activity Index (Nov)	-0.20	-0.21
14:30	Durable Goods Orders (Nov P)	3.80%	-2.20%
14:30	Durables Ex Transportation (Nov P)	0.30%	0.10%
14:30	Cap Goods Orders Nondef Ex Air (Nov P)	0.30%	0.50%
14:30	Cap Goods Ship Nondef Ex Air (Nov P)	0.30%	0.80%
16:30	Dallas Fed Manf. Activity (Jan)	-8.6	-10.9
Germany			
10:00	IFO Business Climate (Jan)	88.2	87.6
10:00	IFO Current Assessment (Jan)	86.0	85.6
10:00	IFO Expectations (Jan)	90.3	89.7
Belgium			
15:00	Business Confidence (Jan)	--	-11.9
Events			
11:30	EU to Sell Bonds		
12:00	ECB's Nagel Speaks in Berlin		
14:30	ECB's Nagel Speaks in Bundestag		
16:00	ECB's Kocher Speaks in London		
18:00	ECB's Kocher Speaks in London		
19:00	U.S. To Sell USD69 Bln 2-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	4,23	-0,02		US	3,59	-0,01	DOW	49098,71	-285,30
DE	2,91	0,02		DE	2,13	0,02	NASDAQ	23501,24	65,22
BE	3,43	-0,02		BE	2,16	0,00	NIKKEI	52885,25	-961,62
UK	4,51	0,04		UK	3,73	0,05	DAX	24900,71	44,24
JP	2,24	-0,02		JP	1,27	0,02	DJ euro-50	5948,2	-7,97
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	2,40	3,46	3,62	€STR	1,9330	0,0000			
5y	2,59	3,57	3,77	Euribor-1	1,9590	-0,0080	SOFR-1	3,6760	0,0056
10y	2,93	3,87	4,12	Euribor-3	2,0380	0,0080	SOFR-3	3,6702	0,0002
				Euribor-6	2,1570	0,0080	SOFR-6	3,6354	-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	1,1828	0,0073		EUR/JPY	184,06	-2,14	CRB	312,24	3,83
USD/JPY	155,7	-2,71		EUR/GBP	0,8668	-0,0037	Gold	5017,00	67,60
GBP/USD	1,3643	0,0142		EUR/CHF	0,9231	-0,0045	Brent	65,88	1,82
AUD/USD	0,6894	0,0054		EUR/SEK	10,5821	-0,0049			
USD/CAD	1,3699	-0,0087		EUR/NOK	11,5563	-0,0306			

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