



Tuesday, 27 January 2026

KBC Sunrise Market Commentary

Markets

- Just the idea of a potential coordinated JPY intervention by the US and Japan sufficed for yen bears to back off. For now, we have to add, because **we wouldn't be surprised if the market will at some point test authorities' resolve to actually step in.** USD/JPY's two-day slide ended at 154.18 yesterday after having traded as low as 153.31, below the 100 dMA. The currency pair is slightly recovering to 154.53 this morning as the dust is settling. The stronger JPY was much less visible in EUR/JPY: 183.17 compared to the 184.06 record high on Friday. Broader dollar weakness with spillovers from USD/JPY were visible elsewhere: in new record highs for the likes of gold, silver & platinum as well as in other FX pairs. EUR/USD which for the first time since September attempted to take out 1.19. That failed but the eventual 1.1880 closing level was the highest in more than four years nevertheless. GBP/USD rose to 1.368 compared to 1.34 mid last week. The trade-weighted dollar index kept the 97 barrier, a five-month low, afloat. Stocks struggled for direction in Europe while eking out some small gains in the US. Core bonds grabbed some kneejerk haven flows with Bunds outperforming Treasuries. Bund yields fell 2.6-3.9 bps in a bull flattener. US rates eased between 0.4 (2-yr) and 2.6 bps (20-yr). Gas prices grabbed some headlines too by shooting higher to a seven month high (storm Chandra) before paring gains again.
- It's unlikely we've seen the last in the JPY saga but for the time being it may move a bit to the background. We'll have to see how market dynamics play out, for the US dollar in particular, with the **economic calendar now slowly heating up in the US.** The weekly ADP job creation numbers and Conference Board consumer confidence is up for release, along with some (second-tier) housing data and Richmond business confidence. They serve as a minor distraction from **tomorrow's FOMC policy meeting.** The latter is at risk of being its thunder stolen by US President Trump announcing the new Fed chair shortly beforehand. European news centers around the **free trade deal struck between the EU and India** after nearly two decades of negotiations. The "mother of all deals", dixit EC president von der Leyen, follows the **Mercosur deal** (still subject to EU Parliamentary approval) and cannot be decoupled from the changing global order and the move towards diversification – in this case away from the US and China - is central. **Trump's renewed tariff threat vs South Korea** (see below), real or not is irrelevant, serves as case in point.

News & Views

- US President Trump threatened to raise South Korean tariffs on all goods covered by reciprocal tariffs** along with cars, lumber and pharmaceutical goods from 15% to 25%. **He blames the Asian country for slowplaying the trade deal both nations reached last year.** Part of that deal included annual South Korean investments in the US. A bill to set up a \$350bn investment fund is currently stalled in South Korean parliament. Concerns over the currency impact are one of the reasons for the delay given that KRW is trading near lowest levels against USD since 2009. The South Korean National Assembly so far also didn't ratify both countries' over trade agreement which is more of a Memorandum of Understanding and factsheet rather than a formal treaty. The Kospi initially shed 1.5% on the news, but managed to turn those early losses into 2.5% (!) gains. An all-time high for SK Hynix (+8%) on reports that the company is the sole supplier of advanced memory for Microsoft's new AI chip helped enabling the turnaround.
- UK shop price inflation rose by a strong 0.4% M/M in January, lifting annual growth from 0.7% to 1.5%, the fastest pace since February 2024.** Details showed non-food prices rising by 0.1% M/M and 0.3% Y/Y (from -0.6%), while food price inflation accelerated by 1.1% M/M to 3.9% Y/Y (from 3.3%). The British Retail Consortium said that **shop price inflation jumped due to high business energy costs and the hike to national insurance continuing to feed through to prices.** Meat, fish and fruit were particularly affected, also reflecting weak supply and stronger demand, while non-food categories, including furniture, flooring, and health and beauty, all saw inflation rise.

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

Tuesday, 27 January			Consensus	Previous
US				
14:15	ADP Weekly Employment Change		—	8000k
15:00	FHFA House Price Index MoM (Nov)		0.30%	0.40%
15:00	S&P Cotality CS 20-City MoM SA/YoY NSA (Nov)		0.20%/1.20%	0.32%/1.31%
15:00	S&P Cotality CS US HPI YoY NSA (Nov)		1.30%	1.36%
16:00	Richmond Fed Manufact. Index (Jan)		-5	-7
16:00	Richmond Fed Business Conditions (Jan)		-7	-11
16:00	Conf. Board Consumer Confidence (Jan)		91.0	89.1
16:00	Conf. Board Present Situation (Jan)		--	116.8
16:00	Conf. Board Expectations (Jan)		--	70.7
16:30	Dallas Fed Services Activity (Jan)		-2.4	-3.3
Japan				
00:50	PPI Services YoY (Dec)		2.60%A	2.70%
UK				
01:01	BRC Shop Price Index YoY (Jan)		1.50%A	0.70%
EMU				
06:00	EU27 New Car Registrations (Dec)		5.8%A	2.10%
France				
08:45	Consumer Confidence (Jan)		90	90
Hungary				
14:00	Central Bank Rate Decision		6.50%	6.50%
Sweden				
08:00	PPI MoM/YoY (Dec)		--/--	1.20%/-1.40%
Events				
Q4 earnings	American Airlines (bef-mkt), UPS (12:00) ...			
11:00	Italy to Sell Bonds			
11:30	Germany to Sell Bonds			
18:00	ECB's Nagel Speaks on Digital Euro			
19:00	U.S. To Sell USD70 Bln 5-Year Notes			

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,21	-0,01	US	3,59	0,00	DOW	49412,4	313,69	
DE	2,87	-0,04	DE	2,10	-0,03	NASDAQ	23601,36	100,12	
BE	3,38	-0,05	BE	2,13	-0,03	NIKKEI	53333,54	448,29	
UK	4,50	-0,01	UK	3,74	0,01	DAX	24933,08	32,37	
JP	2,29	0,05	JP	1,28	0,01	DJ euro-50	5957,8	9,60	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,37	3,46	3,62	€STR	1,9340	0,0010			
5y	2,56	3,57	3,76	Euribor-1	1,9390	-0,0200	SOFR-1	3,6750	-0,0010
10y	2,89	3,86	4,10	Euribor-3	2,0380	0,0000	SOFR-3	3,6720	0,0018
				Euribor-6	2,1560	-0,0010	SOFR-6	3,6369	0,0015
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1880	0,0052	EUR/JPY	183,17	-0,89	CRB	315,11	2,87	
USD/JPY	154,18	-1,52	EUR/GBP	0,8684	0,0016	Gold	5122,30	105,30	
GBP/USD	1,368	0,0037	EUR/CHF	0,9229	-0,0002	Brent	65,59	-0,29	
AUD/USD	0,6917	0,0023	EUR/SEK	10,6172	0,0351				
USD/CAD	1,3707	0,0008	EUR/NOK	11,6084	0,0521				

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