

## Sunrise



Wednesday, 28 January 2026

## KBC Sunrise Market Commentary

### Markets

- The calm in most major (dollar) pairs since last summer got completely shattered.** It started with the Fed subpoenas and the Greenland crisis, which fueled already lingering concerns about the stability and relative worth of US assets including the dollar. Next came the news about a potential coordinated intervention between the US and Japan to prop up the ailing yen. **From the US side it signaled tolerance for a weaker dollar.** We saw a dramatic two-day USD/JPY slide in response with strong spillovers to all other USD cross rates. There was some stabilization in early dealings yesterday but it was nothing but a false dawn. Then there was president Trump late yesterday. Asked if he was worried about the dollar's recent decline, Trump said it is fine and that the dollar is doing great. Instead he pointed fingers at Japan and China, who "devalue, devalue, devalue" to be more competitive. **Trump's comments were taken as the go ahead for further dollar weakness.** And USDooooown it was. EUR/USD soared from an intraday low around 1.185 to as high as 1.2081 before closing at 1.2041 – a new 4-year high. **It prompted the first comments from ECB policymakers.** The Austrian Kocher in an interview with the Financial Times warned that the central bank may act if further "significant increases" would lower inflation projections. The trade-weighted index tanked to 95.55 but managed to close above 96 and at the 2025 September low) eventually. Cable (GBP/USD) had its first +1.38 finish in four years as well. Most pairs were driven by the dollar side of the equation and the **greenback will remain at the center of attention today.** There were a few exceptions though. The CHF for example racked in haven flows, rallying against the dollar but also the euro. EUR/CHF closed at a record low of 0.916, barring the 2015 episode. SEK and NOK completed the top three. Dollar weakness translated **in record gold and silver prices** too. Stock markets still closed in the green and losses for US Treasuries remained orderly so far with yields rising up to 5.8 bps at the long end. **But the US administration's take on the dollar is a risky one.** If markets were to lose confidence in the dollar as beacon of stability, rest assured that the sell-off won't stay limited to the currency. The near 10 bps rise in the 5y5y US inflation swap (inflation expectations gauge) yesterday to among the highest in seven months serves as a **warning sign.**
- Just like that Trump downgraded the **FOMC policy meeting** to a secondary event. He didn't even have to announce his Fed chair pick shortly before the kickoff to steal the central bank's thunder. We still see risks of that happening though. In all fairness, the rates status quo expected for today has been long in the making and we don't expect chair Powell to reveal much of the veil for the future. He probably won't have to, with the Q&A in the presser probably centering around everything but monetary policy: expect questions about Trump's comments on the dollar, the Fed subpoenas and his video response to it & his attendance in governor Cook's hearing during governor Cook's hearing.

### News & Views

- Quarterly Australian inflation data showed price pressure slowing from 1.3% Q/Q in Q3 to 0.6% Q/Q in the final quarter of the year,** matching expectations. The central bank's preferred trimmed mean gauge stayed sticky at 0.9% Q/Q (from 1%) with the annual pace accelerating to 3.4% from 3% in Q3 and returning **above the Reserve Bank of Australia's 2-3% inflation target.** On a monthly basis, inflation accelerated with a 1% increase resulting in a Y/Y-acceleration from 3.4% to 3.8% (vs 3.6% expected). The largest contributor to annual inflation was housing, up 5.5%. Annual goods inflation moved from 3.3% Y/Y to 3.4% Y/Y while services inflation accelerated from 3.6% Y/Y to 4.1% Y/Y. Australian money markets add to bets 68% probability that the **RBA could switch to rate hikes as soon as at the next, February 3, policy meeting.** The Aussie dollar surpassed AUD/USD 0.70 for the first time since February 2023. A commodity rally, rate hike bets and an overall weak USD, propelled the pair from levels below 0.67 only a week ago.
- MSCI has concluded its consultation on free float assessment of Indonesian securities.** Investors highlighted that **fundamental investability issues persist** due to ongoing opacity in shareholding structures and concerns about possible coordinated trading behaviour that undermines proper price formation. In light of the foregoing concerns, **MSCI will apply an interim freeze on certain index related changes for Indonesian securities.** If insufficient progress is made towards achieving necessary transparency enhancements by May 2026, MSCI will reassess Indonesia's market accessibility status. This could result in a weighting reduction in MSCI Emerging Markets Indexes for all Indonesian securities or a potential reclassification of Indonesia from Emerging Market to Frontier Market status. The Jakarta Composite Index is currently 8% lower, triggering a market halt.

# 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

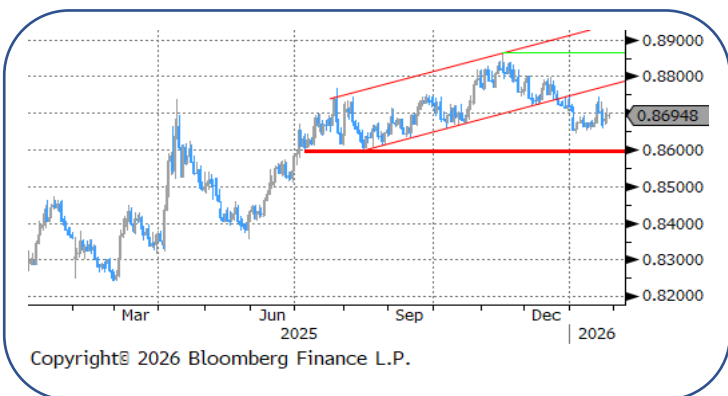
The Fed's **focus shifted to increased attention for (risks to) the labour market** with 25 bps rate cuts in September, October and December. The Fed now nears a neutral policy level, but the debate on further easing isn't finished yet. Some further steepening still might be on the cards as **focus returns 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 greenback's decline recently accelerated with EUR/USD hitting four-year highs. The Fed subpoenas, Greenland, and the US administration (not so) hidden preference for a weaker USD have reignited long-lingering market concerns.



### 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, 28 January		Consensus	Previous
<b>US</b>			
13:00	MBA Mortgage Applications	--	14.10%
<b>20:00</b>	<b>FOMC Rate Decision</b>	<b>3.50%/3.75%</b>	<b>3.50%/3.75%</b>
20:00	Fed Interest on Reserve Balances Rate	3.65%	3.65%
20:00	Fed Reverse Repo Rate	--	3.50%
<b>Canada</b>			
<b>15:45</b>	<b>Bank of Canada Rate Decision</b>	<b>2.25%</b>	<b>2.25%</b>
<b>Germany</b>			
08:00	GfK Consumer Confidence (Feb)	-25.5	-26.9
<b>Italy</b>			
10:00	Consumer Confidence Index (Jan)	96.9	96.6
10:00	Economic Sentiment (Jan)	--	96.5
10:00	Manufacturing Confidence (Jan)	89.0	88.4
<b>Events</b>			
Q4 earnings	Starbucks (13:45), IBM (aft-mkt), Tesla (aft-mkt), Microsoft (aft-mkt), Meta Platforms (aft-mkt) ...		
04:35	Japan to Sell 40-Year Bonds		
11:30	Germany to Sell Bonds		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,24	0,03	US	3,57	-0,02	DOW	49003,41	-408,99	
DE	2,88	0,01	DE	2,13	0,03	NASDAQ	23817,1	215,74	
BE	3,38	0,00	BE	2,13	0,00	NIKKEI	53358,71	25,17	
UK	4,53	0,03	UK	3,74	0,00	DAX	24894,44	-38,64	
JP	2,24	-0,05	JP	1,25	-0,03	DJ euro-50	5994,59	36,79	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,36	3,44	3,63	€STR	1,9340	0,0000			
5y	2,56	3,56	3,78	Euribor-1	1,9440	0,0050	SOFR-1	3,6719	-0,0031
10y	2,90	3,87	4,13	Euribor-3	2,0390	0,0010	SOFR-3	3,6662	-0,0058
				Euribor-6	2,1540	-0,0020	SOFR-6	3,6252	-0,0117
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,2041	0,0161	EUR/JPY	183,29	0,12	CRB	317,58	2,47	
USD/JPY	152,21	-1,97	EUR/GBP	0,8694	0,0009	Gold	5120,60	-1,70	
GBP/USD	1,3849	0,0169	EUR/CHF	0,9169	-0,0060	Brent	67,57	1,98	
AUD/USD	0,7011	0,0094	EUR/SEK	10,5592	-0,0580				
USD/CAD	1,3576	-0,0131	EUR/NOK	11,5355	-0,0729				

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