



Tuesday, 10 February 2026

KBC Sunrise Market Commentary

Markets

- Keir Starmer lives to fight another day.** The embattled UK prime minister drew support from several key ministers yesterday and said he would not step away. Starmer resigning in the very short term, and thereby paving the way for a successor with unknown fiscal credentials, became less likely. Speculation rose to a high **when the Scottish Labour leader Anas Sarwar called for Starmer's exit.** But calm returned in the pound and gilts after health secretary Wes Streeting said this was not necessary. Streeting has long been considered a contender for the Labour leadership. His name also emerged as the linchpin in late last year's leadership plot. Long-term gilt yields pared gains (risk premia) of more than 9 bps to no more than 1.5 bps. EUR/GBP backed away from intraday highs around 0.874 to finish just shy of the 0.87 big figure. GBP/USD jumped to 1.37 from 1.36 with general dollar weakness helping the move higher. **Greenback depreciation kicked in after reports from Chinese regulators instructing banks to trim US Treasury exposure,** even though the officials made clear it had nothing to do with (geo)politics or a fundamental confidence loss. **The director of the US National Economic Council Kevin Hassett extended the downleg** by warning for slightly smaller jobs numbers in Wednesday's delayed payrolls report. Him adding that this is consistent with higher GDP growth due to a productivity increase got lost in the market. DXY slid to sub 97 & EUR/USD rose beyond 1.19. USD/JPY fell from as high as 157.76 to 155.88 with markets taking the landslide victory of PM Takaichi's LDP in snap elections well. Core bonds traded with a minor positive bias. The US curve bull steepened with net daily changes varying between -1.2 bps (2-yr) to +0.7 bps (30-yr). German Bunds marginally underperformed. Stock markets in the US and Europe started the week in good spirits.
- Some of yesterday's storylines are still setting the tone for Asian dealings today. Japanese long term bonds surge, pushing yields at the 30-yr and 40-yr tenor 6-8 bps lower. It follows a speech from Takaichi after Japanese closing hours yesterday in which she **sought to ease fiscal concerns.** The yen's rebound stretches into a second day. USD/JPY further unwinds the pre-election rally by dropping to 155.37. We're also seeing some more fall-out from the Chinese report on the USD/CNY cross rate. At 6.91 the pair is trading at the weakest level since April 2023. We remain cautious on the dollar today. **Last week's US economic data exposed vulnerability.** Today's batch (ADP, retail sales) is unlikely to change that going into the payrolls and with Fed's Waller and Hassett's comments in mind. The front-end of the US curve may outperform.

News & Views

- Earnings, job loss and job finding expectations improved modestly in the New York Fed's January consumer expectations survey. **Inflation expectations are easing short-term, while holding unchanged at medium- and longer-term horizons.** For the one-year ahead inflation expectations declined 0.3 ppts to 3.1%. They remained stay at 3% for the three and five-year horizon. Median one-year-ahead earnings growth expectations increased 0.2% to 2.7%, driven by those with a household income under \$50,000. The mean perceived probability of **losing one's job in the year ahead decreased 0.4% to 14.8%, but stays slightly above the trailing average.** The perceived probability of finding a job in the next three months if one's current job was lost, rose by 2.5 ppts to 45.6%, but also remained below the trailing 12-month average (48.6%). Perceptions about households' current financial situations and expectations about households' financial situations deteriorated, with a **smaller share expecting to be better off a year from now and a larger share expecting to be worse off.**
- January retail sales data as published by the British Retail Consortium (BRC) showed an **improvement in sales momentum at the start of the year. Total retail sales were up 2.7% Y/Y improving from a (disappointing) December performance (1.2%).** The January figure was also above the 12 month average (2.3%). Food sales improved from 3.1% to 3.8%, returning to the 12 month average. Non-Food sales gained 1.7% Y/Y from a 0.3% Y/Y decline in December. Same store sales also improved from 1.0% Y/Y to 2.3%, the best reading since August of last year.

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 LT 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 allowing for a longer pause, 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's (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 in November last year 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 eco fundamentals limit sustained further sterling gains. Over time, EUR/GBP still might return towards the 0.90 handle.

Calendar & Table

Tuesday, 10 February		Consensus	Previous
US			
12:00	NFIB Small Business Optimism (Jan)	99.8	99.5
14:15	ADP Weekly Employment Change	--	7.750k
14:30	Import Price Index MoM / YoY (Dec)	0.10%/0.10%	0.00%/0.10%
14:30	Import Price Index ex Petroleum MoM (Dec)	0.20%	0.20%
14:30	Export Price Index MoM / YoY (Dec)	0.10%/3.00%	--/3.30%
14:30	Employment Cost Index (4Q)	0.80%	0.80%
14:30	Retail Sales Advance MoM (Dec)	0.40%	0.60%
14:30	Retail Sales Ex Auto MoM (Dec)	0.40%	0.50%
14:30	Retail Sales Ex Auto and Gas (Dec)	0.40%	0.40%
14:30	Retail Sales Control Group (Dec)	0.40%	0.40%
UK			
1:01	BRC Sales Like-For-Like YoY (Jan)	2.3%A	1.00%
France			
7:30	ILO Mainland Unemployment Rate (4Q)	7.50%	7.50%
Norway			
8:00	CPI MoM / YoY (Jan)	--/3.00%	0.10%/3.20%
8:00	CPI Underlying MoM / YoY (Jan)	-0.10%/3.00%	0.10%/3.10%
Events			
10:00	Netherlands to Sell Up to €2bn of 3.25% 2044 Bonds		
11:00	Austria to Sell 0% 2031 & 3.2% 2036 Bonds		
11:30	Germany to Sell €5bn of 2.5% 2031 Bonds		
18:00	Fed's Hammack Speaks on Banking and Economic Outlook		
19:00	Fed's Logan Speaks at Asset Management Derivatives Forum		
19:00	US to Sell \$58bn 3-yr Notes		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,20	0,00	US	3,49	-0,01	DOW	50135,87	20,20	
DE	2,84	0,00	DE	2,08	-0,01	NASDAQ	23238,67	207,46	
BE	3,37	-0,01	BE	2,09	0,00	NIKKEI	57650,54	1286,60	
UK	4,53	0,01	UK	3,63	0,00	DAX	25014,87	293,41	
JP	2,24	-0,05	JP	1,31	-0,01	DJ euro-50	6059,01	60,61	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,30	3,34	3,55	€STR	1,9300	0,0000			
5y	2,49	3,47	3,72	Euribor-1	1,9690	-0,0030	SOFR-1	3,6595	-0,0032
10y	2,85	3,80	4,12	Euribor-3	1,9820	-0,0170	SOFR-3	3,6399	-0,0013
				Euribor-6	2,1320	-0,0200	SOFR-6	3,5753	-0,0058
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1914	0,0099	EUR/JPY	185,71	-0,03	CRB	311,08	1,57	
USD/JPY	155,88	-1,34	EUR/GBP	0,8699	0,0019	Gold	5079,40	99,60	
GBP/USD	1,3693	0,0082	EUR/CHF	0,9129	-0,0038	Brent	69,04	0,99	
AUD/USD	0,7093	0,0080	EUR/SEK	10,6231	-0,0432				
USD/CAD	1,3559	-0,0116	EUR/NOK	11,411	-0,0274				

Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 19
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
		Prague	+420 2 6135 3535
CSOB Economics – Markets Prague			
Jan Cermak	+420 7 3704 4494		
Jan Bures	+420 6 0455 4876		
Dominik Rusinko	+420 7 2390 1089		
CSOB Economics – Markets Bratislava		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
K&H Economics – Markets Budapest		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

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