



Monday, 02 February 2026

## KBC Sunrise Market Commentary

### Markets

- Going into the weekend, market dominos fell in place for an overdue correction on a stretched metals/USD debasement trade. **It's not clear what domino piece went down first.** Gold, silver but also copper already showed signs of vertigo on Thursday. The dollar rebound was at that time still limited, but the greenback gained traction on Friday. **The announcement of Kevin Warsh to be the new Fed chair also helped the correction.** It removed uncertainty and the new Fed governor maybe isn't a bad choice concerning the debate on Fed independence. Whatever the trigger, **metals including gold, silver copper and others fell prey to profit taking.** The mirroring image was a rebound of the dollar. DXY closed the week at 97.00, to be compared with a 95.55 low on Tuesday. EUR/USD closed at 1.1855, returning below the previous top of 1.1919. **The correction in safe havens like gold and silver didn't help US equities.** The Nasdaq lost 0.94%. US interest rate markets don't draw any firm conclusions on Fed policy after Warsh's appointment. The US yield curve steepened slightly (2-y: -3.7 bp; 30-y: +2 bps). German yields changed less than one bp even as some national inflation data (Spain, Germany) printed slightly higher than expected.
- Friday's correction in commodities (gold, silver, copper, oil) but also equities continues this morning. **The dollar maintains most of last week's gain, but the rebound slows.** Commodity-related currencies (AUD, NOK) are ceding ground. **The fate of this repositioning remains the focus for global trading at the start of the week.** However markets this week **also get the usual US economic update, to begin with the** manufacturing ISM (today), JOLTS job openings (tomorrow), ADP job growth and services ISM (Wed) and the payrolls on Friday. Data might (or might not) validate the Fed's view that the economy is growing at a solid pace and that the labour market stabilizes. **Data probably have to be very weak for the Fed to leave its wait-and-see bias.** Warsh looking over Powell's shoulder won't change that. Last week's better than expected EMU growth data and national inflation data also suggest the ECB can consider itself being in a good place to watch and see. At Thursday's ECB meeting, markets probably will look for the ECB's assessment on recent (geopolitical) turmoil, including the impact of a weaker dollar/stronger euro. We **also keep an eye at the policy meetings of the likes of the Czech National bank, the National Bank of Poland and the Reserve Bank of Australia.** The CNB will likely keep its policy rate at 3.5%, but is there room left for an additional finetuning cut? The NBP decision probably will be a close call (unchanged at 4% or 3.75%). Also Tuesday's policy decision of the Reserve Bank of Australia (RBA) will receive more than average attention. Will the RBA (have to) backtrack on earlier easing as inflation fails to return to target as hoped? For the Bank of England (expected unchanged at 3.75%) it's probably too early to already front run on hoped for easing of inflation.

### News & Views

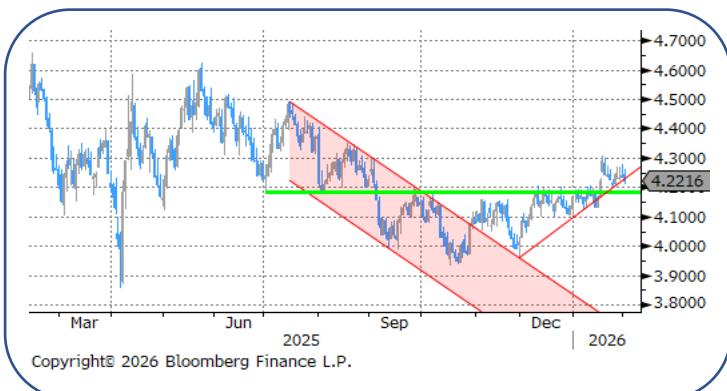
- S&P raised Italy's rating outlook to positive from stable and confirmed the rating at BBB+.** The rating agency praised the country's resilience amidst trade and tariff uncertainty, its ability to post net current account surpluses and the continuous improvements in Italy's net external creditor position. **Budgetary consolidation is gradually advancing,** allowing for a projected headline deficit below the European Union's 3% target in 2026. The numbers are still due for release, but it's expected that Italy's deficit already dropped below that mark last year. S&P expects debt-to-GDP to have come in at 136% last year. That is elevated, the agency says, but should start to decline from 2028 onwards. Italy is forecasted to grow steadily over the next three years, be it more slowly than peers.
- India in its new budget unveiled on Sunday is sticking to budgetary prudence.** It steered clear from big-ticket, economy-boosting spending measures and instead **focused on shielding the country from rising global risks.** The budget is packed with support for embittered exporters (hurt by 50% US levies) and contains **more backing for strategic sectors such as rare earths, semiconductors and critical minerals to boost self-reliance.** The spending plan also contains infrastructure spending and an 18% hike in defense expenditure. These measures come along with intentions to cut red tape to do business easier and **improve productivity.** The deficit under the this budget is expected to ease marginally from 4.4% to 4.3%. Indian stocks during a special session yesterday slumped in a move widely attributed to an equity transaction tax hike. USD/INR this morning declines to 91.61, still close to the 92 record high (INR low) seen and last week.

## 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

Monday, 02 February			Consensus	Previous
<b>US</b>				
16:00	ISM New Orders (Jan)		--	47.4R
16:00	ISM Employment (Jan)		46.0	44.8R
<b>16:00</b>	<b>ISM Manufacturing (Jan)</b>		<b>48.5</b>	<b>47.9</b>
16:00	ISM Prices Paid (Jan)		59.3	58.5
<b>Japan</b>				
01:30	S&P Global Japan PMI Mfg (Jan F)		51.5A	51.5
<b>UK</b>				
08:00	Nationwide House PX MoM/NSA YoY (Jan)		0.30%/0.70%	-0.40%/0.60%
10:30	S&P Global UK Manufacturing PMI (Jan F)		--	51.6
<b>EMU</b>				
10:00	HCOB Eurozone Manufacturing PMI (Jan F)		--	49.4
<b>Germany</b>				
08:00	Retail Sales MoM/NSA YoY (Dec)		0.10%/2.00%	-0.30%R/-1.40%R
<b>Italy</b>				
09:45	HCOB Italy Manufacturing PMI (Jan)		48.5	47.9
<b>China</b>				
02:45	RatingDog China PMI Mfg (Jan)		50.3A	50.1
<b>Sweden</b>				
08:30	Swedbank/Silf PMI Manufacturing (Jan)		--	55.3
<b>Events</b>				
Q4 earnings	Walt Disney (bef-mkt), Palantir (aft-mkt) ...			
12:45	BOE's Sarah Breeden speaks in London			
18:30	Fed's Bostic Speaks at the Atlanta Rotary Club			
<b>21:00</b>	<b>US Treasury Quarterly Borrowing Estimates</b>			

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,24	0,00	US	3,52	-0,04	DOW	48892,47	-179,09	
DE	2,84	0,00	DE	2,09	0,01	NASDAQ	23461,82	-223,30	
BE	3,37	0,00	BE	2,10	0,00	NIKKEI	52655,18	-667,67	
UK	4,52	0,01	UK	3,72	0,00	DAX	24538,81	229,35	
JP	2,24	-0,01	JP	1,27	0,03	DJ euro-50	5947,81	55,86	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,33	3,39	3,61	ESTR	1,9260	-0,0070			
5y	2,51	3,52	3,76	Euribor-1	1,9680	-0,0160	SOFR-1	3,6708	0,0018
10y	2,86	3,85	4,13	Euribor-3	2,0310	0,0110	SOFR-3	3,6600	-0,0003
				Euribor-6	2,1580	0,0120	SOFR-6	3,6100	-0,0074
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1851	-0,0120	EUR/JPY	183,43	0,14	CRB	320,09	-3,62	
USD/JPY	154,78	1,67	EUR/GBP	0,8662	-0,0005	Gold	4745,10	-609,70	
GBP/USD	1,3686	-0,0123	EUR/CHF	0,9163	0,0014	Brent	69,32	-0,27	
AUD/USD	0,6964	-0,0085	EUR/SEK	10,5689	0,0296				
USD/CAD	1,3613	0,0123	EUR/NOK	11,4193	0,0014				

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