



Wednesday, 04 February 2026

KBC Sunrise Market Commentary

Markets

- It is not that easy to discern a structured, directional market logic/trend these days. In core (US and EMU) markets, the monetary picture is paralyzed. There were no eco data yesterday (US JOLTS delayed due to the partial government shutdown), but even if they would have been published, **it was highly unlikely that they would have been able to change expectations on the Fed rate path in any profound way**. Recent data evidence only confirmed that the Fed can feel comfortable with leaning back and observing. In this context it's also difficult to make any assumptions on the reaction function of the 'Warsh-Fed'. **US yields in technical trading yesterday eased between 0.2 bps (2-y) and 1.8 bps (30-y)**. In Europe, there was also little high profile news. Even so, risk premia at the ultra-long end of the curve continued their gradual, but protracted rise. The German 30-y yield even touched the highest level since 2011 (3.56%, close +3.4 bps). Short yields are blocked as also the ECB has every reason to wait and watch (2-y +0.9 bp). Equities opened strong in Asia yesterday and the Eurostoxx 50 touched an all-time record early on, but momentum dwindled later in the session (EuroStoxx close -0.2%). In the US, fears on the potentially disruptive impact of AI on other sectors (including software) caused investors to push the brakes. The Nasdaq closed the session with a loss of -1.43%. In these markets, event risk continues to complicate reaction functions. After a sharp rise last week (Iran and debasement trade), oil (Brent) end last week/early this week tumbled more than \$5/b, just to rebound yesterday. A reported drone incident involving a US aircraft carrier in the Arabian Sea supports this move this morning (Brent \$67.75/b). **The risk-off on US equity markets didn't help the dollar**. A rebound in the likes of gold and silver, but also copper, probably was one of the drivers to keep the greenback in the defensive. Admittedly, USD losses this time were modest (DXY close 97.43 from 97.53, EUR/USD close 1.1819 from 1.1791). Also in FX markets, the traditional risk-on/risk-off reaction patterns are at least partially disturbed as investors have to come with multiple event risk that questions the 'established patterns'.
- Asian equities are holding up reasonably well this morning despite yesterday's setback in the US. **The dollar remains in the defensive (DXY 97.35)**. At the same time, the yen underperforms (USD/JPY 156.3) as markets turn to more cautious positioning ahead of the parliamentary elections this weekend. The eco calendar is better filled with the EMU flash CPI (headline expected to slow to 1.7%, but core seen unchanged 2.3%). In the US, the ADP private job report (expected +45) and the services ISM are interesting, but once again we don't expect them to profoundly change the view on the Fed policy. Later, the US Treasury will publish its quarterly refunding. Also keep an eye at the policy decision of the **National Bank of Poland** (close call between unchanged at 4.00%, or 25 bps cut).

News & Views

- New Zealand employment growth picked up from standstill in Q3 to a 0.5% Q/Q pace in Q4, beating 0.3% consensus.** On an annual basis, employment was 0.2% higher compared with Q4 2024 (vs -0.1% Y/Y expected). **The unemployment rate ticked up from 5.3% to 5.4%, the highest level since Q3 2015** but it was accompanied by an increase in the participation rate from 70.3% to 70.5%. Over the quarter, Stats NZ saw higher levels of engagement in the labour market as both employment and unemployment increased. Average hourly earnings grew at the same pace as in Q3, 0.7% Q/Q. **Today's labour market data don't affect thinking on RBNZ monetary policy**. Unlike the Australian central bank's rate hike yesterday, those prospects are still some months away from the RBNZ. A first hike (from 2.25% to 2.5%) is only fully discounted by the October policy meeting. NZD/USD doesn't budge, trading at 0.6040. Technical resistance (2025 top) stands at 0.6120.
- The US House voted 217-214 in favour of the funding package cleared by the Senate last week.** Twenty-one defecting Republicans who wanted to hold the package hostage to tighten election procedures were countered by twenty-one centrist Democrats mostly from the appropriations committee. **The legislation provides \$1.2bn spread across five spending bills, providing funding for the end of the fiscal year.** It split off one bill for the Department of Homeland Security, keeping it funded through the end of next week and allowing for negotiations over new restrictions on immigration agents. The partial government shutdown that started on Saturday is now over, but Friday's scheduled payrolls report will nevertheless be delayed because of it, likely to somewhere next 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 fundamentals limit sustained further sterling gains. Over time, EUR/GBP still might return towards the 0.90 handle.

Calendar & Table

Wednesday, 04 February			Consensus	Previous
US				
14:15	ADP Employment Change (Jan)		45k	41k
16:00	ISM Services Index (Jan)		53.5	R:53.8
16:00	ISM Services Employment (Jan)		51.8	R:51.7
16:00	ISM Services Prices Paid (Jan)		65.0	R:65.1
16:00	ISM Services New Orders (Jan)		55.0	R:56.5
Japan				
01:30	S&P Global Japan PMI Composite (Jan F)		A: 53.1	52.8
01:30	S&P Global Japan PMI Services (Jan F)		A: 53.7	53.4
UK				
10:30	S&P Global UK Services PMI (Jan F)		54.3	54.3
10:30	S&P Global UK Composite PMI (Jan F)		53.9	53.9
EMU				
10:00	HCOB Eurozone Services PMI (Jan F)		51.9	51.9
10:00	HCOB Eurozone Composite PMI (Jan F)		51.5	51.5
11:00	PPI MoM/YoY (Dec)		-0.3%/-2.1%	0.50%/-1.70%
11:00	CPI MoM/YoY (Jan P)		-0.5%/1.7%	0.20%/1.90%
11:00	CPI Core YoY (Jan P)		2.30%	2.30%
Italy				
11:00	CPI EU Harmonized MoM/YoY (Jan P)		-1.1%/0.8%	0.20%/1.20%
China				
02:45	RatingDog China PMI Composite (Jan)		A: 51.6	51.3
02:45	RatingDog China PMI Services (Jan)		A: 52.3	52
Poland				
04FEB	Poland Base Rate Announcement		4.00%	4.00%
Sweden				
08:30	Swedbank/Sifl PMI Services (Jan)		57.0	56.7
08:30	Swedbank/Sifl PMI Composite (Jan)		--	56.3
Events				
Q4 earnings	Alphabet (aft-mkt), Snap (aft-mkt), Qualcomm (aft-mkt) ...			
11:30	Germany to Sell Bonds			
14:30	US Treasury Quarterly Refunding Announcement			

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d
US	4,27	-0,01	US	3,57	0,00	DOW	49240,99	-166,67
DE	2,89	0,02	DE	2,12	0,01	NASDAQ	23255,19	-336,92
BE	3,40	0,02	BE	2,13	0,00	NIKKEI	54293,36	-427,30
UK	4,52	0,01	UK	3,71	0,01	DAX	24780,79	-16,73
JP	2,26	-0,01	JP	1,28	-0,01	DJ euro-50	5995,35	-12,16
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d
3y	2,36	3,44	3,61	ESTR	1,9310	-0,0020		
5y	2,55	3,56	3,76	Euribor-1	1,9560	-0,0030	SOFR-1	3,6730
10y	2,90	3,87	4,13	Euribor-3	2,0290	0,0070	SOFR-3	3,6669
				Euribor-6	2,1610	0,0070	SOFR-6	3,6268
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1819	0,0028	EUR/JPY	184,1	0,61	CRB	310,11	4,97
USD/JPY	155,75	0,12	EUR/GBP	0,8628	0,0000	Gold	4935,00	282,40
GBP/USD	1,3697	0,0031	EUR/CHF	0,9164	-0,0031	Brent	67,33	1,03
AUD/USD	0,7021	0,0073	EUR/SEK	10,5244	-0,0518			
USD/CAD	1,364	-0,0041	EUR/NOK	11,3779	-0,0617			

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