



Wednesday, 11 February 2026

KBC Sunrise Market Commentary

Markets

- Some more disappointing data came yesterday on the heels of last week's sub-par set of labour market data. **US retail sales failed to grow at the end of last year**, missing expectations for a solid 0.4% expansion. The Q4 Employment Cost Index meanwhile rose at the slowest pace since 2021. It may ease some of the remaining concerns at the Fed about upside inflation risks. US yields dropped between 3.3 and 7.4 bps in a market that was already on high alert going into the delayed payrolls (and annual 2025 revision) release today ever since Fed Waller's "Zero. Zip. Nada." speech flagged the risk of basically no employment growth throughout last year. Long end outperformance pushed the likes of the 10-yr yield below 4.2% support to the YTD lows. German yields dropped 0.9-3.7 bps in sympathy. Corporate bond markets were all about Alphabet's massive (AI) financing spree in which a 10-times oversubscribed sterling centennial obviously drew the biggest attention. JPY stood out in FX markets, rallying against all major peers on **continued hopes for a Japanese revival under PM Takaichi and her supermajority**. JGBs by the way also gave the government the benefit of the doubt from a fiscal perspective by dropping 6-8 bps at the long end of the curve. USD/JPY closed near the intraday lows just north of 153. EUR/JPY neared the January troughs around 182. EUR/USD stabilized near 1.19, EUR/GBP bounced back above 0.87 with sterling's grace period following PM Starmer's survival apparently already ending.
- Japan's yen is extending this week's rebound today but we should add that it happens in thinned trading with **Japanese markets closed** for National Foundation Day. The US dollar remains in the defensive while Treasuries (in the futures market) are rising going into what possibly are going to be pivotal payrolls. The January edition is combined with the annual revision of last year. The risk for 2025 is that the +/- 600k cumulative job growth is going to be wiped out and more: expectations are for a -825k downward adjustment. **This is where Fed Waller and his repeated calls for rate cuts to support a weakening labour market come into play**. The bar for January is set at a 65k job growth with unemployment stabilizing at 4.4%. There are nuances to today's numbers, such as seasonal effects, deportation efforts (leading to lower employment but with less impact on the unemployment rate as the supply pool shrinks) and productivity growth (leading to GDP expansion despite fewer or even no hirings). **But we doubt these will be given any consideration in the current circumstances**. We see **asymmetric market risks** with the bigger reaction – a weaker dollar, front-end curve outperformance and potentially weaker stocks – in case of a downside surprise. Belgium takes center stage in European politics with the European Industry Summit today ahead of tomorrow's informal summit to boost European competitiveness.

News & Views

- China's January price data published this morning confirmed the deflationary tendencies**. Consumer price inflation was reported that 0.2% M/M, reducing the Y/Y measure from 0.8% in December to 0.2%. Both goods price (0.3% Y/Y from 1%) and services inflation (0.1% Y/Y from 0.6%) eased, suggesting **absence of demand pressures**. **Core inflation slowed to 0.8% Y/Y from 1.2%. Producer prices turned slightly less negative in a yearly perspective**, 'rising' from -1.9% Y/Y to -1.4% Y/Y, the 'highest' level since July 2024. Prices of producer goods to some extent have improved due to higher raw materials costs. However, prices of consumer goods leaving the factory gate declined further (-1.7% Y/Y from -1.3%). The yuan this morning maintains its recent gains. At USD/CNY 6.91, the yuan trades near the strongest levels against the US dollar since May 2023.
- Deputy Governor of the Reserve Bank of Australia, Andrew Hauser, warned that **too high inflation remains a challenge for the monetary policy committee**. Hauser assessed that the some of the recent rebound in inflation 'reflects growing underlying pressure about a pick-up in demand against supply constraints in the economy'. The risk is **for higher inflation to persist**, a scenario the RBA can't allow to occur. The RBA last week raised its policy rate by 25 bps to 3.85% after (trimmed mean) core inflation rose further north of the 2-3% inflation target. Markets see an 80% chance for a rate hike in May. The Aussie dollar extended gains after the comments, with AUD/USD jumping north of 0.71, nearing the early 2023 top.

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.



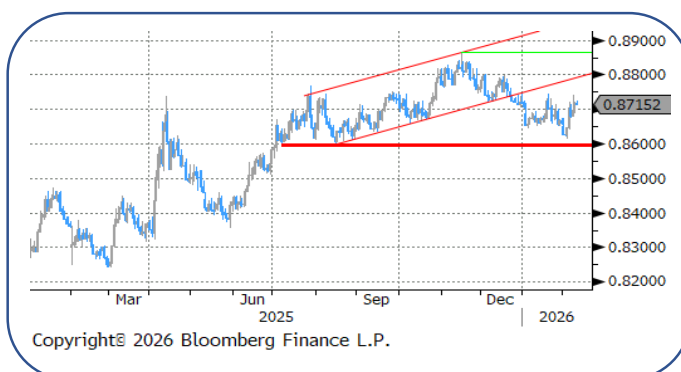
US 10y yield

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. That is particularly the case after a set of weaker-than-expected labour market data. Yields across the curve turned lower in response, with the 10-yr yield at risk of losing the 4.2% support again.



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

Wednesday, 11 February		Consensus	Previous
US			
14:30	Change in Nonfarm Payrolls (Jan)	65k	50k
14:30	Two-Month Payroll Net Revision (Jan)	--	-76k
14:30	Change in Private Payrolls (Jan)	68k	37k
14:30	Change in Manufact. Payrolls (Jan)	-7k	-8k
14:30	Nonfarm Payrolls 3-Mo Avg Chg (Jan)	--	-22k
14:30	Average Hourly Earnings MoM / YoY (Jan)	0.30%/3.70%	0.30%/3.80%
14:30	Average Weekly Hours All Employees (Jan)	34.2	34.2
14:30	Unemployment Rate (Jan)	4.40%	4.40%
14:30	Labor Force Participation Rate (Jan)	62.40%	62.40%
14:30	Final Benchmark Payrolls Revision (2025)	-825k	--
China			
2:30	PPI YoY (Jan)	-1.40%A	-1.90%
2:30	CPI YoY (Jan)	0.20%A	0.80%
Events			
10:00	ECB Wage Tracker		
11:00	Greece to Sell Bonds		
11:20	ECB's Cipollone Speaks in Frankfurt		
11:30	Germany to Sell €1.5bn of 2.5% 2054 Bonds		
16:00	Fed's Schmid Speaks on Monetary Policy and Economic Outlook		
16:15	Fed's Bowman in Moderated Conversation		
18:00	ECB's Schnabel Speaks in Vienna		
19:00	US to Sell \$42bn 10-yr Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,14	-0,06		US	3,45	-0,03	DOW	50188,14	52,27
DE	2,81	-0,03		DE	2,07	-0,01	NASDAQ	23102,47	-136,20
BE	3,34	-0,03		BE	2,08	-0,01	NIKKEI	57650,54	0,00
UK	4,51	-0,02		UK	3,64	0,02	DAX	24987,85	-27,02
JP	2,24	0,00		JP	1,31	0,00	DJ euro-50	6047,06	-11,95
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,29	3,30	3,56	€STR	1,9290	-0,0010			
5y	2,47	3,43	3,72	Euribor-1	1,9760	0,0070	SOFR-1	3,6602	0,0007
10y	2,82	3,74	4,12	Euribor-3	1,9810	-0,0010	SOFR-3	3,6333	-0,0065
				Euribor-6	2,1140	-0,0180	SOFR-6	3,5611	-0,0143
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1895	-0,0019		EUR/JPY	183,66	-2,05	CRB	308,33	-2,75
USD/JPY	154,39	-1,49		EUR/GBP	0,8719	0,0020	Gold	5031,00	-48,40
GBP/USD	1,3643	-0,0050		EUR/CHF	0,9133	0,0003	Brent	68,80	-0,24
AUD/USD	0,7075	-0,0018		EUR/SEK	10,5721	-0,0510			
USD/CAD	1,3552	-0,0007		EUR/NOK	11,3292	-0,0818			

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