Internal

Friday, 13 February 2026

KBC Sunrise Market Commentary

Markets

- **Risk averse US investors yesterday upended an otherwise calm, stoic trading session**. Equity markets suffered declines from 1.3-2% with tech (valuation) worries flaring up again. **Technicals favoured some return action as well** with the likes of the S&P500 trading near a record 7k but lacking catalysts for a clean break higher. Core bonds enjoyed a defensive bid led by Treasuries. US rates fell between 5.5 and 8.8 bps, erasing much if not all of the rebound in the wake of Wednesday's stronger-than-expected payrolls. **Long-term Treasuries extended gains after a strong 30-yr auction.** German yields shed no more than 1.3 bps at the belly of the curve but are set for more losses at today's open in a catch-up with the US. European leaders at yesterday's informal summit agreed on the urgency of making the bloc more competitive and reducing dependencies in strategic sectors. But we'll have to wait for **concrete measures on how to deepen the single market and unlock idle private capital until the next meeting in March.** Ahead of this informal gathering, French president Macron again floated the idea of more joint EU debt in sectors such as AI and quantum computing, the energy transition and defence. But that met resistance from Germany. **Oil prices retreated too,** perhaps helping the core bond recovery, amid growing hopes the US may reach a diplomatic solution with Iran. Brent fell from just south of $70 to around $67.5. The USD failed to capitalize on yesterday's soured mood. EUR/USD and DXY steadied at 1.1871 and just below 97. Japanese assets are market darlings this week with USD/JPY nearing the YtD low and long-term bonds rallying. The 40-yr yield tumbled another 8 bps, bringing the tally this week so far at -20 bps. JGBs sought to extend gains towards the 2026 highs in Asian dealings this morning but signs of exhaustion are emerging. Stock markets in the region trade fragile following the declines on WS yesterday. Overall cautiousness is expected to hold going into today's US CPI release and ahead of what is going to be a long weekend for US investors (**President's Day** on Monday). **KBC's nowcast for January inflation currently stands at 2.35% headline and 2.43% core.** Last month's decline in used car prices in month on month terms is not expected to continue but may still fall by more than half a percent in annual terms. Food prices continue to benefit from lower producer prices, and we expect a rise of 2.9%. We believe energy prices will decline by half a percent m/m, resulting in a 0.35% y/y increase. All this compares to consensus expectations of 0.3% monthly and 2.5% annually for both headline and core CPI. Speaking in risks, if any, **we are particularly mindful of upside surprises** with annual repricing in the services sector potentially being an underestimated factor. That would likely be detrimental for stock markets and trigger a kneejerk upleg in US yields. The US dollar should also strengthen though the post-payrolls reaction suggested it requires a big enough upside surprise.

News & Views

- **The Czech National Bank (CNB) published the transcript of an conversation of governor Michl** at the University of Chicago on its website yesterday. The CNB governor assessed that in the period before Covid, the central bank rate was below inflation. That motivated people to spend. CNB also actively weakened the koruna and increased the amount of money all contributing higher core inflation. CNB from 2022 changed the logic from motivating people to spend to motivating them to save. **This resulted in a higher for longer rate policy and CNB also switched to a strong koruna policy.** Michl assesses that '*high inflation can still return in Europe, with a sharp rise in public debt the main risk. That's why central banks should remain strict: keep the policy rate above inflation, support saving, and remind people that the economy is not only about spending*'. Regarding current policy, inflation is 1.6% and the CNB outlook is around 2%. However, core inflation stays around 3%. **If momentum in core inflation declines, there might be room to cut rates, but CNB still will keep the policy rate higher for longer compared with the pre-Covid period.** Otherwise, all options remain open.
- The **Reserve bank of New Zealand published its Q4 expectations survey.** Inflation expectations at all forecast horizons rose. Expectations for the 1-year-ahead annual CPI increased by 20 bps 2.39% to 2.59%. For 2-y ahead inflation expectations by 9 basis points from 2.28% to 2.37%. 10-year ahead inflation expectations increased 12 bps to 2.30%. 1-y ahead unemployment expectations eased from 5.01% to 4.95%. Expectations for annual real GDP growth were 2.03% and 2.30% for the one- and two-year-ahead time horizons, respectively. Even as some of the components were a bit mixed, the overall rise in inflation expectations might **cause the RNBZ to take a somewhat more hawkish approach at next week policy meeting.** RBNZ is expected to keep the policy rate at 2.25% but survey respondents see to be raised toward 2.58% by end of year 2026.

Graphs

GE 10y yield

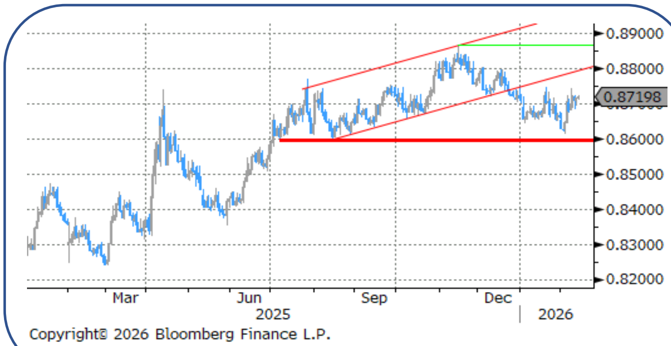
Confidence that inflation is returning to 2% **allowed the ECB to reduce its policy rate to 2%, reaching neutral territory.** The ECB considers it to be in a good place to respond to potential shocks. Recent comments ever more indicate that the next ECB move might be a rate hike. Combined with ongoing 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 was 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

Friday, 13 February		Consensus	Previous
US			
14:30	**CPI MoM / YoY (Jan)**	**0.30%/2.50%**	**0.30%/2.70%**
14:30	**Core CPI MoM / YoY (Jan)**	**0.30%/2.50%**	**0.20%/2.60%**
14:30	Real Avg Hourly Earning YoY (Jan)	--	0.70%R
14:30	Real Avg Weekly Earnings YoY (Jan)	--	1.00%R
EMU			
11:00	**GDP SA QoQ / YoY (4Q S)**	**0.30%/1.30%**	**0.30%/1.30%**
11:00	Trade Balance SA (Dec)	--	10.7b
11:00	Employment QoQ / YoY (4Q P)	--/--	0.20%/0.60%
Events			
1:00	Fed's Logan Gives Opening Remarks		
1:05	Fed's Miran Speaks in Moderated Discussion		
13:00	BOE's Huw Pill Speaks		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,10	-0,07		US	3,46	-0,05	DOW	49451,98	-669,42
DE	2,78	-0,01		DE	2,06	-0,01	NASDAQ	22597,15	-469,32
BE	3,30	-0,02		BE	2,06	-0,01	NIKKEI	56941,97	-697,87
UK	4,45	-0,02		UK	3,60	-0,02	DAX	24852,69	-3,46
JP	2,22	-0,02		JP	1,29	-0,03	DJ euro-50	6011,29	-24,35
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,28	3,28	3,51	€STR	1,9310	0,0010			
5y	2,45	3,38	3,67	Euribor-1	1,9680	-0,0260	SOFR-1	3,6655	0,0055
10y	2,79	3,69	4,05	Euribor-3	1,9840	-0,0100	SOFR-3	3,6547	-0,0023
				Euribor-6	2,1310	0,0230	SOFR-6	3,5958	-0,0147
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1871	-0,0001		EUR/JPY	181,31	-0,63	CRB	306,23	-4,36
USD/JPY	152,74	-0,52		EUR/GBP	0,8715	0,0004	Gold	4948,40	-150,10
GBP/USD	1,3622	-0,0006		EUR/CHF	0,9132	-0,0029	Brent	67,52	-1,88
AUD/USD	0,709	-0,0037		EUR/SEK	10,5945	0,0313			
USD/CAD	1,361	0,0034		EUR/NOK	11,3215	0,0598			

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