

Monday, 16 February 2026

## KBC Sunrise Market Commentary

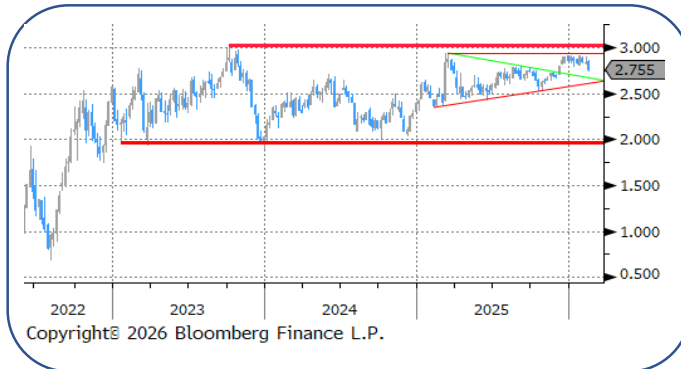
### Markets

- January US CPI inflation numbers extended last week's rally in US Treasuries.** US yields shed 3.9 bps to 5.5 bps with the belly of the curve outperforming the wings. **The US 2-yr yield closed exactly at key support (3.4%) while the US 10-yr yield lost minor support at 4.10%** to end at the lowest level since the end of November (4.05%). Near term Fed rate cuts bets remain low (10% for March, 30% for April), but **investors become more confident in the path towards 3% by year-end.** Diving into the inflation figures, headline prices rose by 0.2% M/M with the core index up 0.3% M/M. **The annual number slowed from 2.7% Y/Y to 2.4% Y/Y with core inflation down to 2.5% from 2.6%.** Core services (ex. housing) increased by 0.56% M/M, the biggest increase in a year. In Y/Y terms, this closely watched indicator (for it measures "domestic" inflation) by the Fed fell to the lowest since 2021. But a more dynamic annualized number based on the three-month moving average marched to the highest since April 2024. Markets ignored this detail, but **based on those core pressures the KBC nowcast for February rises to 2.52% Y/Y for headline inflation and 2.54% Y/Y for core.** Both core and energy prices push the unconditional forecast back to 2.9% for headline and 2.7% for core by the spring. **Atlanta Fed Goolsbee raised the issue on Friday evening, saying that high services inflation is worrisome.** He feels that we're not on a path back to 2% inflation yet, but that **we're rather stuck around 3%.** He wants to see progress before backing a frontloading of rate cuts. Friday's post-CPI move **remained limited to US Treasuries** with EUR/USD going nowhere at 1.1870 and US stock markets ending their final session of the week close to unchanged.
- US bond and stock markets are closed today for President's Day.** China is closed for the week to celebrate Lunar New Year. Reduced trading volumes and the empty eco calendar set the tone **for subdued trading today.** The agenda remains thin later out **with February PMI survey's on Friday amongst the sole highlights.** The monthly UK eco update gets some more attention as labour market numbers (tomorrow), CPI (Wednesday) and retail sales (Friday) will further shape near term policy expectations for the Bank of England. Odds of a March rate cut rose to 65% in the wake of the dovish hold early February. **BoE governor Bailey was/is the pivotal vote and he indicated readiness to pull the trigger especially in case of a further deterioration of circumstances in the labour market.** The EUR/GBP 0.8750 resistance area is the one to watch.

### News & Views

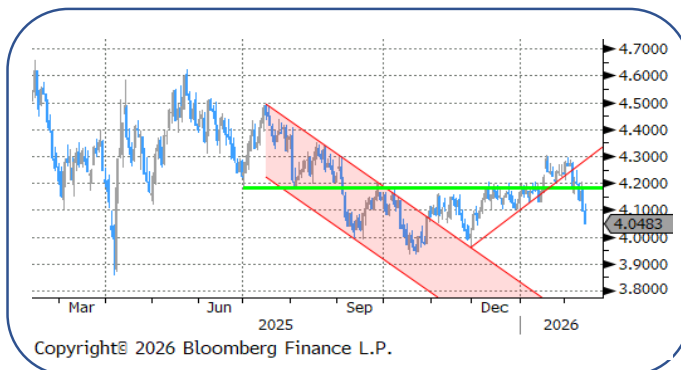
- Japanese growth in 2025's final quarter came in materially lower than expected.** The **quarterly pace of 0.1%** (0.2% annualized) missed the 0.4% bar and came after a downwardly revised Q3 to -0.7% from -0.6. **Details were less worrisome** though, with weak public investments and notoriously volatile private inventories being the main culprits. They respectively subtracted 0.1 and 0.2 ppts from growth. But PM Takaichi's strong mandate and election pledges suggest **government spending is about to shift in higher gear.** Private consumption remained tepid but nonetheless added 0.1 ppts to growth. Fixed capital formation supported the headline through a 0.2 ppts contribution. Net exports flatlined. **The GDP price deflator in Q4 eased slightly to 3.4% from an upwardly revised 3.5% in Q3.** That remains among the highest (outside the years shortly after the pandemic) in the last few decades. Japanese yields shed a marginal 2 bps at the front end of the curve in a kneejerk reaction this morning and JPY underperforms global peers. USD/JPY rises a tad to north of 153. That said, these numbers do not disrupt the Bank of Japan's case for further rate hikes at all. Japanese money markets are flipflopping between June and July for a move to 1%.
- Germany's finance minister Lars Klingbeil said the government is considering to exempt borrowing for a planned raw materials fund from the debt brake.** The decision hasn't been taken yet but Klingbeil acknowledged that the money is needed if it wants to reduce dependencies from geopolitical rivals such as China but also potentially from the US. Germany wants to **secure supply chains** (of raw materials and critical minerals) **by creating reserves.** It already launched a state-backed raw materials fund two years ago but its small size (€1bn) raises serious questions. Excluding additional investments would come after German chancellor Merz in March last year announced something similar for defensive spending.

## 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 losing 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

Monday, 16 February		Consensus	Previous
<b>Japan</b>			
00:50	GDP Annualized SA QoQ (4Q P)	0.20%A	-2.60%R
00:50	GDP SA QoQ (4Q P)	0.10%A	-0.70%R
00:50	GDP Deflator YoY (4Q P)	3.40%A	3.50%R
00:50	GDP Private Consumption QoQ (4Q P)	0.10%A	0.40%R
00:50	GDP Business Spending QoQ (4Q P)	0.20%A	-0.30%R
00:50	Inventory Contribution % GDP (4Q P)	-0.20%A	-0.10%
00:50	Net Exports Contribution % GDP (4Q P)	0.00%A	-0.30%R
05:30	Capacity Utilization MoM (Dec)	1.30%A	-5.30%
<b>UK</b>			
01:01	Rightmove House Prices MoM/YoY (Feb)	0.00%/0.00%	0.50%/2.80%
<b>EMU</b>			
11:00	Industrial Production SA MoM/WDA YoY (Dec)	-1.50%/1.30%	0.70%/2.50%
<b>Sweden</b>			
08:00	Unemployment Rate SA (Jan)	--	8.80%
<b>Events</b>			
16FEB	US bond and stock markets closed for President's Day		
16-23FEB	Chinese markets closed for Lunar New Year		
14:25	Fed's Bowman Speaks at ABA Conference		
18:40	ECB's Nagel Speaks in Frankfurt		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,05	-0,05	US	3,41	-0,05	DOW	49500,93	48,95	
DE	2,76	-0,02	DE	2,04	-0,02	NASDAQ	22546,67	-50,48	
BE	3,28	-0,02	BE	2,04	-0,02	NIKKEI	56806,41	-135,56	
UK	4,42	-0,04	UK	3,59	-0,01	DAX	24914,88	62,19	
JP	2,22	-0,01	JP	1,27	-0,02	DJ euro-50	5985,23	-26,06	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,27	3,23	3,49	€STR	1,9300	-0,0010			
5y	2,43	3,33	3,64	Euribor-1	1,9510	-0,0170	SOFR-1	3,6641	-0,0014
10y	2,77	3,64	4,02	Euribor-3	1,9990	0,0150	SOFR-3	3,6526	-0,0021
				Euribor-6	2,1470	0,0160	SOFR-6	3,5866	-0,0092
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1868	-0,0003	EUR/JPY	181,18	-0,13	CRB	306,54	0,31	
USD/JPY	152,7	-0,04	EUR/GBP	0,8694	-0,0020	Gold	5046,30	97,90	
GBP/USD	1,3651	0,0029	EUR/CHF	0,9117	-0,0015	Brent	67,75	0,23	
AUD/USD	0,7073	-0,0017	EUR/SEK	10,5848	-0,0097				
USD/CAD	1,3617	0,0007	EUR/NOK	11,28	-0,0415				

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