Internal

Thursday, 19 February 2026

KBC Sunrise Market Commentary

Markets

- **US Treasuries underperformed yesterday with the curve bear flattening.** Daily changes ranged between +3 bps (3-yr) and +1.7 bps (30-yr). The US 2-yr yield gets again more breathing room above key 3.4%-support with the 10-yr yield limping away from the psychological 4% area as well. **A solid batch of eco data added to the feeling that the Fed stays put in March.** December durable goods orders beat the mark on every level, including for the crucial core gauge which serves as a proxy for investments in GDP calculations (+0.9% M/M). Tomorrow we'll find out when the Bureau of Economic Analysis reports Q4 GDP numbers. Housing data and January industrial production (+0.7% M/M) numbers equally beat consensus. During US trading hours, **Minutes of the January FOMC meeting** revealed that the vast majority of participants judged that **downside risks to employment had moderated** in recent months while **the risk of more persistent inflation remained.** Several participants cautioned that easing policy further in the context of elevated inflation readings could be misinterpreted as implying diminished policymaker commitment to the 2% inflation objective. **In an hawkish shift, several would've supported two-sided language on the rate path putting the door open for a rate hike if necessary.** The data/Minutes-combo helped the dollar out. **The trade-weighted greenback (DXY) had its second best day YtD,** rising from 97.14 to 97.74. From a technical point of view, the move lacked significance with first minor resistance at 97.99. EUR/USD fell from 1.1855 to 1.1783 with first minor support looming at 1.1766. GBP/USD already closed just below that first technical reference (1.3509) with **GBP-weakness this week also at play** (following labour market and to a lesser extent CPI numbers). EUR/GBP simultaneously bumps into EUR/GBP 0.8746 resistance with **the UK currency at risk of technical follow-up losses** in case those levels give away. It's our preferred scenario with UK markets preparing for a March BoE rate cut.

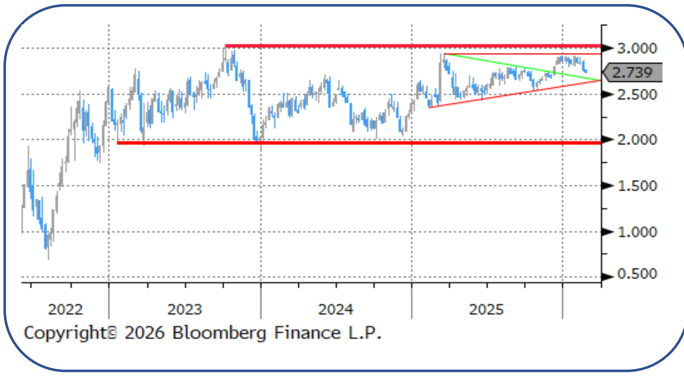
- **Oil prices grabbed a lot of attention as well with Brent crude preparing a break-out above the $70/b area.** Prices jumped by the most since October yesterday after **Axios reported that a major war in the Middle East could begin very soon.** US officials said that Iran needs to come back with a detailed proposal in two weeks after this week's Geneva talks. Last summer, the White House set a two-week window to decide between further talks or strikes. Three days later, he launched Operation Midnight Hammer, attacking three nuclear facilities in Iran. **The developing narrative is one to look out for today, especially as it doesn't seem to interfere with a broader risk rebound.** Key European indices gained over 1% yesterday with US benchmarks ending 0.25% (Dow) to 0.75% (Nasdaq) higher. The US eco calendar contains trade data, Philly Fed Business Outlook and weekly claims. In Europe, consumer confidence is due. We expect them to play second fiddle today.

News & Views

- **Australian January employment grew by 17.8k.** That was slightly below the 20k expected but came after an **upwardly revised 68.5k in December. Full-time employment rose by 50k,** partly offset by a fall of 33k in part-time employment. Strong labour demand was even more visible in the **rise in hours worked by 0.56% in January,** following an already strong increase in December (0.4%). **The unemployment rate stabilized at 4.1%,** defying expectations for an uptick to 4.2%. With the central bank's Q1 forecast at 4.3%, it means downward revisions in the next projections are likely. Labour market participation is at a solid 66.7%. The numbers **vindicate the Reserve Bank of Australia,** which **raised the policy rate earlier this month** amid concerns for capacity constraints keeping inflation above target. A tight labour market - the RBA estimates the equilibrium unemployment rate at 4.6% - isn't going to ease those. Australian swap yields rally 4.4-7.8 bps with front end underperformance revealing increasing rate hike bets. **Market implied probabilities for May rise to 87%, for June to 97%.** AUD/USD ekes out gains to 0.705.

- The **IMF** in a report yesterday said **China's industrial policies create international spillovers and pressures through overcapacity** and have combined with **weak domestic demand** made **Chinese economic growth more reliant on manufacturing exports.** It repeated its call to move to a consumption-led model while **urging the country to slash state support for the industrial sector.** The IMF estimates that China spends around 4% of GDP subsidizing companies in critical sectors and recommended to cut that in half in the medium term. China's global trade surplus last year for the first time ever surpassed the $1tn mark, with export flows having rerouted from the US (-20%) to Africa (+26%), South-East Asia (+13%) and the EU (+8%).

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

Thursday, 19 February		Consensus	Previous
US			
14:30	Advance Goods Trade Balance (Dec)	-$86.0b	--
14:30	Advance Goods Imports/Exports MoM SA (Dec)	--/--	6.50%/-5.70%
14:30	Philadelphia Fed Business Outlook (Feb)	7.5	12.6
14:30	Initial Jobless Claims	225k	227k
14:30	Continuing Claims	1860k	1862k
14:30	Trade Balance (Dec)	-$55.5b	-$56.8b
14:30	Exports/Imports MoM (Dec)	0.10%/0.10%	-3.60%/5.00%
16:00	Pending Home Sales MoM/NSA YoY (Jan)	2.50%/--	-9.30%/-1.30%
Japan			
00:50	Core Machine Orders MoM/YoY (Dec)	19.10%A/16.80%A	-11.00%/-6.40%
UK			
12:00	CBI Trends Total Orders (Feb)	-28	-30
12:00	CBI Trends Selling Prices (Feb)	23	29
EMU			
11:00	Construction Output MoM/YoY (Dec)	--/--	-1.10%/-0.80%
16:00	Consumer Confidence (Feb P)	-12.0	-12.4
France			
19FEB	Retail Sales SA YoY (Jan)	--	-1.00%
Belgium			
11:00	Consumer Confidence Index (Feb)	--	4
Events			
10:00	ECB Publishes Economic Bulletin		
14:20	Fed's Bostic Gives Opening Remarks at the Banking Outlook Conference		
14:20	Fed's Bowman Gives Opening Remarks at Banking Conference		
15:00	Fed's Kashkari in Fireside Chat on Economic Outlook		
16:30	Fed's Goolsbee Gives Opening Remarks		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,08	0,02		**US**	3,46	0,03	**DOW**	49662,66	129,47
DE	2,74	0,00		**DE**	2,05	0,01	**NASDAQ**	22753,63	175,25
BE	3,25	0,00		**BE**	2,05	0,00	**NIKKEI**	57467,83	323,99
UK	4,37	0,00		**UK**	3,58	0,00	**DAX**	25278,21	279,81
JP	2,15	0,00		**JP**	1,26	0,01	**DJ euro-50**	6103,37	81,52
IRS	EUR	USD	GBP	**EUR**	-1d	-2d	**USD**	-1d	-2d
3y	2,27	3,28	3,46	**€STR**	1,9310	0,0000			
5y	2,42	3,37	3,61	**Euribor-1**	1,9210	-0,0110	**SOFR-1**	3,6768	0,0059
10y	2,76	3,68	3,97	**Euribor-3**	2,0060	-0,0050	**SOFR-3**	3,6674	0,0077
				Euribor-6	2,1410	-0,0180	**SOFR-6**	3,6112	0,0087
Currencies	Close	-1d		**Currencies**	Close	-1d	**Commodities**	Close	-1d
EUR/USD	1,1783	-0,0072		**EUR/JPY**	182,41	0,69	**CRB**	307,93	5,79
USD/JPY	154,81	1,50		**EUR/GBP**	0,8732	-0,0006	**Gold**	5009,50	103,60
GBP/USD	1,3495	-0,0073		**EUR/CHF**	0,9110	-0,0019	**Brent**	70,35	2,93
AUD/USD	0,7042	-0,0044		**EUR/SEK**	10,6516	0,0206			
USD/CAD	1,3696	0,0060		**EUR/NOK**	11,2377	-0,0622			

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