



Thursday, 26 February 2026

KBC Sunrise Market Commentary

Markets

- Core bond and FX trading yesterday mostly was captured in technical trading.** Eco data were few and uncertainty on AI moved to a bit to the background. US, UK and EMU yields stabilized or gained a few bps, taking a breather after this month's protracted decline, often nearing first support levels. **US yields** added between 2.8 bps (5-y) and 1 bp (2-y). A \$70 bln **5-y US Treasury auction tailed** and met cautious investors interest. **EMU yields changed less than 1 bp.** **Equity markets left AI-related uncertainty behind** with Eurostoxx 50 (+0.93%) touching a new record. US indices gained between 0.63% (Dow) and 1.26% (Nasdaq), counting down to the Nvidia results after the close. **FX cross rates stayed within the established ranges.** The dollar initially held up well, but lost momentum as trading proceeded. US Trade Representative Jamieson Greer indicating that President Trump still intends to raise the global tariff to 15% (where appropriate) highlighted uncertainty related to US trade policy, often a negative for the dollar. **EUR/USD** regained the 1.18 big figure (close 1.181). For the **DX** trade-weighted index, a test of the 98 big figure was rejected (close 97.7). The yen initially suffered from (perceived) pressure from the government on the BoJ to remain cautious on further policy tightening, but USD/JPY finally also eased from the intraday peak levels, closing at 156.4 from 155.9.
- Asian equities show a mixed picture this morning. US futures are trading slightly in red. Nvidia results were strong but the market reaction for now is guarded. The dollar also loses modest ground (DX:97.6, EUR/USD 1.182). **The yuan** continues its 'astonishing' comeback. At USD/CNY 6.84, the Chinese currency trades at the strongest level against the dollar since March 2023. **The yen** is on a (slightly) better footing compared to previous days. (Hawkish) BoJ member Takata advocated the central bank should engage in a further gear shift as he assesses that the 2% inflation target has been achieved. BoJ governor Ueda in an interview also indicated that the bank at least will take a close look at the data to decide on the timing of further hikes. The yen this morning 'rebounds' to USD/JPY 156. **The US and EMU eco calendar** mostly contains data that only have limited impact on trading. **US weekly jobless** claims are a wildcard. Also keep an eye at the a \$44 bln 7-y US Treasury auction. On equity markets, question is which direction sentiment tilts after the Nvidia results. **(Geo)politics might again come to the forefront** as US-Iran nuclear talks resume in Geneva. Brent oil holds near \$71 p/b. **UK** markets keep a close eye on a vote for a lawmaker seat in Manchester, seen as a 'referendum' on PM Starmer. A labour defeat might rekindle uncertainty similar to what happened early this month, potentially weighting on UK bonds and sterling. EUR/GBP for now holds just north of 0.87.

News & Views

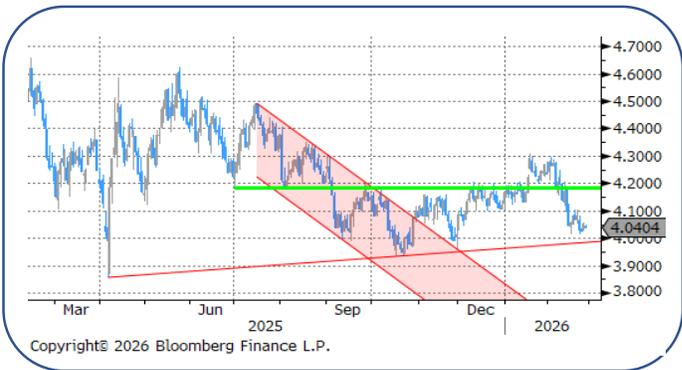
- The Bank of Korea unanimously decided to leave the Base Rate unchanged for a sixth meeting at 2.5%.** Inflation is expected to remain stable near the target level. **Consumer price and core inflation for this year are forecast at respectively 2.2% and 2.1%** (vs 2.1% and 2% in November), affected by upward cost pressures on some items, including electronic devices. **Economic growth is projected to continue improving** at a stronger than expected pace, supported by a recovery in consumption and strong exports (global chip demand). The central bank now estimates growth at 2% for the year, up from 1.8% in November, with a balanced risk assessment. **Risks to financial stability** nevertheless remain as highlighted **by volatility in FX (KRW, JPY), housing** (price growth slowing in Seoul and surrounding areas thanks to government's macroprudential policy) and **stock markets**. The BoK's conditional interest rate horizon (doubled from 3 to 6 months) suggests a strong leaning to keeping policy rate stable over this time horizon. The Korean won this morning tested its best levels against USD so far this year at USD/KRW 1420 which is the neckline of a technical triple top formation with final target at 1360.
- The IMF concluded its regular Article IV consultation of the US.** Incorporating the effects of the various policy changes, staff expect growth to accelerate in 2026 to around 2.4% (on a q4/q4 basis). The **inflationary impulse from tariffs is expected to wane in the coming months**, allowing core PCE inflation to fall back to 2% by early 2027. **Risks to the near-term outlook for growth and inflation are seen as balanced.** The unemployment rate is seen steadying close to 4% in 2026-2027 as the effects of slower employment growth and the ongoing slowing of population growth balance each other out. Such scenario should allow the Fed to lower the Fed funds target rate towards 3.25%-3.5% by year-end. Under current policies, **the general government deficit is expected to remain in the 7-8 percent of GDP range, causing general government debt to reach 140 percent of GDP by 2031.** Together with increasing levels of short-term debt this represents a growing stability risk to the US and global economy.

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 mixed/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, 26 February		Consensus	Previous
US			
14:30	Initial Jobless Claims	216k	206k
14:30	Continuing Claims	1858k	1869k
17:00	Kansas City Fed Manf. Activity (Feb)	2	0
EMU			
10:00	M3 Money Supply YoY (Jan)	2.90%	2.80%
11:00	Economic Confidence (Feb)	99.8	99.4
11:00	Industrial Confidence (Feb)	-6.2	-6.8
11:00	Services Confidence (Feb)	7.4	7.2
11:00	Consumer Confidence (Feb F)	--	-12.2
Italy			
10:00	Consumer Confidence Index (Feb)	97	96.8
10:00	Economic Sentiment (Feb)	--	97.6
10:00	Manufacturing Confidence (Feb)	89.6	89.2
Belgium			
11:30	CPI MoM/YoY (Feb)	-/-	0.44%/1.10%
Sweden			
08:00	Household Lending YoY (Jan)	--	2.90%
09:00	Consumer Confidence (Feb)	95.5	95.3
09:00	Manufacturing Confidence SA (Feb)	103.5	103.6
Events			
Q4 earnings	D-Wave Quantum (bef-mkt), MP Materials (aft-mkt), Rocket Lab (aft-mkt) ...		
09:30	ECB's Lagarde Speaks in EU Parliament		
10:00	ECB's Dolenc Speaks in Ljubljana		
10:00	BOE's Lombardelli speaks to Women in Economics Network		
14:45	Fed's Miran on Fox Business		
16:00	Fed's Bowman Testifies Before Senate Banking on Regulation		
19:00	U.S. To Sell USD44 Bln 7-Year Notes		
20:30	Fed's Goolsbee Appears on Fox News		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,05	0,02	US	3,47	0,01	DOW	49482,15	307,65	
DE	2,71	0,00	DE	2,05	0,00	NASDAQ	23152,08	288,40	
BE	3,20	-0,01	BE	2,13	-0,01	NIKKEI	58753,39	170,27	
UK	4,32	0,01	UK	3,58	0,00	DAX	25175,94	189,69	
JP	2,15	0,02	JP	1,24	0,02	DJ euro-50	6173,32	56,72	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,26	3,27	3,45	€STR	1,9330	0,0010			
5y	2,40	3,34	3,58	Euribor-1	1,9280	-0,0140	SOFR-1	3,6691	-0,0020
10y	2,72	3,63	3,95	Euribor-3	2,0110	-0,0300	SOFR-3	3,6680	-0,0026
				Euribor-6	2,1390	-0,0100	SOFR-6	3,6270	0,0020
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1810	0,0038	EUR/JPY	184,69	1,15	CRB	311,44	1,64	
USD/JPY	156,37	0,50	EUR/GBP	0,8710	-0,0017	Gold	5226,20	49,90	
GBP/USD	1,3559	0,0070	EUR/CHF	0,9126	0,0014	Brent	70,85	0,08	
AUD/USD	0,7123	0,0065	EUR/SEK	10,653	-0,0088				
USD/CAD	1,3676	-0,0024	EUR/NOK	11,272	0,0076				

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