



Tuesday, 03 March 2026

## KBC Sunrise Market Commentary

### Markets

- It still are the same central banks, but with a different reaction function.** A low inflation environment enabled them to conduct demand-stimulating policies from the great financial crisis up until the Covid-19 pandemic to counter any significant (potential) hit to growth. This weekend's developments, but a decade ago, would have triggered the "transitory" energy-related inflation spike narrative with the focus directed on facilitating growth. **Today's different inflation context (>2%) and lessons learnt from the energy crisis some four years ago** implies that central bankers will be **vigilant to the inflation rather than the growth side of the story**. Markets are clearly aware of that as seen in yesterday's **repositioning**. When it comes to Europe, money markets again clearly err on the side of a rate hike as the next move. When it comes to the US (or the UK for that matter), they question the timing of the next rate cut (opting for delay) and the policy room left towards neutral. Daily changes on the US yield curve ranged between +6.8 bps (30-yr) and +10.9 bps (5-yr) with the 2-yr and 10-yr yield moving back above 3.4% and 4% respectively. Apart from the energy-narrative, **US Treasuries lost additional ground after the release of the February manufacturing ISM**. The ISM printed above the neutral 50-mark for a second consecutive month (52.4 from 52.6). The previous time that happened was in the fall of 2022. The index sported strong details with new order growth, a rising backlog, decent production volumes and slowed job shedding. Tariffs and metal prices (steel and aluminum) did propel the prices paid subindex to its highest level since June 2022 (70.5) and add to the Fed near term rate stability case. The German yield curve bear flattened with yields rising by 4.3 bps (30-yr) to 9 bps (2-yr). **Distorted gas supply is the European economy's Achilles' heel after being cut off from Russian supplies**. The largest LNG production site in Qatar was shut down yesterday following Iranian drone attack. They added to upward pressure on gas prices (Dutch TTF €44.5/Mwh from €32) coming from higher oil prices (Brent \$80/b with Strait of Hormuz closed). **The huge energy-dependence helps explaining underperformance of European assets in general**. Main equity benchmarks lost up to 2.5% yesterday whereas the US managed to hold a status quo. **EUR/USD lost first support at 1.1742 with the YtD low at 1.1573 being the next reference**. Elsewhere, the **Swiss National Bank** had to officially step up verbal intervention threats after EUR/CHF was heading towards 0.90 for the first time ever (apart from 2015 volatility). **Yesterday's market dynamics remain in play today with US President Trump warning that "the big wave" is yet to come while continuous Iranian drone attacks spread chaos across the Middle East**. Today's eco calendar contains the **February EMU CPI print**. Our inhouse KBC Nowcast model points to 1.8% Y/Y inflation, suggesting upside risks to the 1.7% Y/Y consensus estimate. We expect energy prices to rise by 0.8% M/M to be down 2.5% Y/Y. The Iran conflict makes it likely that headline HICP will return to around 2% as early as March which might add to yesterday's repositioning vibes when it comes to both the direction and (to a lesser extent) the timing of the ECB's next move. A slightly stronger monthly impulse than in January should keep services inflation at 3.2 and core inflation at 2.2%.

### News & Views

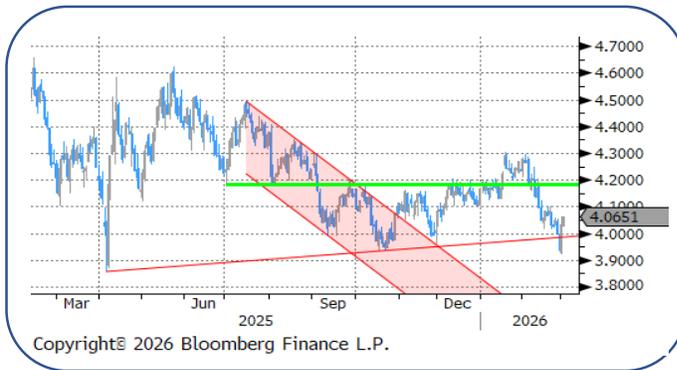
- In a speech at a business meeting in Sydney, **Governor Michell Bullock of the Reserve Bank of Australia (RBA) warned that the March 17 Policy meeting is a live meeting** as the RBA board will *"be actively looking whether or not it needs to move more quickly"*. The comments come as **monthly January inflation at 3.8% Y/Y surprised on the higher side of expectations** and stays well above the 2-3% RBA target zone. At the same time, **labour market data remained solid** with the unemployment rate easing to 4.1%. Governor Bullock **explicitly questioned the market assumption** that the RBA will mostly likely wait for quarterly inflation data to adjust policy. The RBA last month raised its policy rate by 0.25% to 3.85% as inflation remains elevated, the labour market tight and as the economy meets capacity pressures. Tomorrow's Q4 GDP figures (0.8% Q/Q expected) will give additional info. The 2-y Australian government bond yield jumps 14 bps to 4.3%. The market implied probability of a March rate hike rises from 15% to 30%. The Aussie dollar holds up well against a broadly strong dollar (AUD/USD 0.71).
- February UK shop price inflation in February eased to 1.1% against a 1.5% rise in January**. Even so, this increase is still in line with the 3-month moving average. Non-food prices fell 0.1% Y/Y, against growth of 0.3% in January. Food inflation increased 3.5%Y/Y in February, against growth of 3.9% in January. The British Retail Consortium comments that **fierce competition between retailers is keeping price rises in check as do promotions**. Falling global food costs also fed through, pushing food inflation down, with **ambient food inflation dropping to its lowest level in four years**. While promising, the BRC assess that prices are still rising and that many consumers remain under pressure. It also mentions the risk that government measures might *"add further complexity if secondary legislation is implemented without an eye firmly on the potential consequences for the cost of doing business and hence the cost of living"*.

# 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. Lower EMU January inflation prints and risk aversion averted a break above key 3% resistance.



## 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. Yields across the curve turned lower in response, with the 10-yr testing 4% support.



## 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 Fed subpoenas, Greenland, and the US administration's (not so) hidden preference for a weaker USD, the tariff narrative and attack against Iran have reignited long-lingering market concerns. Risk-related safe haven flows nevertheless still hang in the balance.



## 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

Tuesday, 03 March		Consensus	Previous
<b>Japan</b>			
00:30	Jobless Rate (Jan)	A: 2.70%	2.60%
00:30	Job-To-Applicant Ratio (Jan)	A: 1.18	R: 1.20
00:50	Company Sales YoY (4Q)	A: 0.7%	0.50%
00:50	Company Profits YoY (4Q)	A: 4.70%	19.70%
00:50	Capital Spending YoY (4Q)	A: 6.50%	2.90%
00:50	Capital Spending Ex Software YoY (4Q)	A: 7.30%	2.90%
<b>UK</b>			
01:01	BRC Shop Price Index YoY (Feb)	A: 1.10%	1.50%
<b>EMU</b>			
11:00	<b>CPI MoM/YoY (Feb P)</b>	<b>0.50%/1.70%</b>	<b>-0.60%/1.70%</b>
11:00	CPI Core YoY (Feb P)	2.20%	2.20%
<b>Italy</b>			
11:00	CPI EU Harmonized MoM/YoY (Feb P)	0.1%/1.1%	-1.00%/1.00%
<b>Events</b>			
<b>03MAR</b>	<b>UK Chancellor Reeves delivers Spring Statement</b>		
04:35	Japan to Sell 10-Year Bonds		
11:30	Germany to Sell Bonds		
15:55	Fed's Williams Gives Keynote Remarks		
16:30	ECB's Kocher Speaks at OeNB Women's Forum		
16:40	ECB's Sleijpen Speaks in Groningen		
17:55	Fed's Kashkari Speaks at 2026 Bloomberg Invest Conference		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,03	0,10	US	3,48	0,10	DOW	48904,78	-73,14	
DE	2,71	0,07	DE	2,09	0,09	NASDAQ	22748,86	80,65	
BE	3,22	0,07	BE	2,18	0,09	NIKKEI	56279,05	-1778,19	
UK	4,37	0,14	UK	3,64	0,11	DAX	24638	-646,26	
JP	2,13	0,04	JP	1,26	0,03	DJ euro-50	5986,93	-151,48	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,30	3,26	3,51	€STR	1,9340	0,0040			
5y	2,43	3,32	3,62	Euribor-1	1,9370	-0,0060	SOFR-1	3,6715	0,0064
10y	2,73	3,60	3,96	Euribor-3	2,0260	0,0130	SOFR-3	3,6666	0,0122
				Euribor-6	2,1310	0,0030	SOFR-6	3,6196	0,0250
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1688	-0,0124	EUR/JPY	183,97	-0,39	CRB	320,55	7,88	
USD/JPY	157,39	1,34	EUR/GBP	0,8719	-0,0045	Gold	5311,60	63,70	
GBP/USD	1,3407	-0,0075	EUR/CHF	0,9110	0,0024	Brent	77,74	4,87	
AUD/USD	0,7093	-0,0025	EUR/SEK	10,7057	0,0393				
USD/CAD	1,3676	0,0036	EUR/NOK	11,1999	-0,0382				

## Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 19
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
		Prague	+420 2 6135 3535
CSOB Economics – Markets Prague			
Jan Cermak	+420 7 3704 4494		
Jan Bures	+420 6 0455 4876		
Dominik Rusinko	+420 7 2390 1089		
CSOB Economics – Markets Bratislava		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
K&H Economics – Markets Budapest		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

Discover more insights at [www.kbceconomics.be](http://www.kbceconomics.be)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

