



Wednesday, 04 March 2026

## KBC Sunrise Market Commentary

### Markets

- European stock markets bit the dust yesterday, underperforming strongly vs US peers. The EuroStoxx50 tumbled 3.6% with some national indices doing even worse. Spain for example lost 4.6% over threats from president Trump to “cut off all trade” after the country denied the US access to military basis for the bombing campaign against Iran. Main indices on Wall Street lost around 1%, paring initial opening losses of up to 2.75% (Nasdaq). US stocks recovered after the Trump administration sought to assure energy trade flow through the Strait of Hormuz **by offering insurance guarantees and naval escorts if needed**. It’s not clear how quickly this can come about and we’re not sure whether oil tankers are ready to take the personal risk. **But the news in any case caused oil and gas prices to return from their intraday highs**. Net daily changes still amounted to <5% for Brent and >20% for Dutch TTF gas though. Core bonds, fearing inflation risks, extended their fall. They finished off the lows though with yields printing between 2.4-3.4 bps higher in the US and 2.8-6.6 bps in Germany. The Middle East war will continue to dominate overall sentiment, **in the first place through energy markets**. And despite Trump’s assurances, Brent is again rallying almost 3% towards the \$85 barrier on growing supply concerns. **Iraq, OPEC’s second-biggest producer, late yesterday began closing its biggest oil field due to shipping constraints**. Asian markets are suffering with major net oil importers such as Japan feeling the heat. The Nikkei yanks almost 4% lower. Huge outflows press the likes of South Korea down by 12%. The greenback rallied yesterday with EUR/USD down from 1.1688 to 1.1613. The pair traded as low as 1.1530 before the upward trending line that connects the August and November lows offered some support. While having zero market impact, it is still worth noting that yesterday’s **January European inflation figures came in at the high end of expectations**. Overall prices rose the expected 1.9%, accelerating from 1.7%. Core CPI, however, topped consensus estimates by accelerating to 2.4% from 2.2%. Our in-house nowcast was 1.81% for headline. The Middle East conflict obviously resulted in an adjusted nowcast for March, which now stands at 2.13% for the headline and 2.2% for core. The current underlying assumption of a 15% oil and 40% TTF gas price rise (vs last month) remains subject to revision. The **economic calendar** today features some interesting data including the Fed Beige Book release, the ADP job report for February (50k) and the ISM services index (53.5 from 53.8). Despite their high-profile nature we don’t expect them to influence trading much. Even in case of a miss, we don’t expect core bonds to rally in what would be a stagflationary environment.

### News & Views

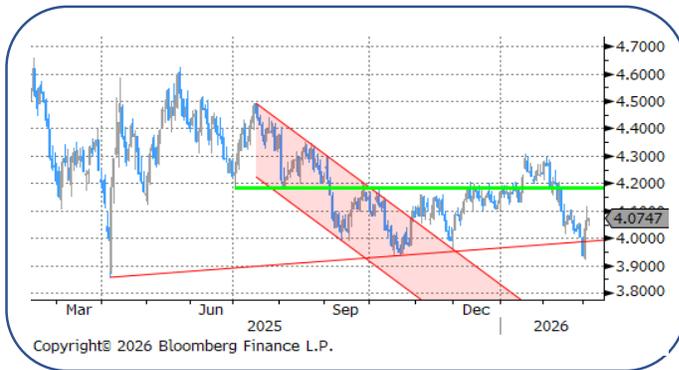
- GDP growth in Australia in Q4 2025 accelerated to 0.8% Q/Q and 2.6% Y/Y**, up from 0.5% Q/Q. The Australian Bureau of Statistics said **private and public demand both contributed to growth**. Household spending rose 0.3%. Government expenditure grew 1%. Private investment increased for the fifth consecutive quarter (0.7%). Inventories contributed a positive 0.4% to the overall growth figure. Net exports delivered a small negative contribution (-0.1 ppt). Despite a constructive demand picture, the household saving ratio increased to 6.9% from 6.1%. The ratio is now at its highest level since the September quarter 2022. Household disposable income rose 1.8%, significantly higher than the nominal increase in household spending (1.1%). Also from a supply side point of view, growth was broad-based with **production levels rising in 17 of the 19 industry groups**. The reaction release was modest even as the **Reserve Bank of Australia recently indicated the economy grows above capacity**. This maybe has to do with the mix of modest consumption growth and a higher savings ratio. After opening higher, the 2-y yield even eased slightly (-4 bps to 4.27%). Money markets still see a **chance of about 25% of a March rate hike**. The Aussie dollar eases slightly to test the AUD/USD 0.70 level.
- China PMI releases published this morning showed mixed, diffuse picture. **The official PMI**, which is mainly based on state-owned (large) and domestic oriented companies **eased slightly from 49.8 to 49.5**. Both the manufacturing measure (49) and the non-manufacturing survey (49.5) held below the 50 mark. At the same time, the RatingDog **China composite PMI, which is compiled by S&P global and seen as more sensitive to foreign demand, accelerated sharply** (composite 55.4 from 51.6, manufacturing 52.1 from 50.3 & services 56.7 from 52.3). On manufacturing, S&P analyses that the rise ‘was boosted by stronger increases in new orders, output and stocks of purchases. These impacts were partly countered by shorter suppliers’ delivery times, while the employment component again exerted a broadly neutral impact’. On services S&P sees activity expanding at the fastest pace since May 2023, but this still also resulted in a fresh fall in staffing levels. Input price inflation remains modest, but some pricing power lifts output prices. After a correction over the previous three days, the yuan this morning stabilizes near USD/CNY 6.9154.

# 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.



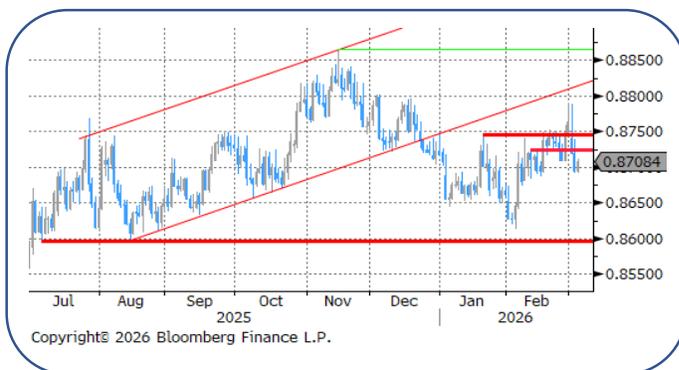
## US 10y yield

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

Wednesday, 04 March		Consensus	Previous
<b>US</b>			
14:15	ADP Employment Change (Feb)	50k	22k
16:00	ISM Services Index (Feb)	53.5	53.8
16:00	ISM Services Prices Paid (Feb)	68.3	66.6
16:00	ISM Services New Orders (Feb)	53.5	53.1
16:00	ISM Services Employment (Feb)	50.6	50.3
<b>Japan</b>			
01:30	S&P Global Japan PMI Composite (Feb F)	53.9A	53.8
01:30	S&P Global Japan PMI Services (Feb F)	53.8A	53.8
06:00	Consumer Confidence Index (Feb)	40.0A	37.9
<b>UK</b>			
10:30	S&P Global UK Services PMI (Feb F)	53.9	53.9
10:30	S&P Global UK Composite PMI (Feb F)	53.9	53.9
<b>EMU</b>			
10:00	HCOB Eurozone Services PMI (Feb F)	51.8	51.8
10:00	HCOB Eurozone Composite PMI (Feb F)	51.9	51.9
11:00	PPI MoM/YoY (Jan)	0.20%/-2.60%	-0.30%/-2.10%
11:00	Unemployment Rate (Jan)	6.20%	6.20%
<b>Italy</b>			
09:45	HCOB Italy Services PMI (Feb)	52.6	52.9
09:45	HCOB Italy Composite PMI (Feb)	51.8	51.4
10:00	Unemployment Rate (Jan)	5.60%	5.60%
<b>Belgium</b>			
11:00	Unemployment Rate (Jan)	--	6.40%
<b>China</b>			
02:30	Manufacturing PMI (Feb)	49.0A	49.3
02:30	Non-manufacturing PMI (Feb)	49.5A	49.4
02:30	Composite PMI (Feb)	49.5A	49.8
02:45	RatingDog China PMI Composite (Feb)	55.4A	51.6
02:45	RatingDog China PMI Services (Feb)	56.7A	52.3
02:45	RatingDog China PMI Mfg (Feb)	52.1A	50.3
<b>Czech Republic</b>			
09:00	CPI MoM/YoY (Feb P)	0.10%/1.60%	0.90%/1.60%
<b>Poland</b>			
04MAR	Poland Base Rate Announcement	3.75%	4.00%
<b>Spain</b>			
09:15	HCOB Spain Services PMI (Feb)	--	53.5
09:15	HCOB Spain Composite PMI (Feb)	--	52.9
<b>Sweden</b>			
08:30	Swedbank/Silf PMI Services (Feb)	--	54.3
08:30	Swedbank/Silf PMI Composite (Feb)	--	54.8
<b>Events</b>			
10:40	ECB's Muller Speaks in Tallin		
11:30	Germany to Sell Bonds		
13:40	ECB's Villeroy Speaks at the OECD in Paris		
14:30	ECB'S Guindos Speaks in Frankfurt		
20:00	Fed Releases Beige Book		



10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,06	0,02	US	3,51	0,03	DOW	48501,27	-403,51	
DE	2,75	0,04	DE	2,16	0,07	NASDAQ	22516,69	-232,17	
BE	3,29	0,07	BE	2,26	0,08	NIKKEI	54245,54	-2033,51	
UK	4,47	0,10	UK	3,73	0,10	DAX	23790,65	-847,35	
JP	2,12	-0,02	JP	1,24	-0,02	DJ euro-50	5771,73	-215,20	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,37	3,29	3,60	€STR	1,9340	0,0000			
5y	2,50	3,35	3,70	Euribor-1	1,9250	-0,0120	SOFR-1	3,6753	0,0038
10y	2,77	3,63	4,03	Euribor-3	2,0350	0,0090	SOFR-3	3,6703	0,0037
				Euribor-6	2,1200	-0,0110	SOFR-6	3,6277	0,0081
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1613	-0,0075	EUR/JPY	183,15	-0,82	CRB	326,30	5,75	
USD/JPY	157,74	0,35	EUR/GBP	0,8695	-0,0024	Gold	5123,70	-187,90	
GBP/USD	1,3358	-0,0049	EUR/CHF	0,9081	-0,0029	Brent	81,40	3,66	
AUD/USD	0,7036	-0,0057	EUR/SEK	10,7561	0,0504				
USD/CAD	1,368	0,0004	EUR/NOK	11,2315	0,0316				

## 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

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