



Monday, 09 March 2026

KBC Sunrise Market Commentary

Markets

- Unexpected **weak US payrolls** on Friday brought a temporary interruption from the war-related, inflationary narrative. Contrary to mostly solid US data of late (e.g. ISMs), the US economy in February shed 92k jobs. The unemployment rate rose from 4.3% to 4.4%. Wage growth (AHE) rose slightly more than expected (0.4% M/M and 3.8% Y/Y). Some specific issues might have been in play (strikes, weather related topics). Even so, **the outcome questions recent cautiously growing optimism on the US job market, which also became apparent in comments from at least from some Fed members**. Whatever the assessment, the outcome helped to (temporarily) balance the energy price driven rise in US yields. US yields closed little changed (<2 bps across the curve). **Any mitigating impact on EMU (or e.g. UK yields) understandably was far less**, as at the same time the oil price (Brent) was closing in on \$90+ p/b. The yield curve further bear flattened with the 2-y adding 7 bps, the 10-y rising 1.9 bps while the 30-y eased slightly (-0.8 bps). In the meantime, headlines on several key production facilities in the Gulf shutting down production (oil and gas production) continued to roll in. The combination of war-rated inflation fears and weak US payrolls evidently didn't help equities. US indices lost between 0.94% (Dow) and 1.59% (Nasdaq). The recent 'strong dollar bid' temporarily receded. DYX closed slightly lower near 99. EUR/USD avoided a close below 1.16 (close 1.1618). Interestingly, sterling both outperformed the euro (close EUR/GBP 0.8663) and the dollar (cable close 1.3413).
- This morning, all eyes remain on the conflict in the Middle East. There are few signs pointing to any de-escalation. Iran named Mojtaba Khamenei, the son of the previous Ayatollah, as the new supreme leader. US comments suggest they intend further action to reach their objectives, including seizing the Iran's uranium. **Oil this morning briefly spiked to only a whisker away from the \$120 p/b level (Brent)**. In very volatile trading, oil currently eases slightly off those peak levels, but developments suggest that recent **(stagflationary) dynamics with energy prices in focus might continue dominating trading**. Asian equities are declining sharply (Nikkei -5.2%). US and European equity futures are also deeply in red. Short-term (EMU yields) again open sharply higher (2-y swap + 15 bps). US yields add 4-5 bps across the curve. Question is how fast money markets will price in the necessity for ECB action if the oil-price/inflation uptick persists. **Everything remains highly conditional, but in a scenario of oil prices permanently at > \$100 p/b, it shouldn't surprise that markets ponder a scenario of the ECB being forced to raise rates already in June**. The dollar also spiked higher this morning, but momentum currently also eases. EUR/USD tested the low 1.15 area, but currently again trades near 1.1545. USD/JPY (158.6) is nearing the YTD and December peak levels. **Despite the sharp repositioning of late, it looks premature to already expect a turnaround especially in the trends of higher short-term (European) yields and in higher dollar/weaker euro**. For EUR/USD, the November low at 1.1469 is next reference on the charts, with the August low at 1.1392.

News & Views

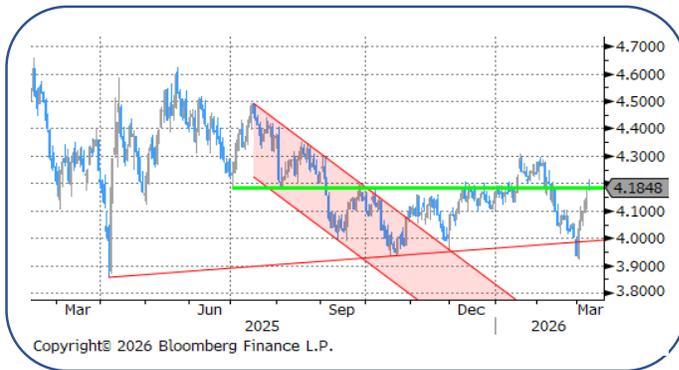
- Chinese CPI rebounded from 0.2% to 1.3% in February**, topping expectations for a 0.9% outcome. On a monthly basis, CPI was up 1%, accelerating from January's 0.2%. Food and services drove the quickening with the former rising 1.7% y/y and the latter 1.6%. Both were significantly higher than in January (-0.7% and 0.1% respectively). **This suggests the price surge was at least partially driven by stronger-than-usual holiday spending during the Lunar New Year month**. The jury remains out on the longer-term consequences of this typically one-off event. **Factory gate prices meanwhile remain deeply wired in deflation territory**, coming in at -0.9% y/y. It was less than the -1.4% in January though and also surpassed consensus for -1.1%. Consumer goods printed at -1.6%, showing little improvement from -1.7%. China's yuan gapped lower during this morning's risk-off session but pared losses intraday. **USD/CNY is currently trading around 6.91**.
- Rating agency Fitch raised the outlook on Portugal's A+ credit rating to positive from stable**. It expects "policies to continue to focus on sound budgetary management, generating employment, and boosting investment, particularly in the fast-growing services sector", allowing the debt ratio to continue to fall firmly over the next years. **Moderate deficits or even surpluses (eg. in 2025) are expected to push debt lower to 86.8% by end 2027 from 89.6% end-2025**. Economic growth is seen hovering just below 2% on average over 2026-2029 with strong household and company finances as supporting elements, along with "EU transfers, significant net immigration, and the competitive cost structure for the productive sector—including lower energy prices compared to EU peers." Net exports are likely to remain a drag amid still-high uncertainty, including tariff-related risks, and the high import intensity of demand.

Graphs



GE 10y yield

Confidence grew that inflation returned to 2% **allowing 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. A new test amid rising inflation risks is in the making, however, after the war in Iran erupted.



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. While the debate on further easing isn't finished, the focus is increasingly **turning back rising inflation risks** from downside labour market risks. The 10-yr yield rebounded from the YtD lows in the wake of the Iran war.



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

Monday, 09 March		Consensus	Previous
US			
16:00	NY Fed 1-Yr Inflation Expectations (Feb)	--	3.09%
Japan			
00:30	Real/Labor Cash Earnings YoY (Jan)	1.40%A/3.00%A	-0.10%/2.40%
00:30	Cash Earnings Same Sample Base YoY (Jan)	1.90%A	3.20%R
00:50	Bank Lending Ex-Trusts YoY (Feb)	4.90%A	4.90%
07:00	Eco Watchers Survey Current SA (Feb)	48	47.6
07:00	Eco Watchers Survey Outlook SA (Feb)	50.6	50.1
EMU			
10:30	Sentix Investor Confidence (Mar)	-3	4.2
Germany			
08:00	Factory Orders MoM/WDA YoY (Jan)	-4.10%/13.20%	7.80%/13.00%
08:00	Industrial Production SA MoM/WDA YoY (Jan)	1.00%/-0.80%	-1.90%/-0.60%
China			
02:30	PPI YoY (Feb)	-0.90%A	-1.40%
02:30	CPI YoY (Feb)	1.30%A	0.20%
Events			
01:01	S&P Global, KPMG and REC UK Report on Jobs		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,14	0,00		US	3,56	-0,02	DOW	47501,55	-453,19
DE	2,86	0,02		DE	2,31	0,07	NASDAQ	22387,68	-361,31
BE	3,42	0,05		BE	2,42	0,08	NIKKEI	52728,72	-2892,12
UK	4,63	0,09		UK	3,87	0,07	DAX	23591,03	-224,72
JP	2,19	0,02		JP	1,25	0,00	DJ euro-50	5719,9	-62,99
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,54	3,35	3,80	€STR	1,9330	-0,0020			
5y	2,63	3,42	3,89	Euribor-1	1,9400	-0,0150	SOFR-1	3,6731	0,0041
10y	2,88	3,68	4,19	Euribor-3	2,0490	0,0030	SOFR-3	3,6666	-0,0017
				Euribor-6	2,1390	0,0030	SOFR-6	3,6177	-0,0223
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1618	0,0009		EUR/JPY	183,29	0,36	CRB	352,12	15,27
USD/JPY	157,78	0,19		EUR/GBP	0,8663	-0,0029	Gold	5158,70	80,00
GBP/USD	1,3413	0,0056		EUR/CHF	0,9016	-0,0050	Brent	92,69	7,28
AUD/USD	0,703	0,0022		EUR/SEK	10,6597	-0,0512			
USD/CAD	1,3568	-0,0110		EUR/NOK	11,1304	-0,1159			

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