Friday, 13 March 2026

KBC Sunrise Market Commentary

Markets

- **Core bonds continue to feel the heat as the Brent crude price cruises above the $100/b mark.** Again despite all efforts to lower them. The latest initiative came from the US Treasury which said that it would allow countries to buy Russian oil stranded at sea. **As long as the US and Iran continue trading jabs with the latter blocking the supply chain, oil prices won't retreat.** US President Trump this morning warned that the US has plenty of time in the war against Iran and added ***"watch what happens to these deranged scumbags today".*** The German yield curve continued bear flattening with yields rising by up to 4 bps at the front end of the curve. **The German 10-yr yield (+2.5 bps) closed at the second highest level (2.96%) since 2011 and is ready for a take at key 3% resistance.** In the UK, bear flattening turned into a slight bear steepening as rising inflation expectations start impacting the long end of the curve in absence of monetary responses. UK yields rose by 8.8 bps (2-yr) to 9.6 bps (30-yr). For the first time, US Treasuries also faced significant selling pressure at the front end of the curve as US money markets start pricing out rate cut bets this year. The US yield curve bear flattened with yields rising by 0.3 bps (30-yr) to 9 bps (2-yr). From a technical point of view, **the 2-yr yield broke the 3.6% resistance barrier which capped rangebound trading between September of last year now.** That also coincided with a longer term downward trend line and the 200d moving average in a technically significant move. **On FX markets, the dollar grows stronger everyday.** The trade-weighted greenback moved beyond the YtD high at 99.70 and is has its sights at the November top at 100.40. **EUR/USD loses the 1.15 barrier this morning with the August low at 1.1392 being the next target.** A weaker euro is further complicating matters for the ECB and (upward) inflation risks when it meets next week. USD/JPY is back at January levels (just below 160) which prompted rate checks by the NY Fed and talk of potential coordinated interventions. This morning, the verbal treat only comes from the Japanese corner. **Risk sentiment suffers** from the lasting conflict with key European indices yesterday losing 0.5% to 1% and losses in the US exceeding 1.5%. **We expect these underlying market dynamic – high oil prices, rising interest rates, stronger dollar, weaker equities – to remain in place going into a very uncertain weekend.** Today's eco calendar contains (outdated) January PCE deflators in which goods inflation is the one the watch. The University of Michigan's March consumer survey could be the more important one from a market point of view. Interviews are conducted through the Monday before the release implying that **inflation expectations will be impacted by the (start of) the conflict in the Middle-East and could further dent bond sentiment.** US durable goods orders (January) and JOLTS job openings (January) are also in today's data mix but will play second fiddle.

News & Views

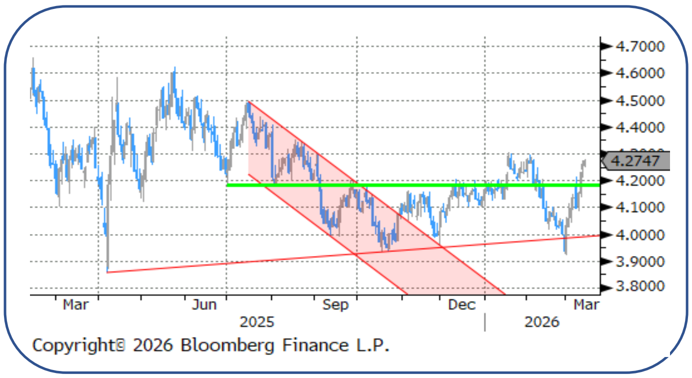
- **Rating agency S&P warned that a sustained rise in energy prices could result in a lower Hungarian credit rating.** With Hungary holding BBB- with a negative outlook (confirmed in October), such a downgrade would mean the country **loses its investment grade status.** S&P's head analyst for the EMEA region said that if gas prices would develop similarly to 2022, Hungary's **current account could deteriorate significantly, inflation would rise and the forint could dramatically depreciate,** pressuring *"their fiscal indicators and their rating".* S&P said that the risk of a downgrade is **compounded by pre-election fiscal stimulus measures** which - unlike those in 2022 - are expected to have a longer-lasting fiscal impact. Hungary's budget deficit at the end of February reached HUF2.1tn, which was already 40% of the full year target of 5%. The next S&P rating review is on May 29.

- **Fed vice-chair for supervision Michelle Bowman announced yesterday that US banks will get relaxed capital proposals from regulators in the coming week.** While adopting the final package of Basel III rules would result in a small increase in capital requirement, Bowman said that the other proposed changes to surcharge for global systemically important banks would more than offset that. *"These changes to the capital framework eliminate overlapping requirements, right-size calibrations to match actual risk and comprehensively address longstanding gaps in our prudential framework,"* Bowman explained. The reform package is designed to encourage bank lending and to reverse the trend of mortgage activity increasingly being done by non-banks.

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. **Rising oil prices and a weak risk sentiment result in by-default USD gains since the war in the Middle-East started** with EUR/USD heading for a test of 1.1392 technical support.

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

Friday, 13 March		Consensus	Previous
US			
13:30	**Personal Income/Spending (Jan)**	**0.50%/0.30%**	**0.30%/0.40%**
13:30	Real Personal Spending (Jan)	0.00%	0.10%
13:30	**PCE Price Index MoM/YoY (Jan)**	**0.30%/2.90%**	**0.40%/2.90%**
13:30	Core PCE Price Index MoM/YoY (Jan)	0.40%/3.10%	0.40%/3.00%
13:30	**Durable Goods Orders (Jan P)**	**1.10%**	**-1.40%**
13:30	Durables Ex Transportation (Jan P)	0.50%	1.00%
13:30	Cap Goods Orders Nondef Ex Air (Jan P)	0.50%	0.80%
13:30	**Cap Goods Ship Nondef Ex Air (Jan P)**	**0.40%**	**1.00%**
15:00	**U. of Mich. Sentiment (Mar P)**	**54.8**	**56.6**
15:00	U. of Mich. Current Conditions (Mar P)	54.9	56.6
15:00	U. of Mich. Expectations (Mar P)	54.5	56.6
15:00	U. of Mich. 1 Yr Inflation (Mar P)	3.70%	3.40%
15:00	U. of Mich. 5-10 Yr Inflation (Mar P)	3.40%	3.30%
15:00	**JOLTS Job Openings (Jan)**	**6750k**	**6542k**
15:00	JOLTS Job Openings Rate (Jan)	4.00%	3.90%
15:00	JOLTS Quits Level (Jan)	3118k	3204k
15:00	JOLTS Quits Rate (Jan)	--	2.00%
15:00	JOLTS Layoffs Level (Jan)	1766k	1762k
15:00	JOLTS Layoffs Rate (Jan)	--	1.10%
Canada			
13:30	Full Time Employment Change (Feb)	--	44.9k
13:30	Part Time Employment Change (Feb)	--	-69.7k
13:30	Net Change in Employment (Feb)	10.0k	-24.8k
13:30	Unemployment Rate (Feb)	6.60%	6.50%
13:30	Participation Rate (Feb)	--	65.00%
13:30	Hourly Wage Rate Permanent Employees YoY (Feb)	3.20%	3.30%
13:30	Capacity Utilization Rate (4Q)	--	78.50%
UK			
08:00	Monthly GDP MoM/3M-3M (Jan)	0.20%/0.30%	0.10%/0.10%
08:00	Industrial Production MoM/YoY (Jan)	0.20%/0.60%	-0.90%/0.50%
08:00	Manufacturing Production MoM/YoY (Jan)	0.20%/1.50%	-0.50%/0.50%
08:00	Index of Services MoM/3M-3M (Jan)	0.20%/0.30%	0.30%/0.00%
08:00	Construction Output MoM/YoY (Jan)	0.00%/-0.10%	-0.50%/-0.30%
08:00	Trade Balance Ex Precious Metals (Jan)	-£1300m	-£1704m
10:30	BoE/Ipsos Inflation Next 12 Mths (Feb)	--	3.50%
EMU			
11:00	Industrial Production SA MoM/WDA YoY (Jan)	0.60%/1.30%	-1.40%/1.20%
Italy			
10:00	Industrial Production MoM/WDA YoY (Jan)	--/--	-0.40%/3.20%
Poland			
10:00	**CPI MoM/YoY (Feb)**	**0.30%/2.10%**	**0.60%/2.20%**
Sweden			
08:00	Unemployment Rate SA (Feb)	--	8.00%
Events			
13MAR	Rating reviews: Germany (Moody's), Greece (Moody's), Italy (Fitch), Spain (Fitch, S&P) ...		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,26	0,03		US	3,74	0,09	DOW	46677,85	-739,42
DE	2,96	0,02		DE	2,42	0,04	NASDAQ	22311,98	-404,15
BE	3,53	0,05		BE	2,55	0,04	NIKKEI	53819,61	-633,35
UK	4,77	0,09		UK	4,09	0,09	DAX	23589,65	-50,38
JP	2,25	0,06		JP	1,29	0,03	DJ euro-50	5748,89	-45,79
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,66	3,52	4,01	€STR	1,9320	0,0010			
5y	2,75	3,55	4,08	Euribor-1	1,9400	0,0000	SOFR-1	3,6827	0,0068
10y	2,97	3,79	4,34	Euribor-3	2,1500	0,0280	SOFR-3	3,6849	0,0069
				Euribor-6	2,2250	0,0520	SOFR-6	3,6700	0,0204
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1512	-0,0055		EUR/JPY	183,44	-0,42	CRB	365,03	10,06
USD/JPY	159,35	0,40		EUR/GBP	0,8627	0,0003	Gold	5125,80	-53,30
GBP/USD	1,3343	-0,0069		EUR/CHF	0,9049	0,0021	Brent	100,46	8,48
AUD/USD	0,7077	-0,0075		EUR/SEK	10,772	0,0936			
USD/CAD	1,3641	0,0048		EUR/NOK	11,1751	0,0155			

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