

Monday, 16 March 2026

## KBC Sunrise Market Commentary

### Markets

- Markets on Friday (and this morning) tried to assess impact of ongoing elevated oil prices (Brent near \$100 p/b) and other energy prices on the economy and central banks' reaction function as visibility on the end game of the war in Iran remains very low. **On interest rate markets**, the pressure of potentially higher, lasting inflation and fears for de-anchoring of inflation expectations, now ever more also filters through toward the long end of the curve. The US curve on Friday even slightly steepened. The rise in yields at the short-end of the curve slowed (at least temporarily) with the 2-y easing/correcting 2.3 bps. The long end, however, extended the rise with the 30-y adding 2.2 bps. The US 10-y yield is nearing the 4.3% YTD top levels. In Europe, yields maintained their upward trend. German yields rose between 2.7 bps (5-y) and 1.5 bps (30-y). **The 10-y EMU swap yield closed above the 3% barrier for the first time since end November 2023.** The UK yield curve also was testament that inflation fears/expectations ever more affecting the long end of the curve with the 30-y gilt yield closing in on the 5.5% level. Equities in the meantime continue to struggle (S&P -0.61%; Eurostoxx 50 -0.56%). On FX, the dollar remains the by default gainer with the US seen as best equipped to cope with energy-related uncertainty. The DXY index (close 100.36) is challenging the range top that guided trading since end May of last year. EUR/USD (close 1.1417) is nearing the early August low (1.1392).
- At the start of the third week of the conflict between the US, Israel and Iran, uncertainty on the outcome military, (geo)politically and with respect to passage (of oil) through the Strait of Hormuz remains as elevated that it was before the weekend. US President Trump this weekend called upon (Nato) allies and even China to contribute to the defense of the Strait of Hormuz. However, for now visibility on the topic remains zero. Brent oil still holds well north of \$100 p/b (104). Asian equities indices show a mixed picture trading mostly lower. US future show tentative gains. The dollar trades marginally softer but holds within reach of key resistance levels in the likes of DXY, EUR/USD and USD/JPY. **Today's eco calendar is thin.** The US Empire manufacturing and production data are no game-changers. **Later this week, the focus turns to a long parade central bank meetings.** Markets see about a 60% + chance of the Reserve Bank of Australia tomorrow raising the policy rate for the second consecutive meeting (to 4.10%). The move was already debated before the war in the Middle East, but it added to the inflationary risks. **Later this week the Fed and the Bank of Canada (Wednesday), the BoE, ECB, Riksbank, SNB and the Czech national Bank (CNB) on Thursday and the BoJ on Friday decide on policy.** For now, markets still expect them to hold policy unchanged and assess the impact of recent developments. In the current (rapidly evolving context) central banks will be cautious to make any strong commitments. **Even so, with pressure also rising at the longer end of the curve, they will have to convince markets on their determination not to allow a de-anchoring of inflation expectations, if the energy prices stay higher for longer and are at risk of filtering through into second round effects.** In this context, yields probably will hold recent gains, with the focus now also further turning to the long end of the curve.

### News & Views

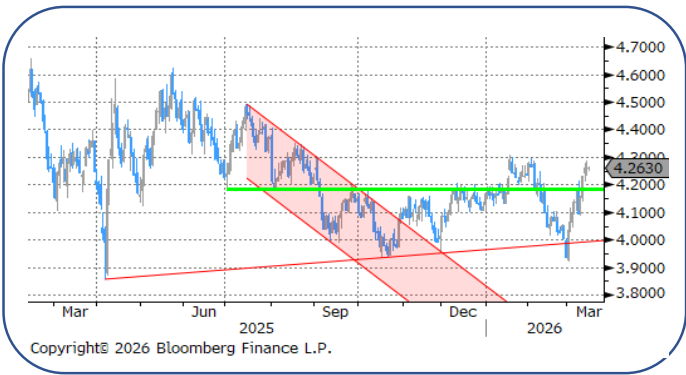
- China released a batch of stronger-than-expected economic data this morning.** They traditionally combine January and February numbers to smooth out distortions caused by the timing of Lunar New Year. **Retail sales** growth was 2.8% YTD YoY in February, vs 2.5% consensus. **Also industrial production (6.3% YTD YoY) and investments (1.8% YTD YoY) managed to get over the bar.** Infrastructure investments (11.4% YTD YoY) increased at the fastest pace since 2021. Data suggest that China's economy started the year on a stromer footing than expected, but external shocks obviously pose short-term threats to that momentum. Earlier this year, China lowered its annual growth target to 4.5%-5%, the slowest pace since 1991. **USD/CNY hovers around 6.9 since the start of the war in the Middle East,** ending almost over a year of gradual CNY-appreciation which brought USD/CNY to lowest levels since mid-2023.
- The International Energy Agency said that oil from the emergency reserves will soon start flowing.** Last week, IEA member countries announced to make 400mn barrels of oil available to the market. Individual implementation plans indicate that stocks will be made available in Asia/Oceania immediately while stocks in the Americas and Europe will be made available starting from the end of March. Other oil-related news flow remains mixed with Iranian FM Araghchi for example stating that the Strait is operational for international shipping apart from any vessel linked to the US and Israel. On the other hand, the Houthi movement in Yemen aligned with Iran in threatening a total blockade of that other crucial strait (Bab el-Mandeb) in the Red Sea.

# 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

Monday, 16 March		Consensus	Previous
<b>US</b>			
13:30	Empire Manufacturing (Mar)	3.9	7.1
14:15	Industrial Production MoM (Feb)	0.10%	0.70%
14:15	Manufacturing (SIC) Production (Feb)	0.10%	0.60%
14:15	Capacity Utilization (Feb)	76.20%	76.20%
15:00	NAHB Housing Market Index (Mar)	37	36
<b>Canada</b>			
13:15	Housing Starts (Feb)	255k	238.0k
13:30	CPI NSA MoM/YoY (Feb)	0.70%/1.90%	0.00%/2.30%
13:30	CPI Ex Food and Energy YoY (Feb)	2.10%	2.40%
13:30	CPI Core-Median YoY% (Feb)	2.40%	2.50%
13:30	CPI Core-Trim YoY% (Feb)	2.30%	2.40%
<b>UK</b>			
01:01	Rightmove House Prices MoM/YoY (Mar)	0.80%A/-0.20%A	0.00%/0.00%
<b>China</b>			
02:30	New Home Prices MoM (Feb)	-0.28%A	-0.37%
02:30	Used Home Prices MoM (Feb)	-0.43%A	-0.54%
03:00	Retail Sales YTD YoY (Feb)	2.80%A	--
03:00	Industrial Production YTD YoY (Feb)	6.30%A	--
03:00	Fixed Assets Ex Rural YTD YoY (Feb)	1.800%A	--
03:00	Surveyed Jobless Rate (Feb)	5.30%A	--
03:00	Property Investment YTD YoY (Feb)	-11.10%A	--
03:00	Residential Property Sales YTD YoY (Feb)	-21.80%A	--
<b>Poland</b>			
14:00	CPI Core MoM/YoY (Feb)	0.30%/2.60%	0.00%/2.70%

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d	
US	4,28	0,02	US	3,72	-0,02	DOW	46558,47	-119,38	
DE	2,98	0,03	DE	2,44	0,02	NASDAQ	22105,36	-206,62	
BE	3,58	0,04	BE	2,58	0,03	NIKKEI	53751,15	-68,46	
UK	4,82	0,05	UK	4,13	0,04	DAX	23447,29	-142,36	
JP	2,28	0,02	JP	1,29	-0,02	DJ euro-50	5716,61	-32,28	
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,69	3,49	4,06	€STR	1,9300	-0,0020			
5y	2,77	3,53	4,12	Euribor-1	1,9480	0,0080	SOFR-1	3,6830	0,0003
10y	3,01	3,79	4,38	Euribor-3	2,1570	0,0070	SOFR-3	3,6890	0,0041
				Euribor-6	2,2890	0,0640	SOFR-6	3,6702	0,0002
Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d	
EUR/USD	1,1417	-0,0095	EUR/JPY	182,36	-1,08	CRB	365,79	0,76	
USD/JPY	159,73	0,38	EUR/GBP	0,8632	0,0005	Gold	5061,70	-64,10	
GBP/USD	1,323	-0,0113	EUR/CHF	0,9034	-0,0015	Brent	103,14	2,68	
AUD/USD	0,6981	-0,0096	EUR/SEK	10,8264	0,0544				
USD/CAD	1,3718	0,0077	EUR/NOK	11,152	-0,0231				

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