



Monday, 05 January 2026

KBC Sunrise Market Commentary

Markets

- The **US intervention in Venezuela** over the weekend is grabbing lots of media attention but not so much that of the markets. Geopolitical events rarely impact markets on a lasting basis. The Trump administration ultimately strives for a regime shift with motives stretching from Maduro seen as the illegitimate (and now former) president to Venezuela lambasted as a narco-state impacting the US over the opportunities seen in the country's failing oil industry. Haven assets including gold are rising this morning but so are the riskier segments in the market. Asian stocks surge up to 3% at the open, led by Japan. The Nikkei225 is inches away from its October 2025 record high. Oil prices swung between losses and gains only to trade little changed at around \$60.5 per barrel currently (Brent). US government bonds gain a little. Yields erase some of Friday's slight gains. **Curves turned steeper** at the end of last week, particularly in Europe where rates rose between 1.7 and 6.4 bps in the German case. 10-yr tenors (swap, Germany) are nearing important technical levels around 3%. Japan shows a similar steepening this morning. **The traditional upcoming supply at the start of the year**, corporate and governments alike, is a potential driving force. Slovenia (new 10-yr benchmark EUR transaction today) is a case in point. The jury's out on the eventual impact of supply on the curve with many (especially sovereigns) targeting shorter maturities to reduce interest rate costs. **But the sheer - often record - amount of financing needs is bound to push yields generally higher**. The US dollar extends its recent bottoming out process. The gradual recovery of the trade-weighted index kicked in since Christmas Eve at sub 98 and built to 98.66 currently. Everything remains the same technically in 2026 as in 2025 though. EUR/USD is no different with the pair depreciating back below 1.17 after hitting 1.18 two weeks ago. The sideways trading range between 1.14 and 1.19 in place since the summer of 2025 is very much in play. A slightly weaker euro also drags EUR/GBP back below 0.87 for the first time since October.
- The first full week of the new year immediately offers an **interesting economic calendar** that should already shape central bank expectations for the broader Q1, particularly for the Fed. The US kicks off with the manufacturing ISM (December) today with the services gauge due on Wednesday, along with the ADP job and JOLTS reports. Friday's December payrolls are the highlight. Inflation numbers are due in the euro area but won't alter market expectations for the ECB's status quo.

News & Views

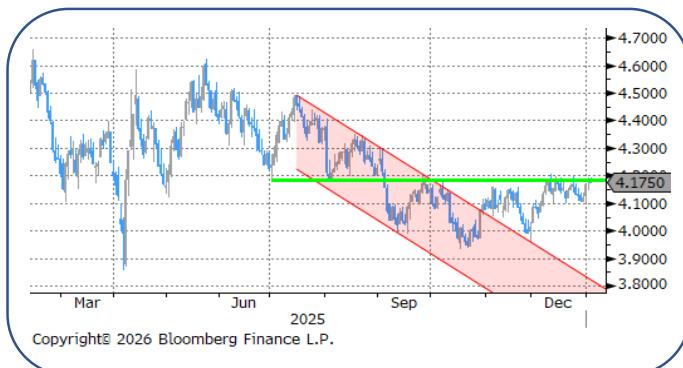
- The eight OPEC+ countries** (Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria and Oman) **reaffirmed their November decision to pause production increments in February and March**. Delegates said that they didn't discuss Venezuela in their monthly update and that it's premature to assess the impact of the situation and the cartel's reaction function to it. Lowest oil prices in four years' time and forecasts of a significant global oil surplus are key considerations. OPEC+ meets again on February 1st. The next official OPEC meeting is scheduled for June 7, 2026.
- The private (RatingDog) **Chinese services PMI stabilized at 52 in December** (from 52.1), matching consensus forecasts. The statement suggested that a smaller number of, especially Japanese, tourists was responsible for a **renewed drop in new export business. The employment component slipped further into contraction territory** (48.9 from 49.2) while prices charged fell compared with November. The manufacturing PMI was already published last week and unexpectedly returned above the 50 boom/bust mark (50.1 from 49.9). Both output and new orders rose compared to November. Official PMI's showed a similar end-of-year rebound driven by large manufacturing firms.

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. Recent comments ever more indicate that the next ECB move will be a rate hike. Combined with ongoing higher (fiscal) risk premia, this supported a rebound in EMU yields.



US 10y yield

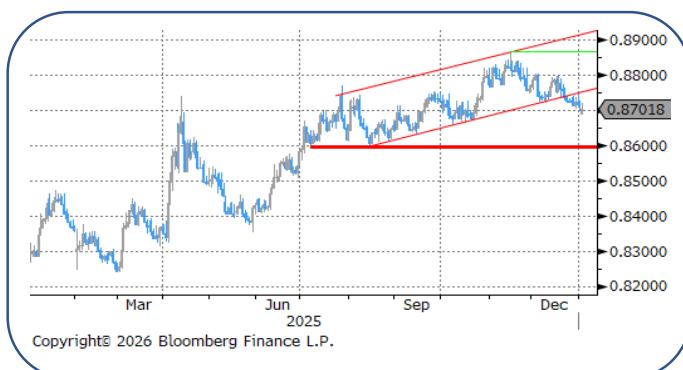
The Fed's focus shifted with increased attention for (risks to) the labour market with 25 bps rate cuts in September, October and December. The Fed now nears a neutral policy level, but the debate on further easing isn't finished yet. Some further steepening still might be on the cards even as the budgetary impact of President Trump's big, beautiful bill moved to the background.

4% support in the 10-y yield survives for now.



EUR/USD

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 restarting its easing cycle will reduce USD interest rate support while Lecornu's survival took the sting out of the French political impasse in the short run. The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation MT.



EUR/GBP

Sterling snapped through multiple support zones, pushing EUR/GBP to its highest levels since early 2023. A new sell-off was avoided after Chancellor Reeves' November's Autumn Budget, but we stick to our view that EUR/GBP will return towards the 0.90 handle.

Calendar & Table

Monday, 19 January			Consensus	Previous
US				
16:00	ISM Manufacturing (Dec)		48.4	48.2
16:00	ISM Prices Paid (Dec)		58.7	58.5
16:00	ISM New Orders (Dec)		--	47.4
16:00	ISM Employment (Dec)		--	44
Japan				
01:30	S&P Global Japan PMI Mfg (Dec F)		--	49.7
UK				
10:30	Net Consumer Credit (Nov)		1.1b	1.1b
10:30	Consumer Credit YoY (Nov)		--	7.20%
10:30	Net Lending Sec. on Dwellings (Nov)		4.1b	4.3b
10:30	Mortgage Approvals (Nov)		64.0k	65.0k
10:30	Money Supply M4 MoM (Nov)		--	-0.20%
10:30	M4 Money Supply YoY (Nov)		--	3.50%
10:30	M4 Ex IOFCs 3M Annualised (Nov)		--	4.70%
China				
02:45	RatingDog China PMI Composite (Dec)		--	51.2
02:45	RatingDog China PMI Services (Dec)		52	52.1
Spain				
09:00	Unemployment Change (Dec)		--	-18.8k
09:00	Employment Net Change m/m (Dec)		--	44.7k

10-year	<u>Close</u>	<u>-1d</u>	2-year	<u>Close</u>	<u>-1d</u>	Stocks	<u>Close</u>	<u>-1d</u>
US	4,19	0,02	US	3,47	0,00	DOW	48382,39	319,10
DE	2,90	0,04	DE	2,14	0,02	NASDAQ	23235,63	-6,36
BE	3,40	0,05	BE	2,19	0,01	NIKKEI	51832,8	1493,32
UK	4,54	0,06	UK	3,74	0,00	DAX	24539,34	48,93
JP	2,13	0,06	JP	1,20	0,02	DJ euro-50	5850,38	58,97
IRS	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>-1d</u>	<u>-2d</u>	<u>USD</u>	<u>-1d</u>
3y	2,39	3,35	3,56	€STR	1,9360	0,0150		
5y	2,60	3,48	3,70	Euribor-1	1,9530	0,0140	SOFR-1	3,6757
10y	2,96	3,82	4,05	Euribor-3	2,0290	0,0030	SOFR-3	3,6460
				Euribor-6	2,1050	-0,0020	SOFR-6	3,5750
Currencies	<u>Close</u>	<u>-1d</u>	Currencies	<u>Close</u>	<u>-1d</u>	Commodities	<u>Close</u>	<u>-1d</u>
EUR/USD	1,1719	-0,0027	EUR/JPY	183,84	-0,24	CRB	297,82	-0,96
USD/JPY	156,84	0,09	EUR/GBP	0,8708	-0,0009	Gold	4329,60	-11,50
GBP/USD	1,3456	0,0001	EUR/CHF	0,9288	-0,0020	Brent	60,75	-0,10
AUD/USD	0,6693	0,0023	EUR/SEK	10,8015	-0,0154			
USD/CAD	1,3733	0,0016	EUR/NOK	11,8038	-0,0406			

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
CSOB Economics – Markets Prague		Prague	+420 2 6135 3535
Jan Cermak	+420 7 3704 4494		
Jan Bures	+420 6 0455 4876		
Dominik Rusinko	+420 7 2390 1089		
CSOB Economics – Markets Bratislava		Bratislava	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
K&H Economics – Markets Budapest		Budapest	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

Discover more insights at 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.

