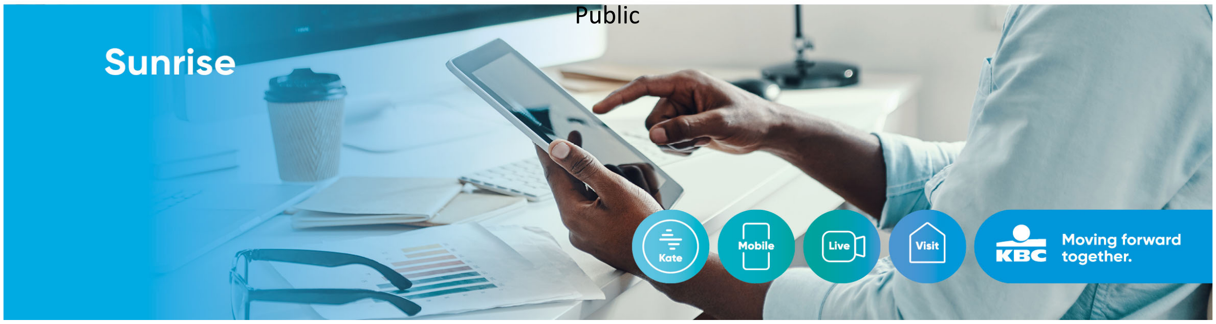


Thursday, 27 August 2026

KBC Sunrise Market Commentary

Markets

- Yesterday's beat by the July PCE (3.7% headline, 3.3% core) was miniscule in size but was nevertheless responsible for the biggest move on a daily basis. Defying expectations for a minor deceleration to 3.6% in the headline (contrasting with the earlier-published CPIs), coming within a broader batch of solid economic data and being the Fed's preferred inflation gauge, **it pulled US yields from their intraday lows to end the day higher.** Net daily changes varied between +0.3 (30-yr) to +3.6 bps (2-yr) with the front underperforming the long end. It doesn't settle the debate on a September rate hike with Fed Warsh speech looming tomorrow and other key data (payrolls, ISMs, CPI) still on tap before the next policy meeting, but it sure **keeps the idea warm.** The market implied probability for such a move stood around 40% yesterday. A $70bn 5-yr bond sale tailed slightly and is considered the tenor's 10th straight weak result. With public finance concerns firmly back on the radar, **spotlights now turn to tonight's 7-yr auction.** European yields overcame initial oil price driven weakness to trade 2.9-3.4 bps higher across the curve. **ECB's Schnabel aided the move by solidifying September hiking expectations.** She singled out gas prices as a key worrying factor. The Dutch TTF contract indeed enjoys a strong bottom with prices yesterday hitting a low of €62/MWh before rebounding to €65.6 in the close. Intraday dynamics in Brent (+/- $88/b) were similar but less outspoken. The positive (price pressuring) effect of talks between Iran and Oman for an interim framework aimed at resuming shipping through the Hormuz Strait were partially offset by Russian president Putin reportedly preparing an escalation in the Ukraine war now talks are at a dead end. The US dollar took the lead on currency markets, inspired by the set of data. DXY (99.16) had its best day since USTS Bessent's intervention last week. EUR/USD dipped to 1.165 in the mirror image. Everything remains the exact same from a technical point of view though. We expect that to be the case today as well, both for FI and for FX. The eco calendar is of second tier importance while markets are now **squarely focused on Warsh at the Jackson Hole Symposium tomorrow.** The Fed chair's preference for saying basically nothing has backfired last time around with the long end of the curve and the dollar pricing inherently higher uncertainty through risk premia. The **ECB July meeting minutes** serve as an interesting distraction prior to the speech but we expect them simply to confirm current market thinking. Strong Nvidia results set the stage for a slightly greener stock market open today, tech in particular.

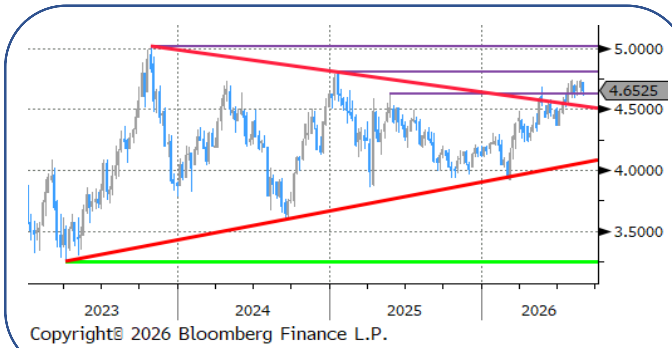
News & Views

- **The Bank of Korea raised its policy rate this morning as expected by 25 bps, from 2.75% to 3%.** One out of seven board members dissented to the decision, proposing to keep the policy rate unchanged. The median of six-month ahead conditional base rate projections **implies another rate hike ahead to 3.25%.** Assuming a dovish position in the dot plot by today's dissenter, suggests a clear indication that risks are tilted to even more policy tightening over that period (3.50% by Feb 2027). **The phrasing to decide "on the timing and pace of further increases" resembles this view. The domestic economy is expected to continue its robust growth** (3.3%-2.9% for 2026-27; up from 2.6%-2.1% in May), supported by sustained strong exports and investment, and by a strengthening recovery in consumption, while inflation is projected to remain above the target level for a considerable time, driven by the pass-through of accumulated cost pressures and increasing demand-side pressures. **Headline CPI is projected at 2.7% for this year and 2.3% next year (unchanged from May) while the new core CPI forecast (2.5% for this year and next) is an upgrade from 2.4%-2.3% previously.** Trends on the housing market are an attention point as they continue increasing at a high pace while household loans also increased substantially. The Korean won continues trading near best levels against the dollar since September of last year (USD/KRW 1380).
- **A survey by GKI showed that both Hungarian consumer and business sentiment deteriorated slightly in August**, ending a six-month wave of building optimism. Consumers especially turned more pessimistic about the country's outlook over the next 12 months, but the pull-back was broad-based across all categories (perceived and expected financial situation, big-ticket buying). For businesses, the only sector to report an improved outlook was business services. The employment indicator now shows companies planning headcount reduction now slightly outnumbering those looking to hire. The price indicator levelled off. Looking three months ahead, 16% of companies plan to hike prices, while 7% intend to cut them.

Graphs

GE 10y yield

The ECB hiked rates in June by 25 bps. It responded to rising risks of indirect and second round effects caused by higher oil prices. Markets are betting on follow-up hikes later this year after **the US-Iran interim deal was bombed into smithereens.** Real rates rise along with inflation expectations and bring the 2026 multi-year high in focus. **Higher risk premia** (in particular public finances) add a structural layer to higher yields.



US 10y yield

Fed Chair Warsh started on a hawkish note in June: “The Committee will deliver price stability”. Market gave the Fed Chair a vote of confidence, but the communication crackdown is causing volatility at the front end of the curve. Real rates are driving the increase at the (very) long end of the curve as fiscal worries seem to make a return. We have **the rare set-up of real yields exceeding inflation expectations.**

EUR/USD

EUR/USD 1.1392 support was cracking before sub-par June payrolls threw the pair a short-term life jacket. **A loss of market confidence after the July Fed press conference** takes some further shine of the US dollar. The move beyond 1.16 makes the technical picture neutral again.

EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area. **Markets initially gave new PM Burnham the benefit of the doubt, but sterling momentum dwindled recently.** The 2026 November budget will be Burnham’s litmus test. EUR/GBP found support around 0.845 with first resistance around 0.86.

Calendar & Table

Thursday, 27 August		Consensus	Previous
US			
14:30	Advance Goods Trade Balance (Jul)	-$100.5b	-$101.4bR
14:30	Advance Goods Imports MoM SA (Jul)	-0.30%	-2.40%R
14:30	Advance Goods Exports MoM SA (Jul)	-1.00%	-1.80%
14:30	Retail Inventories MoM (Jul)	0.20%	-0.20%R
14:30	Wholesale Inventories MoM (Jul P)	0.20%	0.20%
14:30	**Initial Jobless Claims**	**208k**	**206k**
14:30	Continuing Claims	1792k	1799k
17:00	Kansas City Fed Manf. Activity (Aug)	10	9
EMU			
10:00	M3 Money Supply YoY (Jul)	3.40%	3.30%
Germany			
08:00	GfK Consumer Confidence (Sep)	-29.5	-29.6
France			
08:45	PPI MoM/YoY (Jul)	--/--	-0.60%/2.60%
China			
03:30	Industrial Profits YoY/YTD YoY (Jul)	11.20%A/17.60%A	15.10%/18.70%
Norway			
08:00	GDP QoQ (2Q)	--	0.40%
08:00	GDP Mainland QoQ (2Q)	0.40%	0.20%
Events			
27-29AUG	**Jackson Hole Symposium**		
13:30	**ECB Publishes Account of July 22-23 Meeting**		
16:00	Fed's Hammack to appear on CNBC		
19:00	U.S. To Sell USD44 Bln 7-Year Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,65	0,02		**US**	4,21	0,04	**DOW**	53463,88	-113,52
DE	3,23	0,03		**DE**	2,84	0,03	**NASDAQ**	26130,2	-21,10
BE	3,79	0,04		**BE**	2,88	0,03	**NIKKEI**	66108,63	-153,53
UK	5,03	0,04		**UK**	4,35	0,04	**DAX**	26285,96	19,82
JP	2,91	0,00		**JP**	1,69	-0,01	**DJ euro-50**	6470,74	15,11

IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,08	4,07	4,30	**€STR**	2,1870	-0,0020			
5y	3,12	4,09	4,37	**Euribor-1**	2,2480	0,0000	**SOFR-1**	3,6759	-0,0051
10y	3,28	4,27	4,63	**Euribor-3**	2,5540	0,0090	**SOFR-3**	3,7598	0,0053
				Euribor-6	2,7660	0,0040	**SOFR-6**	3,8667	0,0124

Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1651	-0,0024		**EUR/JPY**	185,62	-0,22	**CRB**	401,65	1,78
USD/JPY	159,31	0,12		**EUR/GBP**	0,8571	0,0017	**Gold**	4653,30	-41,20
GBP/USD	1,3595	-0,0054		**EUR/CHF**	0,9383	0,0027	**Brent**	87,84	-0,74
AUD/USD	0,717	0,0007		**EUR/SEK**	11,106	0,0712			
USD/CAD	1,3877	0,0038		**EUR/NOK**	10,8969	0,0233			

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 51
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
CSOB Economics – Markets Prague		Shanghai	+86 21 68236128
Jan Cermak	+420 2 6135 3578	Hong Kong	+852 2525 9232
Jan Bures	+420 2 6135 3574	**Prague**	+420 2 6135 3535
Petr Baca	+420 2 6135 3570		
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		

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