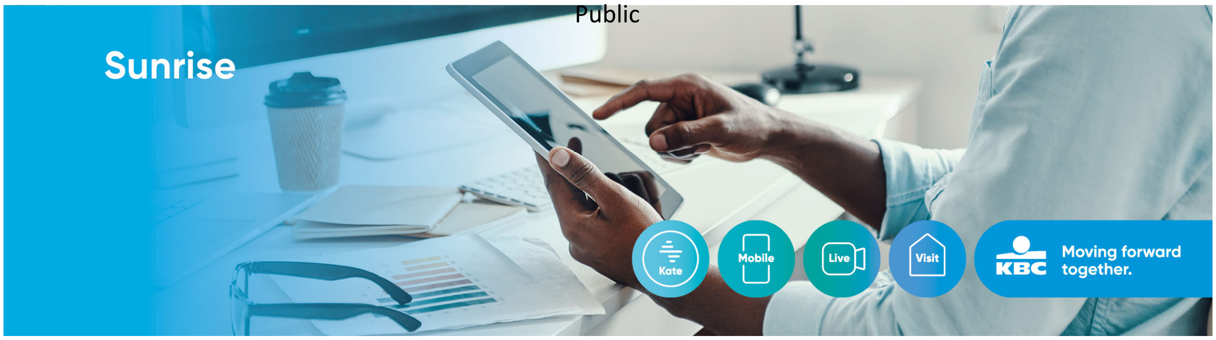
Public



Tuesday, 01 September 2026

KBC Sunrise Market Commentary

Markets

- **The rise in global yields continues unabatedly.** Ongoing elevated oil/energy prices, markets anticipating tighter monetary policy and higher (fiscal) risk premia all are possible explanations for this trend move. Ongoing tensions in the Middle East **pushed the oil price** back to the $90/b area. While the move wasn't that big as such, it supported a higher for longer narrative. The October **TTF European gas reference contract also moved to €70/MWh, closing at the highest levels since the start of the conflict in the Middle East**. Eco data were few except for the German inflation data for the month of August. The HICP measure rose 0.2% M/M and 2.9% Y/Y, up from 2.8% in July. While slightly softer than expected, the report evidently didn't change the case for further ECB tightening, starting at the September 10 meeting. German yields added between 3.1 bps (2-y) and 4.5 bps (10-y) with longer maturities touching multi-year peak levels. The US yield curve also bear steepened with the 2-y yield ceding marginally (-0.2 bp) but longer maturities rising up to 3.7 bps (30-y). **At 4.765% the US 10-y yield closed at the highest level since early 2025.** Higher yields/risk premia and ongoing tensions in the Middle East weighed on equity markets The Eurostoxx 50 lost 1.01%. The S&P 500 ceded 0.33%. The post-Jackson Hole rebound of the dollar took a breather (DXY close 99.43, EUR/USD 1.1618, USD/JPY closed at 159.74).

- **Bond markets again show a long series of "highest yield since" headlines.** Japanese yields add 4-5 bps across the curve. The 10-y yield is touching the 3% barrier for the first time since 1996. Brent oil trades at $91.5/b. Iran President Pezeshkian said that the country will take reciprocal action immediately if the US returns to its commitments under the MoU. The market impact is limited. The dollar gains marginally this morning. **Later today the eco calendar is well-filled.** In **EMU the Flash CPI estimate will be published**. KBC expects the headline CPI to rise to 3.2% from 2.9% with core inflation seen moderating to 2.4% from 2.5%. In the US, the US August manufacturing PMI and the Jolts job openings will be published. **The Manufacturing PMI is expected to hold at a solid 55.2.** While the market focus remains on inflation, solid eco data further remove any reason for the Fed to wait with delivering on its inflation commitment. For now, we don't see any reason for the upward trend in yields to reverse. Despite yesterday's pause, **the dollar** probably also still has to room to build on last week's bottoming out process/rebound. **UK markets** today reopen after yesterday's summer holiday.

News & Views

- **UK shop price inflation hit a two year high in August, the British Retail Consortium said today.** Prices increased at a 1.5% clip, up from 0.9% in July and above the 3-month average of 1.2%. Non-food inflation rose 0.9%, sharply up from 0.2% last month. Prices in the non-food category were 2.8% higher vs 2.2% in July. The BRC's chief executive noted that "**The impact of higher energy, input and commodity costs is beginning to filter through into prices** […]. In non-food, electrical prices rose amid the ongoing AI boom, which is forcing up the price of memory chips and storage." She added that **the months ahead look challenging for households,** citing rising bills that put further pressure on budgets.

- **Hungary met a 31 August deadline to meet the criteria for accessing locked-up European funds**. Payments to Hungary were suspended due to corruption concerns and erosion of European norms and standards. After securing a major election victory, current PM Magyar acted swiftly to rectify that, resulting in **Hungary now able to tap all of the €10bn pandemic-era aid plus additional funds stemming from the cohesion funding.** Hungarian assets including the forint have rallied strongly amongst others on expectations of unlocking these funds. The forint yesterday was little changed around EUR/HUF 365..

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 **committing strongly on delivering price stability in June and gained market approval.** However, a communication crackdown at the July meeting caused volatility at the front end of the curve. Real rates drove an increase at the long end as fiscal worries also seemed to make a return. At **Jockson Hole Warsh put inflation again as the Fed's sole priority.** This might slow the rise in inflation premia, but probably won't change the trend yet.

EUR/USD

EUR/USD 1.1392 support was cracking before sub-par June payrolls threw the pair life jacket. **A loss of market confidence after the July Fed press conference** did take some further shine of the US dollar. However, a sustained break beyond EUR/USD 1.17 was avoided. After Warsh's Jackson Hole speech the dollar now looks better protected within the 1.14/1.17 range.

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

Tuesday, 01 September		Consensus	Previous
US			
16:00	ISM Manufacturing (Aug)	55.2	55.6
16:00	ISM Prices Paid (Aug)	70.8	71.1
16:00	ISM New Orders (Aug)	56.8	56.7
16:00	ISM Employment (Aug)	52.5	52.8
16:00	Construction Spending MoM (Jul)	0.00%	-0.10%
16:00	JOLTS Job Openings Level/Rate (Jul)	7313k/4.50%	7359k/4.40%
16:00	JOLTS Quits Level/Rate (Jul)	3208k/2.00%	3232k/2.00%
16:00	JOLTS Layoffs Level/Rate (Jul)	1768k/1.10%	1766k/1.10%
16:30	Dallas Fed Services Activity (Aug)	7.2	6.6
Japan			
07:00	Consumer Confidence Index (Aug)	35.3	34.9
UK			
01:01	BRC Shop Price Index YoY (Aug)	1.50%A	0.90%
08:00	Nationwide House PX MoM/NSA YoY (Aug)	0.10%/2.10%	0.10%/1.80%
10:30	Money Supply M4 MoM/YoY (Jul)	--/--	0.80%/5.00%
10:30	S&P Global UK Manufacturing PMI (Aug F)	51.5	51.5
EMU			
10:00	S&P Global Eurozone Manufacturing PMI (Aug F)	52.8	52.8
11:00	CPI MoM/YoY (Aug P)	0.50%/3.30%	0.20%/2.90%
11:00	CPI Core YoY (Aug P)	2.50%	2.50%
11:00	Unemployment Rate (Jul)	6.30%	6.30%
Italy			
10:30	Unemployment Rate (Jul)	--	5.70%
11:00	CPI EU Harmonized MoM/YoY (Aug P)	0.40%/3.30%	-1.00%/2.90%
11:00	CPI NIC incl. tobacco MoM/YoY (Aug P)	--/3.20%	0.30%/2.90%
China			
03:45	RatingDog China PMI Mfg (Aug)	51.5A	50.9
Events			
05:35	Japan to Sell 10-Year Bonds		
10:30	ECB's Kocher Speaks in Alpbach		
11:30	Germany to Sell Bonds		
14:30	ECB's Nagel Speaks in Asheville, US		
17:30	ECB's Vujcic Speaks in Berlin		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,75	0,03		US	4,34	0,00	DOW	53185,9	-374,09
DE	3,32	0,04		DE	2,94	0,03	NASDAQ	26370,89	-31,53
BE	3,87	0,04		BE	2,96	0,03	NIKKEI	66461,97	150,04
UK	5,06	0,00		UK	4,41	0,00	DAX	26258,11	-311,88
JP	2,99	0,04		JP	1,79	0,06	DJ euro-50	6420,16	-65,51
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,17	4,22	4,36	€STR	2,1850	-0,0050			
5y	3,21	4,23	4,43	Euribor-1	2,2570	-0,0340	SOFR-1	3,7251	0,0144
10y	3,35	4,37	4,68	Euribor-3	2,5930	0,0200	SOFR-3	3,8261	0,0123
				Euribor-6	2,7700	0,0080	SOFR-6	3,9631	0,0039
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1618	0,0033		EUR/JPY	185,59	0,11	CRB	410,57	4,21
USD/JPY	159,74	-0,35		EUR/GBP	0,8574	0,0015	Gold	4481,50	-48,40
GBP/USD	1,3549	0,0011		EUR/CHF	0,9391	0,0020	Brent	90,49	2,39
AUD/USD	0,7167	0,0003		EUR/SEK	11,1274	-0,0012			
USD/CAD	1,3854	-0,0051		EUR/NOK	10,8551	-0,0066			

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		

Discover more insights at www.kbceconomics.be