Public

Friday, 04 September 2026

KBC Sunrise Market Commentary

Markets

- **The rise in global bond yields took a breather yesterday** after many tenors in multiple countries set multi year highs earlier this week. Some balanced **comments by Fed's Waller** and a slower rise in oil prices (Brent closed at $95.5/b) prevented yields from extending their protracted uptrend. **Waller** said he would support holding rates stable in September if August inflation confirms the disinflation process. Clearly a conditional assessment as he also said that he is heavily influenced by the August CPI reading to published next Friday. At the same time, if inflation comes in hot, he would consider a hike. We see not that much of 'new news' in the comments, but US yields at the end of the day eased between 3.3 bps (2-y) and 1 bp (30-y). Later in the session, the US services ISM printed strong at 55.1, with high readings for new orders (60.9) and prices paid (72.6). At the same time, the employment subseries stays below 50 (47.8). The market reaction was negligible. **German yields** declined/corrected between 4 bps and 2.2 bps. The pause on global bond markets supported a further risk-on correction on (US) equity markets (S&P 500 + 1.06%) and pushed the dollar lower. EUR/USD rebounded to close back north of 1.16. **Even so, the focus in FX remained on the yen.** The Japanese currency extended the rebound that was triggered on Wednesday by hawkish comments from BoJ policy maker Takata. Markets taking into account faster BoJ tightening caused a further unwinding of yen-funded carry trades. USD/JPY closed below 156 (155.8) and nears the key 155 support area. After recent retracement, sterling also outperformed yesterday. EUR/GBP dropped to close at just below the key 0.86 technical reference.

- Asian markets join the US rebound yesterday with several regional indices showing gains of 1%+. Japanese yields ease between 1.4 bps (2-y) and 10.6 bps (30-y). **The dollar shows no clear trend.** USD/JPY rebounds slightly to 156.3. At the same time, EUR/USD gains marginally (1.163). Later today, the **market focus turns to the August US payrolls** even as the report this time might be far less important for markets compared to next week's US CPI release. Markets expect 55k of net US job growth with the unemployment rate stable at 4.1% and average wage growth at 0.1%M/M and 3.1% Y/Y. As was the case this week with the ISM's, **a big surprise is probably needed to trigger a sustained market reaction.** A decent figure at least should confirm the (Fed's) assessment that it can fully keep its focus on inflation. Aside from the eco data, (German bond) markets also will keep an eye at **the regional elections in the State of Saxony-Anhalt** where polls indicate that the far-right AFD might win with a big margin, which could have consequences for broader political stability in the country.

News & Views

- **Bloomberg,** citing a person familiar with the matter, **reported that the Hungarian central bank may announce a new inflation target at the September 22 policy meeting.** Governor Varha said last month that the MNB was finishing its review of the goal and was considering a multi-step approach in adjusting it. The person told Bloomberg that **the new target would be 2.5% instead of the current 3% (+/- 1 ppt tolerated deviation).** A potential next, future move would then align it with the ECB's 2% objective. The timing of such a decision is not coincidental. Hungarian inflation is currently at a decade low of 1.2%. That's offering the central bank a window of opportunity to lower the target without necessarily needing to tighten monetary policy. **The person did say that it's likely that the central bank would halt its rate cut cycle after three consecutive moves lower from June through August.** Hungarian swap rates extended earlier declines yesterday. The textbook bull flattening saw net daily changes varying between -12 bps (2-yr) to -22 bps (10-yr). **The Hungarian forint strengthened as the convergence trade picked up again. EUR/HUF closed below 362.**

- **Bank of England chief economist Pill singled out government pressure on central banks to finance huge deficits** as the biggest threat to monetary policy independence. Pill's comments come as slow growth and a series of multiple inflationary shocks in recent years have caused budget deficits and debt to rise sharply. Government bond yields have been responding accordingly, including in the UK, by topping multidecade highs. Unlike the pre-Covid era when rates were low and central banks were scooping up government debt in secondary markets, however, monetary policy's hands are now firmly tied. **"How central banks meet such threats to independence in an uncertain and difficult economic environment is the defining challenge they currently face", Pill said.**

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 **Jackson 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 now under test again.

Calendar & Table

Friday, 04 September		Consensus	Previous
US			
14:30	**Change in Nonfarm Payrolls (Aug)**	**55k**	**-23k**
14:30	Change in Private Payrolls (Aug)	50k	30k
14:30	Change in Manufact. Payrolls (Aug)	5k	5k
14:30	Average Hourly Earnings MoM/YoY (Aug)	0.30%/3.10%	0.10%/3.20%
14:30	Average Weekly Hours All Employees (Aug)	34.3	34.3
14:30	**Unemployment Rate (Aug)**	**4.10%**	**4.10%**
14:30	Labor Force Participation Rate (Aug)	61.50%	61.40%
14:30	Underemployment Rate (Aug)	7.90%	7.90%
Canada			
14:30	Net Change in Employment (Aug)	17.5k	75.1k
14:30	Unemployment Rate (Aug)	6.40%	6.40%
14:30	Full Time Employment Change (Aug)	--	38.6k
14:30	Part Time Employment Change (Aug)	--	36.6k
14:30	Participation Rate (Aug)	65.10%	65.10%
14:30	Hourly Wage Rate Permanent Employees YoY (Aug)	2.90%	3.00%
Japan			
01:30	Household Spending YoY (Jul)	-3.60%A	-3.30%
UK			
10:00	New Car Registrations YoY (Aug)	--	11.70%
10:30	**DMP 1 Year CPI Expectations (Aug)**	**3.10%**	**3.00%**
10:30	**DMP 3M 1 Year CPI Expectations (Aug)**	**--**	**3.40%**
10:30	DMP Output Price Expectations (Aug)	--	3.70%
10:30	DMP 3M Output Price Expectations (Aug)	3.90%	3.90%
EMU			
11:00	Retail Sales MoM/YoY (Jul)	0.20%/1.10%	-0.30%/0.70%
Germany			
08:00	Factory Orders MoM/WDA YoY (Jul)	0.30%/10.50%	3.10%/6.50%
Italy			
10:00	Retail Sales MoM/YoY (Jul)	--/--	-0.10%/3.10%
Czech Republic			
09:00	CPI MoM/YoY (Aug P)	0.30%/1.90%	0.60%/1.70%
Events			
10:50	**BOE Governor Speaks in London**		
11:00	**ECB's Lane Speaks in Dublin**		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,77	-0,01		US	4,34	-0,03	DOW	53686,11	624,16
DE	3,34	-0,03		DE	2,96	-0,04	NASDAQ	26584,06	366,23
BE	3,89	-0,04		BE	2,98	-0,05	NIKKEI	65166,52	952,04
UK	5,13	-0,10		UK	4,52	-0,10	DAX	26003,32	163,99
JP	2,91	-0,05		JP	1,84	-0,01	DJ euro-50	6382,59	20,44
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,20	4,22	4,38	€STR	2,1890	0,0010			
5y	3,24	4,25	4,44	Euribor-1	2,3210	0,0260	SOFR-1	3,7340	-0,0014
10y	3,38	4,40	4,68	Euribor-3	2,6550	0,0090	SOFR-3	3,8094	-0,0155
				Euribor-6	2,7890	0,0190	SOFR-6	3,9386	-0,0255
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1626	0,0038		EUR/JPY	181,14	-2,79	CRB	416,70	-0,14
USD/JPY	155,81	-2,90		EUR/GBP	0,8596	0,0003	Gold	4539,90	125,30
GBP/USD	1,3525	0,0039		EUR/CHF	0,9387	-0,0033	Brent	95,52	-0,11
AUD/USD	0,7201	0,0032		EUR/SEK	11,0933	-0,0649			
USD/CAD	1,3794	-0,0048		EUR/NOK	10,8023	0,0041			

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