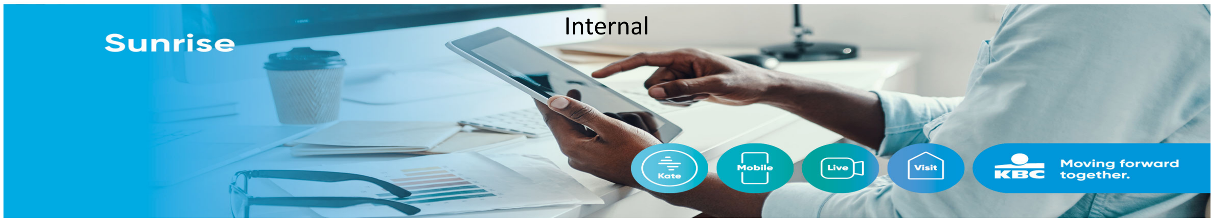


Friday, 11 September 2026

KBC Sunrise Market Commentary

Markets

- **A perfect storm gathered above bond markets** since Wednesday evening. It started with US Treasury Secretary "I am the House" Bessent. Markets called him to order after the first "increased" buyback auction ($6bn). **Technical resistance in the US 10-yr yield (4.8%) snapped,** setting the stage for follow-up action. Yesterday's **surge in energy prices** added fuel to the fire. The Houthi threat in the Red Sea and a Saudi report on lowest production levels since 1990 sent Brent crude from $100/b to an intraday top just below $110. The European gas price hit a new multi-year high at €83/MWh (Dutch TTF). **The ECB's "hawkish hike"** was the third and final element. In its opening statement, the central bank acknowledged that *"the conflict in the Middle East continues to generate inflation pressures, and* ***inflation is set to remain well above target for an extended period."*** Inflation forecasts, unsurprisingly, saw upward revisions across the board. Headline inflation is now seen at 3%-2.5%-2.1% over 2026-2027-2028, up from 3%-2.3%-2%. Core CPI is expected to average 2.5%-2.6-2.3%, compared to 2.5%-2.5%-2.2% in June. Risks are tilted to the upside. ECB Lagarde didn't take the bait to repeat her June and July suggestion that markets understand the central bank's framework guidance, but she didn't object to it neither: *"markets do what markets do and so do we".* On several occasions she suggested, again without literally saying it, that **the next meeting would be a "live" one.** This was later confirmed by a Bloomberg report. According to people familiar with the situation, **ECB officials expect to raise interest rates further, with another increase possible as soon as next month.** The EMU yield curve bear flattened with yields rising by 17 bps (!!) at the 2-yr tenor. The EU 2-yr swap rate closed above the 2024 top (3.44%) at the highest level since November 2023. EMU money markets now **almost fully discount 25 bps rate hikes in both October AND December, while eying up to two more hikes over the course of 2027.** The EU 10y swap rate closed at its highest level (3.52%) since 2011. The bear flattening move wasn't limited to Europe. US yields added 15.5 bps (2-yr) to 7.7 bps (30-yr). The US 2-yr yield broke the 2025 high at 4.42% to close at 4.56% as US money markets add to their hawkish repositioning. **A rate hike next week is now 70% discounted with markets awaiting today August CPI print to give the final push.** Any signs of a stalling (core) disinflation process will do. Consensus expects headline CPI at 0.4% M/M and 3.4% Y/Y (unchanged from July) and core CPI at 0.2% M/M and 2.4% Y/Y (from 2.5%). **The US 10-yr added 12 bps to close at 4.96% and coming dangerously close to the multi-year high at 5.02% reached in 2023. Yesterday's moves do feel like short-term exhaustion moves.** The significant bond sell-off send key European and US indices yesterday "only" 0.50% lower (after heavier losses on Wednesday). The parallel move at the front end of EU and US yield curves **kept EUR/USD in check** yesterday while higher energy prices probably also balanced out against rapidly rising (US) risk premia at the long end of the curve. EUR/USD closed at 1.1612 from a start at 1.1633. Can today's US inflation report finally help USD out? EUR/GBP closed almost unchanged as well with UK yields rising by 17.4 bps (2-yr) to 5.2 bps (30-yr). **UK money markets since this week embrace a scenario where the balance within the BoE will flip from growth support to inflation fighting**. They discount up to 4 rate hikes between November and June of next year.

News & Views

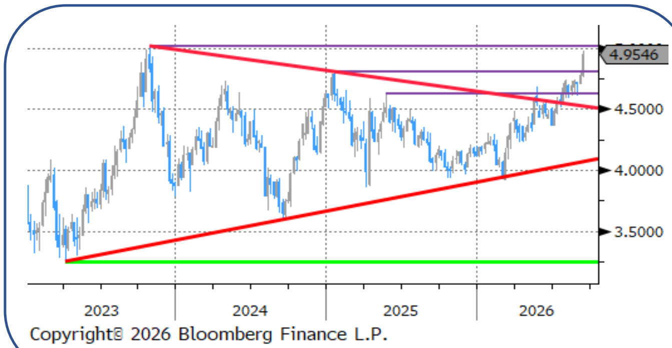
- **The Turkish central bank (TCMB) kept its policy rate unchanged at 37% yesterday.** Recent inflation figures and leading indicators suggest that the underlying trend of inflation is decelerating even though elevated energy prices and geopolitics pose upward risks to the outlook. At the same time, weakness in domestic demand is confirmed. The committee reiterates its **commitment to a tight monetary stance** to reach the 5% inflation target in the medium-term with a **readiness to act in case upside inflation risks materialize.** In case of unanticipated developments in credit and deposit markets, the TCMB continues referring to additional macroprudential measures and liquidity management tools. The Turkish lire holds near record lows amongst others due the energy crunch (EUR/TRY 56.50).

- **National Bank of Poland governor Glapinski** gave a more balanced assessment at yesterday's press conference compared to the one after the July NBP meeting when he put forward a rate cut scenario after Summer. The August pick-up towards the upper end of the NBP's inflation tolerance band and the deteriorating energy price outlook prompted an unrated policy decision earlier this week and a more moderate tone from Glapinski. **He now sees Polish rates steady until about mid-2027 which still contrasts with market pricing of multiple rate hikes over the course of the next year.** Glapinski did open the door to a tightening scenario if CPI is seen rising over the longer term.

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 pushed the German 10-yr yield to a multi-year high. **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, 11 September		Consensus	Previous
US			
14:30	**CPI MoM/YoY (Aug)**	**0.40%/3.40%**	**0.10%/3.40%**
14:30	Core CPI MoM/YoY (Aug)	0.20%/2.40%	0.20%/2.50%
16:00	**U. of Mich. Sentiment (Sep P)**	**51**	**51.7**
16:00	U. of Mich. Current Conditions (Sep P)	--	51.9
16:00	U. of Mich. Expectations (Sep P)	--	51.5
16:00	U. of Mich. 1 Yr Inflation (Sep P)	--	4.00%
16:00	U. of Mich. 5-10 Yr Inflation (Sep P)	--	3.30%
Japan			
01:50	PPI MoM/YoY (Aug)	0.00%/7.40%	0.10%/7.20%
01:50	BSI Large All Industry QoQ (3Q)	--	-0.5
01:50	BSI Large Manufacturing QoQ (3Q)	--	-1.8
UK			
08:00	Monthly GDP MoM/3M-3M (Jul)	0.00%/0.30%	0.30%/0.70%
08:00	Industrial Production MoM/YoY (Jul)	0.10%/0.50%	-0.20%/-0.20%
08:00	Manufacturing Production MoM/YoY (Jul)	0.40%/2.20%	-0.50%/0.50%
08:00	Index of Services MoM/3M-3M (Jul)	-0.10%/0.40%	0.40%/0.50%
08:00	Trade Balance Ex Precious Metals (Jul)	--	-£3575m
10:30	**BoE/Ipsos Inflation Next 12 Mths (Aug)**	**--**	**4.00%**
Events			
19:00	**ECB's Lane Speaks in Wexford, Ireland**		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,96	0,12		**US**	4,59	0,16	**DOW**	52064,1	-316,56
DE	3,50	0,06		**DE**	3,24	0,16	**NASDAQ**	26081,72	-171,62
BE	4,12	0,09		**BE**	3,26	0,18	**NIKKEI**	63837,82	-1433,13
UK	5,37	0,11		**UK**	4,87	0,17	**DAX**	25361,15	-215,30
JP	2,99	0,06		**JP**	1,86	0,03	**DJ euro-50**	6268,97	-42,59
IRS	EUR	USD	GBP	**EUR**	-1d	-2d	**USD**	-1d	-2d
3y	3,48	4,48	4,75	**€STR**	2,1900	0,0010			
5y	3,49	4,48	4,78	**Euribor-1**	2,3860	0,0170	**SOFR-1**	3,8107	0,0353
10y	3,53	4,56	4,92	**Euribor-3**	2,6430	0,0170	**SOFR-3**	3,8994	0,0515
				Euribor-6	2,8060	0,0060	**SOFR-6**	4,0655	0,0824
Currencies	Close	-1d		**Currencies**	Close	-1d	**Commodities**	Close	-1d
EUR/USD	1,1612	-0,0021		**EUR/JPY**	179,31	0,66	**CRB**	429,15	6,04
USD/JPY	154,42	0,86		**EUR/GBP**	0,8594	0,0006	**Gold**	4407,30	-53,40
GBP/USD	1,3512	-0,0035		**EUR/CHF**	0,9438	0,0013	**Brent**	107,63	6,42
AUD/USD	0,7157	-0,0060		**EUR/SEK**	11,2448	0,0840			
USD/CAD	1,3833	0,0027		**EUR/NOK**	10,7709	0,0723			

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