



Friday, 09 October 2026

KBC Sunrise Market Commentary

Markets

- The US Treasury curve bull flattened yesterday** with yields ceding 1.2 bps (2-yr) to 7.1 bps (30-yr). The move at the (very) long end of the curve started in the build-up to the US trading session and lasted into the close. **A first motive is technically-inspired** with the US 10-yr yield and US 30-yr yield for example testing, but failing to take out, Wednesday's intraday top (and multi-annual high) at respectively 5.36% and 5.73%. **Secondly, energy prices topped off** after US President Trump put rumours to bed about launching another military action against Iran ahead of the mid-terms. **The US \$22bn 30-yr bond auction offered a third argument.** While bidding metrics weren't as strong as Wednesday's \$39bn 10-yr Note sale, they send the signal that the marginal buyer of US Treasuries is starting to show up at current nominal yield levels. **Finally, but that needs to be tested, we might see a return of the traditional correlation where fragile risk sentiment creates an offer for core bonds.** The last couple of weeks, it was often the other way around with weakness in core bonds harnessing risk sentiment. If the core bond recovery persists today, weekly technical charts will send **a short term reversal signal.** We saw the same at the (very) long end of the EUR swaps rate curve last week. Unlike US yields, there were effectively no new highs in Europe this week.
- The euro enjoys the energy-tailwind this morning, but we throw some rumours in the mix as well. **Bloomberg reports that ECB President Lagarde at a closed-door meeting of EMU finance ministers stressed that the ECB is attentive to the good functioning of financial markets (sovereign spreads).** While we're probably not even close to any such potential intervention, it might serve as some sort of early warning system. **We're keen to see the French OAT-swaps spread today** which yesterday swung back and forth between 126 bps and 133 bps (close). That remains elevated. To put things in perspective: we started the week at 135 bps and reached an intraday all-time high at 145 bps last week. EUR/USD treaded water around the 1.12 handle yesterday and tries to make some headway this morning. EUR/GBP tries to find a floor after testing the YtD low at 0.8455 twice this week.
- Today's eco calendar is thin apart from **University of Michigan October consumer confidence.** We closely watched the inflation expectations component following this week's significant increase in the NY Fed's gauges. They're not expected to impact trading in light of the bigger themes. **Better times for core bond markets could be ahead if confirmed by today's action.**

News & Views

- The European Commissioner for financial and economic affairs **Dombrovskis pushed back against the most recent calls from Greece and Italy to allow more fiscal leeway**, specifically to combat the energy crunch. In light of the current bond market developments, he's emphasizing the need for fiscal prudence instead, he said. Dombrovskis nevertheless added that they'll look into the suggestions. **The Greeks are calling to exempt certain temporary support measures for households and business from the net expenditure benchmark** while also taking into account the additional VAT revenues generated by the unexpected rise in prices. **Italy, meanwhile, is proposing that part of the additional tax revenues generated by higher inflation be used to fund temporary and targeted measures.** The EC in an earlier decision already allowed EU governments to use up to 0.3% of GDP (capped at a total of 0.6% over 2026-2028) from existing defence fiscal flexibility for clean energy investments in 2026, 2027 or 2028.
- National Bank of Poland president Glapinski yesterday said there's no indication so far that rising energy prices have been spreading into the broader economy**, including in the form of second-round effects. He made clear there are no imminent reasons to worry about inflation accelerating. Glapinski did add that **the committee is ready to act if inflation risks continue to mount.** Asked whether a rate hike could happen at next month's meeting, Glapinski didn't rule it out although he does not foresee such a scenario. His comments dampen the probability of a such a move after having kept the policy rate steady at 3.75% at the policy meeting earlier this week. The Polish zloty barely budged yesterday with EUR/PLN closing around 4.38.

Graphs



GE 10y yield

The ECB hiked rates in June and again in September by 25 bps. It responded to rising risks of indirect and second round effects caused by higher oil prices.

Surging energy prices turn October into a live meeting and money markets are pricing towards a 3.5% depo rate. 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.



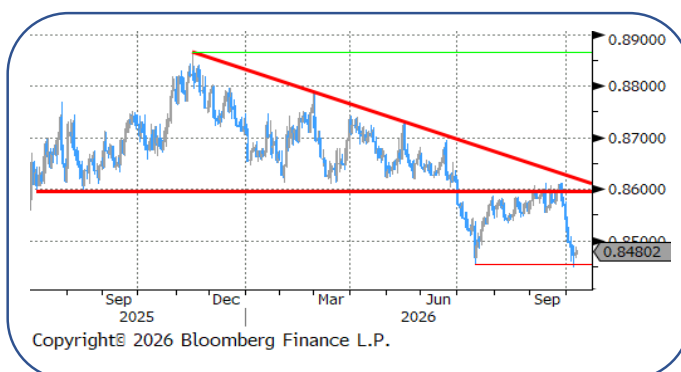
US 10y yield

Fed Chair Warsh restored credibility at the September policy meeting. A hike to 3.75%-4% was flanked by hawkish rhetoric and updated forecasts that suggest more is to come. Front-end yields rose to new highs while the long end outperformed on easing inflation risk premia. **Real rates will remain a key driver** for structurally higher rates going forward, though. Fiscal concerns are here to stay.



EUR/USD

Warsh's Jackson Hole speech pulled the dollar from the recent lows. **Following through on the Fed's inflation commitment announced back then** with a September rate hike allowed the greenback to extend that new-found momentum. The euro meanwhile suffers from French and more broadly European fiscal and political risks. EUR/USD broke below the YtD low with technicals suggesting a return to the 1.11 area.



EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area with subsequent tests repeatedly failing, the most recent one on euro weakness. Sterling remains better bid as well as the BoE prepares for a first rate hike and going in to the October budget.

This will be PM Burnham's litmus test.

Calendar & Table

Friday, 09 October		Consensus	Previous
US			
16:00	U. of Mich. Sentiment (Oct P)	47.6	48.1
16:00	U. of Mich. Current Conditions (Oct P)	50.1	50.9
16:00	U. of Mich. Expectations (Oct P)	45.7	46.3
16:00	U. of Mich. 1 Yr Inflation (Oct P)	4.80%	4.60%
16:00	U. of Mich. 5-10 Yr Inflation (Oct P)	3.50%	3.40%
Canada			
14:30	Net Change in Employment (Sep)	10.0k	-41.7k
14:30	Unemployment Rate (Sep)	6.50%	6.40%
14:30	Full Time Employment Change (Sep)	--	-35.9k
14:30	Part Time Employment Change (Sep)	--	-5.8k
14:30	Participation Rate (Sep)	65.00%	65.00%
14:30	Hourly Wage Rate Permanent Employees YoY (Sep)	2.30%	2.00%
Japan			
01:30	Household Spending YoY (Aug)	-3.10%A	-3.60%
08:00	Machine Tool Orders YoY (Sep P)	--	64.70%
Italy			
10:00	Industrial Production MoM/WDA YoY (Aug)	0.00%/2.10%	0.70%/0.00%
Norway			
08:00	CPI Underlying MoM/YoY (Sep)	0.30%/3.10%	-0.50%/3.00%
08:00	CPI MoM/YoY (Sep)	--/3.60%	-0.30%/3.30%
Sweden			
08:00	Private Sector Production MoM/YoY (Aug)	--/--	0.00%/3.60%
08:00	Industry Production Value YoY (Aug)	--	0.20%
08:00	Service Production Value YoY (Aug)	--	5.00%
08:00	Industrial Orders MoM/NSA YoY (Aug)	--/--	-24.10%/-0.50%
Events			
09OCT	Rating reviews: Belgium (Moody's: A1 with stable outlook), UK ...		
09:30	ECB's Wunsch Speaks in Brussels		
12:15	ECB's Cipollone Speaks		
15:30	ECB's Schnabel Speaks in Lucerne, Switzerland		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	5,23	-0,06		US	4,76	-0,01	DOW	51231,64	51,77
DE	3,50	0,02		DE	3,11	0,04	NASDAQ	27193,34	-345,35
BE	4,35	0,01		BE	3,31	0,04	NIKKEI	69020,57	-21,54
UK	5,48	0,04		UK	4,91	0,06	DAX	24806,97	-297,39
JP	3,02	-0,08		JP	1,92	-0,03	DJ euro-50	6126,73	-53,56
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,44	4,68	4,72	€STR	2,4390	0,0000			
5y	3,47	4,70	4,76	Euribor-1	2,4140	-0,0290	SOFR-1	3,9206	0,0045
10y	3,56	4,83	4,95	Euribor-3	2,6420	0,0060	SOFR-3	4,0354	0,0047
				Euribor-6	2,9360	-0,0110	SOFR-6	4,1851	0,0087
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1211	0,0014		EUR/JPY	177,01	0,03	CRB	414,34	2,96
USD/JPY	157,88	-0,20		EUR/GBP	0,8476	0,0003	Gold	4157,00	16,30
GBP/USD	1,3228	0,0014		EUR/CHF	0,9325	-0,0005	Brent	104,28	4,08
AUD/USD	0,6957	-0,0006		EUR/SEK	11,1799	-0,0269			
USD/CAD	1,4226	-0,0030		EUR/NOK	10,7228	0,0038			

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
		Shanghai	+86 21 68236128
		Hong Kong	+852 2525 9232
CSOB Economics – Markets Prague		Prague	
Jan Cermak	+420 2 6135 3578		+420 2 6135 3535
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
K&H Economics – Markets Budapest		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

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.

