



Friday, 30 October 2026

KBC Sunrise Market Commentary

Markets

- Core bonds rallied yesterday. **For US T's, tech-driven risk off outweighed strong and accelerating GDP growth & high and quickening PCE inflation.** Haven flows supported the curve with front-end underperformance triggering yield declines up to 10 bps. The 10-30yr bucket saw a drop between 4.4 and 8 bps. Alphabet's (-13%) earnings rattled markets with disappointing growth in its core advertising business reigniting broader AI financing-related fears. The Nasdaq lagged on WS, closing 1.4% lower. Shortly after the stock market closed came a second blow from Amazon (-7% over similar concerns) and Intel (-23% on a revenue forecast that missed estimates). Early trading in US equity futures suggest a 1.8% drop for the Nasdaq in the open. Longer trading hours allowed the US Treasury market to digest the news already yesterday. The European curve bull steepened with rates down 4-5 bps in shorter term maturities. **That mainly followed a tweaked ECB policy statement that emphasized higher energy prices have not yet impacted core inflation or triggered second-round effects.** Now-outgoing president Lagarde did slip in an interesting twist that the situation as is now **"could have warranted a hike"**. But an extended list of economic data available between the October and December meeting makes the latter the preferred choice. Clues for policy further out (2027) remain absent. Key support in EUR/USD around 1.1111/13 survived due to dollar weakness (AI-related). The pair closed around 1.118 and even tried to take out the 1.12 again this morning. We remain skeptical of the euro's ability to continue to outperform the dollar. Should an AI scare escalate we're not so sure whether the common currency, which suffers from its own demons, would emerge as the preferred currency. **Swiss franc strength lays bare lingering European/French uncertainty.** EUR/CHF is testing the 0.92 barrier this morning. Cracking below paves the way to 0.91 and 0.90. Both levels were hit earlier this year and are the highest in the EMU's history (barring the volatile period in 2015). The pound held the upper hand over the euro, pushing EUR/GBP as low as 0.8345. The daily close 0.8357 was slightly higher but nevertheless a new YtD. GBP strength continues this morning.
- The eco calendar today is interesting with national inflation numbers** due in Germany, Italy, Spain and France. These will reveal the balance of risks for next week's European HICP. Headline inflation is expected to inch higher to 3.9% but after yesterday's ECB meeting it is **core CPI that is at the center of attention.** All of the above countries report Q3 growth as well. France kicked off with an unexpected 0.1% quarterly contraction. Capex continues to fall (-0.6% Q/Q) and an export drop (-1.7%) results in a negative contribution from net exports. Household consumption recovered to 0.4% but monthly data picture a deteriorating trend. Consumer spending dropped 0.5% m/m, the same as in August and defying expectations for a slight rebound to 0.1. Despite a heavy eco calendar it's most likely risk sentiment that will set the tone for general trading.

News & Views

- The Bank of Japan followed the Fed and the ECB this morning in keeping the policy rate unchanged (at 1.25%).** Economic activity continued growing moderately albeit at a decelerated rate and is expected to hum along in fiscal year 2027. Inflation is seen accelerating to a level clearly above the 2% inflation target in the first half of the policy horizon and declining back toward target in the second half. **FY 2027 underlying CPI forecasts were lifted from 2.4% to 2.6% (less fresh food) and from 2.6% to 2.7% (less fresh food and energy).** Economic risks are balanced with price risks still skewed to the upside. **The BoJ for the first time acknowledges that underlying CPI is currently at a level that is generally consistent with price target of 2%.** Medium to long-term inflation expectations are anchored with wages and price rises moderately supporting each other. Separately, **the BoJ changed its pace of sales of ETF's** from about JPY 330bn/year (book value) to about JPY 860bn/year (book value vs about JPY 2460bn market value). The estimated years to complete its total ETF sales drop at the new pace from about 112 years to about 43 years.
- The EC's Economic Sentiment Indicator declined for the second consecutive month,** falling by 0.6 points to 96.9. The downturn was driven by lower confidence in all sectors except industry, which saw a marginal improvement driven by assessments of the finished stocks. Services confidence declined, reflecting more negative views on both demand and the business situation over the past 3 months. Expectations for the next 3 months improved. Retail trade confidence dropped markedly due to more negative assessment of past and future business as well as stock volumes. Construction confidence decreased on significantly worsening employment expectations. **Selling price expectations increased considerably in all four business sectors, rising further above their long-term averages in all sectors.**

Graphs



GE 10y yield

The ECB hiked rates in June and again in September by 25 bps with another move likely in December. It is responding to rising risks of indirect and second round effects caused by higher oil prices. The real rate normalisation lifted the German 10-yr yield to its highest level since 2009. **Surging energy prices are now balanced against higher sovereign EMU credit risk premia.** They help cap the strong rising interest rate trend for now.



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 in December. Questions around AI-valuations/financing triggered an equity market correction with **safe haven flows pulling US yields off their multi-annual highs.** Expected Fed tightening and elevated real rates provide for a solid bottom beneath the curve.



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. **PM Burnham's first Autumn Budget received market approval,** aiding sterling further higher.



Calendar & Table

Friday, 30 October		Consensus	Previous
US			
13:30	Employment Cost Index (3Q)	0.80%	0.90%
14:45	MNI Chicago PMI (Oct)	56.0	58.8
Japan			
30OCT	BOJ Target Rate	1.25%A	1.25%
30OCT	BOJ GDP Current Forecast (4Q)	0.70%A	0.60%
30OCT	BOJ GDP Current Forecast +1 (4Q)	0.70%A	0.80%
30OCT	BOJ GDP Current Forecast +2 (4Q)	0.80%A	0.80%
30OCT	BOJ Core CPI Current Forecast (4Q)	2.50%A	2.50%
30OCT	BOJ Core CPI Current Forecast +1 (4Q)	2.60%A	2.40%
30OCT	BOJ Core CPI Current Forecast +2 (4Q)	2.00%A	2.00%
30OCT	BOJ Core CPI Ex-Energy Current (4Q)	2.40%A	2.50%
30OCT	BOJ Core CPI Ex-Energy Current Forecast +1 (4Q)	2.70%A	2.60%
30OCT	BOJ Core CPI Ex-Energy Current Forecast +2 (4Q)	2.30%A	2.20%
00:30	Tokyo CPI Ex-Fresh Food, Energy YoY (Oct)	2.60%A	2.90%R
00:30	Tokyo CPI YoY (Oct)	2.80%A	2.70%
00:30	Tokyo CPI Ex-Fresh Food YoY (Oct)	2.60%A	2.70%
00:50	Retail Sales MoM/YoY (Sep)	-0.70%A/2.30%A	-0.90%R/2.90%R
00:50	Industrial Production MoM/YoY (Sep P)	2.20%A/1.90%A	-2.40%/2.70%
06:00	Housing Starts YoY (Sep)	2.80%	6.10%
UK			
10:30	DMP 1 Year CPI Expectations (Oct)	--	3.30%
10:30	DMP 3M 1 Year CPI Expectations (Oct)	--	3.10%
10:30	DMP Output Price Expectations (Oct)	--	3.90%
10:30	DMP 3M Output Price Expectations (Oct)	--	3.70%
EMU			
11:00	GDP SA QoQ/YoY (3Q A)	0.20%/1.10%	0.60%/1.20%
11:00	Unemployment Rate (Sep)	6.40%	6.40%
Germany			
09:55	Unemployment Change (000's) (Oct)	5.0k	12.0k
09:55	Unemployment Claims Rate SA (Oct)	6.40%	6.40%
14:00	CPI MoM/YoY (Oct P)	0.10%/3.00%	0.60%/3.30%
14:00	CPI EU Harmonized MoM/YoY (Oct P)	0.10%/3.10%	0.60%/3.30%
France			
07:30	GDP QoQ/YoY (3Q P)	0.10%/0.30%	0.00%/0.50%
07:30	Consumer Spending MoM/YoY (Sep)	0.100.40%--	-0.50%/0.80%
08:45	CPI EU Harmonized MoM/YoY (Oct P)	0.30%/3.60%	-0.30%/3.40%
08:45	CPI MoM/YoY (Oct P)	0.20%/3.30%	-0.30%/3.10%
08:45	PPI MoM/YoY (Sep)	--/--	1.00%/4.80%
08:45	Private Sector Payrolls QoQ (3Q P)	--	-0.10%
Italy			
10:00	GDP WDA QoQ/YoY (3Q P)	0.10%/0.90%	0.20%/1.00%
11:00	CPI EU Harmonized MoM/YoY (Oct P)	0.40%/4.50%	2.10%/4.20%
Belgium			
11:00	Unemployment Rate (Sep)	--	5.90%
Czech Republic			
09:00	GDP QoQ/YoY (3Q A)	0.50%/1.60%	0.30%/1.80%
Hungary			
08:30	GDP SA QoQ/YoY (3Q P)	0.50%/1.90%	0.50%/1.70%
Poland			
09:30	CPI MoM/YoY (Oct P)	-0.10%/3.70%	0.70%/4.10%
Spain			
09:00	GDP QoQ/YoY (3Q P)	0.60%/2.70%	0.70%/2.60%
09:00	CPI MoM/YoY (Oct P)	0.70%/4.90%	0.30%/2.60%
09:00	CPI Core YoY (Oct P)	3.20%	3.10%
09:00	CPI EU Harmonised MoM/YoY (Oct P)	0.50%/4.90%	0.60%/5.00%
Events			
Q3 earnings	ExxonMobil (11:30) ...		
10:00	ECB Survey of Professional Forecasters		
10:00	ECB's Panetta Speaks in Rome		
17:00	Fed's Daly Gives Introductory Remarks		
17:30	Fed's Musalem Delivers Keynote Address		

10-year	Close	-1d		2-year	Close	-1d		Stocks	Close	-1d
US	4,94	-0,08		US	4,60	-0,10		DOW	52342,56	-132,54
DE	3,36	-0,02		DE	3,08	-0,06		NASDAQ	26184,72	-365,13
BE	4,37	-0,01		BE	3,30	-0,05		NIKKEI	63290,11	-1369,36
UK	5,29	-0,03		UK	4,90	-0,05		DAX	26039,68	335,66
JP	2,78	-0,07		JP	1,88	-0,04		DJ euro-50	6207,07	39,26
IRS	EUR	USD	GBP	EUR	-1d	-2d		USD	-1d	-2d
3y	3,41	4,47	4,77	€STR	2,4390	0,0000				
5y	3,41	4,46	4,76	Euribor-1	2,4420	-0,0040		SOFR-1	3,9005	-0,0082
10y	3,46	4,56	4,87	Euribor-3	2,6430	0,0250		SOFR-3	4,0353	-0,0067
				Euribor-6	2,9730	0,0130		SOFR-6	4,1592	-0,0323
Currencies	Close	-1d		Currencies	Close	-1d		Commodities	Close	-1d
EUR/USD	1,1180	0,0026		EUR/JPY	176,3	0,25		CRB	411,42	-2,26
USD/JPY	157,71	-0,13		EUR/GBP	0,8358	-0,0012		Gold	4031,40	-20,20
GBP/USD	1,3376	0,0049		EUR/CHF	0,9216	-0,0020		Brent	114,88	-0,44
AUD/USD	0,703	-0,0024		EUR/SEK	11,0017	-0,0469				
USD/CAD	1,3989	-0,0006		EUR/NOK	10,335	0,0104				

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