

Friday, 06 November 2026

KBC Sunrise Market Commentary

Markets

- **The Nasdaq posted its biggest daily drop since the Covid-pandemic yesterday,** closing 5.52% lower. From a technical point of view, the tech-heavy index **arrived at key support.** The July bottom (24425) serves as the neckline of a huge double top formation which is under test. This neckline also coincides with an upward trend line connecting the 2025 & 2026 lows. Final target in case of a break lower stands around 21125 which is near the YtD low of 20690. The jury is **still out on the nature of yesterday's washout,** but at least part of it is **probably technical in nature.** Things like fund de-risking and margin calls triggered forced selling with nowhere to hide. The S&P 500 lost 4.35% and the Dow Jones 3.44%. Yesterday's one-way traffic makes it **too early to already call the repricing an exhaustion move.** Concentrated bets on the AI trade faced simultaneous liquidation with the US Democratic Blue Sweep rather than macro fundamentals being the trigger. Immediately after their historic win, several (progressive) Democratic representatives started flooding social media with the message that **top of the Democratic agenda on day 1 needs to be a pause on advanced AI development, regulation of this "out of control" industry and a ban on artificial superintelligence.** Texas governor-elect Hinojosa already proposed a regulatory moratorium on data center approvals. It put the spotlights again on the "Ban Artificial Superintelligence Act" proposed by Bernie Sanders and Greg Casar in September. **While the regulatory pendulum won't swing back that far, a slowdown in the AI build-out is the base case under Democratic supervision, leaving the AI trade exposed to a huge amount of uncertainty.** It comes on top of questions raised about (exotic) financing of the buildout. Delays risk breaking underwriting assumptions (tenants paying rent), undermine the chip scarcity narrative, worsen credit quality of AI infrastructure debt, tighten financial conditions and ultimately slow down the pace of capital expenditure. This could validate regulatory concerns, closing the vicious cycle.
- **US Treasuries drew haven demand, but in atypical bull steepening fashion.** The US 10-yr and 30-yr yields only fell by 5.2 bps and 2.2 bps respectively, which is modest given the equity sell-off. The front end of the US curve shed more than 10 bps. The rationale sounds that **part of the Fed's hawkishness is based on a bullish view of the economy.** AI spending contributes heavily to that outlook. Questioning the AI trade implies questioning the future growth pace and **reduces the potential amount of Fed tightening needed to stem inflationary pressures.** Panic levels were sufficiently high yesterday **for the dollar to overcome the loss of interest rate support and its link with the (US) AI trade.** EUR/USD failed to take out the early October highs at 1.1277/85 with return action pulling the pair back below the 1.12-handle. Higher energy prices (Brent back at $100/b and Dutch TTF back above €90/MWh) weighed on the euro side of the equation. Today's eco calendar features the **US payrolls report but all eyes will be on the developing narrative on stock markets.**

News & Views

- **The Czech national bank raised rates by 25 bps to 4% yesterday in a 4-3 vote.** New forecasts put inflation on an upward course through end-2026 and early-2027 before returning close to the 2% target during 2028**. Annual inflation for 2026-2027-2028 is seen at 2.1%-3.2%-2.3%. Core inflation remains elevated with the central bank repeating the risk of it becoming persistent.** Prices are increasing, above all in services. The labour market remains tight and wages are rising rapidly, supporting household consumption. Investments by firms are increasing and still elevated property price growth adds more fuel to the inflationary fire. The central bank said that today's hike will help anchor inflation expectations and restrict the pass-through of the cost/energy shock to inflation. A relatively tight monetary policy is required in order to maintain inflation near the 2% target in the long term. **Governor Michl spoke of the decision as a fine-tuning measure and not the start of a new cycle.** He added that **financing conditions are "very tight"** due to the increase in longer-term interest rates. Czech swap yields tumbled between 10 and 12 bps across the curve. CZK weakened to EUR/CZK 24.33.
- **Japanese prime minister Takaichi today said the government plans to use proceeds from the central bank's ETF sales to fund spending on critical areas such as economic security.** The Bank of Japan last week announced it would accelerate the pace from JPY 330bn annually to JPY 860bn with which it is unwinding its huge ETF portfolio. A portion of the net profit is paid to Japan's treasury. *"Additional proceeds from the (ETF) sales are fruits of Japan's economic growth, so it's appropriate to reinvest them for spending on crisis management and growth areas,"* Takaichi said.

Graphs



GE 10y yield

The ECB hiked rates in June and again in September by 25 bps with another move highly 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. **Higher sovereign EMU credit risk premia volatile risk sentiment and correcting energy prices triggered a correction on a strong underlying trend.**



US 10y yield

Fed Chair Warsh restored the central bank's credibility. A September hike to 3.75%-4% was flanked by hawkish rhetoric and forecasts that suggest more is to come in December. Questions around AI-valuations/financing triggered an equity correction with **haven flows pulling US yields off their multi-annual highs.** The Democratic blue sweep lowers risks of lavish deficit-spending and more military action in Iran with US risk premia declining.



EUR/USD

The Fed's hawkish September rate hike provided the dollar with momentum starting mid-September. The euro afterwards suffered from rising EMU credit risk premia with EUR/USD breaking below the 1.13 support area and testing 1.1111 (50% retracement on 2025-26 increase). A break is currently delayed with the dollar suffering from the correction on the AI-trade. Energy prices coming off their highs relieve some pressure off the euro.



EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area. Apart from euro weakness, sterling remained better bid going into the BoE's first rate hike. UK **PM Burnham's first Autumn Budget received market approval**, aiding sterling further higher, while plans to improve relationships with the EU help lowering UK risk premia as well.

Calendar & Table

Friday, 06 November		Consensus	Previous
US			
14:30	**Change in Nonfarm Payrolls (Oct)**	**70k**	**29k**
14:30	Change in Private Payrolls (Oct)	65k	46k
14:30	Change in Manufact. Payrolls (Oct)	7k	9k
14:30	Average Hourly Earnings MoM/YoY (Oct)	0.30%/2.90%	0.10%/3.00%
14:30	Average Weekly Hours All Employees (Oct)	34.4	34.4
14:30	**Unemployment Rate (Oct)**	**4.20%**	**4.20%**
14:30	Labor Force Participation Rate (Oct)	61.80%	61.80%
14:30	Underemployment Rate (Oct)	7.60%	7.60%
16:00	**U. of Mich. Sentiment (Nov P)**	**48.0**	**48**
16:00	U. of Mich. Current Conditions (Nov P)	47.0	46.7
16:00	U. of Mich. Expectations (Nov P)	49.0	48.8
16:00	U. of Mich. 1 Yr Inflation (Nov P)	4.60%	4.70%
16:00	U. of Mich. 5-10 Yr Inflation (Nov P)	3.50%	3.50%
Canada			
14:30	Net Change in Employment (Oct)	15.0k	-68.3k
14:30	Unemployment Rate (Oct)	6.50%	6.50%
14:30	Full Time Employment Change (Oct)	--	-35.4k
14:30	Part Time Employment Change (Oct)	--	-32.9k
14:30	Participation Rate (Oct)	64.80%	64.80%
14:30	Hourly Wage Rate Permanent Employees YoY (Oct)	2.10%	2.30%
Japan			
00:30	Labor/Real Cash Earnings YoY (Sep)	4.60%A/2.20%A	3.90%R/1.60%R
00:30	Real Cash Earnings YoY (Sep)	1.20%	1.50%
00:30	Same Base YoY (Sep)	4.40%A	2.80%
EMU			
11:00	Retail Sales MoM/YoY (Sep)	-0.10%/0.60%	0.10%/0.80%
Germany			
08:00	Industrial Production SA MoM/WDA YoY (Sep)	-0.10%/1.20%	2.00%/2.30%
France			
08:45	Current Account Balance (Sep)	--	-1.5b
08:45	Trade Balance (Sep)	--	-6122m
08:45	Wages QoQ (3Q P)	--	0.70%
Norway			
08:00	Industrial Production MoM/WDA YoY (Sep)	--/--	1.00%/-0.60%
08:00	Ind Prod Manufacturing MoM/YoY (Sep)	--/--	-0.40%/0.40%
Spain			
09:00	Industrial Production MoM/SA YoY (Sep)	--/--	-0.70%/1.50%
Events			
01:00	Fed's Logan Moderates Discussion		
10:30	**ECB's Lane, Fed's Williams Speak in Frankfurt**		
10:30	Fed's Williams Participates on Moderated Discussion		
13:15	**BOE's Pill Gives Post-MPC Decision Briefing**		
15:10	Fed's Musalem Speaks at Greater St. Louis, Inc.		
18:15	Fed's Bowman in Moderated Conversation		
19:00	Fed's Daly Speaks in CNBC Interview		

10-year	Close	-1d
US	4,83	-0,05
DE	3,24	-0,03
BE	4,25	-0,01
UK	5,13	0,00
JP	2,66	-0,13

2-year	Close	-1d
US	4,46	-0,12
DE	2,98	-0,02
BE	3,23	0,00
UK	4,75	0,01
JP	1,74	-0,14

Stocks	Close	-1d
DOW	51523,06	-1833,06
NASDAQ	24315	-1421,51
NIKKEI	57434,77	-3643,13
DAX	26325,01	-112,66
DJ euro-50	6231,54	-34,17

IRS	EUR	USD	GBP
3y	3,28	4,33	4,60
5y	3,27	4,32	4,58
10y	3,33	4,44	4,71

EUR	-1d	-2d
€STR	2,4420	0,0000
Euribor-1	2,4800	0,0290
Euribor-3	2,8120	0,0530
Euribor-6	3,0140	0,0060

USD	-1d	-2d
SOFR-1	3,8952	-0,0059
SOFR-3	4,0364	-0,0234
SOFR-6	4,1263	-0,0547

Currencies	Close	-1d
EUR/USD	1,1219	-0,0009
USD/JPY	157,7	-0,73
GBP/USD	1,345	-0,0021
AUD/USD	0,6931	-0,0074
USD/CAD	1,4019	0,0041

Currencies	Close	-1d
EUR/JPY	176,93	-0,97
EUR/GBP	0,8342	0,0007
EUR/CHF	0,9161	-0,0014
EUR/SEK	11,0028	0,0699
EUR/NOK	10,4419	-0,0019

Commodities	Close	-1d
CRB	390,54	1,53
Gold	4113,50	40,50
Brent	98,29	3,67

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