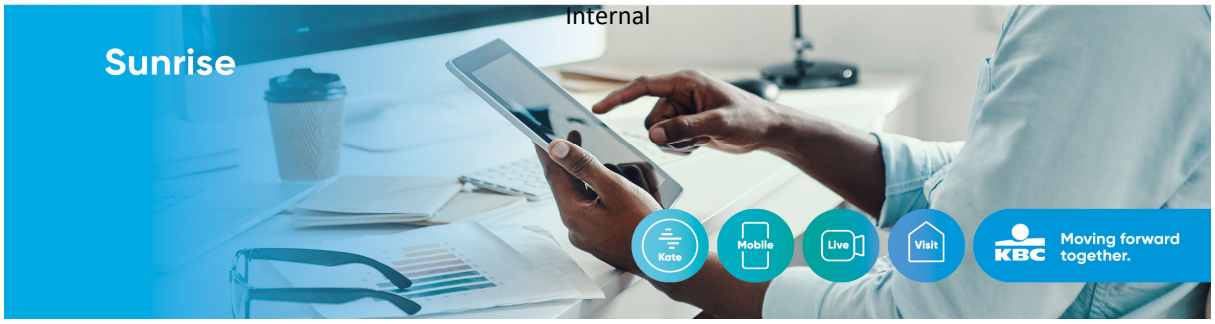
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Wednesday, 18 November 2026

KBC Sunrise Market Commentary

Markets

- **Technical pictures of all major US stock indices are extremely heavy.** The Dow Jones (-1.64%), S&P 500 (-1.03%) and Nasdaq (-0.74%) yesterday all tested first key support areas. In the end, they all managed a close just north of those levels which are necklines of double top formations. Losing them **risks a technically accelerated sell-off.** Yesterday's Q3 earnings by Nvidia were strong, but **fail to shake off sour sentiment.** US equity futures currently point to a 0.5% rebound which is insufficient to really turn the tide. Monday's new US export restrictions on chips to close a loophole (China renting computing power from data centers in unrestricted countries) **cast a shadow over tomorrow's Trump-Xi meeting** with the US President's hand already weakened following the Democratic sweep in US Congress. The situation holds risks of some sort of Chinese retaliation/threat. **Erring on the side of caution is still the dominant trade.**

- **The euro remains in dire straits on FX markets** with currently little rebound potential. EUR/USD closed just below 1.10 yesterday for a second consecutive session. The pair is changing hands around 1.0980 this morning with 1.0882 the next technical reference (62% retracement on 2025-26 rally). Today's eco calendar offers little drivers, but central bankers remain active. **FOMC Minutes** tonight are expected to confirm recent hawkish messaging by Fed members. **ECB President Lagarde** features in the New York Times DealBook Summit as one of the live-stage guests. Given her early February 2027 exit at the ECB, she might hold back on giving guidance on monetary policy beyond the (discounted) December policy rate hike to 2.75%. **EUR/GBP tested the YtD lows at 0.8322.** The **UK labour market report** yesterday showed the unemployment rate ticking down to 4.6% in the 3 months through September with stronger than expected job growth over the summer months. Weakness in early October figures could be related uncertainty around the Budget. **UK money markets remain convinced on a back-to-back BoE rate hike** in December, with **chief economist Pill** this weekend sharpening knifes for further increases in 2027 as well and validating expectations. This morning's **October CPI report** was too close to consensus to give GBP new impetus. Headline CPI rose by 0.5% M/M and 3.6% Y/Y (up from 3.5%). Core CPI and services CPI both stabilized, at respectively 2.8% Y/Y and 3.7% Y/Y. The 0.3% M/M core CPI pace remains uncomfortably high though. **Bank of England governor Bailey** delivers a speech at the Institute of Economic Development conference later today which could strengthen market belief in the central bank's changed reaction function since the November rate hike.

News & Views

- **BoJ governor Ueda told parliament that the central bank should keep raising rates** given that financial conditions are still accommodative and inflation is now at risk of overshooting the 2% target. The latter marks a sharp break with the past, when the central bank struggled to hit 2% from below. The Bank of Japan declared monetary policy had **entered this new phase** at the October 30 meeting. It kept the policy rate back then stable at 1.25% but is widely expected to **hike at the December 18 meeting.** Ueda said that **a planned consumption tax would likely support economic growth** through boosted household purchasing power. The governor was also asked about **the possibility of emergency bond-buying operations.** Ueda said the assessment should be based on whether serious disruptions to market functioning have emerged which would require such a policy response. He warned against using such operations to contain long-term yields (which the BoJ did until not so long ago).

- **The Hungarian forint extended losses** after yesterday's MNB policy meeting during **Governor Varga's presser.** EUR/HUF finished around 366.5 compared to an open of 364.5. The policy statement already kept the door open for **potential monetary policy easing in December** (with a new inflation report). Varga later added that yesterday's vote to keep the rate unchanged at 5.5% **wasn't unanimous** with **some already opting for a rate cut.** The Hungarian central bank parts ways with many of colleagues including the Czech Republic. But Varga noted that Hungary is in a different place due to **the positive market reaction to next year's budget and the government's plans for euro adoption.** Hungarian money markets had been pricing out cuts for the foreseeable future but are now reconsidering.

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 (and bigger?!) 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 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. **Faster than expected US October CPI** forced a break of the next reference at 1.1111 (50% retracement on 2025-26 increase) as Fed tightening bets pick up.



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

Wednesday, 18 November		Consensus	Previous
US			
14:30	Housing Starts MoM/Total (Oct)	2.40%/1250k	-5.20%/1221k
14:30	Building Permits MoM/Total (Oct P)	-1.70%/1375k	-0.40%/1398k
16:00	Pending Home Sales MoM/NSA YoY (Oct)	-2.00%/-14.50%	-7.30%/-12.60%
20:00	**FOMC Meeting Minutes**		
22:00	Net Long-term TIC Flows (Sep)	--	$279.2b
Japan			
00:50	Imports YoY (Oct)	21.60%A	18.50%R
00:50	Exports YoY (Oct)	20.5%A	16.50%R
00:50	Trade Balance Adjusted (Oct)	-¥767.2bA	-¥716.9bR
UK			
08:00	**CPI MoM/YoY (Oct)**	**0.50%/3.60%**	**0.40%/3.50%**
08:00	CPI Core YoY (Oct)	2.80%	2.80%
08:00	CPI Services YoY (Oct)	3.80%	3.70%
08:00	CPIH YoY (Oct)	3.70%	3.60%
08:00	RPI MoM/YoY (Oct)	0.50%/4.00%	0.10%/3.90%
08:00	RPI Ex Mort Int.Payments (YoY) (Oct)	--	3.90%
08:00	PPI Output NSA MoM/YoY (Oct)	0.60%/5.10%	0.80%/4.60%
08:00	PPI Input NSA MoM/YoY (Oct)	0.80%/9.20%	1.50%/8.30%
10:30	House Price Index YoY (Sep)	--	0.90%
EMU			
11:00	CPI MoM/YoY (Oct F)	0.40%/4.00%	0.40%/4.00%
11:00	CPI Core YoY (Oct F)	2.50%	2.50%
Events			
18NOV	Anthropic expected to price IPO with Nasdaq trading to start the day after		
18-19NOV	APEC Economic Leaders' Meeting		
03:45	ECB's Nagel, Escriva Speak in Singapore		
08:30	**BOE's Bailey Speaks in Fireside Chat in Seoul**		
10:00	ECB's Vujcic Presents Financial Stability Review		
10:00	ECB's Dolenc Speaks in Ljubljana		
15:00	ECB's Kocher Speaks in Vienna		
15:25	**ECB's Lagarde Speaks in New York**		
16:00	**BOE's Bailey Delivers Speech in London**		
18:15	Fed's Daly Speaks in Keynote Conversation		
19:35	Fed's Barr Speaks on Capital Development Investments		
20:30	Fed's Williams Delivers Remarks		
22:15	Fed's Kashkari Speaks at an AI Conference		

10-year	Close	-1d
US	5,11	-0,02
DE	3,38	-0,01
BE	4,36	-0,04
UK	5,37	0,00
JP	2,87	-0,01

2-year	Close	-1d
US	4,80	-0,03
DE	3,13	-0,02
BE	3,34	-0,04
UK	4,99	-0,02
JP	1,87	0,00

Stocks	Close	-1d
DOW	50759,42	-848,75
NASDAQ	24328,38	-181,38
NIKKEI	59024,28	163,85
DAX	26045,37	-553,27
DJ euro-50	6212,11	-136,24

IRS	EUR	USD	GBP
3y	3,39	4,65	4,84
5y	3,38	4,63	4,82
10y	3,43	4,71	4,92

EUR	-1d	-2d
€STR	2,4410	0,0010
Euribor-1	2,4830	0,0040
Euribor-3	2,7840	0,0050
Euribor-6	3,0070	-0,0010

USD	-1d	-2d
SOFR-1	3,9995	0,0224
SOFR-3	4,1781	0,0073
SOFR-6	4,3556	0,0000

Currencies	Close	-1d
EUR/USD	1,0998	0,0001
USD/JPY	159,38	-0,09
GBP/USD	1,3209	0,0023
AUD/USD	0,6736	-0,0001
USD/CAD	1,4297	-0,0001

Currencies	Close	-1d
EUR/JPY	175,29	-0,08
EUR/GBP	0,8327	-0,0013
EUR/CHF	0,9245	0,0009
EUR/SEK	11,1336	0,0278
EUR/NOK	10,5904	-0,0259

Commodities	Close	-1d
CRB	380,39	0,63
Gold	3864,20	11,20
Brent	93,14	0,70

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