Internal



Wednesday, 25 November 2026

KBC Sunrise Market Commentary

Markets

- **EUR/USD 1.0882 lived to fight another day.** This key support level is the 61.8% retracement on the 2025-2026 rally and basically the last line of defense which prevents a deeper slide towards 1.05 from a technical point of view. It came under pressure during Monday's huge AI-related risk-on positioning, which benefited a heavily exposed USD more than its peers. That exceptionally strong tech performance shifted in reserve again yesterday. **It suggests that Monday's move was mostly short covering rather than genuine, fundamental buying and that the sell-on-upticks pattern of October holds for the time being.** The Nasdaq slid 1.5%, the semiconductor index SOX returned almost 8% of the 14% pump the day before. The S&P500 lost a more modest 0.5% while the Dow Jones even eked out a 0.85% gain. The US dollar fell in response and lifted EUR/USD from as low as 1.09 towards 1.097. DXY's first attempt of a topside break from an upward sloping trend channel failed with the trade-weighted index returning from 104.3 to 103.81 instead. The yen was a notable underperformer, though not so much vs the dollar than vs the rest. USD/JPY closed slightly higher in the 159.3 area. EUR/JPY bounced from a one-year low near 173.4 to 174.6. Core bonds gained ground with Bunds slightly outperforming vs Treasuries. German rates eased between 1.6 and 2.5 bps. US yields fell across the curve up through the 10-yr tenor (-0.9 to -2.9 bps) while the longest maturities still added up to 1.4 bps (30-yr). The 10-yr reference tested the lower bound of 2026's upward trend channel again before calling off the attack in its final trading hours.
- The downforces remain strong during Asian dealings though with another tentative break by the US 10-yr yield. **Sentiment is sour again with the South Korean AI-bellwether Kospi sliding over 6%.** The US dollar holds strong this time around. The greenback even reverses some of yesterday's fall, highlighting the **bipolar nature** of a currency struggling in its reaction function when risk aversion is US-inspired. In a daily perspective, however, we could see some further dollar strengthening with **October PCE's on tap.** The Fed preferred inflation gauge is expected to pick up from 3.6% to 3.8% for headline and from 3.1% to 3.2% for core, well above the central bank's 2% target. The 0.3% m/m expected pace for both is too quick to be consistent with a return to target over the medium term, requiring the Fed to maintain a hawkish posture. Recent Fed speak underscored just that (eg. Williams, Waller) and we assume today's **Fed meeting minutes of the October meeting** (unchanged rates decision) to have a similar tone. The quiet period is about to kick in (this weekend) and few speeches are planned for the remainder of the holiday-shortened week. But the data itself should continue to support the USD and front-end yields.

News & Views

- **The pace of Australian inflation was stronger than feared in October. Headline CPI rose by 0.5% M/M with the Y/Y-comparison accelerating from 4.3% to 4.9% (vs 4.7% expected).** It's the highest level since monthly CPI tracking began in April of last year and uncomfortably above the Reserve Bank of Australia's 2-3% inflation target. The central bank's preferred underlying price series, **CPI trimmed mean which filters out biggest price swings both up and down, was way stickier at 0.5% M/M and 3.8% Y/Y** (vs 0.3% & 3.6% consensus). This month it for example excluded automotive fuel (+6.3% M/M). The core print was also the most elevated since the start of publication. Housing was the largest contributor to annual inflation, rising by 6.4% Y/Y (from 5.2% in September). It reflected both increases for electricity (25.2% Y/Y) and new dwelling prices (5.1% from 4.7%) with builders passing on higher costs for materials and labour. The Aussie dollar ticked higher, but that move didn't last against an overall stronger dollar. The pair sinks to its weakest level since December of last year (AUD/USD < 0.66) with **AUD suffering from the AI sell-off as the country was one of the main beneficiaries in the infrastructure build-out.** Following last week's second consecutive weak labour market report, traders still find it premature to err again on the side of a final RBA rate hike even as the central bank left the option open.
- **The Financial Times reports that the EU is drawing up plans for a Sovereign Tech Equity Fund (Stef).** According to people involved in the discussions, **the aim it to mobilize €50bn to make long-term investments in European AI and quantum computing companies.** The EC is rumoured to use EU funds as seed money that would attract additional investment from the private sector, with the aim to mobilize as much as €6 for every euro committed. The goal is to present operation details of the new fund in February. Separately, the EC will present a quantum strategy later today.

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, 25 November		Consensus	Previous
US			
14:30	Personal Income/Spending (Oct)	0.30%/0.40%	0.20%/0.50%
14:30	Real Personal Spending (Oct)	0.40%	0.00%
14:30	PCE Price Index MoM/YoY (Oct)	0.10%/3.80%	0.50%/3.60%
14:30	Core PCE Price Index MoM/YoY (Oct)	0.30%/3.20%	0.30%/3.10%
14:30	Initial Jobless Claims	198k	203k
14:30	Continuing Claims	1740k	1763k
14:30	Durable Goods Orders (Oct P)	0.70%	1.90%
14:30	Durables Ex Transportation (Oct P)	0.50%	0.50%
14:30	Cap Goods Orders Nondef Ex Air (Oct P)	0.70%	0.60%
14:30	Cap Goods Ship Nondef Ex Air (Oct P)	0.80%	1.20%
16:00	New Home Sales Total/MoM (Oct)	650k/-3.80	676k/-0.60%
Japan			
00:50	PPI Services YoY (Oct)	4.20%A	3.80%R
France			
08:45	Consumer Confidence (Nov)	81	80
Norway			
08:00	Unemployment Rate Trend (Oct)	--	4.60%
Sweden			
08:00	PPI MoM/YoY (Oct)	--/--	3.40%
Events			
04:35	Japan to Sell 40-Year Bonds		
19:00	U.S. To Sell USD44 Bln 7-Year Notes		
20:00	Fed Releases Beige Book		

10-year	Close	-1d
US	4,93	-0,01
DE	3,26	-0,02
BE	4,26	0,00
UK	5,19	-0,02
JP	2,65	-0,09

2-year	Close	-1d
US	4,68	-0,01
DE	3,06	-0,01
BE	3,24	-0,02
UK	4,85	-0,03
JP	1,73	-0,05

Stocks	Close	-1d
DOW	50018,7	423,39
NASDAQ	23733,54	-356,02
NIKKEI	57011,62	-1633,01
DAX	25017,81	-319,46
DJ euro-50	6003,76	-70,71

IRS	EUR	USD	GBP
3y	3,33	4,48	4,72
5y	3,32	4,44	4,68
10y	3,35	4,53	4,79

EUR	-1d	-2d
€STR	2,4440	0,0010
Euribor-1	2,4040	-0,0500
Euribor-3	2,7940	-0,0150
Euribor-6	3,0850	0,0060

USD	-1d	-2d
SOFR-1	4,0703	0,0028
SOFR-3	4,2118	0,0019
SOFR-6	4,3711	0,0083

Currencies	Close	-1d
EUR/USD	1,0966	0,0063
USD/JPY	159,26	0,24
GBP/USD	1,3115	0,0083
AUD/USD	0,664	0,0012
USD/CAD	1,427	-0,0092

Currencies	Close	-1d
EUR/JPY	174,64	1,27
EUR/GBP	0,8361	-0,0006
EUR/CHF	0,9163	-0,0015
EUR/SEK	11,2226	0,0198
EUR/NOK	10,74	0,0100

Commodities	Close	-1d
CRB	366,49	0,02
Gold	3591,10	-90,60
Brent	91,40	2,03

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