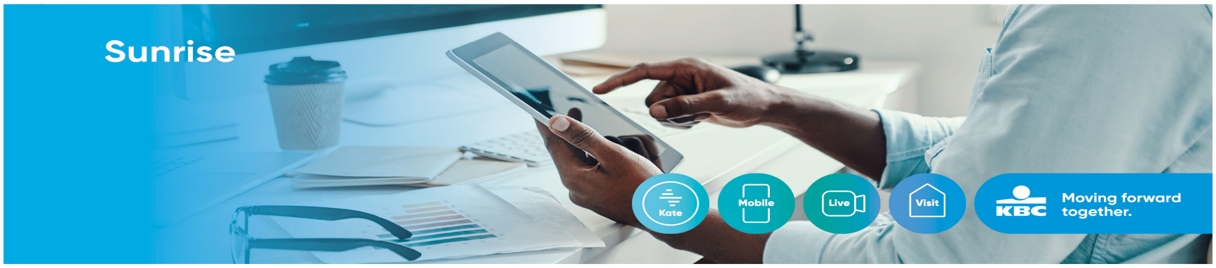


Wednesday, 19 November 2025

KBC Sunrise Market Commentary

Markets

- **The risk-off correction yesterday simply continued**. US stocks lost 0.83% (S&P 500) to 1.21% (Nasdaq). The damage for the EuroStoxx 50 was even bigger (-1.88%). The move was driven by sentiment, triggering further stop-loss repositioning, rather than by 'hard news'. **The likes of the S&P 500, Nasdaq and the EurosStoxx 50 are all closing in on first really relevant technical support levels** (mid-October lows). A break would reinforce the feeling that what currently still can be considered as a correction, might morph into a more pronounced setback. In this respect, this evenings' Nvidia earnings are considered as key to assess perceived elevated AI valuations. We don't speak out on the valuation discussion, but given the momentum of the recent correction, question is whether even (positive) news from Nvidia will be able to avoid a further developing of a sell-on-upticks momentum**. Anyway we keep a close eye at the above-mentioned key support levels.** With respect to other markets, **the impact on FI and FX is not as unequivocal as in the past.** Intraday, bonds captured a better bid in a bull steepening move, but it didn't push yields out of recent ranges. The US 2-y yield is locked in a very tight range (roughly 3.53%/3.63%) for two weeks already despite the risk-off. **Any impact from safe haven flows meets ongoing uncertainty on the pace/path for further Fed easing.** In this respect, one shouldn't expect that it is the Fed's primary consideration to bail out an equity correction which is mainly the result of stretched market pricing and supported by (too) easy financial conditions. For the long end of the curve, any safe have gains are capped by risk premia due to lingering fiscal uncertainty. US and even more European LT term yields quite easily hold recent gains, despite the risk-off. **Japanese yields in this process are a point in case**. US yields yesterday eased between 4.3 bps (5-y) and 0.3 bps (30-y). Moves in German yields were even less pronounced (2-y -2.3 bps, 30-y +0.9 bps).Contrary to the US, EMU/German bonds have hardly any room to anticipated further ECB easing. **Except for some further yen underperformance** (USD/JPY 155.5, EUR/JPY 180+ all time top), **the risk-off repositioning had little directional impact on major (USD) cross rates.** DXY closed unchanged near 99.55. EUR/USD lost marginal ground (1.1580). Even sterling was hardly affected (EUR/GBP close 0.881).

- Asian markets still show modest further losses this morning. Treasuries are little changed. The dollar eases marginally (EUR/USD 1.159, USD/JPY 155.45). The EMU and US eco calendars contain few data with market moving potential. Aside from the Nvidia results (after the US close), **the Minutes of the Fed October** meeting and a US TSY $16bn 20-y Bond sale deserve some attention. **UK October CPI data were close to expectations** (headline 0.4% M/M and 3.6% Y/Y from 3.8%, core 3.4% from 3.5%, services 4.5% from 4.7%). The data suggest that inflation peaked in September like the BoE expected. Sterling loses marginal ground after the release. (EUR/GBP 0.8815).

News & Views

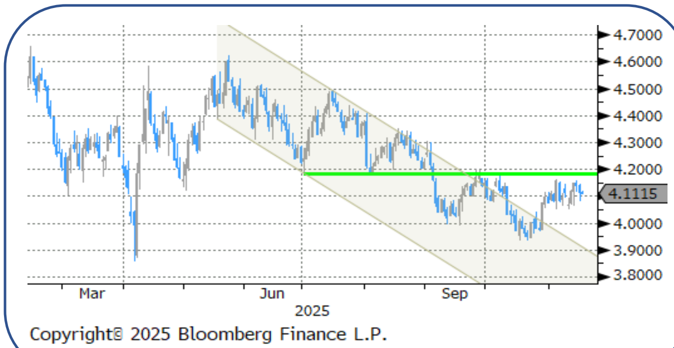
- **Australian wages in Q3 of 2025 grew 0.8% q/q and 3.4% y/y.** Both matched the pace in Q2 and expectations by analysts and the central bank (RBA). "Seasonally adjusted private sector wages grew 0.7% for the quarter, while public sector wages rose 0.9%", the statistics bureau said. September quarter wage growth included a 3.5% minimum wage increase, slightly lower than the 3.75% in 2024. Australian wages in broader perspective are rising clearly at a faster clip after Covid than in the years prior to it**. Annual prints have settled comfortably north of 3% compared to 2-2.5% from 2013 through 2020.** The numbers had little to no impact on markets. Australian swap yields trade unchanged with expectations for a steady RBA policy rate (3.6%) course over the coming months firmly in place. The Aussie dollar loses technically insignificant ground to below AUD/USD 0.65.

- **US Treasury Department data released yesterday showed foreign holdings of Treasuries dropping in September in what is the first decline in six months**. Holdings fell to $9.25tn from $9.26tn in August, although they remain 5.5% higher in y/y terms. Japan is still the largest non-US holder, with $1.19tn in the books after increasing for nine straight months. The UK comes in second but trimmed the load to $865bn from $904.3bn. China completes the top three and slightly reduced their exposure to $700.5bn from $701bn. Holdings in July had fallen to $696.9bn, which was the lowest since October 2008 ($684.1bn). Yesterday's data came with a delay due to the government shutdown. The October update is scheduled for December 18..

Graphs

GE 10y yield

Confidence that inflation is returning to 2% **allowed the ECB to reduce its policy rate to 2%, reaching neutral territory.** The ECB considers it to be in a good place to respond to potential shocks. **German bunds meanwhile ever more gain safe haven status** as uncertainty with respect to US assets lingers. The theme interferes from time to time with a structural public finance-driven rise in LT yields.



US 10y yield

The Fed's **focus shifted with increased attention for (risks to) the labour market** with 25 bps rate cuts in September & October. December is a coin toss. QT will end in December but proceeds from maturing bonds are skewed to Tbills, in theory supporting a further curve steepening even as the budgetary impact of **President Trump's big, beautiful bill moved to the background.**
4% support in the 10-y yield survives for now.

EUR/USD

Trump's explosive policy mix triggered uncertainty on future US economic growth and sustainability of public finances with **markets showing a loss of confidence in the dollar. The Fed restarting its easing cycle will reduce USD interest rate support** while Lecornu's survival took the sting out of the French political impasse in the short run. The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation MT.

EUR/GBP

Sterling snapped through multiple support zones, pushing EUR/GBP to its highest levels since early 2023. The close 5-4 unchanged vote at the November BoE meeting suggests a next step in December is likely given data weakness. Lingering fiscal risks going into end-November's Autumn Budget continue to weigh on GBP in the background with EUR/GBP heading towards the 0.90 handle.

Calendar & Table

Wednesday, 19 November		Consensus	Previous
US			
13:00	MBA Mortgage Applications	--	0.60%
20:00	**FOMC Meeting Minutes**		
Japan			
0:50	Core Machine Orders MoM/YoY (Sep)	4.20%A/11.60%A	-0.90%/1.60%
UK			
10:30	House Price Index YoY (Sep)	--	3.00%
8:00	**CPI MoM/YoY (Oct)**	**0.40%/3.50%**	**0.00%/3.80%**
8:00	CPI Core YoY (Oct)	3.40%	3.50%
8:00	CPI Services YoY (Oct)	4.60%	4.70%
8:00	CPIH YoY (Oct)	3.80%	4.10%
8:00	RPI MoM/YoY (Oct)	0.30%/4.30%	-0.40%/4.50%
8:00	PPI Output NSA MoM/YoY (Oct)	0.00%/3.40%	0.00%/3.40%
8:00	PPI Input NSA MoM/YoY (Oct)	0.00%/0.70%	-0.10%/0.80%
EMU			
11:00	CPI MoM/YoY (Oct F)	0.20%/2.10%	0.20%/2.10%
11:00	CPI Core YoY (Oct F)	2.40%	2.40%
Events			
Q3 earnings	Nvidia (22:20) ...		
1:55	Fed's Logan Delivers Closing Remarks at Conference		
04:35	Japan to Sell 20-Year Bonds		
18:45	Fed's Barkin Speaks on the Economic Outlook		
19:00	U.S. To Sell USD16 Bln 20-Year Bonds		
20:00	Fed's Williams Delivers Welcome Remarks		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,11	-0,03		US	3,57	-0,04	DOW	46091,74	-498,50
DE	2,71	-0,01		DE	2,02	-0,02	NASDAQ	22432,85	-275,22
BE	3,24	0,01		BE	2,10	-0,02	NIKKEI	48537,7	-165,28
UK	4,55	0,02		UK	3,80	0,00	DAX	23180,53	-409,99
JP	1,77	0,03		JP	0,93	0,01	DJ euro-50	5534,71	-106,23
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,27	3,31	3,59	€STR	1,9300	0,0010			
5y	2,44	3,37	3,69	Euribor-1	1,8990	-0,0060	SOFR-1	3,9477	-0,0120
10y	2,76	3,67	4,04	Euribor-3	2,0510	0,0030	SOFR-3	3,8777	-0,0132
				Euribor-6	2,1550	0,0140	SOFR-6	3,7795	-0,0217
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1581	-0,0011		EUR/JPY	180,09	0,11	CRB	303,36	1,72
USD/JPY	155,51	0,25		EUR/GBP	0,8810	-0,0002	Gold	4066,50	-8,00
GBP/USD	1,3145	-0,0011		EUR/CHF	0,9260	0,0032	Brent	64,89	0,69
AUD/USD	0,6507	0,0013		EUR/SEK	10,9678	-0,0130			
USD/CAD	1,3989	-0,0066		EUR/NOK	11,7108	-0,0054			

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