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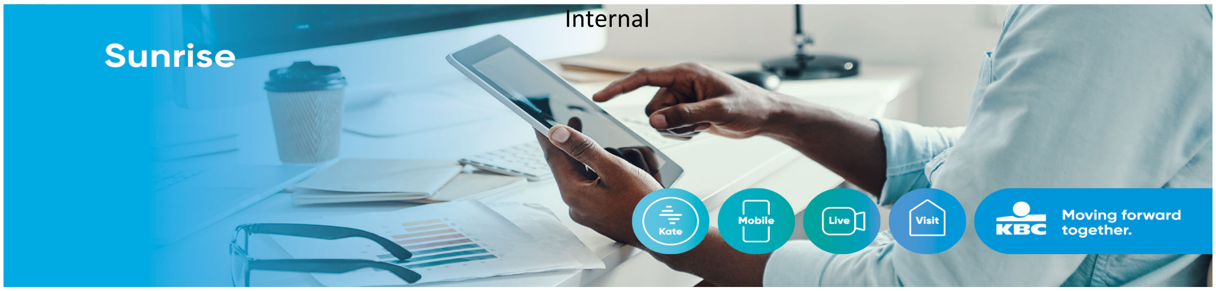


Tuesday, 29 September 2026

KBC Sunrise Market Commentary

Markets

- Everything sold off yesterday on a single catalyst: energy. **Brent oil hit an intraday high of almost $109 per barrel.** Prices eased eventually into the close to around $105 on reports that Saudi Arabia resumed oil flows through its East-West pipeline. But that merely prevented worse for the likes of core bonds. US Treasury yields surged between 5.4 and 8.2 bps in bear flattening fashion. The German bund curve bear steepened with net daily changes varying between +3 bps and 5.6 bps. ECB president Lagarde before the European Parlement said inflation risks remain tilted to the upside but there are no signs yet that higher inflation is becoming embedded. **A measured approach remains appropriate**, she said, adding that *"While growth has been resilient, since our last meeting long-term interest rates have risen notably, which will slow growth and reduce pass-through by more than projected in our September exercise."* Euro area money markets pared tightening bets afterwards. The October implied probability fell to +/- 35%. **We sense little appetite in (money) markets to push pricing beyond a 3.5% terminal rate.** Precious metals and stocks on Wall Street dropped. On a sector basis, tech underperformed (-1% Nasdaq) while energy and consumer staples benefited. The US dollar strengthened. Technical breakthroughs remain absent so far but the greenback is on a gradual, steady course higher. Sterling was the notable outperformer despite the fragile risk environment. EUR/GBP finished near 0.858, GBP/USD near 1.325. **Bank of England deputy governor Ramsden was the latest official to warn that rates may need to rise if upside pressures to inflation continue to build.** Ramsden in the BoE's latest decision sided with the 6-3 majority for a status quo. November odds gather pace with an almost 90% probability discounted. BoE's Mann and Taylor speak as well today. The former is a hawk already in favour for a hike while the latter is one of the biggest doves in the committee. There's also an avalanche of ECB and Fed speakers scheduled. In terms of economic data, the US releases the **August JOLTS report and September Conference Board consumer confidence.** They serve as the amuse in the run-up to Friday's main payrolls dish. The European Commission's confidence indicators are on tap while Belgian and Spanish inflation figures offer a first indication on Friday's EMU reading. **Broader market sentiment remains at the mercy of energy.** Brent advances once again to $107.8 with the $110 barrier drawing near. The US 2-yr yield is 5 bps away from the 5% barrier, which would lift the whole curve above that psychologically important level. We continue to hold a bullish dollar bias. EUR/USD closes in on the YtD low at 1.1325.

News & Views

- **The Reserve Bank of Australia (RBA) lifted its policy rate by 25 bps to 4.6% this morning, bringing it above the post-Covid peak to the highest level since 2011.** Since the August meeting, some of the upside inflation risks are materializing though higher global energy prices, rapid growth in global prices for technology-related goods and firms either increasing the prices of their goods and services or looking to do so. Growth in output has slowed but, at the margin, was stronger than expected in the June quarter**. The remains pressure on domestic capacity with growth in business investment and debt being strong (AI build-out).** The RBA Board remains focused on ensuring that high inflation does not become embedded and will continue to do what is necessary to bring inflation sustainably back to target (including increasing the cash rate further). Australian money markets attach a 75% probability to another 25 bps move before year-end. The peak policy rate is estimated at 5% by spring next year. AUD/USD holds steady just above the 0.70-handle.

- **Hungary's debt management agency AKK yesterday raised its gross issuance plan for this year by HUF 4tn to HUF 20.4tn.** Gross planned issuance of treasury bills will increase by HUF 1.64tn to HUF 3.17tn. The planned gross issuance of institutional HUF bonds and municipal government bonds rises by HUF 1.8tn to HUF 7.39tn. Smaller increases in planned retail and FX issuance fill the remaining gap. **The revised funding need stems from a significant increase in net funding need. A higher budget deficit and pre-financing of EU-funds expected to arrive by year-end or the key drivers.** Yesterday's revised net issuance plan was already 87% done by the end of August.

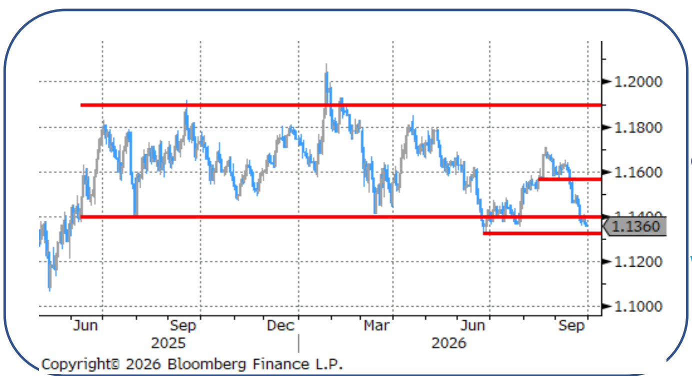
Graphs

GE 10y yield

Confidence that inflation is returning to 2% **allowed the ECB to reduce to policy rate to 2%, reaching neutral territory.** The ECB moved to an outright data-dependent approach, but overall uncertainty remains elevated. **German bunds ever more gain safe haven status** as uncertainty with respect to US assets intensifies. This slowed the rise in LT yields with market focus fluctuating between tariff wars to public finances.

US 10y yield

The Fed's **priority stays on inflation until the labour market is visibly weakening.** Downward revisions in the July payrolls report boosted odds that the September FOMC meeting could be a tipping point. **LT bond yields' trend higher on President Trump's big, beautiful, deficit-increasing bill recently stalled on growth concerns.** This flip-flopping between the fiscal and economic theme is here to stay.



EUR/USD

Trump's explosive policy mix (DOGE, tariffs, big beautiful bill) triggered uncertainty on future US economic growth and sustainability of public finances with markets **showing a loss of confidence in the dollar. EUR/USD is in a buy-the-dip pattern on track with a medium term target at 1.2349.** The end to the ECB's easing cycle and German/European spending plans help the euro-part of the equation.

EUR/GBP

Long end Gilt underperformance due to fiscal risks weighed on sterling earlier this year. The Bank of England is on a quarterly 25 bps cutting cycle since August of last year (4% policy rate currently), with next action expected in November. EUR/GBP tested the November 2023 high at 0.8768, but a break higher didn't materialize (yet).

Calendar & Table

Tuesday, 29 September		Consensus	Previous
US			
15:00	S&P Cotality CS 20-City MoM SA/YoY NSA (Jul)	0.20%/2.20%	0.24%/2.10%
16:00	**Conf. Board Consumer Confidence (Sep)**	**89.0**	**89.4**
16:00	Conf. Board Present Situation (Sep)	120.2	121.2
16:00	Conf. Board Expectations (Sep)	68.5	68.2
16:00	**JOLTS Job Openings (Aug)**	**7228k**	**7271k**
16:00	JOLTS Job Openings Rate (Aug)	4.40%	4.40%
16:00	JOLTS Quits Level (Aug)	3109k	3056k
16:00	JOLTS Quits Rate (Aug)	1.90%	1.90%
16:00	JOLTS Layoffs Level (Aug)	1650k	1666k
16:00	JOLTS Layoffs Rate (Aug)	1.00%	1.00%
16:30	Dallas Fed Services Activity (Sep)	2.3	4.2
UK			
01:01	BRC Shop Price Index YoY (Sep)	1.40%A	1.50%
EMU			
11:00	**Economic Confidence (Sep)**	**99**	**98.4**
11:00	Industrial Confidence (Sep)	-4.8	-5.3
11:00	Services Confidence (Sep)	6.5	5.8
11:00	Consumer Confidence (Sep F)	-16.5	-16.5
Belgium			
11:30	**CPI MoM/YoY (Sep)**	**--/--**	**0.40%/3.97%**
Australia			
06:30	**RBA Cash Rate Target**	**4.60%A**	**4.35%**
Spain			
09:00	CPI MoM/YoY (Sep P)	0.10%/4.60%	0.70%/4.30%
09:00	CPI Core YoY (Sep P)	3.00%	2.90%
09:00	**CPI EU Harmonised YoY (Sep P)**	**0.60%/4.90ù**	**0.70%/4.60%**
Sweden			
08:00	Economic Tendency Survey (Sep)	--	105.1
08:00	Consumer Confidence (Sep)	--	98
08:00	Manufacturing Confidence SA (Sep)	--	107.1
Events			
05:35	Japan to Sell 40-Year Bonds		
10:00	ECB's Kazimir Speaks in Bratislava		
11:00	Italy to Sell Bonds		
12:00	ECB's Nagel Speaks in Frankfurt		
13:30	ECB's Escriva Speaks in Madrid		
15:15	ECB's Cipollone Speaks in Frankfurt		
17:00	Fed's Bowman Delivers Opening Remarks		
17:00	BOE's Mann Speaks on Panel		
17:30	BOE's Taylor Speaks in London		
18:40	Fed's Barr Speaks On Economic Outlook		
19:00	Fed's Goolsbee Speaks in Moderated Discussion		
19:30	Fed's Musalem Speaks on US Economy		
20:00	Fed's Williams Gives Keynote Remarks		
21:00	Fed's Waller Speaks on Payments System		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	5,24	0,08		US	4,93	0,08	DOW	51481,51	-347,11
DE	3,64	0,04		DE	3,31	0,03	NASDAQ	26820,38	-248,34
BE	4,33	0,06		BE	3,39	0,04	NIKKEI	64834,53	-1043,09
UK	5,42	0,06		UK	4,93	0,09	DAX	25374,42	-34,22
JP	3,10	0,00		JP	1,97	-0,02	DJ euro-50	6301,28	-1,54
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,61	4,81	4,74	€STR	2,4400	0,0000			
5y	3,64	4,80	4,77	Euribor-1	2,4840	0,0240	SOFR-1	3,8990	0,0033
10y	3,70	4,86	4,95	Euribor-3	2,5940	-0,0130	SOFR-3	4,0825	0,0195
				Euribor-6	3,0660	-0,0040	SOFR-6	4,2761	0,0310
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1371	-0,0020		EUR/JPY	178,96	-0,19	CRB	414,23	-4,31
USD/JPY	157,39	0,11		EUR/GBP	0,8578	-0,0022	Gold	4168,40	-152,80
GBP/USD	1,3255	0,0008		EUR/CHF	0,9461	0,0025	Brent	105,28	0,96
AUD/USD	0,7018	-0,0005		EUR/SEK	11,3282	0,0297			
USD/CAD	1,4174	0,0032		EUR/NOK	10,8461	0,0156			

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