



Monday, 19 October 2026

KBC Sunrise Market Commentary

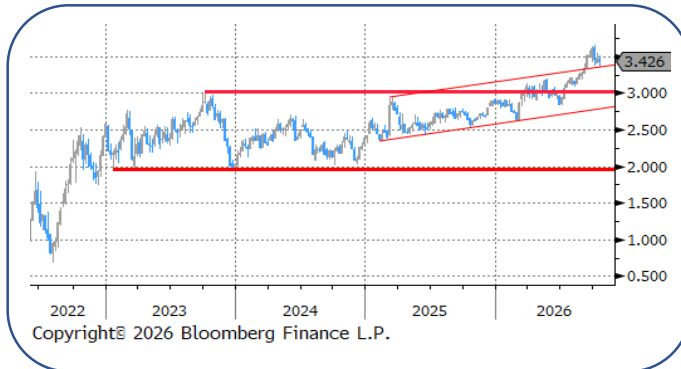
Markets

- Frech street protests violently escalated over the weekend. What started as student/education unease about a month ago morphed into broad protest against the rising cost of living, declining public services and overall frustration against the Macron administration. **French politicians are stuck between a rock and a hard place, having to bridge these domestic riots with international bond market pressure when trying to navigate next year's budget through parliament.** We keep a close eye at OAT-credit spreads this morning which are at risk of re-widening. The single currency showed a strong correlation with OAT spreads recently and **already hit an air pocket this morning in Asian trading.** EUR/USD yoyed from 1.1240 to 1.1180 and back. EUR/GBP briefly touched 0.84 for the first time since June of last year.
- **Energy prices and inflation risks are another market concern.** Brent crude price tested \$110/b resistance on Friday. We're entering the final phase of a technical bullish triangle pattern, suggesting risks of an upside break. That would lift oil prices to highest levels since May. European gas prices (Dutch TTF) close in on €90/MWh for the first time since December 2022. Several factors keep energy prices elevated: an increase of Iranian attacks against vessels in Hormuz, Ukrainian accusations against US President Trump who's "trying to pressure Kyiv into surrendering against Russia", a US congressional backlash against the diesel deal between the US and Russia and warnings by energy agencies that the market will be in deficit for longer. **Apart from the upside inflation risks this prolonged supply chock poses, we've had a trifecta of upside (US) inflation releases last week (CPI, PPI, import & export prices)** which suggest significant upside risks for the Fed's preferred PCE gauges. And while the US central bank will probably forfeit on back-to-back rate hikes in October, it keeps pressure to do more at subsequent meetings very high.
- The final market theme that could shape today's action amid an extremely thin eco calendar is **broader (risk) sentiment.** Key US indices fell up to 2.15% for the tech-heavy Nasdaq as correction on the AI-trade continued. Coreweave is the antagonist with the neocloud company's debt binge to pay for the build-out of the AI infrastructure being scrutinized. **Apart from equity weakness, we last week witnessed a comeback (or short squeeze?) of core bonds.** Especially at the longer end of the curve, they played their role as safe haven instrument. This morning's Asian trading suggests a calmer start to the new week. South Korean markets, proxy for the AI trade, managed to overturn 3% opening losses into a 1% gain. Q3 earnings by Meta (Wednesday) are a next important benchmark to test the AI investment/valuation case.

News & Views

- **Chinese growth expanded at a faster-than-expected 1.2% q/q in Q3 of this year.** That's up from 0.9% in the previous quarter and above the 1% consensus. The annual print reads 4.5%, slightly topping estimates and Q2's 4.3% pace. **Year-to-date, growth was 4.6%, in line within the country's 4.5-5% target.** In the accompanying September data batch, **industrial production rose 5.5% y/y, the fastest since March and supported by booming exports.** The gap with consumption remains wide with **retail sales, though better than feared, at a still-subdued 1.1% y/y. Capital spending fell by 7.2% YtD, matching August's multiyear low and housing market metrics remain very weak.** Property investment tanked 20.6% YtD, deepening from 19.9% the month before and residential sales by 13.7% (from 13.1%). **The unemployment rate fell marginally to 5.2% from 5.3%.** China's yuan strengthens to its strongest level against the USD since mid-2023. The USD/CNY pair trades around 6.68.
- **Belgian budget talks over the weekend again delivered little to no progress.** A plan by PM De Wever to draft an emergency 2027 budget first and agree on the broader €10bn fiscal effort in a second stage was put aside. Coalition parties want to do the exercise in one go. But a new proposal by the PM put forward yesterday evening, was shot down by Vooruit, CD&V and Les Engagés, calling it unbalanced and thus unacceptable. The prime minister will hold bilateral talks later today with individual parties in a bid to smoothen things out.

Graphs



GE 10y yield

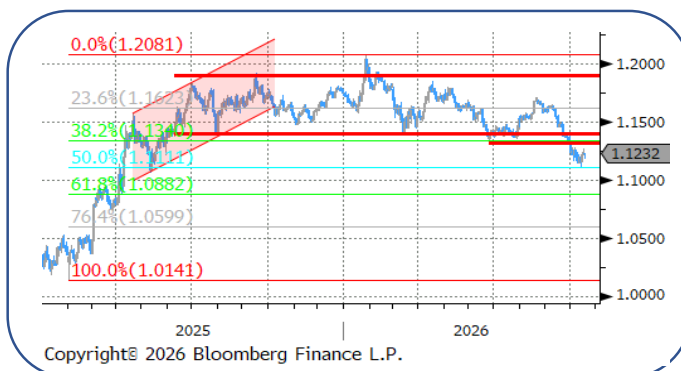
The ECB hiked rates in June and again in September by 25 bps. It responded to rising risks of indirect and second round effects caused by higher oil prices.

Surging energy prices turn October into a live meeting and money markets are pricing towards a 3.5% depo rate. Real rates rise along with inflation expectations and pushed the German 10-yr yield to a multi-year high. **Higher risk premia** (in particular public finances) add a structural layer to higher yields.



US 10y yield

Fed Chair Warsh restored credibility at the September policy meeting. A hike to 3.75%-4% was flanked by hawkish rhetoric and updated forecasts that suggest more is to come. Front-end yields rose to new highs while the long end outperformed on easing inflation risk premia. **Real rates will remain a key driver** for structurally higher rates going forward, though. Fiscal concerns are here to stay.



EUR/USD

Warsh's Jackson Hole speech pulled the dollar from the recent lows. **Following through on the Fed's inflation commitment announced back then** with a September rate hike allowed the greenback to extend that new-found momentum. The euro meanwhile suffers from French and more broadly European fiscal and political risks. EUR/USD broke below the YtD low with technicals suggesting a return to the 1.11 area.



EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area with subsequent tests repeatedly failing, the most recent one on euro weakness. Sterling remains better bid as well as the BoE prepares for a first rate hike and going in to the October budget.

This will be PM Burnham's litmus test.

Calendar & Table

Monday, 19 October		Consensus	Previous
US			
16:00	NAHB Housing Market Index (Oct)	31	32
Canada			
14:30	CPI NSA MoM/YoY (Sep)	0.20%/3.20%	-0.10%/3.00%
14:30	CPI Ex Food and Energy YoY (Sep)	2.10%	2.10%
14:30	CPI Core-Median YoY% (Sep)	2.00%	2.00%
14:30	CPI Core-Trim YoY% (Sep)	1.90%	1.90%
17:30	BoC Overall Business Outlook Survey (3Q)	--	-0.4
17:30	BoC Business Outlook Future Sales (3Q)	--	8
UK			
01:01	Rightmove House Prices MoM/YoY (Oct)	1.00%A/-0.10%A	0.70%/-0.80%
China			
03:30	New Home Prices MoM (Sep)	-0.14%A	-0.17%
03:30	Used Home Prices MoM (Sep)	-0.26%A	-0.31%
04:00	GDP YTD YoY (3Q)	4.50%A	4.70%
04:00	GDP SA QoQ/YoY (3Q)	1.20%A/4.60%A	0.90%/4.30%
04:00	Retail Sales YTD YoY/YoY (Sep)	1.10%A/1.10%A	1.10%/0.40%
04:00	Industrial Production YTD YoY/YoY (Sep)	5.50%A/5.30%A	5.30%/5.20%
04:00	Fixed Assets Ex Rural YTD YoY (Sep)	-7.20%A	-7.20%
04:00	Surveyed Jobless Rate (Sep)	5.20%A	5.30%
04:00	Property Investment YTD YoY (Sep)	-20.60%A	-19.90%
04:00	Residential Property Sales YTD YoY (Sep)	-13.70%A	-13.10%
Events			
04:15	ECB's Lane Speaks in Shanghai		
08:00	ECB's Elderson Speaks in Manila		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	5,07	0,01		US	4,71	-0,03	DOW	52002,41	-175,28
DE	3,43	0,01		DE	3,11	0,00	NASDAQ	26140,03	-573,00
BE	4,27	0,01		BE	3,26	-0,02	NIKKEI	64894,83	-429,46
UK	5,37	0,00		UK	4,88	-0,01	DAX	25622,61	239,99
JP	2,91	-0,02		JP	1,90	-0,01	DJ euro-50	6204,23	35,97
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,45	4,59	4,75	€STR	2,4410	0,0010			
5y	3,47	4,59	4,78	Euribor-1	2,4320	-0,0240	SOFR-1	3,9300	-0,0183
10y	3,54	4,69	4,94	Euribor-3	2,6420	0,0060	SOFR-3	4,0533	-0,0246
				Euribor-6	2,9700	0,0160	SOFR-6	4,2023	-0,0272
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1239	0,0019		EUR/JPY	177,58	0,32	CRB	419,83	2,34
USD/JPY	158,02	0,02		EUR/GBP	0,8433	-0,0018	Gold	4181,10	11,00
GBP/USD	1,3327	0,0052		EUR/CHF	0,9260	-0,0016	Brent	109,86	3,94
AUD/USD	0,6946	0,0025		EUR/SEK	11,1418	-0,0231			
USD/CAD	1,4141	-0,0045		EUR/NOK	10,5949	-0,0319			

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