Internal



Monday, 02 November 2026

KBC Sunrise Market Commentary

Markets

- **Equity markets had a rough closing session to the week** with European indices ceding around 1% and key US gauges dropping by 1.1% (Dow) to 2.86% (Nasdaq). From a technical point of view, **the Nasdaq crashed through first technical support around 26k.** The end of July low (24425) is the next reference and 4% lower still compared with Friday's closing level. The previous 2025 top at 24087 is the first real deal from a longer term perspective. **Contagion to other markets was extremely limited last Friday** with the trade-weighted dollar closing unchanged (EUR/USD holding below 1.12) and US Treasuries no longer profiting from haven demand. Daily changes on the US yield curve ranged between -2.3 bps (5-yr) and +0.8 bps (30-yr) with the belly of the curve outperforming the wings. **Asian stock markets, including the tech-heavy South Korean bourse, suggest a calmer start to this week's trading.**
- A contract-roll and **reports that US President Trump prefers diplomacy** over fresh military strikes to end the Middle East deadlock **pull oil prices lower this morning** with Brent crude currently trading below $110/b. European gas prices are also marginally softer (€102/MWh) following **a WSJ report about a US push to resume Russian gas sales to Europe** as part of negotiations aimed at securing an energy ceasefire ahead of the coming winter. It's unclear how this plan fits with the European intention to phase out Russian purchases.
- Developments regarding France (Fitch lowering outlook on A+ rating from stable to negative) and especially Belgium (budget talks collapsing; see News & Views) **risk awakening the EMU credit risk narrative out of brief hibernation** at the onset of European trading. The euro at least for now stands its ground in Asian trading, but **risks being pulled towards the 1.1111 support again especially if steadier risk sentiment holds.**
- This week's eco calendar is very interesting. The **US manufacturing ISM** kicks off monthly activity/labour market data today. Via **US JOLTS** (tomorrow), **ADP employment** and **non-manufacturing ISM** (Wednesday) it runs towards **nonfarm payrolls** on Friday. Plenty of Fed speakers flank the data releases with **a December rate hike (75% discounted) being the market reference.** The EMU eco calendar contains **October CPI inflation** (upside risks) and the **ECB's wage tracker** on Wednesday, followed by the ECB's annual conference on money markets on Thursday. Also in this case, **the proposition to be challenged/confirmed is a December rate hike (80% discounted).** Other highlights include tomorrow's **US midterms.** Republicans are expected to lose their majority in Congress with Democrats possible also flipping the Senate. US President Trump already touted he would become Mr. Veto in such scenario, maximizing his executive powers. From a market point of view, **such blue sweep could help ease overall US risk premia across several asset classes.** Plenty of central banks meet with **rate hikes expected in Australia, the UK, Sweden and Czech Republic** while Poland and Norway will likely leave things as they are.

News & Views

- **Belgian PM De Wever is expected to offer his resignation to the king after failing to find an agreement on what is considered his best and final budget offer,** financial newspaper De Tijd reported overnight citing unnamed sources. The socialists from Vooruit said nothing in the latest proposal address their concern, labeling it as unbalanced as before. Vooruit seeks, amongst others, savings in health care and pensions to be reduced and compensated for by €1.5bn in additional taxes borne by the most wealthy. Les Engagés more recently joined Vooruit's position. **The king isn't expected to accept De Wever's resignation and instead implore him to continue negotiations.** De Wever theoretically has time until Tuesday. Absent a last-minute (but unlikely) deal, **the Belgian government will kick off 2027 with a provisional budget (one-twelfth system),** something De Wever ruled out to do.
- **The zloty weakened to a three-year low** in volatile trading this morning. EUR/PLN shot towards 4.437 before paring gains to 4.41 currently. PLN is in the crosshairs over **rising social tensions** that erupted in **at times violent protests** this weekend. These followed Polish PM Tusk's pledge to **shake up the country's top court,** the Constitutional Tribunal. Tusk said its current format isn't independent after having been stacked with political appointees during the opposition's (which included the PiS) eight-year tenure. The EU in 2021 ruled that the tribunal wasn't independent and impartial. The top court is currently paralyzed. **Parliament has filled vacancies for most of the judges but the tribunal chief won't recognize them while the Polish president refuses to accept their oaths of office.** Both carry the PiS sigil.

Graphs



GE 10y yield

The ECB hiked rates in June and again in September by 25 bps with another move 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. **Surging energy prices are now balanced against higher sovereign EMU credit risk premia.** They help cap the strong rising interest rate trend for now.



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 in December. Questions around AI-valuations/financing triggered an equity market correction with **safe haven flows pulling US yields off their multi-annual highs.** Expected Fed tightening and elevated real rates provide for a solid bottom beneath the curve.



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. **PM Burnham's first Autumn Budget received market approval**, aiding sterling further higher.

Calendar & Table

Monday, 02 November		Consensus	Previous
US			
16:00	ISM Manufacturing (Oct)	54.5	54.5
16:00	ISM Prices Paid (Oct)	77.2	77.9
16:00	ISM New Orders (Oct)	55.0	55.3
16:00	ISM Employment (Oct)	52.0	52.7
16:00	Construction Spending MoM (Sep)	0.30%	0.90%
Japan			
01:30	S&P Global Japan PMI Mfg (Oct F)	53.3A	53.3
UK			
10:30	S&P Global UK Manufacturing PMI (Oct F)	52.8	52.8
EMU			
10:00	S&P Global Eurozone Manufacturing PMI (Oct F)	52.4	52.4
Germany			
08:00	Retail Sales MoM/YoY (Sep)	0.40%/-0.20%	1.30%/-0.40%
Italy			
09:45	S&P Global Italy Manufacturing PMI (Oct)	49.9	50.4
China			
02:45	RatingDog China PMI Mfg (Oct)	52A	52.1
Spain			
09:15	S&P Global Spain Manufacturing PMI (Oct)	50.5	51
Sweden			
08:30	Swedbank/Silf PMI Manufacturing (Oct)	--	58.1
Events			
Q3 earnings	Apple (aft-mkt), Palantir Technologies (aft-mkt) ...		
10:45	ECB's Vujcic, Makhlouf Speak in Dublin		
16:00	ECB's Escriva, Moulin Speak in Barcelona		
17:00	ECB's Radev Speaks in Sofia		
17:15	Fed's Goolsbee Moderates Discussion		

10-year	Close	-1d
US	4,93	-0,01
DE	3,32	-0,03
BE	4,39	0,02
UK	5,28	-0,01
JP	2,78	0,00

2-year	Close	-1d
US	4,59	-0,01
DE	3,04	-0,03
BE	3,29	-0,01
UK	4,87	-0,03
JP	1,89	0,01

Stocks	Close	-1d
DOW	51770,31	-572,25
NASDAQ	25437	-747,72
NIKKEI	63081,86	-208,25
DAX	25818,21	-221,47
DJ euro-50	6131,31	-75,76

IRS	EUR	USD	GBP
3y	3,39	4,45	4,73
5y	3,39	4,44	4,73
10y	3,44	4,54	4,85

EUR	-1d	-2d
€STR	2,4400	0,0010
Euribor-1	2,4290	-0,0130
Euribor-3	2,6760	0,0330
Euribor-6	2,9920	0,0190

USD	-1d	-2d
SOFR-1	3,8998	-0,0007
SOFR-3	4,0370	0,0017
SOFR-6	4,1616	0,0023

Currencies	Close	-1d
EUR/USD	1,1160	-0,0020
USD/JPY	157,56	-0,15
GBP/USD	1,3391	0,0015
AUD/USD	0,7032	0,0002
USD/CAD	1,3974	-0,0015

Currencies	Close	-1d
EUR/JPY	175,78	-0,52
EUR/GBP	0,8333	-0,0025
EUR/CHF	0,9204	-0,0012
EUR/SEK	10,965	-0,0367
EUR/NOK	10,2724	-0,0626

Commodities	Close	-1d
CRB	411,10	-0,32
Gold	3898,90	-132,50
Brent	113,43	2,63

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