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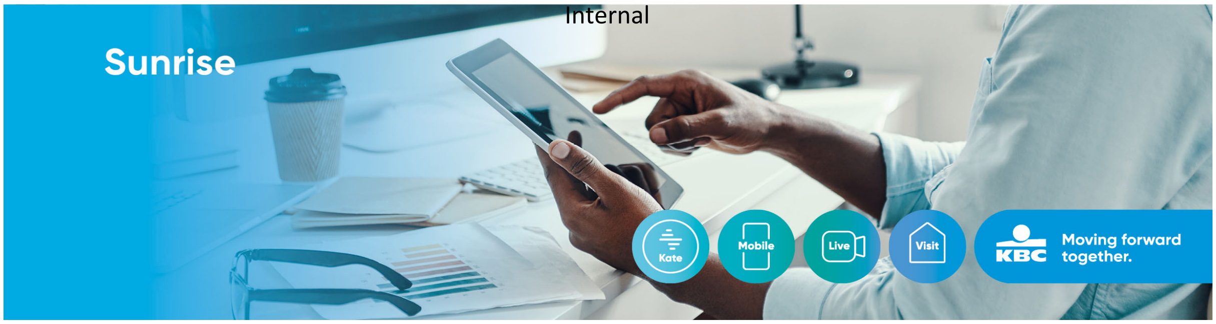

Friday, 28 August 2026

KBC Sunrise Market Commentary

Markets

- **Stock markets is where the action was at yesterday.** Bumper results from AI bellwether Nvidia (> +8%) particularly lifted the tech boat. The Nasdaq rose almost 1.6%, leaving the S&P 500 (+0.7%) and DJI (+0.2%) behind. The index is less than 3% away from the all-time highs seen in May. Moves in other corners of financial markets stayed fairly limited. Major currencies were little changed. **Fixed income faced some selling pressure with US Treasuries underperforming Bunds.** US rates added between 2.2 and 3.8 bps with the belly underperforming the wings in technically irrelevant trading. A $44bn 7-yr auction matched the WI with a yield at its highest since December 2024 luring in the expected demand. German yield changes varied between 1.7 and 2.2 bps in a gentle bear flattening move. Euro area money markets drew comfort from the ECB meeting minutes**, which concluded that another hike is likely necessary unless the inflation outlook improved significantly.** The latter clearly isn't the case with an economy fairly resilient and energy prices (gas!) well beyond the levels that fed into the July discussions.
- The relative muted moves yesterday shouldn't come as a surprise in the light of **Fed chair Warsh's highly anticipated speech at the Jackson Hole Symposium today.** His tight-lipped post-meeting press conferences backfired in July. Being left in the dark, **markets began pricing in an uncertainty premium.** Some would even describe it as a credibility issue: it doesn't mean much when Warsh says he'll bring back price stability but refuses to explain how to get there. Relying on the market to do the job via the current higher long-term rates for example is **a tricky balancing act** which needs to be validated by the Fed one day, somehow. That strategy is also **undermined by the US administration** itself, which has been acting, so far unsuccessfully, against the recent uptick in long-term bond yields. **Stephen Miran**, former chairman of the Council of Economic Advisers and former member of the Federal Reserve Board of Governors, **was the latest one to do so.** He warned for drawing the wrong conclusions from the rise in yields. It's not a debt sustainability issue nor a Fed credibility issue. Higher long-term yields reflect increased expectations for future short-term/policy yields, revealing market thinking that **"AI, deregulation and better tax policy are turbocharging the American economy."** He draws that conclusion because the other components that make up long-term rates, **the term premium and inflation expectations**, have been stable more or less. The former is debatable because it is very model-dependent but we'll give him the latter. Miran jumped Bessent to the rescue and defended his approach to fight "unnecessary volatility at the long end of the yield curve". Regardless Miran's charm offensive, it is now up to Warsh to do his part. **We expect him to live up to the challenge**, he cannot afford a repeat of July. With a growing minority in the FOMC favouring a hike and after this week's stubborn PCE, Warsh does not even need to explicitly commit to something. A small hint may suffice to support short-term yields, ease pressure at the long end and aid the US dollar.

News & Views

- **Tokyo inflation rose by 0.4% M/M in August with the Y/Y-print increasing from 1.8% to 1.9%**, in line with consensus but still the hottest print since December of last year. Electricity and gas subsidies in the Japanese capital suppress inflation will continue to be a drag through October figures. **Core inflation measures that exclude fresh food prices or exclude both fresh food and energy rose by 0.2% M/M (1.8% Y/Y) and 0.5% M/M (2% Y/Y) respectively.** Services inflation fastened from 1.2% Y/Y to 1.4% Y/Y. That includes an increase in housing inflation (0.5% M/M) with the 1.9% Y/Y price change (up from 1.4%) being the fastest since August 1994. Food inflation was 0.8% M/M and 3.9% Y/Y (from 4%). Overall, today's Tokyo CPI doesn't alter the case for **near term Bank of Japan policy tightening** even if it printed largely in line with consensus. The market implied probability of a 25 bps rate hike at the September 18 BoJ-meeting amounts to 84%. National CPI figures for the month of August will be released that same day.
- **Venezuela exiting OPEC has been a topic in conversations with US officials**, according to people close to the matter. Bloomberg reports that no final decision has been made. The move comes after the US triggered regime change earlier this year with Washington also thinking about taking large oil stakes in the country's oil fields. A Venezuelan exit would have less impact from a production point of view than the UAE's decision to do so a couple of months ago, but would **further pressure the shelf date of the Saudi-led cartel.**

Graphs

GE 10y yield

The ECB hiked rates in June by 25 bps. It responded to rising risks of indirect and second round effects caused by higher oil prices. Markets are betting on follow-up hikes later this year after **the US-Iran interim deal was bombed into smithereens.** Real rates rise along with inflation expectations and bring the 2026 multi-year high in focus. **Higher risk premia** (in particular public finances) add a structural layer to higher yields.

US 10y yield

Fed Chair Warsh started on a hawkish note in June: "The Committee will deliver price stability". Market gave the Fed Chair a vote of confidence, but the communication crackdown is causing volatility at the front end of the curve. Real rates are driving the increase at the (very) long end of the curve as fiscal worries seem to make a return. We have **the rare set-up of real yields exceeding inflation expectations.**

EUR/USD

EUR/USD 1.1392 support was cracking before sub-par June payrolls threw the pair a short-term life jacket. **A loss of market confidence after the July Fed press conference** takes some further shine of the US dollar. The move beyond 1.16 makes the technical picture neutral again.

EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area. **Markets initially gave new PM Burnham the benefit of the doubt, but sterling momentum dwindled recently.** The 2026 November budget will be Burnham's litmus test. EUR/GBP found support around 0.845 with first resistance around 0.86.

Calendar & Table

Friday, 28 August		Consensus	Previous
US			
15:45	MNI Chicago PMI (Aug)	57.9	57.6
16:00	**Prelim. Benchmark Payrolls Revision (2026)**	**183k**	**-911k**
16:00	U. of Mich. Sentiment (Aug F)	51	51
17:00	Kansas City Fed Services Activity (Aug)	10	14
Canada			
14:30	Quarterly GDP Annualized (2Q)	3.40%	-0.10%
Japan			
01:30	**Tokyo CPI YoY (Aug)**	**1.90%A**	**2.00%**
01:30	Tokyo CPI Ex-Fresh Food YoY (Aug)	1.80%A	1.90%
01:30	Tokyo CPI Ex-Fresh Food. Energy YoY (Aug)	2.00%A	2.00%
01:30	Jobless Rate (Jul)	2.40%A	2.50%
01:30	Job-To-Applicant Ratio (Jul)	1.18A	1.18
UK			
01:01	Lloyds Business Barometer (Aug)	53A	49
01:01	Lloyds Own Price Expectations (Aug)	51A	54
EMU			
11:00	**Economic Confidence (Aug)**	**97.5**	**96.9**
11:00	Industrial Confidence (Aug)	-5.1	-6.1
11:00	Services Confidence (Aug)	4.9	4.7
11:00	Consumer Confidence (Aug F)	--	--
Germany			
09:55	Unemployment Change (000's) (Aug)	4.8k	6.0k
09:55	Unemployment Claims Rate SA (Aug)	6.40%	6.40%
France			
08:45	**CPI EU Harmonized MoM/YoY (Aug P)**	**0.70%/2.60%**	**0.60%/2.40%**
08:45	CPI MoM/YoY (Aug P)	0.70%/2.40%	0.60%/2.10%
08:45	Consumer Spending MoM/YoY (Jul)	0.00%/--	0.40%/0.10%
Italy			
10:00	Industrial Sales MoM/WDA YoY (Jun)	--/--	0.60%/5.30%
11:00	Consumer Confidence Index (Aug)	94.6	94.2
11:00	Economic Sentiment (Aug)	--	95.6
11:00	Manufacturing Confidence (Aug)	90.0	89.6
Belgium			
11:30	**CPI MoM/YoY (Aug)**	**--/--**	**0.63%/3.56%**
Czech Republic			
09:00	GDP QoQ/YoY (2Q P)	0.40%/2.00%	0.40%/2.00%
Norway			
08:00	Retail Sales W/Auto Fuel MoM (Jul)	--	1.80%
08:00	Unemployment Rate SA (Aug)	2.10%	2.10%
Spain			
09:00	CPI MoM/YoY (Aug P)	0.60%/4.20%	0.30%/3.60%
09:00	CPI Core YoY (Aug P)	2.90%	3.00%
09:00	**CPI EU Harmonised MoM/YoY (Aug P)**	**0.80%/4.60%**	**0.00%/3.90%**
Sweden			
08:00	**GDP QoQ/WDA YoY (2Q)**	**1.40%/2.50%**	**-0.20%/2.00%**
08:00	Retail Sales MoM/WDA YoY (Jul)	--/--	1.00%/6.60%
09:00	Economic Tendency Survey (Aug)	--	104.7
09:00	Consumer Confidence (Aug)	--	97.1
09:00	Manufacturing Confidence SA (Aug)	--	107.9
Events			
05:35	Japan to Sell 2-Year Bonds		
11:00	Italy to Sell Bonds		
15:00	Fed's Hammack on BTV		
16:00	**Fed's Warsh Speaks at Jackson Hole Symposium**		
17:55	**ECB's Schnabel Speaks in Jackson Hole**		
18:40	Fed's Goolsbee Speaks on CNBC		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,68	0,03		US	4,23	0,02	DOW	53569,44	105,56
DE	3,25	0,02		DE	2,86	0,02	NASDAQ	26541,35	411,15
BE	3,80	0,01		BE	2,90	0,02	NIKKEI	66422,38	290,40
UK	5,03	0,00		UK	4,36	0,00	DAX	26367,24	81,28
JP	2,94	0,03		JP	1,71	0,02	DJ euro-50	6424,73	-46,01
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,09	4,10	4,30	€STR	2,1880	0,0010			
5y	3,13	4,13	4,37	Euribor-1	2,2830	0,0350	SOFR-1	3,6801	0,0042
10y	3,29	4,30	4,64	Euribor-3	2,5570	0,0030	SOFR-3	3,7586	-0,0012
				Euribor-6	2,7460	-0,0200	SOFR-6	3,8717	0,0050
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1653	0,0002		EUR/JPY	185,74	0,12	CRB	405,17	3,52
USD/JPY	159,39	0,08		EUR/GBP	0,8573	0,0002	Gold	4664,00	10,70
GBP/USD	1,3593	-0,0002		EUR/CHF	0,9371	-0,0012	Brent	89,70	1,86
AUD/USD	0,7194	0,0024		EUR/SEK	11,0894	-0,0166			
USD/CAD	1,3855	-0,0022		EUR/NOK	10,8631	-0,0338			

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