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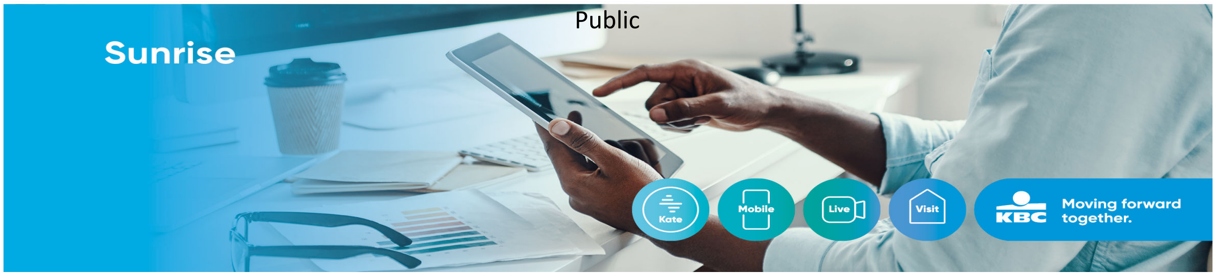



Thursday, 03 September 2026

# KBC Sunrise Market Commentary

## Markets

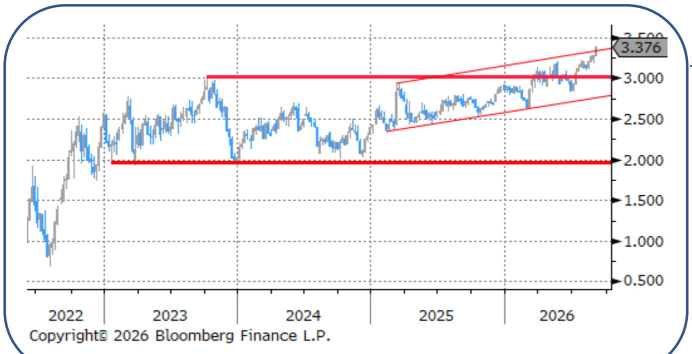
- The protracted uptrend in yields initially continued yesterday, but lost some traction as the session proceeded. Eco data were few. The US ADP report (38k job growth) was close to expectations. **The initial rise in oil prices slowed and also tempered the intraday momentum in bond markets.** US president Trump indicated that current attacks on Iran would likely be short-lived. Brent oil closed the session at $95.6/b, off the intraday peak levels. **German yields** rose between 3.5 bps (2-y) and 1.8 bps (30-y). **The German 2-y yield surpassed the 3% barrier for the first time since mid-2024.** US yields closed between 3.1 bps (2-y) and 1.6 bps (30-y) higher. **The Fed's Beige Book** supported the view that the labour market is OK, but that both consumers and businesses consider higher energy prices putting upside pressure on prices. After three days of losses, US equities succeeded a modest rebound (S&P 500 +0.46%). **On FX markets, the yen took center stage.** During the morning session, hawkish MPC member Takata opened the debate on the size and pace of further BOJ hikes. He suggested that bolder action should be considered. Japanese money markets currently already discount a chance that the BOJ could raise its policy rate by more than 25 bps at this month's meeting. Early in US dealings, the yen jumped from USD/JPY 159.50 to the USD/JPY 158.7 area with markets on alert for new FX interventions. For now, there is no hard indication that they indeed occurred. **The market focus currently turns to the period around the BoJ September 18 policy meeting** (policy decision on Friday, followed by a long weekend) which might be an opportunity for more coordinated action. EUR/USD closed little changed at 1.159. **Sterling traded in the defensive.** EUR/GBP rose from the 0.8570/75 area to close near 0.859. In his first parliamentary session since taking office in July, UK PM Burnham faced questions on the declining fiscal headroom for the upcoming budget. This headroom is seen as key to preserve market confidence.

- **Asian equities show a mixed picture this morning and struggle to maintain momentum** after yesterday's rebound in the US. Oil declines a bit further ($94.5/b). The Japanese yield curve bull flattens with yields at longer maturities correcting lower (30-y -9.6 bps) after a smooth 30-y JGB bond auction. **The yen extends yesterday's rebound.** USD/JPY currently trades at 157.45. Later today, especially the **US eco calendar** is interesting with the challenger jobs data, trade balance, jobless claims and the services ISM. The latter is expected to hold at a solid level near last month's reading (54.1). Markets will look for confirmation that activity remains strong enough for the Fed to keep the focus on inflation. Bond markets this morning show some consolidation, but there is little reason to expect a real change in trend yet. EUR/USD is holding a tight range near 1.16. We keep an eye at sterling as the **EUR/GBP cross rate is closing in on the key technical area near 0.86.** (previous LT range bottom).

## News & Views

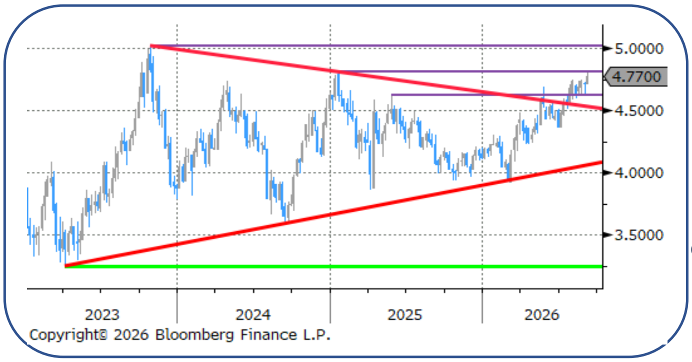
- **The Bank of Canada maintained the policy rate at 2.25% yesterday in what was a widely expected decision.** Economic activity strengthened in Q2, with GDP up by 3.3%, following very weak growth in Q2. The pick-up in activity was broad-based. Labour market conditions have improved in recent months but demand for labour remains subdued so far. **Recent data reaffirm the BoC's view of a broadening recovery in Canada's economy but its sustainability is at risk due to new US trade tariffs. CPI inflation has been hovering around 3%,** mainly because of persistently higher gasoline prices. There has been little evidence of higher energy prices spreading to other components so far with core gauges staying close to 2%. That said, upside price risks have increased due to the lack of progress in reopening the Hormuz Strait. The longer energy prices and elevated refinery margines persists, the greater the risk of spillovers to other goods and services. Markets took notice of the warning and pushed Canadian swap yields higher, led by the front end. Money markets discounted a 60% probability of an end-of-year hike. That has risen to 100% today. **The Canadian dollar swapped earlier losses for gains. USD/CAD trades at 1.383 currently.**
- **The Indian currency appreciated to its strongest level in more than two months.** USD/INR dropped to the 94.5 area after the central bank saw its capacity to support the currency increase sharply. **Special foreign-currency mobilization schemes lured in a huge $127bn in funds**, far surpassing the $80bn central bank estimate. The special window in which India taps its overseas citizens for foreign currency through interest rate incentives was offered in June as another mean to shield the rupee from hitting new record lows. The Reserve Bank of India now has a record FX reserve mounting to just shy of $730bn.

# 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.

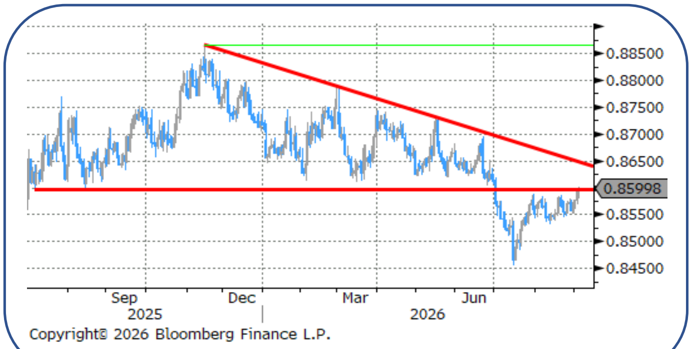



## US 10y yield

Fed Chair Warsh started **committing strongly on delivering price stability in June and gained market approval.** However, a communication crackdown at the July meeting caused volatility at the front end of the curve. Real rates drove an increase at the long end as fiscal worries also seemed to make a return. At **Jackson Hole Warsh put inflation again as the Fed's sole priority.** This might slow the rise in inflation premia, but probably won't change the trend yet.


## EUR/USD

EUR/USD 1.1392 support was cracking before sub-par June payrolls threw the pair life jacket. **A loss of market confidence after the July Fed press conference** did take some further shine of the US dollar. However, a sustained break beyond EUR/USD 1.17 was avoided. After Warsh's Jackson Hole speech the dollar now looks better protected within the 1.14/1.17 range.




## 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 now under test again.

# Calendar & Table

| Thursday, 03 September | | Consensus | Previous |
|---|---|---|---|
| **US** | | | |
| 11:30 | Challenger Job Cuts Total/YoY (Aug) | --/-- | 33429/-46.10% |
| 14:30 | Trade Balance (Jul) | -$90.2b | -$73.3b |
| 14:30 | Imports/Exports MoM (Jul) | 1.80%/-1.00% | -1.80%/-0.90% |
| **14:30** | **Initial Jobless Claims** | **205k** | **203k** |
| 14:30 | Continuing Claims | 1784k | 1778k |
| **16:00** | **ISM Services Index (Aug)** | **54.1** | **54.1** |
| 16:00 | ISM Services Prices Paid (Aug) | 70 | 70.3 |
| 16:00 | ISM Services New Orders (Aug) | 56 | 57.2 |
| 16:00 | ISM Services Employment (Aug) | 48.3 | 47.4 |
| **UK** | | | |
| 10:30 | S&P Global UK Services PMI (Aug F) | 52.8 | 52.8 |
| 10:30 | S&P Global UK Composite PMI (Aug F) | 52.5 | 52.5 |
| **EMU** | | | |
| 10:00 | S&P Global Eurozone Services PMI (Aug F) | 51.7 | 51.7 |
| 10:00 | S&P Global Eurozone Composite PMI (Aug F) | 52.1 | 52.1 |
| 11:00 | PPI MoM/YoY (Jul) | 1.30%/5.50% | -0.30%/4.60% |
| **Italy** | | | |
| 09:45 | S&P Global Italy Services PMI (Aug) | 53.4 | 52.5 |
| 09:45 | S&P Global Italy Composite PMI (Aug) | 53.1 | 52.5 |
| **China** | | | |
| **03:45** | **RatingDog China PMI Composite (Aug)** | **52.1** | **50.8** |
| 03:45 | RatingDog China PMI Services (Aug) | 51.4 | 50.4 |
| **Spain** | | | |
| 09:15 | S&P Global Spain Services PMI (Aug) | 58.8 | 58.3 |
| 09:15 | S&P Global Spain Composite PMI (Aug) | 57.4 | 56.5 |
| **Sweden** | | | |
| 08:30 | Swedbank/Silf PMI Services (Aug) | -- | 54.2 |
| 08:30 | Swedbank/Silf PMI Composite (Aug) | -- | 54.7 |
| **Events** | | | |
| 03SEP-09SEP | ECB quiet period | | |
| 05:35 | Japan to Sell 30-Year Bonds | | |
| **14:30** | **Fed's Waller in Moderated Conversation** | | |
| 17:00 | BOE Chief Economist Speaks in Edinburgh | | |
| 21:00 | Fed's Hammack Gives Opening Remarks | | |
| 21:55 | Fed's Goolsbee Gives Closing Remarks | | |

| 10-year | Close | -1d | | 2-year | Close | -1d | Stocks | Close | -1d |
|---|---|---|---|---|---|---|---|---|---|
| US | 4,78 | -0,02 | | US | 4,37 | -0,03 | DOW | 53061,95 | 295,07 |
| DE | 3,38 | 0,03 | | DE | 3,00 | 0,04 | NASDAQ | 26217,83 | 118,06 |
| BE | 3,93 | 0,04 | | BE | 3,03 | 0,04 | NIKKEI | 64303,43 | -22,21 |
| UK | 5,23 | 0,01 | | UK | 4,62 | 0,01 | DAX | 25839,33 | -130,78 |
| JP | 2,97 | -0,06 | | JP | 1,86 | -0,01 | DJ euro-50 | 6362,15 | -6,83 |
| | | | | | | | | | |
| IRS | EUR | USD | GBP | EUR | -1d | -2d | USD | -1d | -2d |
| 3y | 3,24 | 4,25 | 4,47 | €STR | 2,1880 | 0,0000 | | | |
| 5y | 3,28 | 4,26 | 4,53 | Euribor-1 | 2,2950 | 0,0690 | SOFR-1 | 3,7354 | -0,0080 |
| 10y | 3,41 | 4,40 | 4,76 | Euribor-3 | 2,6460 | 0,0380 | SOFR-3 | 3,8249 | -0,0147 |
| | | | | Euribor-6 | 2,7700 | -0,0090 | SOFR-6 | 3,9641 | -0,0201 |
| | | | | | | | | | |
| Currencies | Close | -1d | | Currencies | Close | -1d | Commodities | Close | -1d |
| EUR/USD | 1,1588 | -0,0005 | | EUR/JPY | 183,93 | -1,75 | CRB | 416,84 | -0,46 |
| USD/JPY | 158,71 | -1,47 | | EUR/GBP | 0,8592 | 0,0015 | Gold | 4414,60 | 18,20 |
| GBP/USD | 1,3486 | -0,0030 | | EUR/CHF | 0,9420 | 0,0011 | Brent | 95,63 | 0,98 |
| AUD/USD | 0,7169 | 0,0024 | | EUR/SEK | 11,1582 | 0,0114 | | | |
| USD/CAD | 1,3842 | -0,0054 | | EUR/NOK | 10,7982 | -0,0158 | | | |

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