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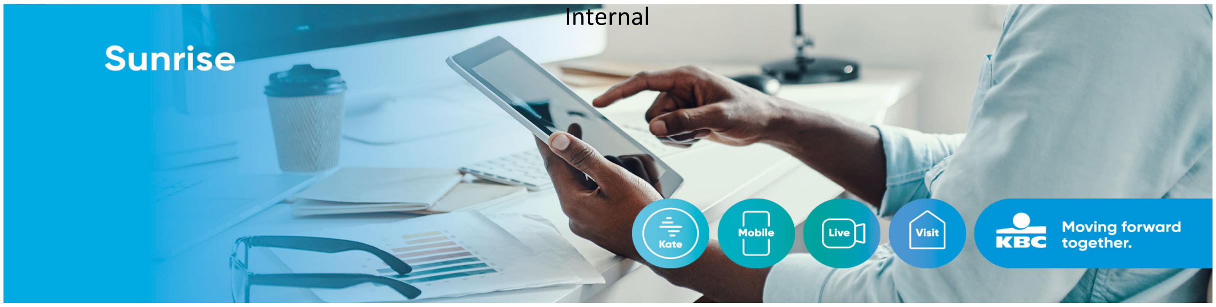


Tuesday, 08 September 2026

KBC Sunrise Market Commentary

Markets

- In absence of US traders (Labour Day holiday) and light of EMU eco data, traders **took clues from energy markets** at the start of the trading week. Both oil ($98/b) and gas (Dutch TTF €74/MWh) continue their uptrend after US and Iran conducted tit-for-tat strikes on regional vessels. **Copper also keeps writing records,** hitting an all-time peak. **European yield curves bear flattened,** gaining almost 6 bps at the front end of the curve and around 4 bps at the very long end. The EU 2y swap rate (3.21%) trades just below last week's cycle top (3.23%) going into Thursday's ECB meeting. The EU 10y swap rate (3.42%) closed at its highest level since October 2023, and has the 2023 top (3.58%) on the radar. Apart from inflation expectations (direct link with energy), **real rates extend their normalization trends. The German 10y real yield closed at 1.01%, its highest level since April 2011!** The faith of (global) public finances and the rapid increase of debt servicing costs is coming more and more in the picture as we enter September budget discussions. In the US, the 10y yield will probably take aim at 4.8% resistance again (2025 top). Beyond that level, it's a relatively small step to the 2023 top at the psychological 5% level. **This week's refinancing operation by the US Treasury, including 10y Notes (tomorrow) and 30y Bonds (on Thursday) will be an interesting test for investor appetite at current levels.** Friday's August US CPI inflation report is the other (US) highlight as the countdown to next week's FOMC meeting starts.
- Yesterday's action on bond markets marked a contrast with relative calm on European stock markets (mixed) while EUR/USD hovered around 1.1625. **All the FX action happened in JPY with USD/JPY breaking important technical support at 155 which is the neckline of a head-and-shoulders formation with interim targets around 150 and the final one around 146.** Faster (expected) BoJ policy normalization, the looming intervention treat and solid eco data are all helping JPY away from multi-annual lows. Today's eco calendar remains thin with a parliamentary testimony from several Bank of England members (including governor Bailey) being the sole highlight.

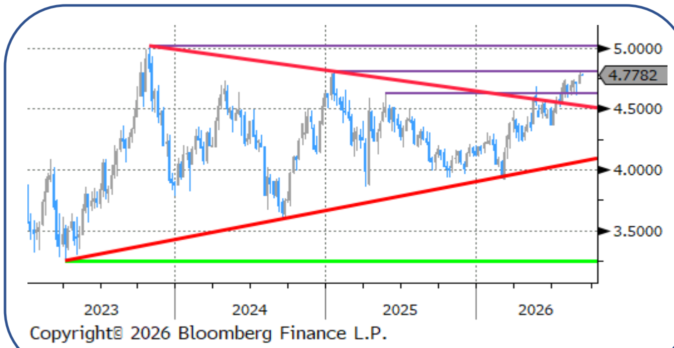
News & Views

- **Two measures published in Australia indicated a loss of confidence at the end of the Summer.** The business conditions measure of National Australia Bank dropped from +5 to -1 in August, the **first negative reading in six years** as slowing activity and persistent cost pressures weighed on businesses across the economy. Business confidence also eased 2 points to -8, to be compared with a level of +10 in January. NAB indicates that **cost-side pressures were increasingly flowing through business profitability and activity.** Purchase cost growth remained elevated at 2.3% in quarterly terms, while product price growth eased to 0.8% causing **profitability to fall to the lowest level post-Covid.** Weakness is also becoming **more broad-based** across industries. Conditions fell across six of the eight industries surveyed, led by construction, mining and manufacturing, while trading conditions also moved lower. Employment conditions remained more stable than other components. In a separate survey, **consumer confidence of Westpac Bank also eased substantially** to 84.4 from 88.9, with the measure now being about 12% lower Y/Y. All big subcategories in the index dropped M/M. With July CPI data (trimmed mean 3.6%) still holding too high, the impact of rising cost pressures on the economy reinforces the case for more RBA action. **RBA board Member Sarah hunter also concluded that the RBA might have to raise to rates to tacking inflation.** Markets currently see a probability of about 65% for RBA rate hike at the end of September. At 0.72+, AUD/USD trades near the strongest level since mid-May.
- **Japanese labour market data** for the month of July continued to show **a protracted upward trend,** supporting the case for further policy normalization by the Bank of Japan. **Real cash earnings rose from an upwardly revised 2.2% to 2.4%, the strongest level since May 2021. Average nominal wages** (total cash earnings) also increased by an impressive 4.7% Y/Y from 4% in June, **the fastest pace since 1997.** The data suggest the BoJ's attempt to realize a positive wage inflation spiral is succeeding. The Bank of Japan meets next week and is expected to raise its policy rate further to 1.25% from 1%. A next step is expected in December (85% discounted). Markets considering the impact of a paradigm chance in BoJ policy also helps to support **a repricing in the yen.**

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

Tuesday, 08 September		Consensus	Previous
US			
12:00	NFIB Small Business Optimism (Aug)	99.3	99.8
17:00	NY Fed 1-Yr Inflation Expectations (Aug)	3.60%	3.63%
Japan			
01:30	Labor/Real Cash Earnings YoY (Jul)	4.70%A/2.40%A	4.00%R/2.20%R
01:30	Cash Earnings Same Sample Base YoY (Jul)	4.20%A	4.80%R
01:30	Scheduled Full-Time Pay Same Base YoY (Jul)	2.70%A	2.90%
01:50	GDP SA QoQ/Annualized QoQ (2Q F)	0.40%A/1.40%A	0.30%/1.10%
UK			
01:01	BRC Sales Like-For-Like YoY (Aug)	0.50%	1.00%
Germany			
08:00	Trade Balance SA (Jul)	15.8b	15.3bR
08:00	Exports/Imports SA MoM (Jul)	0.30%/-1.00%	0.90%/4.40%
France			
08:45	Current Account Balance (Jul)	--	-1.4b
08:45	Trade Balance (Jul)	--	-5847m
China			
08SEP	Trade Balance (Aug)	$119.09bA	$112.34bR
08SEP	Exports/Imports YoY (Aug)	25.0%A/28.20%A	23.90%/27.60%R
Hungary			
08:30	**CPI MoM/YoY (Aug)**	**0.20%/1.40%**	**-0.10%/1.20%**
Events			
11:30	Germany to Sell Bonds		
15:15	**BOE Officials Speak in Parliamentary Hearing**		
19:00	U.S. To Sell USD58 Bln 3-Year Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,78	0,00		US	4,37	0,00	DOW	53414,25	0,00
DE	3,39	0,05		DE	3,01	0,06	NASDAQ	26506,99	0,00
BE	3,95	0,06		BE	3,03	0,05	NIKKEI	65862,43	-537,41
UK	5,18	0,04		UK	4,57	0,04	DAX	26006,53	-39,87
JP	2,89	-0,04		JP	1,85	0,00	DJ euro-50	6403,99	11,06
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,25	4,25	4,43	€STR	2,1880	-0,0010			
5y	3,29	4,27	4,49	Euribor-1	2,3800	0,0160	SOFR-1	3,7575	0,0025
10y	3,42	4,40	4,72	Euribor-3	2,6690	-0,0100	SOFR-3	3,8298	0,0000
				Euribor-6	2,7970	0,0030	SOFR-6	3,9545	0,0000
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1623	0,0009		EUR/JPY	179,4	-2,06	CRB	416,41	0,00
USD/JPY	154,36	-1,90		EUR/GBP	0,8583	-0,0007	Gold	4476,60	0,00
GBP/USD	1,3541	0,0022		EUR/CHF	0,9409	0,0004	Brent	97,00	0,72
AUD/USD	0,7218	0,0015		EUR/SEK	11,1498	0,0352			
USD/CAD	1,3814	-0,0023		EUR/NOK	10,7694	-0,0400			

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