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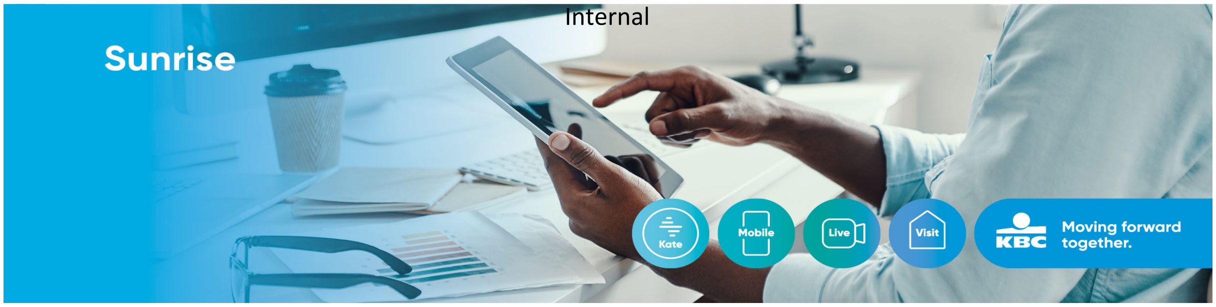

Wednesday, 09 September 2026

KBC Sunrise Market Commentary

Markets

- **Higher oil prices are the main macro theme.** Tit-for-tat attacks on US/Iranian vessels and Houthi-attacks against Saudi energy facilities prompted a first attempt to rally beyond \$100/b in Asian trading. The move failed and triggered return action to \$97/b during the European session. Reports of explosions at Khargh island the prompted **a second run for the \$100-mark at the end of US dealings.** Brent still hovers around \$99/b this morning. European gas prices (Dutch TTF) rose to €78/MWh for the first time since January 2023. The intraday yo-yo was also visible on European bond markets which swapped an initial bear flattening for a near unchanged close. The US yield curve reacted to the Khargh reports with the front end of the curve closing 2.7 bps higher and underperforming the rest of the curve. It will set the tone for the start of European trading as well. From a technical point of view, the US 2-yr yield is testing the cycle top at 4.4% as markets extend their hawkish repositioning in light of rising inflation risks. The US 10-yr yield is testing the 2025 top at 4.8% which is the final technical hurdle before a return to the 2023 top at 5%.
- **The US Treasury market remains in focus today.** First because of the US Treasury's **\$39bn 10-yr Note auction** which will test investor appetite at current levels, but given looming risks. Second as the US Treasury for the first time **conduct buybacks of (illiquid) 10-to 30-yr bonds** beyond the old \$2bn caps. Recall that US Treasury Secretary tried to alleviate pressure at the very long end of the curve by **lifting the size in the current refunding quarter to at least \$4bn per operation.** It's unclear how much the Treasury will effectively buy and whether-or-not this amount will have a broader impact. Risks are probably even tilted towards an underwhelming reaction if the tool lacks the power.
- **Bank of England governor Bailey** warned UK MP's that continued disruptions in Hormuz and rising prices of refined oil products pose **stronger upside inflation risks.** The effects of extreme weather are another area where risks are on the upside. The Bank of England took into account food price inflation rising to about 3.5% by the end of the year, but might have to come back on this in November. **New forecasts from the Food and Drink Federation yesterday suggested food inflation could rise to nearly 4% by Christmas, averaging 5.5% over the course of 2027.** UK money markets rule out a September BoE rate hike, but the market implied probability of action in November stands above 60%. Further (hawkish) repositioning is possible and could keep GBP protected from losses.

News & Views

- **Inflation expectations in the NY Fed's August consumer survey decreased by 0.1 ppt to 3.2% at the three-year-ahead horizon** and were unchanged at 3.6% and 3% at the one-year and five-year-ahead horizons respectively. The **expected probability of a higher unemployment rate one year from now rose by 1.6 ppt to 44.4%. That's the highest reading since April 2020.** The perceived probability of finding a job when losing the current one decreased by 0.8 ppt to 45.4%. The perceived probability of that (i.e. losing a job in the next twelve months) decreased by 0.4 ppt to 13.8%, its lowest reading since February 2026. The expected quit rate, defined as leaving a job voluntarily, in the next twelve months increased by 0.9 ppt to 19.5%, above the series' 12-month trailing average of 18.4%.
- **The EU and Canada are working towards a new, broad all-encompassing relationship,** Bloomberg reported citing sources. A Canadian official said the government has made a deeper EU partnership a top priority in which it is actively **looking at everything short of actual EU membership.** The initiative follows Canadian PM Carney's memorable speech at the WEF this year, in which he called upon the so-called **middle powers to form an alliance** to stand up against pressure and intimation tactics from the world's dominant powers. According to the people familiar, discussions are particularly focused on "strategic capabilities" such as cooperation on defense, space exploration and scientific research along with arrangements covering trade, security, supply chains and critical raw materials. European Commission President Von der Leyen is **expected to announce the plans at the state of the union scheduled for September 16.** Closer Canadian collaboration with the EU marks a contrast with deeper trade friction with the US. **The Trump administration yesterday announced that it will block imports on some products (**including whey proteins, certain rye whiskies and other liquors, malt beer and certain grape wines, non-alcoholic beer and motorcycles) **while extending tariffs on others.** It's the latest escalation since talks on trade-truce collapsed at the end of August and prompted a dollar-for-dollar fight between the two nations.

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

Wednesday, 09 September		Consensus	Previous
US			
14:15	ADP Weekly Employment Change	--	11.750k
Japan			
01:50	Money Stock M3 YoY (Aug)	1.20%A	1.40%
08:00	Machine Tool Orders YoY (Aug P)	--	50.40%
France			
08:45	Industrial Production MoM/YoY (Jul)	0.20%/0.40%	0.10%/-0.10%
China			
03:30	PPI YoY (Aug)	3.80%A	3.50%
03:30	**CPI YoY (Aug)**	**0.80%A**	**0.50%**
03:30	CPI Core YoY (Aug)	1.00%A	0.90%
Poland			
09SEP	**Poland Base Rate Announcement**	**3.75%**	**3.75%**
Events			
09SEP	**US Treasury begins boosted longer-dated debt buybacks**		
09SEP	President Trump to give keynote speech as first-ever national midterm convention		
11:30	Germany to Sell Bonds		
19:00	ECB's Nagel Speaks in Berlin		
19:00	U.S. To Sell USD39 Bln 10-Year Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,79	0,01		**US**	4,39	0,03	**DOW**	52786,07	-628,18
DE	3,37	-0,02		**DE**	3,00	0,00	**NASDAQ**	26421,41	-85,58
BE	3,93	-0,02		**BE**	3,02	-0,01	**NIKKEI**	65048,45	-220,88
UK	5,17	0,00		**UK**	4,59	0,02	**DAX**	26007,63	1,10
JP	2,88	-0,02		**JP**	1,84	-0,01	**DJ euro-50**	6413,17	9,18
IRS	EUR	USD	GBP	**EUR**	-1d	-2d	**USD**	-1d	-2d
3y	3,24	4,27	4,44	**€STR**	2,1880	0,0000			
5y	3,27	4,29	4,49	**Euribor-1**	2,3730	-0,0070	**SOFR-1**	3,7679	0,0105
10y	3,40	4,41	4,72	**Euribor-3**	2,6350	-0,0340	**SOFR-3**	3,8376	0,0078
				Euribor-6	2,7960	-0,0010	**SOFR-6**	3,9690	0,0145
Currencies	Close	-1d		**Currencies**	Close	-1d	**Commodities**	Close	-1d
EUR/USD	1,1624	0,0001		**EUR/JPY**	178,99	-0,41	**CRB**	419,57	3,16
USD/JPY	153,98	-0,38		**EUR/GBP**	0,8584	0,0001	**Gold**	4439,00	-37,60
GBP/USD	1,3541	0,0000		**EUR/CHF**	0,9409	0,0000	**Brent**	97,92	0,92
AUD/USD	0,7217	-0,0001		**EUR/SEK**	11,1427	-0,0071			
USD/CAD	1,3784	-0,0030		**EUR/NOK**	10,7226	-0,0468			

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