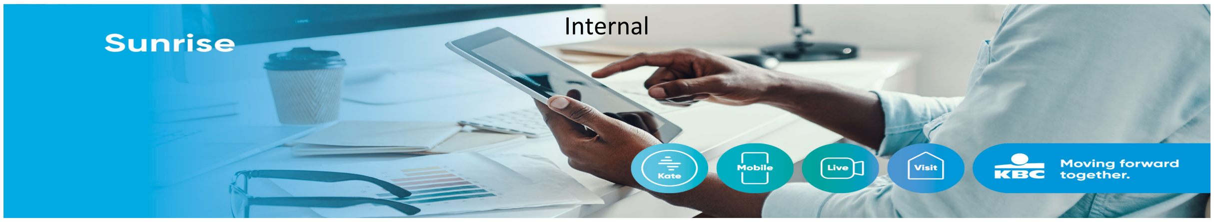


Thursday, 10 September 2026

KBC Sunrise Market Commentary

Markets

- **Brent crude tested the $102/b July top which matches the highest level since end May. European gas prices pierced €80/MWh for the first time since Jan 2nd 2023.** UK and European yield curves extended their recent **bear flattening** moves. UK Gilts underperformed, having most room for hawkish repositioning especially after BoE Bailey's acknowledgement of rising upside inflation risks earlier this week. The UK 2-yr yield added 10 bps and tested the 2024 & 2026 top at 4.71%. EUR swap rates increased by 7-9 bps in the 2-10-yr sector with the very long end rising by 4 bps. In the US, the belly of the curve underperformed the wings but **both the 2-yr and 10-yr broke through technical resistance at respectively 4.4% and 4.8%.** At the 10-yr it occurred after US Treasury Secretary "I am the House" Bessent's $6bn buyback statement (triple the old cap and vs "at least $4bn guidance") received an underwhelming response. At least it helped digest the Treasury's 10-yr Note auction later on the day. Yesterday's bond sell-off spilled to stock market with key European indices losing 1.5% and US benchmarks ending 0.5% to 0.75% lower. EUR/USD is stuck between 1.16 and 1.1650.
- **The ECB will today deliver a second 25 bps rate hike** (2.25% to 2.50%) to try to contain upside inflation pressure/risks coming from the lasting energy supply-shock. We expect the central bank to **stick with a hawkish short term message,** aligning with the currently discounted third rate hike come December. From a market point of view, **the key question is whether hawkish expectations for 2027 will be confirmed as well.** The recent bear flattening, pushing short-term yields (eg 2y swap rate) well beyond 3%, is a clear market signal that the persistence of the energy supply-shock moved us **from the ECB's "adverse" scenario to the "severe" one.** The difference in monetary policy response between the two is "gradual" instead of "profound" tightening. **We don't expect ECB President Lagarde to rubberstamp this market view.** In this respect, it will be interesting to see whether she repeats/avoids/contradicts references made in June and July about markets very well understanding the ECB's reaction function. **Updated staff forecasts** will offer a clue on ECB thinking as well. Markets will be especially attentive to the core CPI path. In June, the ECB plotted 2.5%-2.5%-2.2% for the 2026-2028 period assuming a 2.75% policy rate. New forecasts will now be conditional on a 3% or even 3.25% policy rate. Even an unchanged core CPI path would in this respect be an implicit acknowledgement that risks of second-round effects are spreading. As the ECB probably won't (already) embrace current market thinking/pricing, **yesterday's sell-off at the front end of the EUR curve might have been a short-term exhaustion move. The euro can face a setback in case of loss of interest rate support in the above-mentioned scenario.** The story is different at the long end of the curve, where higher inflation expectations might be the outcome of not embracing the inflation treat in the same way markets do.

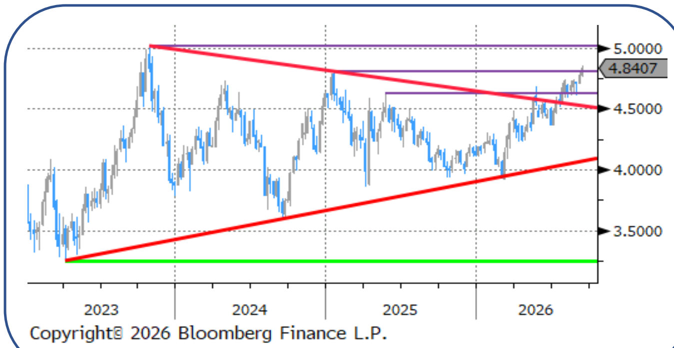
News & Views

- **The Polish central bank kept the policy rate unchanged at 3.75% yesterday.** Polish GDP expanded at an accelerated clip in of 3.9% in Q2, up from 3.5% in Q1 amid investment growth picking up and compensating for a slowdown in consumption. Inflation meanwhile quickened to 3.4% in August from 3% in July, driven primarily by energy prices. The central bank noted, however, that core inflation (ex. food and energy) probably also increased last month. **The NBP said future decisions will depend on incoming information**, in particular the macroeconomic situation abroad which includes global commodity prices and the geopolitical context. The latter took a dramatic turn for the worse since the NBP's previous meeting in July. Governor Glapinski back then struck a surprisingly dovish tone and said he'd file a motion for a 25 bps cut "after the summer break". It triggered a break of EUR/PLN above 4.3. **Glapinski's comments proved premature and any potential monetary easing is all but off the table.** Polish money markets pencil in a first hike around the turn of the year. The zloty yesterday barely budged. EUR/PLN closed at 4.31.
- **The UK's Royal Institution of Chartered Surveyors said a slowdown in the country's housing market appears to be levelling off.** Key indicators have become progressively less negative over recent months, it concluded from its August survey, adding that any potential recovery remains fragile nonetheless. Its house price balance metric rose to a five-month high of -28, up from an upwardly revised -29 in July. The net balance for new buyer enquiries - a key measure for demand - rose to its highest since January (-19). **RICS members expect property prices to fall further over the next three months but see them stable over a one-year horizon.** They said the prospect of higher interest rates or heavier property taxation after the October annual budget could weigh on prices. Sales expectations rose to -3 from -13 in July.

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 pushed the German 10-yr yield to a multi-year high. **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, 10 September		Consensus	Previous
US			
14:30	**Initial Jobless Claims**	**205k**	**206k**
14:30	Continuing Claims	1780k	1779k
14:30	PPI Final Demand MoM/YoY (Aug)	0.40%/5.30%	0.00%/4.70%
14:30	PPI Ex Food and Energy MoM/YoY (Aug)	0.30%/4.60%	0.20%/4.20%
14:30	PPI Ex Food, Energy, Trade MoM/YoY (Aug)	0.30%/4.70%	0.40%/4.70%
16:00	Existing Home Sales Total/MoM (Aug)	3.98m/-1.70%	4.06m/-1.70%
UK			
01:01	RICS House Price Balance (Aug)	-28%A	-30.00%
EMU			
14:15	**ECB Deposit Facility Rate**	**2.50%**	**2.25%**
14:15	ECB Main Refinancing Rate	2.65%	2.40%
14:15	ECB Marginal Lending Facility	2.90%	2.65%
Italy			
10:00	Industrial Production MoM/WDA YoY (Jul)	0.30%/-0.60%	-1.00%/-0.60%
Norway			
08:00	CPI Underlying MoM/YoY (Aug)	-0.40%/3.00%	0.80%/2.70%
08:00	**CPI MoM/YoY (Aug)**	**--/3.20%**	**1.00%/3.00%**
Spain			
09:00	Industrial Production MoM/NSA YoY (Jul)	0.20%/--	-0.70%/3.80%
09:00	Industrial Output SA YoY (Jul)	--	1.10%
Sweden			
08:00	Industry Production Value YoY (Jul)	--	-1.50%
08:00	Service Production Value YoY (Jul)	--	3.00%
08:00	Industrial Orders MoM/NSA YoY (Jul)	--/--	32.30%/29.90%
Events			
10SEP	OPEC publishes Monthly Oil Market Report		
14:45	**ECB President Christine Lagarde Holds Press Conference**		
19:00	U.S. To Sell USD22 Bln 30-Year Bond		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	4,84	0,05		US	4,43	0,04	DOW	52380,66	-405,41
DE	3,44	0,08		DE	3,07	0,07	NASDAQ	26253,34	-168,07
BE	4,03	0,10		BE	3,08	0,07	NIKKEI	64972,05	-170,73
UK	5,26	0,09		UK	4,70	0,11	DAX	25576,45	-431,18
JP	2,91	0,03		JP	1,82	-0,02	DJ euro-50	6311,56	-101,61
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,33	4,32	4,55	€STR	2,1890	0,0010			
5y	3,36	4,34	4,60	Euribor-1	2,3690	-0,0040	SOFR-1	3,7755	0,0076
10y	3,47	4,45	4,80	Euribor-3	2,6260	-0,0090	SOFR-3	3,8479	0,0103
				Euribor-6	2,8000	0,0040	SOFR-6	3,9831	0,0141
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1633	0,0009		EUR/JPY	178,65	-0,34	CRB	423,11	3,54
USD/JPY	153,56	-0,42		EUR/GBP	0,8587	0,0003	Gold	4460,70	21,70
GBP/USD	1,3547	0,0006		EUR/CHF	0,9425	0,0016	Brent	101,21	3,29
AUD/USD	0,7217	0,0000		EUR/SEK	11,1608	0,0181			
USD/CAD	1,3806	0,0022		EUR/NOK	10,6986	-0,0240			

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