Internal



Wednesday, 30 September 2026

Daily Market Overview

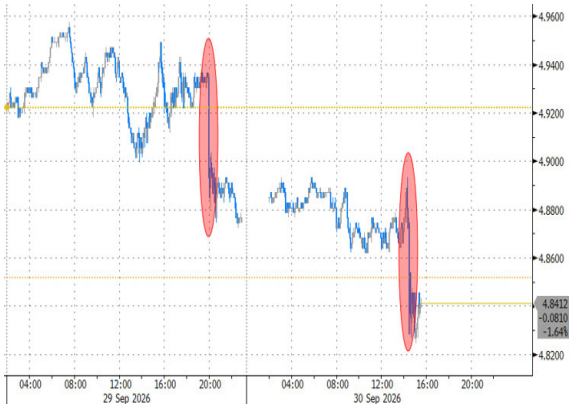
Markets

- Today's US eco calendar **keeps the macro narrative alive: a bullish economy, sound labour market and above-target inflation.** Employment growth **increased by 90k according to payroll processor ADP,** up from 36k in August and beating 75k consensus. **Second quarter GDP growth was upwardly revised, from 1.5% Q/Qa to 2.2%.** Q1 growth also turned out to be stronger than previously estimated (2.5% Q/Qa). Recall that summer PMI surveys point at a 4% Q/Qa growth pace for Q3. Details of the Q2 number showed personal consumption accelerating to 3.8% Q/Qa. Gross private investment was running at a 4.6% Q/Qa pace wit net exports (-1.1% contribution with import rising way faster than exports) being a drag on growth. Government consumptions was broadly flat. **August PCE deflators had an interpretation problem because of methodological changes** by the Commerce Department in several categories. The new formula was applied retroactively for the last 5 years and resulted in lower PCE rates than previously reported. Anyway, **both annual headline and core PCE were steady compared with July at respectively 3.4% Y/Y and 3% Y/Y.** The new, lower, PCE path provided some support at the front end of the US yield curve which currently steepens. The US 2-yr yield is 3.3 bps lower compared with a +2.9 bps increase at the very long end of the curve (30-yr). **European yield curves bull steepen with investors ignoring upside national September CPI releases (Germany, France & Italy) and a new uptick in gas prices (€69/MWh to €72/MWh).** There are clear upside risks to Friday's EMU release which consensus currently has at 0.5% M/M and 3.7% Y/Y for headline (2.5% Y/Y for core). Money markets recently backed away from extreme tightening bets when expected peak ECB rates hit around 3.5%. They currently discount a 3.25% which is more balanced, but **risk underestimating the pace at which the ECB might get there.** Lack of data in between Friday's CPI and the October 29 policy meeting (only one PMI report) suggest that the level of energy prices might eventually decide on potential back-to-back action. On other markets, European equity indices failed to cling to a positive start while **EUR/USD veered off the previous YtD low at 1.1325 tested yesterday.** Risks are still there though with the single currency vulnerable to a continuing underperformance of sovereign credit (investors targeting France especially). **Sterling's hawkish BoE momentum is extended today** by an upward revision to Q2 growth (0.5% Q/Q from 0.4%) and by PM Burnham opening the door to a potential Brexit reversal. **EUR/GBP tested first minor support around 0.8550.**

News & Views

- **Polish inflation accelerated to 4% from 3.4% in September on a 0.7% monthly pace,** Statistics Poland reported today. The outcome printed bang **in line with expectations** but its details were considerably more surprising. The flash release points to a very unusual composition of inflation, with **fuel prices accounting for roughly half of the annual increase and food prices exerting a mildly negative contribution.** At the same time, a residual estimate by KBC Economics based on the published subcomponents suggests that **implicit core inflation may have fallen to around 2.8% YoY, from roughly 3% a month earlier.** If confirmed by the full CPI release (Oct 14), this would imply that the latest acceleration in headline inflation is being driven almost entirely by energy-related factors, while underlying inflationary pressures **continue to ease and move closer to the National Bank of Poland's 2.5% target. Polish swap yields tumble nearly 10 bps at the front end of the curve** in a move also supported by global bond markets. The zloty slipped from the intraday highs but remains stronger on the day around EUR/PLN 4.36.
- **The Bank of England's Financial Policy Committee sounded the alarm over the risk of AI and government debts triggering a financial crisis.** In its quarterly financial stability report, the policymakers said higher borrowing costs from the Iran war had increased weaknesses in private credit, AI and sovereign debt markets. The Middle East conflict was *"re-intensifying the risk that vulnerabilities in sovereign debt markets, risky asset valuations, and risky credit markets crystalise at the same time".* On AI in particular, it highlighted that **hyperscalers will borrow more than entire countries, such as the UK this year.** *"The risk of a sharper correction persists, notably if there is a more significant shock to earnings expectations reflecting concerns around the paid of AI development or adoption."* **Such a sell-off could also hit government debt,** it noted. The report also mentioned the growing operational risks from AI, referring to reports of AI agents gone rogue.

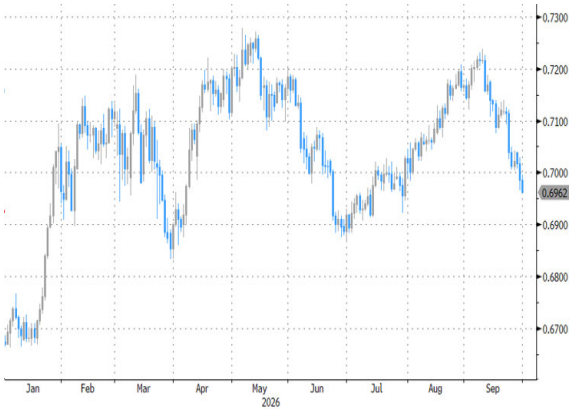
Graphs & Table



US 2-yr yield: two-day correction on NY Fed Williams comment (Dec rate hike) and downward PCE revisions



EUR/GBP: sterling extends hawkish BoE momentum on stronger growth and Burnham's pro-EU agenda



AUD/USD: balanced RBA Bullock comments and slightly lower than expected CPI dent further tightening bets and hurt AUD



French and Belgian 10-yr swapspread: markets back away from OAT's over budgetary mess and next year's elections. EUR is vulnerable

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,22	-0,07	2	4,85	-0,03	DJ euro-50	6280,82	-39,44
5	3,36	-0,07	5	5,04	-0,01	DAX	25291,94	-107,27
10	3,57	-0,05	10	5,25	0,01	S&P 500	7697,65	26,81
30	3,92	-0,04	30	5,61	0,04	Nikkei 225	66753,72	1272,45
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	76	4,00	EUR/USD	1,1355	0,0013	CRB	409,45	0,00
FR 10y	126	7,00	EUR/GBP	0,8549	-0,0022	Gold	4221,50	41,80
IT 10y	102	3,20	USD/JPY	156,89	-0,4000	Brent	103,47	0,88

Contacts

KBC Economics – Markets Brussels	
Mathias Van der Jeugt	+32 2 417 51 94
Peter Wuyts	+32 2 417 32 35
Mathias Janssens	+32 2 417 51 95
CSOB Economics – Markets Prague	
Jan Cermak	+420 2 6135 3578
Jan Bures	+420 2 6135 3574
Petr Baca	+420 2 6135 3570
CSOB Economics – Markets Bratislava	
Marek Gabris	+421 2 5966 8809
K&H Economics – Markets Budapest	
David Nemeth	+36 1 328 9989

Global Sales Force	
Corporate Desk(Brussels)	+32 2 417 45 82
Institutional Desk(Brussels)	+32 2 417 46 25
CBC Desk (Brussels)	+32 2 547 19 51
France	+32 2 417 32 65
London	+44 207 256 4848
Singapore	+65 533 34 10
Shanghai	+86 21 68236128
Hong Kong	+852 2525 9232
Prague	+420 2 6135 3535
Bratislava	+421 2 5966 8820
Budapest	+36 1 328 99 85

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