Internal



Tuesday, 06 October 2026

Daily Market Overview

Markets

- **Marine Le Pen,** RN-frontrunner in next year's presidential election polls, today **unveiled fiscal consolidation plans** to shore up bloated public finances. In a stark contrast to older views more in favour of fiscal looseness, **she clearly hopes to reassure markets that the RN wants to get things back under control.** One of the central points in het proposal is a referendum on installing **a constitutional "golden rule"** under which future budgets would have to be **consistent with a progressive reduction of France's debt burden.** There is no fixed deficit ceiling, but a focus on debt-ratio reduction. The long term focus would be a return to the 60% of GDP Maastricht reference. Shorter term goals should she win the presidency include **restoring a primary balance within 18 months, bringing the deficit (currently 5.4% of GDP) below 3% by 2030 and below 2.5% by 2032 and reducing the debt ratio from 121% of GDP expected next year to about 112% of GDP by 2032.** In what is still a high-level proposal, **Le Pen targets €140bn** of net savings by 2032 while still delivering at least €30bn of tax cuts. The money mainly comes from *"preference nationale"* policies when it comes to benefits and public spending. Lower EU contributions and a broad restructuring of the state/streamlining of operations are also part of the mix. In a controversial sidestep to the ECB, she wants to start a discussion to *"ease the burden of interest rates".* **She also called on the ECB to offer preferential lending rates specifically for climate-related investment.** While the final (ECB) part is obviously controversial, markets today give **a cautiously positive assessment to the proposal or at least the intention.** The French 10-yr OAT spread declines another 10 bps from around 130 bps towards 120 bps. The front end of the EMU swap curve underperforms slightly as less focus on (downside economic risks from) rising sovereign credit spreads ceteris paribus creates more room for ECB focus/action on upside inflation risks. EUR/USD recovers from the 1.12 handle towards 1.1265. Lower EMU credit spreads and lower energy prices today help the EuroStoxx50 create some breathing space above the key 6200 technical support area. In the US, there's a new fresh high for the S&P 500, the first one since August. The Nasdaq also extends its run into uncharted territory.

News & Views

- **Czech inflation in September came in a tad quicker than expected.** A flat monthly pace defied expectations for a slight month-on-month drop and **pushed up the annual figure to 2.5% from 1.9% (vs 2.4% expected).** It's the fastest pace since April. Energy (2.7% m/m) appeared to be the main driver of the upside surprise with the gauges excluding this component all printing negative on a monthly basis. **CPI excluding energy, food, alcohol & tobacco fell by 0.5% m/m to be still up 3.3% y/y (from 2.7%). While services inflation fell 0.9% m/m, the yearly reading stood at 4.6%, up from 4.5%.** This is one of the metrics most closely looked at by the central bank to gauge domestic price pressures. Policymakers have warned that if these remained strong and high energy prices persisted, they may have to tighten monetary conditions slightly further. **Czech front-end swap yields rise 2 bps** in a move that separates it from regional peers. The Czech koruna, helped by an improved risk sentiment as well, strengthened to EUR/CZK 24.41.

- Reuters citing three sources familiar with the Bank of Japan's thinking, reported **the Japanese central bank may signal at its October policy meeting that underlying inflation has roughly hit 2%.** That would mark a next step after the BoJ declared it has entered a new phase in monetary policy, one where **its actions are now centered around keeping inflation around the 2% goal (instead of supporting it towards that).** The sources said the Tokyo CPI and the quarterly Tankan survey of last week heightened the central bank's conviction **but not in a way that it would require an immediate policy response, referring to a hike October 30.** While governor Ueda in a speech today did little to push back against the idea of such back-to-back action, the market implied probability only stands at 12%. In the end it may be ultimately boil down to the level of energy prices and JPY whether or not the BoJ presses ahead. The Japanese currency today stabilizes around USD/JPY 158.1 and more broadly entered calmer waters compared to September.

Graphs & Table



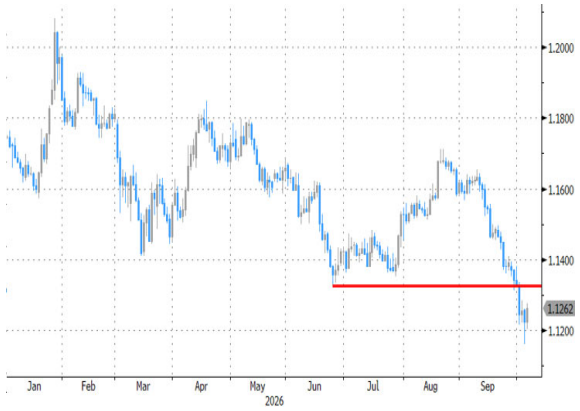
EUR/CZK: positive risk climate and higher Czech CPI (incl interest rate support) help pair away from 24.50 resistance



Brent crude drops back below $100/handle, readying a test of uptrend line since July low



French 10-yr OAT-swapspread: markets give cautious vote of confidence to Le Pen's fiscal consolidation plans



EUR/USD: euro tries to fight back as pressure on EMU credit spreads subsides

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,12	0,05	2	4,80	-0,01	DJ euro-50	6274,66	32,52
5	3,25	0,00	5	5,04	-0,02	DAX	25388,84	134,63
10	3,48	-0,01	10	5,29	-0,01	S&P 500	7811,27	37,32
30	3,86	-0,01	30	5,66	0,00	Nikkei 225	70683,98	737,12
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	81	-1,50	EUR/USD	1,1255	0,0032	CRB	410,94	0,00
FR 10y	130	-6,80	EUR/GBP	0,8481	-0,0008	Gold	4190,10	33,30
IT 10y	107	-6,00	USD/JPY	158,02	0,1100	Brent	98,11	-2,21

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