Internal



Friday, 16 October 2026

Daily Market Overview

Markets

- **Core bond yields are on track to eke out their first increase this week.** A minor correction developed throughout the week, driven by haven flows on AI-related weakness in the stock market and general short-covering after a violent period for bonds. Intraday dynamics in European yields have been interesting though. While the likes of the 10-yr swap or Bund yield closed lower on a net daily basis, rates finished each trading at higher levels than their open. Combined with the technical picture it suggests the underlying trend (higher) remains a strong one. The German 10-yr and European 10-yr swap yesterday during the day lost neckline support of a head-and-shoulders pattern but rejected such a break lower into the close. We're seeing some technical follow-up action higher today with the tenors adding around 3 bps. The front end of the curve stabilizes compared to yesterday's close. US Treasuries underperform by adding 2-5.5 bps in bear steepening. After Fed chair Warsh steered clear from near-term monetary policy during a fireside chat with IMF's Georgieva this morning, a status quo at the end-of-month policy meeting is virtually baked in (87% probability discounted). **He sounded bullish as ever on the US economy, including on the potential supply-side effects of AI.** Short-term, however, Warsh said the "massive investment surge" (sic) would have an impact through demand first. UK gilt yields lag peers (flat to +1.4 bps). **BoE's Bailey also in Bangkok this morning noted that there are signs of the neutral rate having increased.** He mentioned the stronger-than-expected UK economy – the industrial update and monthly GDP print this week was (way) better than consensus – while adding that signs of second-round effects of energy-driven inflation remain subdued. A November hike is nonetheless market's base case. They stick to a total of four increases, even as the BoE's biggest hawk, chief economist Pill, earlier this week sounded skeptical on such pricing.

- The US dollar loses some ground for a second day straight. **Some short-term consolidation is possible after the drawn-out appreciation since early September.** EUR/USD grinds higher to around 1.125, a rebound that in our view lacks signals of sustained strength. The trade-weighted index turns lower to the high 101 area. **The technical implications for a close in EUR/GBP at current levels (0.843) could be sizeable.** The pair is on track for a close below the previous YtD low, which paves the way, technically, to minor support around 0.8355/0.8374 before retracing the full upswing from Dec2024-Nov25. **The UK eco calendar next week has potential to facilitate further GBP strength** with the labour market report (Tuesday), September CPI (Wednesday) and PMIs (Friday) on tap. The latter are also scheduled for the euro area and are, together with the central bank's monthly consumer inflation survey and bank lending survey, the **final inputs for the October 29 ECB meeting.** We don't think it'll alter the market pricing anymore (unchanged). Rating reviews on Friday are worth following with S&P giving its verdict for Belgium (AA-, stable outlook) and **Moody's reviewing France (Aa3, negative outlook).**

News & Views

- **Germany and France today published a joint statement on the future of the European Automotive Industry.** The objective is clear: a competitive, innovative and decarbonized European automotive industry, producing in Europe and creating the jobs of tomorrow. They reached an agreement on a joint approach which **includes concessions on the emissions framework.** Paris and Berlin will seek to lower overall emissions cuts for autos to 90% by 2035, without having to compensate the remaining 10%. At the start of the year, carmakers still faced obligations to go 100% electric by 2035. Other proposals include local-content requirements for companies benefiting from public support, a narrower definition of "Made in Europe" and also a step-up to a broader industrial package.

- Sources told Bloomberg News that **China moved to stabilize its equity market** by urging companies and state funds to buy shares while guiding some investors to curb selling. Rumours stem from **a meeting by financial regulators** yesterday. *"Authorities also issued window guidance to several major insurers, instructing them to report equity holdings, refrain from locking in losses on underwater positions, and align investment decisions with broader economic goals, according to people familiar with the matter."*

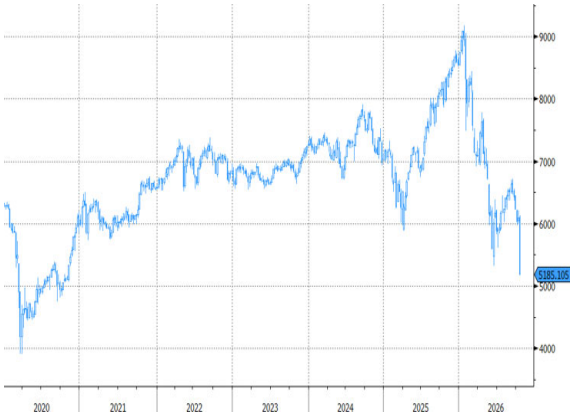
Graphs & Table



EUR/GBP tries to close below 0.8455 support with next week's eco data potentially giving another boost



US 10-yr yield bounces back after strong risk-off sessions and haven-flows on Wednesday & Thursday



Jakarta Composite index: MSCI threatens with downgrade from Emerging Market status to Standalone Market



Make or break for Nasdaq when it comes to clinging to short term upward trendline

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,11	0,00	2	4,76	0,02	DJ euro-50	6216,11	47,85
5	3,22	0,01	5	4,93	0,05	DAX	25663,98	281,36
10	3,43	0,02	10	5,12	0,06	S&P 500	7748,38	4,32
30	3,80	0,03	30	5,46	0,05	Nikkei 225	65324,29	898,34
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	85	-0,90	EUR/USD	1,1246	0,0026	CRB	417,49	0,00
FR 10y	138	-0,50	EUR/GBP	0,8430	-0,0021	Gold	4177,60	7,50
IT 10y	106	-1,10	USD/JPY	157,99	-0,0100	Brent	105,89	-0,03

Contacts

KBC Economics – Markets Brussels		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Corporate Desk(Brussels)	+32 2 417 45 82
Peter Wuyts	+32 2 417 32 35	Institutional Desk(Brussels)	+32 2 417 46 25
Mathias Janssens	+32 2 417 51 95	CBC Desk (Brussels)	+32 2 547 19 19
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
CSOB Economics – Markets Prague		**Prague**	+420 2 6135 3535
Jan Cermak	+420 2 6135 3578		
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
CSOB Economics – Markets Bratislava		**Bratislava**	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
K&H Economics – Markets Budapest		**Budapest**	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

Discover more economic insights at www.kbceconomics.be

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.