Internal



Thursday, 22 October 2026

Daily Market Overview

Markets

- **Financial markets went into a tailspin with risk assets dumped across the board.** The catalyst appears **renewed risk for the Middle East conflict escalating again.** The New York Times reported that the US and Israel have drawn up plans for renewed strikes on Iran after the mid-term elections. Additionally, the US ordering some staff and their family members to leave Saudi Arabia doesn't suggest much improvement in the broader spat with the Iran-backed Houthis either. Oil prices rally to $112/b (Brent) while the natural gas price (Dutch TTF) is again aiming for the €90/MWh. **The flaring up of the energy topic comes against the backdrop of a fiscal and political storm that's raging everywhere but especially in the EU.** The most risk-sensitive bonds get dumped, translating into - you guessed it - rising credit spreads for France (160 bps, yet another record), Belgium (97 bps – but at some point surpassing 100 bps!) and in southern Europe. German Bunds and US Treasuries enjoy safe haven flows. Bund yields drop 6-7 bps across the curve. Treasury rates tank between 6 and 9.5 bps. UK gilts, although lagging Bunds and US Ts, trade solid (yields ease 3 bps at the long end), suggesting ongoing market confidence in Chancellor Healey ahead of his first Autumn Budget (Oct 28). Stock markets slide. The EuroStoxx50 forfeits all and more of yesterday's gains. Wall Street opens 1.5% lower, with tech bearing the brunt. **The AI trade remains under pressure, with earnings (eg. from Meta, Tesla) so far unable to stop the rout.**

- The dollar isn't shining as bright as it usually does in market circumstances as grim as today's. **The jury's out but perhaps it is to some extent rooted in the AI/tech source of risk aversion, to which the US of course has huge exposure too.** The trade-weighted greenback rebounded from the daily lows near 101.44 to trade at 101.77. EUR/USD is testing the 1.12 big figure, compared to an open around 1.123**. JPY is the standout top performer**, with **CHF following from a distance.** USD/JPY tumbled to 157. Additional euro weakness drags the EUR/JPY combo to its lowest level since November 2025 near 176. EUR/CHF fell as low as 0.92 before recouping some of the losses to 0.922 currently. The SNB's meeting minutes of the September policy meeting read *that "Since the June monetary policy assessment, there had been little safe-haven demand for the Swiss franc. An increased willingness to intervene is no longer necessary in the current environment."* If things continue down the same road, that may soon change.

News & Views

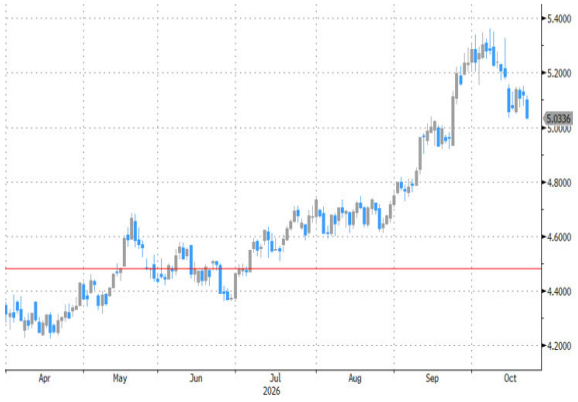
- **The Turkish central bank (CBRT) lowered its policy rate by 100 bps as expected from 37% to 36%.** It's the first rate cut since January, when the CBRT paused its policy normalization cycle (coming from 46% peak rate mid-2025). Despite monthly fluctuations, **recent Turkish inflation figures** (headline <30% Y/Y for first time since Nov2021) **and leading indicators confirm the deceleration in the underlying trend of inflation.** Upside inflation risks still exists, but domestic demand remains weak and suggest more easing to come. **An overall tight monetary policy stance will nevertheless be maintained until price stability is achieved.** It will strengthen the disinflation process through demand, exchange rate, and expectation channels. The MPC will make its policy decisions so as to create the monetary and financial conditions necessary to reach the 5% target in the medium term and sticks with a data-dependent approach. The Turkish lira remains historically weak around EUR/TRY 56.

- **Czech National Bank member Frait argued that the case a rate hike at the November 5 meeting is relatively strong.** He believes that the internal debate will be mainly about inflationary pressures from the global economy and the geopolitical situation. **The CNB will balance these effects against the impact from tighter financing conditions and their impact on the real economy.** These high market rates (in combination with a strong koruna) could also work anti-inflationary down the line which makes **Frait push back against aggressive money market** bets for rate hikes in 2027: "I don't see reasons for 100bps (of cumulative tightening), at least for now. If the economy remains in a favorable mode, stays relatively strong and resilient, and at the same time global inflation pressures persist, even 50 bps would be a little bit abrupt for me."

Graphs & Table



EUR/JPY tumbles to the lowest level since Nov2025 on peak JPY performance and euro weakness



US 10-yr yield: Treasuries gain across the curve, attracting safe haven flows during outright risk off



EUR/CHF: SNB dropping "increased" willingness to intervene in September meeting could prove to have been premature



Nasdaq: failure to regain upward trend line puts 26k support area back in focus

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,08	-0,05	2	4,73	-0,08	DJ euro-50	6132,22	-75,30
5	3,17	-0,06	5	4,86	-0,09	DAX	25537,19	-107,85
10	3,36	-0,06	10	5,04	-0,08	S&P 500	7691,88	-65,29
30	3,69	-0,06	30	5,35	-0,06	Nikkei 225	62907,84	-1713,40
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	110	8,50	EUR/USD	1,1200	-0,0032	CRB	415,19	0,00
FR 10y	171	11,40	EUR/GBP	0,8376	-0,0011	Gold	4088,90	-61,10
IT 10y	124	8,00	USD/JPY	157,26	-0,8800	Brent	112,05	3,23

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.