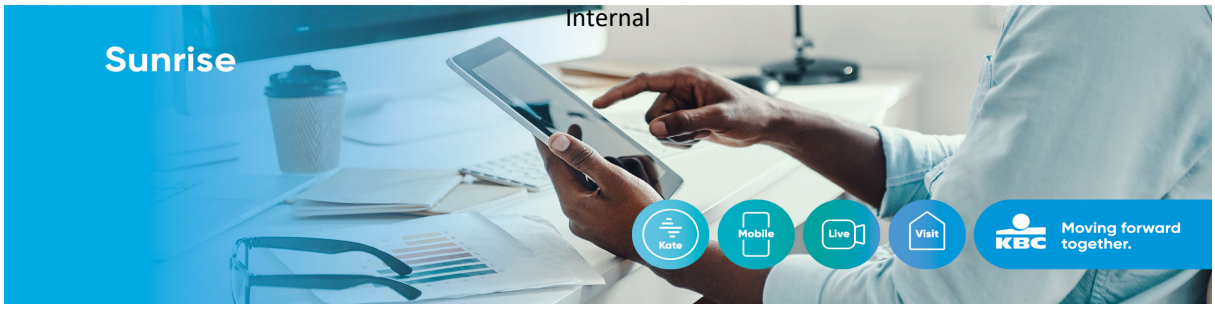
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Thursday, 22 October 2026

KBC Sunrise Market Commentary

Markets

- From the three dominant trading themes since early last week, **one is trying to turn the narrative.** Equity sentiment improved yesterday with main European benchmarks rebounding over 1%. **From a technical perspective, the EuroStoxx50 for now remains trapped in a narrow downward trend channel/sell-on-upticks pattern though.** A move above 6250/6300 (from yesterday's close at 6207) is needed to fend off more downside alert and morph to a more sideways trading pattern. Key US indices gained 0.5% to 1% with Nasdaq outperforming a first time since questions popped up about financing the build-out of the AI-infrastructure. **Better-than-expected earnings from Meta and Tesla after market fail to inspire follow-up action in equity futures** with initial gains gradually wiped out. First important technical support in the Nasdaq (26k) was tested last week. It stood its ground, but remains nearby (26702 close yesterday). **Asian AI-proxy (stock) markets this morning lose 3% (Hong Kong) to 4% (South Korea).**

- The **energy price narrative is unchanged for now,** with both Brent and gas prices holding close to highs. Since May for Brent crude (>$110/b) and since 2022 for European gas (€90/MWh area). Upward pressure comes this morning from the NY Times reporting on **specific plans by the US and Israeli militaries for renewed strikes against Iran after the US midterm elections.** The newspaper also reports on a leaving order for non-government employees and their families in Saudi Arabia as Houthi attacks in the country rise. **Higher-than-assumed energy prices will make next week's likely unchanged policy decisions by both the Fed and the ECB a tough sell** to the audience with more work to be done. In this respect, the recent money market corrections (towards discounting a slower tightening cycle with a lower cycle peak) **might be challenged.**

- Finally, there's the **EMU sovereign spread story line** with bond markets keeping pressure high on European governments to come up with credible fiscal consolidation plans in current budget rounds. The 10-yr French OAT-swap and Belgian 10-yr OLO-swapspreads added 6 bps yesterday to respectively 148 bps and 90 bps. They both underperformed Italy in the process (+4 bps to 104 bps). Specifically for Belgium, **PM De Wever failed to reach this morning's hoped-for deadline as one of the five coalition partners (centre-left Vooruit) remains at odds with the proposed multi-annual consolidation effort (€10bn).** Given parliamentary recess, a deal by the end-of-the-month still seems to be the best-case scenario. **Bond markets in the meantime won't let down pressure which weighs on most EUR-crosses.** Stabilization in EUR/USD around 1.12 is remarkable in this respect.

News & Views

- The **new EU passenger car market** showed notable resilience, with re**gistrations rising 5.7% YtD and 9.3% on a 12-month trend basis in September** despite a challenging macroeconomic environment, the European Automobile Manufacturers' Association said. Up until September 2026, **battery-electric cars (BEV) secured a 22.7% share of the EU market, up from 16.1% a year earlier.** Three of the four largest EU markets, which together accounted for 64% of all BEV registrations, recorded strong growth: France (+79.1%), Germany (+58.1%), and Denmark (+40.3%). **Belgium posted a 15.7% increase.** Hybrid-electric car (HEV) registrations captured 36.3% of the market, remaining the preferred choice among EU consumers. Italy (+20.8%) and Spain (+20.5%) posted strong growth while Belgium stagnated (+0.8%). **The combined market share of petrol and diesel cars fell to 28.2%, compared with 36.9% a year earlier.** Petrol car registrations in Belgium fell 5.6%, diesel by 21.3% YtD compared to the same period last year.
- **The Bank of Korea kept the policy rate at 3% this morning, taking a break after two consecutive 25 bps hikes.** The status quo is likely a pause rather than full stop. The central bank sees **growth significantly outpacing the August forecasts** (which stood at 3.3% and 2.9% for 2026 and 2027) **and inflation running higher next year.** It therefore kept **guidance for future rate increases.** The decision was a unanimous one, revealing a broad desire to assess the impact of the previous tightening and against the backdrop of increased AI-related risks. The BoK cited concerns about slower AI-spending, heavy issuance of related bonds and increased stock market volatility. Governor Shin during the press conference sounded less worried and prioritized upside growth and inflation risks to those to the downside. The South Korean won steadies near the recent 2-yr highs against the dollar around USD/KRW 1234.1.

Graphs



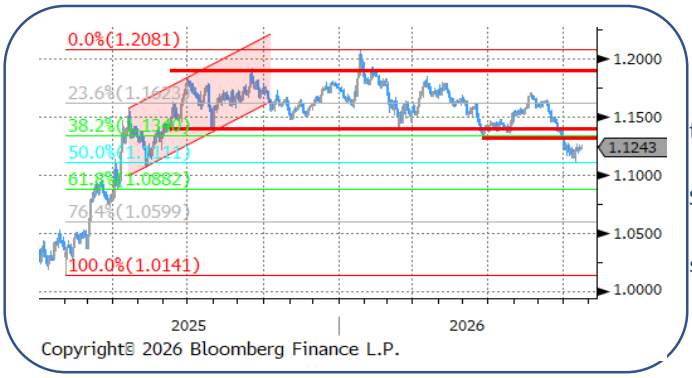
GE 10y yield

The ECB hiked rates in June and again in September by 25 bps. It responded to rising risks of indirect and second round effects caused by higher oil prices. **Surging energy prices turn October into a live meeting** and money markets are pricing towards a 3.5% depo rate. 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 restored credibility at the September policy meeting. A hike to 3.75%-4% was flanked by hawkish rhetoric and updated forecasts that suggest more is to come. Front-end yields rose to new highs while the long end outperformed on easing inflation risk premia. **Real rates will remain a key driver** for structurally higher rates going forward, though. Fiscal concerns are here to stay.



EUR/USD

Warsh's Jackson Hole speech pulled the dollar from the recent lows. **Following through on the Fed's inflation commitment announced back then** with a September rate hike allowed the greenback to extend that new-found momentum. The euro meanwhile suffers from French and more broadly European fiscal and political risks. EUR/USD broke below the YtD low with technicals suggesting a return to the 1.11 area.



EUR/GBP

EUR/GBP broke a GBP bullish triangle to the downside; with EUR/GBP falling below the key 0.86 support area with subsequent tests repeatedly failing, the most recent one on euro weakness. Sterling remains better bid as well as the BoE prepares for a first rate hike and going in to the October budget. This will be PM Burnham's litmus test.

Calendar & Table

Thursday, 22 October		Consensus	Previous
US			
14:30	Initial Jobless Claims	200k	199k
14:30	Continuing Claims	1710k	1710k
17:00	Kansas City Fed Manf. Activity (Oct)	12	14
UK			
12:00	CBI Business Optimism (Oct)	-40	-36
12:00	CBI Trends Total Orders (Oct)	-20	-9
12:00	CBI Trends Selling Prices (Oct)	--	12
EMU			
06:00	EU27 New Car Registrations (Sep)	9.30%A	4.50%
16:00	Consumer Confidence (Oct P)	-17	-16.5
France			
08:45	Business Confidence (Oct)	96	96
08:45	Manufacturing Confidence (Oct)	101	101
08:45	Own-Company Production Outlook (Oct)	--	15
08:45	Production Outlook Indicator (Oct)	--	-9
China			
03:00	Swift Global Payments CNY (Sep)	3.33%A	3.21%R
Norway			
08:00	Unemployment Rate Trend (Sep)	--	4.50%
Events			
Q3 earnings	Lockheed Martin (bef-mkt) ...		
11:30	ECB's Kocher Speaks in Vienna		
16:00	ECB's Panetta Speaks in Turin		

10-year	Close	-1d	2-year	Close	-1d	Stocks	Close	-1d
US	5,12	0,01	US	4,81	0,03	DOW	52856,09	360,21
DE	3,42	0,02	DE	3,13	0,04	NASDAQ	26702,86	278,04
BE	4,43	0,08	BE	3,35	0,05	NIKKEI	62935,94	-1685,30
UK	5,38	-0,03	UK	4,92	-0,04	DAX	25645,04	340,62
JP	2,89	0,00	JP	1,91	0,01	DJ euro-50	6207,52	85,86

IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	3,48	4,68	4,78	€STR	2,4400	0,0000			
5y	3,48	4,67	4,78	Euribor-1	2,4310	0,0270	SOFR-1	3,9348	0,0002
10y	3,53	4,73	4,91	Euribor-3	2,6700	0,0240	SOFR-3	4,0679	0,0055
				Euribor-6	3,0300	0,0130	SOFR-6	4,2333	0,0068

Currencies	Close	-1d	Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1232	-0,0005	EUR/JPY	177,62	-0,11	CRB	415,19	-1,75
USD/JPY	158,14	-0,03	EUR/GBP	0,8386	-0,0012	Gold	4150,00	7,40
GBP/USD	1,3394	0,0014	EUR/CHF	0,9260	-0,0006	Brent	108,82	0,03
AUD/USD	0,7029	0,0026	EUR/SEK	11,1054	-0,0147			
USD/CAD	1,4047	-0,0013	EUR/NOK	10,5192	-0,0470			

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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