Internal



Tuesday, 27 October 2026

KBC Sunrise Market Commentary

Markets

- It's not often that this morning report kicks off with Brazil – although it isn't a first either. **Incumbent president Lula's surprise election victory over the weekend triggered huge market moves.** Lula's contester Bolsonaro, winner of the first round, was considered the market-friendly option with a pledge for aggressive fiscal discipline. The country's stocks, currency and bonds had been adjusting correspondingly. Brazil's main equity index, the Ibovespa, tanked more than 17% intraday (14% in the close). **Its currency, the real, crashed 12.5%** straight towards key support around USD/BRL 5.6 (from around 5) before paring losses somewhat to 10% (5.4) towards the end. Brazilian bond losses are nothing but jaw dropping: **yields surged 230-250 bps (!) across the curve with intraday moves topping 300 bps in some segments.** These extraordinary moves have (risk) premia written all over them and serve as a reminder of how much this topic is in play. **It's back to the drawing board for the central bank**, which had been cautiously cutting policy rates from a 20-yr high of 15% to 13.75%.
- The most prominent moves in the advanced section took place in OATs. **French bonds enjoyed a kneejerk rally** after rating agency Moody's refrained from cutting the country's credit rating and an all in all orderly protest weekend. Yields tumbled between 5 and 12 bps, pushing the 10-yr swapspread down by 12 bps from their recent record highs. Belgium's swapspread fell by 6 bps in the slipstream. German yield gains varied between 4.9 and 1.3 bps, underperforming UST's marginally (+3.5 bps at the front, -2 bps at the long end of the curve). **Rising energy prices, natural gas in particular (<97€/MWh) were behind this bear flattening.** Tensions on this markets eases a bit this morning on hopes for diplomacy outweighing fears for a worsening of the conflict. Saudi, Turkish and Pakistani officials have met with Iranian leaders yesterday in an effort to de-escalate, the Saudi Press Agency reported. Stock markets took a positive view with gains in the EuroStoxx50 (+0.8%) and on Wall Street (0.3-0.8%). Indices on the latter did retreat from their intraday highs and no major technical barriers were taken out so far. Tech sentiment further improves in Asian trading this morning, boosted amongst others by Anthropic's hyped-IPO filing. The litmus test follows later this week though, with earnings by some major players including Amazon, Microsoft and Intel. The eco calendar today revolves around some US data (durable goods and Conference Board consumer confidence) and the **ECB's Bank Lending Survey.** The latter is final input to Thursday's policy meeting and will be scoured for evidence of credit supply having tightened in the wake of (French) bond market volatility. The euro remains in dire straits, unable to benefit from yesterday's positive risk vibes. EUR/USD loses the 1.12 big figure with follow-up losses this morning keeping the YtD low of 1.1113 firmly on the radar.

News & Views

- **South Korean GDP growth accelerated from 0.6% Q/Q to 1%, outpacing consensus expectations of a 0.8% quarterly rhythm.** Compared with Q3 of last year, the economy grew by 3.4% (from 3.7% in Q2 and vs 3.1% consensus). A supply-side breakdown showed **growth across all sectors though lobsided towards manufacturing** (2% Q/Q & 7% Y/Y; driven by computer, electronic & optical products and machinery & equipment) and construction (2% Q/Q & -1.4% Y/Y) while services sector growth slowed to 0.2% Q/Q (2.4% Y/Y). **Details on the expenditure side also showed the impact from the AI-boom** with export growth rising to 2.4% Q/Q (8.6% Y/Y). The net contribution to GDP growth was modest due to imports increasing by 2.4% Q/Q (7% Y/Y). Private consumption was weak at -0.2% Q/Q, but government consumption rose by 1.9% Q/Q to lift combined consumption to 0.3% Q/Q (1.5% Y/Y). Gross fixed capital formation was again a strong growth driver at 2.2% Q/Q (4.3% Y/Y). **The Bank of Korea already raised its policy rate twice this year (from 2.5% to 3%) with today's GDP print adding to the tightening case given sticky above-target inflation.** The Korean won holds near strongest levels against the US dollar this morning since October 2024 (USD/KRW 1325).
- **The British Retail Consortium's shop price monitor showed overall shopping prices rising by 0.4% M/M in October** with the Y/Y-figure accelerating from 1.4% to 2.9%, the **fastest pace since February 2024.** Details showed food prices unchanged in October (+2.9% Y/Y from +2.5%) while non-food costs accelerated to 0.7% M/M (+1.7% Y/Y from +0.8%; almost 3-yr high). BRC CEO Dickinson warned that the **dam is starting to break** on the huge wave of costs retailers have absorbed over the last two years. Retailers cited higher energy costs, transport costs, employment costs and packaging levies as factors pushing prices higher. **Today's data add to the November BoE rate hike case.**

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. The real rate normalisation lifted the German 10-yr yield to its highest level since 2009. **Surging energy prices are now balanced against higher sovereign EMU credit risk premia.** They help cap the strong rising interest rate trend for now.



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 rising **real rates.** Questions around AI-valuations/financing triggered an equity market correction with **safe haven flows pulling US yields off their multi-annual highs.**



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

Tuesday, 27 October		Consensus	Previous
US			
27OCT	Building Permits Total/MoM (Sep F)	-1400k/-0.30%	1400k/-0.20%
13:15	ADP Weekly Employment Change	--	18.500k
13:30	**Durable Goods Orders (Sep P)**	**1.90%**	**-0.10%**
13:30	Durables Ex Transportation (Sep P)	0.60%	0.20%
13:30	Cap Goods Orders Nondef Ex Air (Sep P)	0.70%	1.60%
13:30	**Cap Goods Ship Nondef Ex Air (Sep P)**	**0.80%**	**0.50%**
14:00	FHFA House Price Index MoM (Aug)	0.20%	0.30%
14:00	S&P Cotality CS 20-City MoM/YoY SA (Aug)	0.30%/2.61%	0.32%/2.47%
15:00	**Conf. Board Consumer Confidence (Oct)**	**81.0**	**81.9**
15:00	Conf. Board Present Situation (Oct)	107.9	109.3
15:00	Conf. Board Expectations (Oct)	62.0	63.6
15:00	Richmond Fed Manufact. Index (Oct)	0	-2
15:00	Richmond Fed Business Conditions (Oct)	-8	-8
15:00	New Home Sales Total/MoM (Sep)	651k/-4.50%	684k/6.40%
15:30	Dallas Fed Services Activity (Oct)	-2.9	-1.8
Japan			
00:50	PPI Services YoY (Sep)	3.70%A	3.50%R
UK			
01:01	BRC Shop Price Index YoY (Oct)	2.10%A	1.40%
EMU			
10:00	M3 Money Supply YoY (Sep)	3.40%	3.50%
France			
08:45	Consumer Confidence (Oct)	85	86
China			
02:30	Industrial Profits YTD YoY/YoY (Sep)	15.50%A/14.40%A	15.70%/4.20%
Events			
Q3 earnings	Corning (bef-mkt), Coca-Cola (bef-mkt), Visa (22:00) ...		
10:00	**ECB Bank Lending Survey**		
11:30	Germany to Sell Bonds		
19:00	U.S. To Sell USD70 Bln 5-Year Notes		

10-year	Close	-1d
US	4,99	-0,01
DE	3,37	0,02
BE	4,38	-0,05
UK	5,34	-0,01
JP	2,80	0,00

2-year	Close	-1d
US	4,72	0,03
DE	3,11	0,05
BE	3,34	0,01
UK	4,93	0,02
JP	1,89	0,00

Stocks	Close	-1d
DOW	52361,58	146,42
NASDAQ	26169,38	214,04
NIKKEI	63268,37	1078,72
DAX	25410,84	229,19
DJ euro-50	6116,23	48,01

IRS	EUR	USD	GBP
3y	3,44	4,57	4,79
5y	3,43	4,54	4,77
10y	3,46	4,59	4,88

EUR	-1d	-2d
€STR	2,4410	-0,0010
Euribor-1	2,4430	-0,0110
Euribor-3	2,6380	-0,0280
Euribor-6	2,9780	-0,0340

USD	-1d	-2d
SOFR-1	3,9387	0,0101
SOFR-3	4,0614	0,0155
SOFR-6	4,2075	0,0256

Currencies	Close	-1d
EUR/USD	1,1174	-0,0028
USD/JPY	157,5	0,63
GBP/USD	1,3342	-0,0032
AUD/USD	0,7017	-0,0019
USD/CAD	1,4012	0,0009

Currencies	Close	-1d
EUR/JPY	176	0,28
EUR/GBP	0,8374	-0,0004
EUR/CHF	0,9247	0,0008
EUR/SEK	11,1259	0,0004
EUR/NOK	10,4202	-0,0273

Commodities	Close	-1d
CRB	414,94	-3,66
Gold	4038,40	30,50
Brent	115,81	-0,91

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