Weekly Market Wrap

Key Market Developments

Oil was the week's dominant story. Brent crude rose more than 11% to touch $107.63/bbl on Thursday, its highest level since May, as the US-Iran conflict escalated from strikes on launch sites to attacks on shipping and Gulf energy infrastructure: Houthi strikes hit Saudi Aramco facilities, US forces struck Iranian-linked tankers, and transit through the Strait of Hormuz fell to below 2 million barrels a day from roughly 8 million before the escalation, while OPEC+ left October output unchanged. The shock fed directly into inflation and rate expectations: August producer prices rose 0.4% on the month as a 4.2% jump in energy costs lifted the annual rate to 5.4%, and Friday's CPI showed headline inflation steady at 3.4% year on year but a firmer than expected 0.3% monthly core print, the fastest pace since April. Markets responded by pushing the implied probability of a 25bp Fed hike at next week's FOMC meeting to nearly 90%, up from around 70% before the release. The 10-year Treasury yield rose 19bp on the week to 4.97% and the 2-year extended its climb past 4.6%, while the S&P 500 fell 0.8% and the Dow 1.6%.

Globally, performance was mixed. The Stoxx 600 dropped 1.7% as the ECB raised its deposit rate a further 25bp to 2.50% in a unanimous decision, with the energy shock adding to inflation pressure already facing the region. Asian markets diverged: the Hang Seng fell 3.3% and the Sensex fell 2.3% on oil-driven inflation and rate concerns, while the Nikkei held up better as a stronger yen and BoJ tightening expectations offset the energy shock.

What We Are Watching – Week Starting 14th September

- **FOMC decision (Wednesday, September 16):** Markets are pricing a 25bp hike to 3.75–4.00% as increasingly likely, which would be the Fed's first increase since July 2023. The dot plot and Chair Warsh's guidance on the pace of further tightening will matter as much as the decision itself, with July's three dissents in favour of a hike showing hawks already voting for a move.
- **Bank of Japan (September 17–18):** A 25bp hike to 1.25% is fully priced and reports suggest the Bank is unlikely to signal a terminal rate. Guidance on further tightening will drive the yen from here, with August CPI landing Friday morning ahead of the decision.
- **Bank of England (Thursday, September 17):** Consensus expects a hold at 3.75%, but July's vote was 6-3 with three members backing a hike, so this week's labour data and August CPI will shape how many vote to tighten.
- **Strait of Hormuz and oil:** Transit volumes remain the key indicator. Any safe-passage arrangement or pause in shipping attacks would remove part of the risk premium quickly, while further strikes on Saudi infrastructure would extend the move; OPEC+ next meets on October 4.
- **US retail sales (Wednesday) and China activity data (Tuesday):** July retail sales fell 0.6%; a second weak month alongside $100 oil would sharpen the stagflation debate hours before the FOMC decision, while China's August output and retail sales test demand in the world's largest crude importer.

GIA View

Equities:

- Stay defensive into the FOMC; add to quality on weakness rather than chase: this week's losses reflect a higher discount rate, not weaker earnings, and AI demand is intact, with Oracle reporting 121% growth in cloud infrastructure revenue after Thursday's close. Keep the quality and value tilt, stay cautious on long-duration growth until the Fed's projections are out, and use any post-FOMC sell-off to add to high-quality AI infrastructure names.
- Energy importers are the most exposed: Europe faces an ECB still tightening into a supply shock, and India faces $100 oil with the rupee past 95. Underweight European cyclicals and Indian equities until oil stabilises; in Japan, favour domestic-facing names and banks, which benefit from BoJ tightening, over exporters.

Rates:

- Keep duration short; the 30-year break is a warning, not yet an entry point: with the 5.25–5.30% ceiling breached and hike odds near 70%, stay short into the FOMC and earn carry at the front end. Strong auction demand shows real-money buyers are active at these levels, so a hawkish but well-telegraphed outcome could be the point to start extending duration in stages.
- Keep inflation protection in place: energy drove August PPI, and the ECB expects higher energy prices to feed through gradually to core inflation, so a measured TIPS/inflation-linked allocation remains the preferred hedge.

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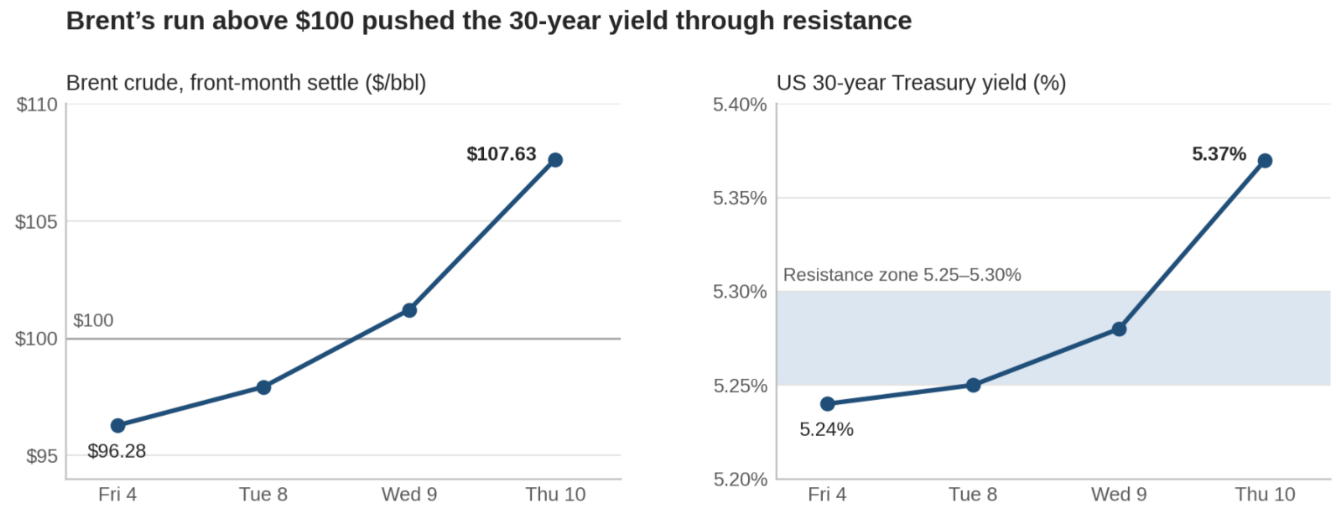
Commodities:

- Treat gold as a hedge, not a trade, and let the Fed pass before adding: this week's fall of about 1.8% is consistent with gold's sensitivity to real yields as hike odds rose. Hold existing allocations; a hawkish set of projections is the main near-term risk.
- Oil risk has turned physical; hold energy equities as the hedge, but do not chase crude: last week's rally was a risk premium, but this week Hormuz flows fell below 2 million barrels a day. Energy equities remain the portfolio hedge against escalation, but avoid adding outright crude exposure above $100; OPEC has lowered its demand forecast and the EIA sees Brent averaging about $74 in 2027, so the upside depends on how long flows stay disrupted.

Chart of the week: Oil and the Long End



Source: ICE Brent front-month settlements, US Treasury, Bloomberg, Reuters.

The 30-year yield's break above the 5.25–5.30% resistance zone lines up closely with the timing of the oil shock: yields held below that band through Monday's holiday and Tuesday, then moved through it as Brent's rally past $100 accelerated from Wednesday. With the FOMC decision one week out, the move looks more like markets pricing a hike as inflation-fighting credibility than a policy shock, consistent with yields grinding higher through the week rather than gapping on any single data point.

Asset Class Performance – Week Ending 11th September 2026

	Week ending >>>				
	04-Sep-26	**11-Sep-26**	**YTD Δ**	**MTD Δ**	**Weekly Δ**
Equity Indices					
S&P 500 (USD)	7,718.6	7,657.0	11.6%	(0.7%)	(0.8%)
NASDAQ (USD)	29,544.2	29,368.4	16.5%	(0.2%)	(0.6%)
Dow Jones (USD)	53,414.3	52,573.3	8.7%	(1.8%)	(1.6%)
MSCI EM Index (USD)	1,726.3	1,721.5	20.4%	(0.0%)	(0.3%)
SENSEX (INR)	76,515.4	74,781.8	(12.8%)	(3.2%)	(2.3%)
Stoxx 600 (EUR)	649.9	639.1	7.2%	(2.5%)	(1.7%)
Nikkei (JPY)	65,020.9	64,011.3	27.2%	(3.6%)	(1.6%)
Hang Seng (HKD)	25,650.9	24,805.6	(5.8%)	(3.0%)	(3.3%)
Commodities					
Gold (USD per troy ounce)	4,430.0	4,349.1	0.4%	(2.4%)	(1.8%)
Silver (USD per troy ounce)	66.2	64.5	(11.4%)	(2.9%)	(2.6%)
Oil (USD per barrel)	91.5	100.1	74.5%	20.0%	9.4%
Natural Gas (Henry Hub)	3.0	2.8	(21.8%)	(2.0%)	(4.8%)
Currencies					
EUR/USD	1.1614	1.1599	(1.0%)	0.1%	(0.1%)
GBP/USD	1.3519	1.3524	0.5%	(0.1%)	0.0%

	04-Sep-26	11-Sep-26	YTD Δ	MTD Δ	Weekly Δ
USD/INR	94.4950	95.5562	5.9%	0.2%	1.1%
CHF/USD	1.2347	1.2247	(3.0%)	(0.9%)	(0.8%)
USD/JPY	156.2600	153.6100	(2.1%)	(4.0%)	(1.7%)
Credit Markets					
US Treasury 10Y Yield (%)	4.78	4.97	77.62	24.89	18.48
German Bund 10Y	3.34	3.50	60.40	22.50	16.50
UK Gilt 10Y	5.133	5.343	80.65	28.00	21.00
Japan JGB 10Y	2.996	2.987	92.10	9.00	(0.90)
India G-Sec 10Y	6.961	7.012	40.58	10.10	5.10
China CGB 10Y	1.681	1.689	(16.60)	(0.70)	0.80
S&P BDC Index	50.261	48.917	(11.4%)	(2.9%)	(2.7%)
Policy Rates					
Fed Funds Rate (US)	3.750	3.750	-	-	-
BoE Bank Rate	3.750	3.750	-	-	-
BoJ Policy Rate	1.000	1.000	25.00	-	-
RBI Repo Rate	5.250	5.250	-	-	-

Key Economic Events – Week of 14–18 September

Date	Country/Region	Event	Period	Survey (Median)	Prior
Mon, 14 Sep	India	CPI YoY	Aug	4.86%	4.45%
Tue, 15 Sep	China	Retail Sales YoY	Aug	0.80%	0.60%
Tue, 15 Sep	China	Industrial Production YoY	Aug	4.80%	4.50%
Tue, 15 Sep	UK	ILO Unemployment Rate (3M)	Jul	4.90%	4.90%
Wed, 16 Sep	UK	CPI YoY	Aug	3.10%	2.90%
Wed, 16 Sep	US	Retail Sales Advance MoM	Aug	0.80%	(0.60%)

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