GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Key Market Developments

The Federal Reserve raised the target range for the federal funds rate by 25 basis points to 3.75%–4.00% on Wednesday, its first increase since July 2023, in a unanimous 12–0 vote. The statement said inflation "remains elevated" and that the move "will support a timelier return to the Committee's 2 percent goal," while Chair Warsh framed the decision as removing a dose of accommodation rather than a shift to restrictive policy. The new projections put the median policy rate at 4.1% at the end of 2026, implying one further increase this year, with median PCE inflation of 3.7% in 2026 and a return to the 2% target only in 2029; futures price close to 90% odds of at least one more increase by year end, though the timing between October and December remains close to a coin toss. The 10-year Treasury yield rose above 5% on Tuesday and Wednesday, eased to 4.94% on Thursday's equity rally, and closed the week 3 basis points higher at 5.00%. US stocks ended mixed on the week: the S&P 500 declined 0.1%, the Dow dropped 1.7%, and the NASDAQ gained 0.9%. The moves came as Friday's session gave back some of Thursday's post-Fed rally.

Elsewhere, the Bank of England held Bank Rate at 3.75% on a 6–3 vote after August CPI rose to 3.1%. It also set out a new multi-year plan to unwind its gilt holdings to zero by 2034, halting outright sales of long-dated gilts and relying mainly on maturing bonds, for an average balance sheet reduction of about £46bn a year. The Bank of Japan raised rates by 25 basis points to around 1.25% on Friday, a 31-year high, in a 7–2 vote effective 24 September. The move followed a slight easing in August core inflation to 1.7%. Even so, the yen weakened rather than strengthened, as Governor Ueda signalled a slow pace of hikes from here; the Nikkei still gained 1.6% on the week.

In commodities, Saudi Arabia's East–West pipeline shutdown after drone strikes pushed Brent back above $105 early in the week. Prices eased as Saudi Arabia set out plans to restore the line and lift loadings through Hormuz, leaving crude close to flat on the week. Separately, the IEA cut its 2026 oil demand forecast again, now projecting a contraction of 2.5 million barrels a day. The dollar index climbed to a seven-week high to 100.22, with the euro and sterling each down 1.0% on the week and the rupee easing 0.3% against the dollar. China's August data was mixed: industrial production beat expectations at 5.2%, while retail sales slowed to 0.4%.

What We Are Watching – Week Starting 21st September

- **Fed speakers:** Fed officials will speak throughout next week, offering the first policy guidance since the meeting. The median projection points to one more hike this year, so the key question is whether it comes in October or December.
- **Flash PMIs (Wednesday, 23 September):** Euro area, UK, US and Japan all report. These will be the first signal of whether the energy shock is starting to hit real activity, not just prices. The euro area composite stood at 52.0 in August.
- **SNB and Norges Bank (Thursday, 24 September):** Both central banks announce their rate decisions on the same morning, but from very different positions: the SNB is at 0%, with essentially no room to cut further, while Norges Bank is at 4.25% and leaning toward another hike.
- **Oil and the Saudi pipeline:** The US energy secretary has said a restart could come "within days," while Aramco's own timeline points to six weeks for full capacity. That gap is the main risk to prices. Distillate stocks also remain below their five-year average.
- **Japan after the hike:** Watch Governor Ueda's guidance on the pace of further hikes, the yen's direction, and the 10-year JGB yield, now near 3%. Tokyo markets are closed Monday to Wednesday for Silver Week, which will thin liquidity as the market digests the move.
- **Trump meeting Gulf State leaders:** The US President is meeting Arabian Gulf leaders on the sidelines of the UN General Assembly. He has said he is reviewing options on the Iran war, with a real chance of further escalation. Watch for the impact on oil prices and broader equity risk.

GIA View

Equities:

- The hike is in: it is unlikely the Fed stops at a single rate hike. Thursday's rally reflects a Fed that markets judge to be fighting inflation credibly, but the median projection implies another increase this year and no cuts before 2028.
- Watch breadth rather than the index: the S&P 500 was down only 0.3% through Thursday while the Dow fell 1.5%, and retail sentiment turned sharply bearish, with AAII bears at 53.3% against 39.3% a week earlier. Leadership has narrowed back to mega-cap technology, so keep position sizes disciplined in the AI complex and use the index's resilience to upgrade quality elsewhere. Exogenous risk for equities is elevated, so discipline and quality and value screens are very important. The AI trade will continue to be choppy.

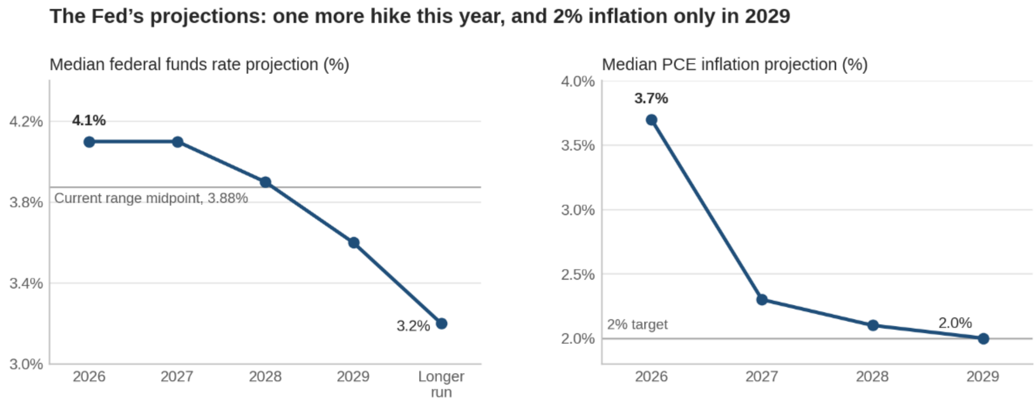
Rates:

- Carry at the front end, patience on duration: the curve bear-flattened into the meeting and reversed after it, with the 2-year 4 basis points higher on the week through Thursday and the 30-year 6 basis points lower. We advocate patience before initiating fresh long duration positions in bonds. Spreads continue to be well behaved and we will need to watch the Treasury's reaction function to elevated yields at the long end.

Commodities:

- Oil volatility: crude spiked early in the week on the pipeline outage and gave the move back as Saudi Arabia set out plans to restore the East–West line and lift loadings through Hormuz, leaving Brent at about $104 on Thursday. Hold energy equities as the hedge against escalation and avoid chasing crude on repair headlines. There is a high degree of uncertainty in the oil markets, so much so that JPMorgan has dropped guidance on oil price, citing the unquantifiable nature of the risks.
- Gold absorbed the hike: it was little changed on the week through Thursday despite a 25 basis point increase and a stronger dollar, and rebounded 1.8% on Thursday as yields fell. Hold existing allocations; the second hike now embedded in the Fed's path is the main near-term risk, and the case for adding improves once the terminal rate is set.

Chart of the week: The Fed's Own Path



Source: Federal Reserve, Bloomberg

The September projections put the median policy rate at 4.1% at the end of 2026, a further 25 basis points above the range set this week, and keep it at or above 3.9% through 2028: a committee that expects to tighten once more and then hold, rather than one that expects to reverse quickly. The inflation path explains why, with median PCE inflation at 3.7% this year, 2.3% in 2027 and 2.1% in 2028, reaching the 2% target only in 2029. For portfolios that means carry at the front end, patience on duration, and a high bar for any policy easing to rescue rate-sensitive assets before next year.

Asset Class Performance – Week Ending 18th September 2026

	Week ending >>>				
	11-Sep-26	18-Sep-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,657.0	7,650.5	11.5%	(0.8%)	(0.1%)
NASDAQ (USD)	29,368.4	29,644.2	17.6%	0.7%	0.9%
Dow Jones (USD)	52,573.3	51,682.6	6.8%	(3.5%)	(1.7%)
MSCI EM Index (USD)	1,721.5	1,710.9	19.7%	(0.7%)	(0.6%)
SENSEX (INR)	74,781.8	74,295.0	(13.4%)	(3.8%)	(0.7%)
Stoxx 600 (EUR)	639.1	635.5	6.6%	(3.0%)	(0.6%)
Nikkei (JPY)	64,011.3	65,019.0	29.2%	(2.1%)	1.6%
Hang Seng (HKD)	24,805.6	24,750.8	(6.0%)	(3.3%)	(0.2%)
Commodities					
Gold (USD per troy ounce)	4,349.1	4,378.6	1.1%	(1.7%)	0.7%
Silver (USD per troy ounce)	64.5	66.3	(9.0%)	(0.2%)	2.7%
Oil (USD per barrel)	100.1	100.3	75.0%	20.3%	0.2%
Natural Gas (Henry Hub)	2.8	2.9	(19.5%)	0.8%	2.9%

	11-Sep-26	18-Sep-26	YTD Δ	MTD Δ	Weekly Δ
Currencies					
EUR/USD	1.1599	1.1486	(2.0%)	(0.9%)	(1.0%)
GBP/USD	1.3524	1.3395	(0.5%)	(1.1%)	(1.0%)
USD/INR	95.5562	95.8737	6.3%	0.5%	0.3%
CHF/USD	1.2247	1.2160	(3.7%)	(1.6%)	(0.7%)
USD/JPY	153.6100	156.8800	0.0%	(2.0%)	2.1%
Credit Markets					
US Treasury 10Y Yield (%)	4.97	5.00	80.54	27.81	2.92
German Bund 10Y	3.50	3.52	61.90	24.00	1.50
UK Gilt 10Y	5.343	5.295	75.85	23.20	(4.80)
Japan JGB 10Y	2.987	2.993	92.70	9.60	0.60
India G-Sec 10Y	7.012	7.069	46.28	15.80	5.70
China CGB 10Y	1.689	1.685	(17.00)	(1.10)	(0.40)
S&P BDC Index	48.917	48.449	(12.3%)	(3.8%)	(1.0%)
Policy Rates					
Fed Funds Rate (US)	3.750	4.000	25.00	25.00	25.00
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 21–27 September

Date	Country/Region	Event	Period	Survey (Median)	Prior
Wed, 23 Sep	Eurozone	S&P Global Composite PMI (Flash)	Sep	51.8	52.0
Wed, 23 Sep	UK	S&P Global Composite PMI (Flash)	Sep	52.0	52.5
Wed, 23 Sep	US	S&P Global Composite PMI (Flash)	Sep	56.0	55.6
Thu, 24 Sep	US	Initial Jobless Claims	w/e 19 Sep	200k	196k
Thu, 24 Sep	US	New Home Sales	Aug	616k	607k
Fri, 25 Sep	US	Durable Goods Orders (MoM)	Aug (P)	(0.3%)	1.1%

Disclaimer