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FX Analytics

USD INDEX

August 2026 Recap

August was a volatile and corrective month for the U.S. Dollar Index, with the DXY failing to extend the recovery established in June. Weak July employment data initially reduced expectations for further Federal Reserve tightening, pushing the index below the key **100.00** level.

Later in the month, persistent inflation, renewed energy-price pressures and Kevin Warsh's hawkish Jackson Hole message shifted the monetary-policy narrative. Expectations for a September rate hike increased significantly, providing renewed support for the dollar toward month-end.

Despite this late recovery, the DXY ended August around 99.40, recording a second consecutive monthly decline. Treasury bond-buyback plans also contributed to periods of weakness by reinforcing concerns over U.S. fiscal credibility and the broader dollar-debasement narrative.

Technically, August represented a correction of the June rally rather than a decisive bearish reversal. However, the loss of 100.00 weakened the previous bullish structure, making a sustained recovery above this level increasingly important heading into September.

Key Takeaways

The broader outlook remains cautiously constructive as renewed inflation pressures and increasingly hawkish Federal Reserve expectations support the dollar. However, a sustained recovery above 100.00 is required to restore stronger bullish momentum.

Conclusion

August confirmed a corrective phase for the DXY rather than a decisive trend reversal. Weak employment data initially pressured the dollar, but renewed inflation concerns and expectations of further Fed tightening provided support into month-end. Entering September, attention shifts to whether monetary-policy repricing can drive the index back above 100.00 and re-establish the stronger bullish structure seen earlier in the summer.



September 2026 Outlook

Starting Point After August Correction

The DXY enters September around the 99.00–100.00 area following August's correction. The macro environment has shifted materially, with renewed Federal Reserve tightening expectations and escalating U.S.–Iran tensions providing stronger fundamental support for the dollar.

The key question for September is whether these forces can drive a sustained recovery above 100.00 and restore the bullish structure established in June.

Federal Reserve & Monetary Policy

September will be driven primarily by expectations surrounding the Federal Reserve.

Kevin Warsh's hawkish Jackson Hole message revived the possibility of additional tightening as persistent inflation and higher energy prices complicate the policy outlook. A September rate hike would reinforce Treasury yields and support the dollar, while a Fed hold could unwind part of the recent hawkish repricing.

Key Economic Releases

Labour Market
Employment data remain critical. A resilient labour market would give the Fed greater flexibility to focus on inflation and strengthen the case for tighter policy.

Inflation
CPI will be particularly important as higher oil prices increase headline inflation risks. Persistent price pressures would reinforce expectations for further tightening.

Global Market Environment

Renewed U.S.–Iran tensions have restored geopolitics as a major FX driver. Higher oil prices can support the dollar through both safe-haven demand and stronger expectations for Fed tightening.

However, prolonged conflict and tighter financial conditions could eventually weaken U.S. growth, limiting the dollar's upside.

Technical Structure

- 102.00–103.00: Bullish extension
- 100.50–101.00: Upside confirmation
- 99.50–100.00: Critical pivot
- 98.70–99.00: Immediate support
- 97.50–98.00: Major downside support

The 100.00 area remains pivotal. A sustained recovery above 100.00–100.50 would improve the medium-term structure and expose 102.00–103.00, while renewed weakness below 99.00 would increase downside risk.

Scenario Matrix – September 2026

Base Case: Elevated geopolitical risk and hawkish Fed expectations » 99.00–101.50
Bullish USD: Strong data, persistent inflation and Fed tightening » 101.50–103.00
Bearish USD: Geopolitical de-escalation, weak employment and Fed hold » 97.50–99.00

Executive Summary

September begins with a moderately bullish but highly event-dependent outlook for the DXY. Persistent inflation, renewed Fed tightening expectations, higher Treasury yields and escalating U.S.–Iran tensions provide stronger fundamental support than during August.

The preferred scenario is a recovery toward 100.00–101.50. A sustained break above 100.50 would strengthen the case for 102.00–103.00, while weak U.S. data or geopolitical de-escalation could unwind Fed-hike expectations and return the index toward 98.00–99.00.

EUR/USD

August 2026 Recap

August was a more balanced month for EUR/USD, with price action increasingly driven by monetary-policy expectations, energy prices and geopolitical developments. Softer U.S. economic data initially increased expectations for future Federal Reserve easing, providing some support to the euro.

In Europe, the ECB faced a more complex environment as higher energy costs increased inflation risks while simultaneously threatening economic growth. This limited the central bank's ability to adopt a more dovish stance and provided some underlying support to the single currency.

The Middle East conflict remained the principal geopolitical risk. Periods of de-escalation reduced safe-haven demand for the dollar and eased pressure on Europe's energy outlook, while renewed tensions increased the risk of higher oil prices and renewed USD strength.

Overall, August maintained a relatively balanced EUR/USD environment rather than establishing a decisive directional trend. Monetary-policy divergence offered some support to the euro, but geopolitical and energy risks continued to limit stronger bullish momentum.

Key Takeaways

The broader outlook remains balanced as expectations of future Fed easing provide support to the euro, while restrictive ECB policy limits downside pressure. However, elevated energy costs and Middle East uncertainty continue to constrain a stronger EUR/USD recovery.

Conclusion

August confirmed that EUR/USD remains in a transitional phase rather than a decisive bullish trend. Monetary-policy expectations provided underlying support to the euro, but geopolitical and energy risks continued to favour periods of dollar strength. Entering September, attention shifts to whether Fed and ECB repricing can provide clearer direction or renewed Middle East escalation reinforces defensive USD demand.



September 2026 Outlook

Starting Context

EUR/USD enters September in a more complex environment as renewed Middle East escalation, higher energy prices and changing monetary-policy expectations dominate market direction.

The balance has shifted slightly in favour of the dollar. Rising geopolitical risk supports safe-haven demand, while renewed Fed tightening expectations provide additional USD support. However, a more hawkish ECB should limit the euro's downside.

Macroeconomic Environment

The Federal Reserve remains the primary driver for EUR/USD. September's employment and inflation data will determine whether renewed expectations for tighter policy are justified. Resilient employment and persistent inflation would support the dollar, while weaker labour data could reduce Fed-hike expectations.

The ECB faces similar inflation pressure but greater exposure to higher energy costs. With Eurozone inflation reaching 3.3%, markets increasingly expect tighter policy. This should provide some support for the euro, although weaker growth and elevated energy prices limit the benefits of a more hawkish ECB.

Geopolitical & Energy Risk

Renewed U.S.–Iran escalation represents the principal external risk. Higher oil prices increase inflation while simultaneously weakening Europe's growth outlook, creating a more challenging environment for EUR/USD.

Further escalation would favour the dollar through safe-haven demand and higher Fed expectations, while credible de-escalation would reduce the USD risk premium and improve the outlook for the euro.

Technical Structure

- 1.1450: Immediate support
- 1.1550: Secondary support
- 1.1640: Major structural pivot
- 1.1750: Initial resistance
- 1.1850: Major breakout level
- 1.2000: Psychological resistance

The technical outlook remains balanced but increasingly sensitive to macro catalysts. A sustained break below 1.1450 would strengthen bearish momentum, while a recovery above 1.1750–1.1850 would restore a more constructive structure.

Scenario Matrix – September 2026

Base Case: Elevated geopolitical risk, hawkish Fed and ECB policy » 1.1450–1.1750
Bullish EUR: Weak U.S. data, Fed repricing and geopolitical de-escalation » 1.1750–1.2000
Bearish EUR: Strong U.S. data, Fed tightening and further Iran escalation » 1.1300–1.1450

Strategic Summary

Dominant Bias: Neutral to moderately bearish
Expected Range: 1.1450–1.1750
Key Support: 1.1450
Key Resistance: 1.1750 / 1.1850
Bullish Trigger: Break above 1.1850
Bearish Trigger: Break below 1.1450
Main Drivers: NFP, Fed expectations, ECB policy, energy prices and U.S.–Iran developments

Executive Summary

September begins with EUR/USD facing greater volatility as monetary policy and geopolitics pull the pair in different directions. Renewed Fed tightening expectations and safe-haven demand favour the dollar, while a more hawkish ECB provides an important counterweight for the euro.

The preferred scenario remains neutral to moderately bearish. Further Middle East escalation and elevated oil prices would favour renewed USD strength, while weaker U.S. employment data or geopolitical de-escalation could rapidly improve the outlook for EUR/USD.

GBP/USD

August 2026 Recap

August was a more constructive month for GBP/USD, with UK economic activity showing greater resilience than expected. Improving domestic conditions and reduced expectations for further Bank of England easing provided support to sterling, although inflation and geopolitical uncertainty continued to limit stronger momentum.

UK services activity remained in expansion, with the August Services PMI rising to 52.5, its strongest reading since April. At the same time, inflation increased to 2.9%, reflecting renewed price pressures and reinforcing concerns that higher energy costs could keep inflation elevated.

The Bank of England maintained Bank Rate at 3.75%, with three MPC members favouring a 25bp increase. This reinforced the shift toward a more restrictive policy outlook, although relatively weak labour-market conditions reduced expectations of an imminent rate hike.

Overall, August represented a stabilisation phase rather than a decisive bullish reversal. Better economic resilience and restrictive BoE policy supported sterling, but sticky inflation, energy risks and geopolitical uncertainty prevented GBP/USD from establishing a stronger directional trend.

Key Takeaways

The broader outlook has improved as resilient UK activity and reduced expectations for BoE easing provide greater support to sterling. However, persistent inflation and geopolitical uncertainty continue to limit the potential for a more decisive GBP/USD recovery.

Conclusion

August confirmed a more stable environment for GBP/USD as stronger UK activity and restrictive Bank of England policy reduced downside pressure on sterling. However, elevated inflation and energy-related risks continued to constrain the recovery. Entering September, attention shifts to whether improving domestic fundamentals can support further gains or renewed geopolitical and monetary-policy pressures restore U.S. dollar strength.



September 2026 Outlook

Starting Point: Recovery at a New Test

September begins with GBP/USD in a significantly stronger position following the recovery seen during August. UK activity has proved more resilient than expected, while reduced expectations for further Bank of England easing have provided additional support to sterling.

With the pair trading around 1.3500, the focus has shifted from defending 1.3000 toward whether improving UK fundamentals and restrictive monetary policy can sustain the recovery.

Technical Structure

- 1.3700–1.3770: Major structural resistance
- 1.3600: Intermediate resistance
- 1.3450–1.3500: Main directional pivot
- 1.3300–1.3350: Primary support
- 1.3200–1.3250: Major structural support

The technical structure has improved considerably. A sustained break above 1.3600 would reinforce bullish momentum and expose 1.3700–1.3770, while a move below 1.3300 would weaken the current recovery.

Macro & Monetary Environment

UK economic activity has stabilised, with services remaining in expansion and signs of improvement in employment. However, inflation has returned to 2.9% and higher energy costs could keep price pressures elevated during the coming months.

The Bank of England remains the principal domestic catalyst. With Bank Rate at 3.75% and a hawkish minority already favouring tighter policy, persistent inflation has reduced expectations for further easing. A continued hold with restrictive guidance would remain supportive for sterling.

Geopolitical & Fiscal Risk

The U.S.–Iran conflict remains an important source of uncertainty. Higher energy prices could reinforce UK inflation and support restrictive BoE policy, although a severe escalation would weaken growth and increase global risk aversion.

Elevated gilt yields also require attention. Higher yields driven by monetary-policy expectations can support sterling, while rising yields caused by fiscal

Scenario Matrix – September 2026

Base Case: Resilient UK activity, BoE hold and elevated inflation » 1.3400–1.3650
Bearish GBP: Hawkish BoE, sticky inflation and resilient growth » 1.3600–1.3800
Bullish GBP: Weaker activity, fiscal concerns or geopolitical escalation » 1.3200–1.3450

Structural Interpretation

September represents a new phase for GBP/USD as the earlier bearish structure transitions toward recovery. The main question is whether resilient activity and restrictive monetary policy can sustain sterling strength despite higher energy costs and fiscal uncertainty.

A sustained move above 1.3600 would provide stronger confirmation that the recovery is developing into a broader bullish phase.

Executive Summary

September begins with a moderately bullish outlook for GBP/USD. Resilient UK activity, inflation at 2.9% and reduced expectations for further BoE easing support sterling, while fiscal concerns and geopolitical uncertainty remain the principal risks.

The preferred scenario is consolidation between 1.3400 and 1.3650 with an upward bias. A sustained break above 1.3600 would expose 1.3700–1.3770, while a move below 1.3300 would materially weaken the recovery structure.

USD/JPY

August 2026 Recap

August was another elevated month for USD/JPY, with the pair remaining close to the psychologically important 160.00 area. The yen surrendered much of the appreciation generated by the joint U.S.–Japan intervention at the end of July, confirming that underlying dollar support remained strong.

The Federal Reserve became increasingly supportive for the dollar as persistent inflation and Kevin Warsh's hawkish Jackson Hole message revived expectations of a September rate hike. Higher U.S. yields and renewed tightening expectations continued to preserve the interest-rate advantage supporting USD/JPY.

At the same time, the Bank of Japan also moved toward a more hawkish outlook. Stronger Japanese inflation and expectations of another rate increase began to provide a more credible counterweight to yen weakness, although higher energy prices continued to pressure Japan's terms of trade.

Technically, August preserved the broader bullish structure but confirmed a more balanced environment around 160.00. Intervention risk remained in the background, while increasingly hawkish expectations for both central banks limited the potential for an uncontrolled directional move.

Key Takeaways

The broader outlook remains moderately bullish as elevated U.S. yields and renewed Fed tightening expectations continue to support the dollar. However, expectations of further BoJ tightening and persistent intervention risk are creating stronger resistance to additional USD/JPY gains.

Conclusion

August confirmed that USD/JPY remains elevated within its broader bullish structure, although the macro balance has become increasingly complex. Fed tightening expectations continue to support the dollar, while stronger Japanese inflation and the prospect of another BoJ hike provide a growing counterweight. Entering September, attention shifts to which central bank delivers the stronger policy signal and whether intervention risk increases again around the 160.00 area.



September 2026 Outlook

Overall Bias:
Neutral to Bearish, With Elevated Volatility

USD/JPY enters September in a materially different environment after falling from around ¥160 toward ¥156 as expectations for further Bank of Japan tightening increased.

With both the Fed and BoJ considering tighter policy, September will depend increasingly on which central bank delivers the stronger policy surprise.

Technical Structure

- 155.50–156.50: Immediate support
- 153.50–154.50: Major support
- 151.50–152.50: Structural support
- 158.50–160.00: Immediate resistance
- 161.50–162.50: Major resistance
- 163.50–164.00: Intervention-sensitive ceiling

Failure to recover ¥160 would reinforce the loss of bullish momentum, while a break below ¥155.50 would expose ¥153.50–154.50. A sustained move above ¥160 would reopen ¥162–164.

Federal Reserve & U.S. Yields

The Fed remains a major driver following Kevin Warsh's hawkish Jackson Hole message. Strong U.S. employment and inflation data would reinforce tightening expectations and support USD/JPY, while weaker data could quickly reduce dollar support.

Bank of Japan

The BoJ has become increasingly important as markets reassess the expected pace of Japanese policy normalisation. Following the June rate increase, expectations are building for another potential hike in September.

A move to 1.25% accompanied by hawkish guidance would provide stronger fundamental support for the yen and could accelerate the narrowing of the U.S.–Japan yield differential.

Geopolitical & Energy-Market Risk

The Iran conflict continues to complicate the outlook. Higher energy prices support U.S. inflation and Fed tightening expectations, but also increase Japanese inflation and pressure the BoJ toward faster normalisation.

As a result, USD/JPY is becoming increasingly sensitive to changes in the relative U.S.–Japan yield differential rather than simply the direction of global rates.

Intervention Risk

Intervention remains an important constraint on the upside. The July intervention demonstrated that authorities are prepared to respond to disorderly yen depreciation.

Another rapid move toward ¥163.50–164.00 would likely increase official resistance, limiting the potential for an uncontrolled extension of the previous bullish trend.

Scenario Matrix – September 2026

JPY Strength / Consolidation: BoJ tightening expectations and cautious Fed policy » ¥154.00–159.00
Bullish USD/JPY Recovery: Strong U.S. data and less-hawkish BoJ » ¥159.00–162.50
Bearish Breakdown: Weak U.S. data combined with BoJ hike and hawkish guidance » ¥151.50–155.00

Key Events – September 2026

U.S. Labour & Inflation: Critical for Fed tightening expectations.
Federal Reserve: Policy decision could materially alter the U.S. yield outlook.
Bank of Japan: Potential additional tightening could strengthen the yen.
Official Commentary: Intervention risk remains relevant if USD/JPY returns toward July highs.

Executive Summary

USD/JPY enters September in a more balanced and potentially bearish environment as expectations for faster BoJ normalisation challenge the monetary-policy divergence that supported the pair throughout much of 2026. At the same time, renewed Fed tightening expectations prevent the outlook from becoming decisively bearish.

The preferred scenario is consolidation between ¥154.00 and ¥159.00 with a mild downside bias. A sustained recovery above ¥160 would restore stronger bullish momentum toward ¥162–164, while a break below ¥155 could accelerate the correction toward ¥152–154.

USD/CHF

August 2026 Recap

August was a consolidation month for USD/CHF following the strong recovery recorded in June and July. The pair remained broadly around the 0.80–0.81 area as renewed geopolitical uncertainty and stronger Swiss-franc demand offset improving support for the U.S. dollar.

The Federal Reserve became increasingly supportive for the dollar toward month-end. Persistent U.S. inflation and Kevin Warsh's hawkish Jackson Hole message strengthened expectations that monetary policy could remain restrictive for longer, helping the USD recover.

At the same time, the Swiss franc remained supported by renewed Middle East tensions and its traditional safe-haven characteristics. Swiss inflation also increased to 0.8% year-on-year, reducing expectations for additional SNB accommodation despite the policy rate remaining at 0%.

Technically, August interrupted the recovery momentum seen earlier in the summer without producing a decisive bearish reversal. USD/CHF remained broadly stable around 0.80, reflecting a more balanced environment between renewed USD monetary-policy support and stronger defensive demand for CHF.

Key Takeaways

The broader outlook remains balanced as hawkish Fed expectations support the dollar, while geopolitical uncertainty and rising Swiss inflation reinforce demand for the franc. Holding around 0.8000 keeps the broader recovery structure intact.

Conclusion

August marked a consolidation phase for USD/CHF after two months of recovery. Renewed Fed support prevented a deeper decline, while geopolitical uncertainty and stronger Swiss fundamentals limited further upside. Entering September, attention shifts to whether U.S. monetary-policy expectations can restore bullish momentum or continued safe-haven demand strengthens the Swiss franc.



September 2026 Outlook

Fed Repricing vs. CHF Safe-Haven Demand

USD/CHF enters September after August's consolidation, with the market balancing renewed support for the U.S. dollar against persistent safe-haven demand for the Swiss franc.

Higher energy prices and renewed inflation concerns have increased expectations for tighter Federal Reserve policy, supporting U.S. yields and the dollar. At the same time, geopolitical uncertainty continues to reinforce defensive demand for CHF.

Federal Reserve & U.S. Dollar

The Federal Reserve remains the principal directional catalyst. Persistent inflation and increasingly hawkish communication have raised the possibility of additional tightening, creating a more supportive environment for the dollar.

U.S. employment and inflation data will be critical. Resilient activity would reinforce tightening expectations, while weaker data could reduce expectations for a September hike and pressure USD/CHF.

Swiss National Bank & Risk Sentiment

Swiss inflation increased to 0.8% year-on-year in August, reducing the need for additional monetary accommodation while remaining within the SNB's price-stability range.

The franc also remains highly sensitive to geopolitical developments. Further escalation in the Middle East could strengthen CHF safe-haven demand and offset the dollar's interest-rate advantage.

Technical Structure

- 0.7900: Major support
- 0.8000: Primary pivot
- 0.8150: Immediate resistance
- 0.8250: Major resistance
- 0.8400: Medium-term recovery target

Holding above 0.8000 preserves the neutral-to-constructive structure. A sustained break above 0.8150 would expose 0.8250–0.8400, while a move below 0.8000 would shift attention toward 0.7900.

Scenario Matrix – September 2026

Bullish Extension: Strong U.S. data, persistent inflation and hawkish Fed » 0.8150–0.8400
Range Consolidation: Fed support offsets CHF safe-haven demand » 0.8000–0.8150
Bearish Pullback: Weak U.S. data or geopolitical escalation strengthens CHF » 0.7900–0.8000

Strategic Summary

Short-Term Bias: Neutral to moderately bullish
Primary Support: 0.8000
Key Resistance: 0.8150
Upside Targets: 0.8250 / 0.8400
Downside Risk: 0.7900
Main Drivers: Fed expectations, U.S. macro data, SNB policy and geopolitical risk

Executive Summary

USD/CHF enters September with a balanced but moderately USD-positive outlook. Renewed Fed tightening expectations support the dollar, while geopolitical uncertainty and higher Swiss inflation continue to underpin CHF demand.

The preferred scenario is consolidation between 0.8000 and 0.8150. A confirmed break above 0.8150 would strengthen the recovery toward 0.8250–0.8400, while a move below 0.8000 would increase downside risk toward 0.7900.

USD/CAD

August 2026 Recap

August was a more volatile month for USD/CAD, with the pair increasingly driven by monetary-policy repricing, energy-related inflation and trade uncertainty. Improving Canadian fundamentals supported the CAD, but a significant hawkish shift in Federal Reserve expectations strengthened the U.S. dollar toward month-end.

The Federal Reserve became the principal driver as Kevin Warsh's Jackson Hole message reinforced concerns over persistent inflation and increased expectations of a possible September rate hike. Higher Treasury yields consequently provided renewed support for the USD.

Canada's economic backdrop improved, with stronger Q2 activity and unemployment easing to 6.4%. Elevated oil prices also remained supportive for the Canadian economy, although inflation near 3% and continued U.S.–Canada trade uncertainty prevented the CAD from fully benefiting from stronger domestic conditions.

Technically, August shifted USD/CAD above its previous consolidation range, with the pair ending around 1.3855 after briefly reaching 1.3911. This strengthened the short-term recovery structure and confirmed that renewed U.S. monetary-policy support had become increasingly important.

Key Takeaways

The broader outlook has shifted moderately in favour of the U.S. dollar as renewed Fed tightening expectations offset improving Canadian fundamentals and supportive energy prices. Holding above the previous 1.3750 resistance area would preserve the stronger recovery structure.

Conclusion

August marked an important shift for USD/CAD as monetary-policy expectations replaced oil as the dominant directional catalyst. Improving Canadian growth and elevated energy prices supported the CAD, but hawkish Fed repricing and trade uncertainty favoured the dollar. Entering September, attention shifts to whether tighter U.S. policy expectations can sustain the move above 1.3750 or stronger Canadian fundamentals begin to restore CAD momentum.



September 2026 Outlook

Starting Context

USD/CAD enters September with a stronger USD bias following the late-August recovery toward 1.3900. The key shift is the sharp repricing of Federal Reserve expectations, while renewed Middle East tensions and U.S.–Canada trade uncertainty add further support to volatility.

Canadian fundamentals have improved, with Q2 GDP expanding 3.3% and unemployment declining to 6.4%. However, the possibility of renewed Fed tightening provides the U.S. dollar with considerably stronger support than during the summer.

Federal Reserve & U.S. Data

The Federal Reserve has become the principal directional catalyst. Hawkish communication and persistent inflation have shifted markets from expectations of future easing toward the possibility of another rate increase.

U.S. employment and inflation data will therefore be critical. Strong releases would reinforce Fed tightening expectations and support USD/CAD, while weaker data could reduce rate-hike expectations and trigger a dollar correction.

Bank of Canada

The Bank of Canada maintained its policy rate at 2.25%, acknowledging stronger economic activity alongside higher inflation risks from energy prices and tariffs.

Improving growth and elevated inflation reduce the need for additional easing, providing moderate support for CAD. However, trade uncertainty continues to represent an important downside risk.

Oil & Geopolitical Risk

WTI remains around $90–91, providing support to Canadian export revenues and terms of trade. However, renewed U.S.–Iran tensions also increase global risk aversion and safe-haven demand for the dollar.

Higher oil prices therefore remain supportive for CAD, but their positive impact is increasingly offset by geopolitical uncertainty.

U.S.–Canada Trade Risk

New tariffs and retaliatory measures have increased uncertainty surrounding Canadian exports, investment and employment. Further trade escalation would likely weaken CAD despite improving domestic fundamentals.

Technical Structure

- 1.3900–1.3950: Immediate resistance
- 1.4000: Psychological resistance
- 1.4100–1.4150: Extended bullish target
- 1.3750–1.3800: Initial support
- 1.3500–1.3550: Major structural support

A sustained break above 1.3900–1.3950 would confirm stronger bullish momentum and expose 1.4000. Failure to maintain the late-August recovery would shift attention back toward 1.3750–1.3800.

Scenario Matrix – September 2026

Base Case: Fed repricing offsets stronger Canadian fundamentals and elevated oil » 1.3750–1.4000
Bullish USD/CAD: Strong U.S. data, Fed tightening and trade escalation » 1.4000–1.4150
Bearish USD/CAD: Weak U.S. data, lower yields and resilient Canadian growth » 1.3550–1.3750

Executive Summary

USD/CAD enters September with a neutral-to-bullish bias as renewed Fed tightening expectations, geopolitical uncertainty and trade risks provide stronger support for the U.S. dollar. Improving Canadian growth and elevated oil prices should nevertheless limit CAD downside.

The preferred scenario is 1.3750–1.4000. A sustained break above 1.4000 would strengthen the bullish case toward 1.4100–1.4150, while weaker U.S. data could return the pair toward 1.3750 or lower.

AUD/USD

August 2026 Recap

August was a mixed month for AUD/USD, with monetary-policy expectations on both sides of the pair becoming the dominant market driver. The Australian dollar initially benefited from the RBA's restrictive stance, but renewed Federal Reserve hawkishness strengthened the U.S. dollar toward month-end.

The Reserve Bank of Australia maintained the cash rate at 4.35%, following three earlier increases in 2026. With headline inflation at 3.9% and trimmed-mean inflation at 3.6%, policymakers continued to signal that monetary conditions would need to remain restrictive, providing underlying support for the AUD.

In the United States, persistent inflation and Kevin Warsh's hawkish Jackson Hole message significantly increased expectations for renewed Fed tightening. Higher Treasury yields consequently reduced the monetary-policy advantage that had previously supported the Australian dollar.

Geopolitical uncertainty and mixed Chinese economic conditions also constrained AUD demand. Elevated commodity prices supported Australia's terms of trade, but higher energy costs, global growth risks and uncertainty surrounding Chinese domestic demand prevented a stronger recovery.

Key Takeaways

The broader outlook remains cautiously constructive as restrictive RBA policy continues to support the Australian dollar. However, renewed Fed hawkishness, persistent geopolitical risks and uncertainty surrounding China have created a more balanced environment for AUD/USD.

Conclusion

August confirmed that AUD/USD remains highly sensitive to relative monetary-policy expectations. Restrictive RBA policy and elevated inflation supported the Australian dollar, but renewed Fed tightening expectations restored meaningful support to the USD. Entering September, attention shifts to whether U.S. economic data validate the Fed's hawkish repricing or allow the Australian dollar to regain momentum.



September 2026 Outlook

Starting Context:

AUD/USD enters September following a stronger August recovery, with the pair trading around the 0.7200 area. Restrictive RBA policy continues to support the Australian dollar, but renewed Federal Reserve hawkishness has reduced the monetary-policy advantage that previously favoured AUD.

September is therefore expected to be a higher-volatility month, driven primarily by U.S. employment and inflation data, central-bank expectations and renewed geopolitical uncertainty.

Federal Reserve & U.S. Data

The Federal Reserve has become the principal short--term catalyst. Persistent inflation and hawkish Jackson Hole communication have shifted markets toward the possibility of additional tightening.

Strong employment and inflation data would reinforce Fed tightening expectations and pressure AUD/USD, while weaker releases could reduce Treasury yields and allow the Australian dollar to extend its recovery.

RBA Policy Outlook

The RBA maintained the cash rate at 4.35% in August after raising rates by 75bp earlier in 2026. Inflation remains above target, keeping further tightening possible and providing an important fundamental anchor for AUD.

However, slowing domestic demand, weaker housing conditions and gradually rising unemployment limit the scope for significantly more restrictive policy.

China & Commodity Markets

China remains an important external driver through commodity demand and Australia's export outlook. Stronger industrial activity or additional stimulus would support AUD, while renewed weakness in consumption and property would limit upside momentum.

Global Risk Sentiment

Renewed U.S.–Iran tensions and elevated oil prices have increased global risk and inflation uncertainty. Higher commodity prices can support Australia's terms of trade, but significant geopolitical escalation would favour USD safe-haven demand and pressure AUD/USD.

Technical Structure

- 0.7250–0.7300: Major breakout zone
- 0.7180–0.7200: Immediate pivot
- 0.7100–0.7120: Primary support
- 0.7000: Psychological support
- 0.6900–0.6940: Major structural support

The broader structure remains constructive above 0.7100–0.7120. A sustained break above 0.7250--–0.7300 would strengthen the bullish structure and expose 0.7400, while a loss of primary support would increase correction risk toward 0.7000.

Scenario Matrix – September 2026

Bullish AUD: Weaker U.S. data, Fed repricing and hawkish RBA » 0.7250–0.7400
Base Case: Balanced central-bank expectations and elevated volatility » 0.7100–0.7300
Bearish AUD: Strong U.S. data, hawkish Fed or geopolitical escalation » 0.7000–0.7120

Executive Summary

AUD/USD enters September with a cautiously constructive medium-term outlook, supported by restrictive RBA policy and the improved technical structure established during August. However, renewed Fed hawkishness and geopolitical uncertainty create significantly greater short-term volatility.

The preferred scenario remains consolidation with a mild bullish bias while 0.7100–0.7120 holds. A sustained break above 0.7250–0.7300 would strengthen the recovery toward 0.7400, while a break below primary support would shift attention back toward 0.7000.

NZD/USD

August 2026 Recap

August was a more volatile month for NZD/USD, with monetary-policy expectations becoming increasingly important on both sides of the pair. Improving New Zealand fundamentals provided support to the NZD, but renewed Federal Reserve hawkishness strengthened the U.S. dollar toward month-end.

The Federal Reserve became the principal external driver after Kevin Warsh's hawkish Jackson Hole message increased expectations of a September rate hike. Higher U.S. Treasury yields consequently restored support for the dollar and limited NZD/USD upside.

In New Zealand, inflation accelerated to 4.1% while unemployment reached 5.6%, creating a difficult combination of elevated price pressures and labour-market weakness. However, improving confidence and resilient agriculture, tourism and primary-sector activity reinforced expectations for continued RBNZ policy normalisation.

Geopolitical uncertainty also remained important. Persistent U.S.–Iran tensions periodically increased defensive USD demand, preventing improving New Zealand rate expectations from translating into a sustained NZD recovery.

Key Takeaways

The broader outlook remains balanced as elevated New Zealand inflation and expectations for further RBNZ tightening support the NZD. However, renewed Fed hawkishness, higher U.S. yields and geopolitical uncertainty continue to limit upside momentum.

Conclusion

August shifted NZD/USD toward a more balanced but increasingly volatile environment. Improving New Zealand resilience and expectations for further RBNZ normalisation supported the Kiwi, while renewed Fed tightening expectations strengthened the dollar. Entering September, attention shifts to relative Fed and RBNZ policy expectations, U.S. inflation and geopolitical developments as the primary directional catalysts.



September 2026 Outlook

Macro Landscape & Key Drivers

NZD/USD enters September in a more complex environment, trading around the 0.5870–0.5900 region. The RBNZ's latest rate increase provides support to the Kiwi, while renewed Federal Reserve hawkishness and geopolitical uncertainty favour the U.S. dollar.

The key theme is now policy competition rather than policy divergence, as both central banks confront persistent inflation and potentially tighter monetary conditions.

Federal Reserve & U.S. Data

The Federal Reserve remains the principal external driver. Hawkish communication has increased expectations for a September rate hike, making employment and inflation data particularly important.

Strong NFP and persistent inflation would reinforce Fed tightening expectations and pressure NZD/USD. Weaker data or a Fed hold could reduce Treasury yields and allow the pair to recover.

New Zealand Domestic Conditions

The RBNZ raised the OCR by 25bp to 2.75% in September as annual inflation remained elevated at 4.1%. This tighter policy environment provides fundamental support for the NZD despite relatively fragile domestic growth.

The outlook therefore remains supported by higher domestic rates, although further gains will depend increasingly on relative Fed–RBNZ policy expectations.

Global Risk Sentiment & China

Renewed U.S.–Iran tensions and higher energy prices create additional downside risk for NZD/USD through stronger USD safe-haven demand and higher U.S. inflation expectations.

China remains another important external driver. Stronger industrial activity and commodity demand would support the Kiwi, while renewed Chinese weakness would reinforce downside pressure.

Technical Structure

- 0.6100: Bullish breakout confirmation
- 0.6000: Major structural resistance
- 0.5950–0.5980: Initial recovery zone
- 0.5900: Immediate directional pivot
- 0.5850–0.5870: Primary support
- 0.5740–0.5760: Major structural support

The technical structure has weakened compared with earlier in the summer. A recovery above 0.5950–0.6000 would improve the outlook and reopen 0.6100, while a sustained break below 0.5850 would expose 0.5740–0.5760.

Institutional Positioning

Institutional positioning is likely to remain tactical ahead of the September FOMC. RBNZ tightening provides support for NZD exposure, but uncertainty surrounding the Fed limits conviction in a broader directional move.

Scenario Matrix – September 2026

Bullish NZD: Weak U.S. data, Fed hold and hawkish RBNZ » 0.5950–0.6100
Base Case: Both central banks remain hawkish with mixed U.S. data » 0.5850–0.6000
Bearish NZD: Strong U.S. data, Fed hike and geopolitical escalation » 0.5700–0.5850

Executive Summary

NZD/USD enters September with a neutral-to-bearish bias as competing Fed and RBNZ tightening expectations increase volatility. The RBNZ's move to 2.75% supports the Kiwi, but renewed Fed hawkishness and geopolitical risk provide a significant counterweight.

The preferred scenario is consolidation between 0.5850 and 0.6000. A sustained recovery above 0.6000 would reopen the path toward 0.6100, while a break below 0.5850 would increase downside risk toward 0.5740–0.5760.

Oil Market

August 2026 Recap

August was a highly volatile month for WTI, dominated by renewed U.S.–Iran escalation, persistent disruption to Persian Gulf energy flows and growing concerns over the macroeconomic consequences of elevated energy costs.

The Strait of Hormuz remained the principal market driver. Restricted shipping and stalled negotiations kept a significant geopolitical premium embedded in crude prices, while depleted inventories and substantial Gulf production outages increased the market's vulnerability to further supply disruptions.

OPEC+ attempted to preserve stability through a limited production adjustment for September, although geopolitical disruptions increasingly determined effective supply availability. At the same time, attacks on Russian refining infrastructure added further pressure to refined-product markets and global energy logistics.

Higher crude, fuel, freight and insurance costs increasingly fed into global inflation while simultaneously weakening consumption. The IEA consequently expected global oil demand to contract by 1.6 mb/d in 2026, highlighting the growing demand-destruction effects of sustained high energy costs. Renewed U.S.–Iran escalation at month-end pushed WTI sharply higher to approximately $85.76 per barrel.

Key Takeaways

The broader outlook remains highly sensitive to geopolitical risk as constrained Persian Gulf flows, depleted inventories and refining disruptions support oil prices. However, weakening global demand and growing economic pressure increasingly limit the potential for a sustained bullish extension.

Conclusion

August confirmed that the energy shock is increasingly transmitting into inflation, monetary policy and global growth. Restricted effective supply and renewed geopolitical escalation continue to support WTI, while higher energy costs are simultaneously accelerating demand destruction. Entering September, the balance between further supply disruption and weakening global consumption will remain the principal driver of oil prices.



September 2026 Outlook

Starting Context: Geopolitical Risk Returns to the Forefront

WTI enters September around $90–91/bbl following renewed U.S.–Iran escalation and severe restrictions through the Strait of Hormuz. Attacks on tankers and renewed military exchanges have restored supply security as the dominant market driver.

The environment has therefore shifted from a conventional supply-demand balance toward a broader geopolitical and macroeconomic oil shock, with higher energy prices increasingly affecting inflation, monetary policy and global growth.

Global Supply Outlook

Global supply remains structurally constrained, with approximately 8.3 mb/d of Gulf production shut in and observed inventories significantly depleted since the beginning of the conflict.

OPEC+ continues to pursue market stability, but its ability to offset the disruption is limited while Gulf exports remain constrained. Physical logistics through Hormuz are therefore becoming as important as production capacity itself.

Global Demand Outlook

Demand destruction represents the principal counterweight to further price increases. Persistently elevated fuel costs are weakening consumption and increasing pressure on global economic activity.

China and other price-sensitive Asian economies will be particularly important in determining whether weaker demand begins to offset the geopolitical supply premium.

Geopolitical & Supply Risk

The U.S.–Iran conflict remains the primary upside risk. Restricted Hormuz traffic, tanker attacks and continued military escalation could maintain a substantial geopolitical premium throughout September.

Attacks on Russian refining infrastructure create an additional supply risk, particularly for diesel and jet fuel, reinforcing pressure across global energy markets.

Economic Impact by Price Zone

$70–80/bbl: Moderate inflation pressure with manageable growth impact.
$80–90/bbl: Increasing pressure on transport, logistics and production costs.
$90–100/bbl: Material inflation risk and tighter monetary conditions.
Above $100/bbl: Increased risk of demand destruction and weaker global growth.

Current prices are already sufficiently elevated to influence inflation expectations and reinforce expectations that central banks may need to maintain restrictive policy.

Technical Structure

Above $100/bbl: Severe supply-risk scenario
$95–100/bbl: Major geopolitical premium zone
$90–95/bbl: Current elevated-risk range
$80–90/bbl: Initial de-escalation zone
Below $80/bbl: Material reduction in geopolitical premium

Holding around $90–95 would confirm that supply-security concerns remain embedded in prices. A sustained move above $100 would indicate a significantly more severe energy shock.

Scenario Matrix – September 2026

Base Case: Persistent conflict and constrained Hormuz flows maintain elevated prices » $85–100/bbl
Bullish WTI: Further tanker attacks or major Gulf supply disruption intensify the energy shock » Above $100/bbl
Bearish WTI: Renewed negotiations and improving Hormuz traffic reduce the geopolitical premium » $75–85/bbl

Executive Summary

WTI enters September in a substantially more fragile environment, with renewed U.S.–Iran escalation, constrained Gulf exports and depleted inventories supporting a significant geopolitical premium.

The preferred scenario remains elevated and volatile pricing while Hormuz disruptions persist. The longer WTI remains around $90 or above, the greater the risk that the energy shock extends into inflation, tighter monetary policy and weaker global growth.

Gold

August 2026 Recap

August was a strong but highly volatile month for gold, with prices gaining approximately 9.4% as U.S. fiscal concerns, periods of dollar weakness and renewed geopolitical uncertainty supported demand for hard assets.

The main driver remained the interaction between Federal Reserve expectations, geopolitical risk and Treasury yields. Gold approached the $4,700/oz region before correcting sharply after Kevin Warsh's hawkish Jackson Hole message increased expectations that monetary policy could remain restrictive or tighten further.

Middle East tensions continued to support safe-haven demand, although higher energy prices also reinforced inflation concerns and pushed yields higher. Geopolitical escalation therefore became a more complex influence, with defensive demand increasingly competing against the negative impact of higher real rates.

Fiscal concerns and longer-term questions surrounding U.S. debt sustainability provided additional structural support. Despite the late-month correction, demand for gold as an alternative store of value remained an important pillar of the broader bullish framework.

Key Takeaways

The broader outlook remains constructive as fiscal concerns, geopolitical uncertainty and structural demand continue to support gold. However, renewed Fed hawkishness and higher real yields represent increasingly important constraints on further upside.

Conclusion

August confirmed gold's underlying strength despite a distinctly weaker finish. Fiscal and geopolitical demand supported a powerful monthly advance, while hawkish Fed repricing interrupted the rally toward month-end. Entering September, attention shifts to whether structural and safe-haven demand can outweigh a potentially more restrictive U.S. rates environment.



September 2026 Outlook

Starting Context:
Structural Support, Complex Macro Environment

Gold enters September near $4,400/oz following a strong 9.4% August gain and a sharp late-month correction. Renewed Middle East escalation continues to support safe-haven demand, but higher energy prices are simultaneously increasing inflation expectations, Treasury yields and expectations for tighter Federal Reserve policy.

September therefore begins with competing forces: geopolitical and structural demand remain supportive, while higher real yields and a stronger U.S. dollar represent the principal short-term constraints.

Federal Reserve & U.S. Data

The Federal Reserve remains the dominant macroeconomic driver. Kevin Warsh's hawkish Jackson Hole message increased expectations of further tightening, contributing to gold's late-August correction.

Employment and inflation data will be critical. Weaker U.S. data would reduce tightening expectations and support gold through lower yields, while resilient employment and persistent inflation could maintain pressure on the metal.

Geopolitical & Structural Risk

Renewed U.S.–Iran escalation and risks surrounding the Strait of Hormuz provide significant structural support for gold. However, the immediate impact is increasingly complex.

Higher oil prices reinforce safe-haven demand but also increase inflation expectations and Treasury yields. September will therefore test whether geopolitical demand can outweigh the monetary-policy consequences of the energy shock.

Central Bank & Institutional Demand

Central-bank accumulation, reserve diversification and concerns over U.S. fiscal sustainability remain important long-term supports.

These structural factors continue to provide an underlying floor for gold despite elevated real rates, reinforcing its role as an alternative reserve asset during periods of fiscal and geopolitical uncertainty.

Technical Structure

- $4,300–4,350: Immediate support
- $4,200–4,250: Major support
- $4,500–4,550: Immediate resistance
- $4,650–4,700: Major resistance
- Above $4,700: Bullish breakout zone

A sustained recovery above $4,500 would indicate that the recent Fed repricing is being absorbed. A break above $4,650–4,700 would restore stronger bullish momentum, while a move below $4,300 would expose the $4,200–4,250 support area.

Scenario Matrix – September 2026

Bullish Scenario: Weak U.S. data, lower yields and persistent geopolitical risk » $4,650–4,900
Base Case: Elevated geopolitical risk offsets continued Fed hawkishness » $4,300–4,650
Bearish Scenario: Strong U.S. data, persistent energy inflation and higher yields » $4,100–4,350
Tail-Risk Bull Case: Major Hormuz disruption or broader regional escalation » $4,900–5,100+

Executive Summary

Gold enters September with its structural bullish framework intact, supported by geopolitical uncertainty, central-bank demand and fiscal concerns. However, higher oil-driven inflation, Treasury yields and renewed Fed tightening expectations create significant short-term resistance.

The preferred scenario is consolidation between $4,300 and $4,650. A sustained break above $4,700 would restore stronger bullish momentum toward $4,900–5,000, while a loss of $4,300 would increase downside risk toward $4,200.

S&P 500

August 2026 Recap

August was another constructive month for the S&P 500, with the index gaining approximately 2.6% and reaching new record territory. Strong corporate earnings, continued AI-related investment and resilient U.S. economic activity supported risk appetite throughout most of the month.

The Federal Reserve became an increasingly important driver toward month-end. Kevin Warsh's hawkish Jackson Hole message increased expectations of a potential September rate hike, pushing Treasury yields higher and creating a less supportive valuation environment for equities.

Geopolitical risk also returned as renewed U.S.–Iran tensions pushed oil prices higher and revived concerns over energy-driven inflation. While the S&P 500 remained resilient, higher energy costs increased pressure on the inflation outlook and reduced expectations for more accommodative monetary policy.

Technology and AI-related equities continued to provide important leadership, although market participation remained relatively uneven, with only around half of S&P 500 constituents finishing the month higher. This highlighted growing dispersion beneath the strength of the headline index.

Key Takeaways

The broader outlook remains constructive as strong earnings, AI-related investment and resilient economic activity continue to support U.S. equities. However, higher Treasury yields, renewed geopolitical tensions and energy-driven inflation risks are creating a more challenging macro environment.

Conclusion

August confirmed the underlying strength of the S&P 500, with strong earnings and technology leadership driving the index into record territory. However, the macro backdrop became less supportive as higher oil prices and renewed Fed hawkishness increased pressure on yields and valuations. Entering September, attention shifts to whether corporate fundamentals can continue to outweigh tighter financial conditions and geopolitical uncertainty.



September 2026 Outlook

Executive Overview

The S&P 500 enters September near record territory following a strong August gain of approximately 2.6%. Corporate fundamentals remain constructive, supported by resilient earnings and continued AI-related investment, but the macro environment has become materially more challenging.

September is expected to be a higher-volatility phase as markets absorb renewed Middle East tensions, oil above $90, elevated Treasury yields and growing expectations that the Federal Reserve may tighten policy again.

Macro Environment

The macro backdrop has become less supportive for equities. Higher energy prices are increasing inflation risks, while elevated yields create additional pressure on valuations and financial conditions.

The key question is whether economic resilience can continue supporting earnings without reinforcing inflation sufficiently to require further monetary tightening.

Federal Reserve & Economic Data

The September FOMC meeting will be the principal monetary-policy catalyst. Markets have materially increased expectations for another rate hike following persistent inflation and renewed energy--price pressures.

Employment and inflation data will therefore be critical. Strong data could reinforce tightening expectations, while softer releases could reduce pressure on yields but increase concerns over economic growth.

Corporate Earnings & Market Breadth

Corporate profitability remains the principal counterweight to the deteriorating macro environment. Strong Q2 earnings and continued AI-related capital expenditure provide structural support to technology and semiconductor companies.

However, higher yields could increase market dispersion, favouring companies with strong earnings and cash generation while pressuring more expensive, rate-sensitive equities.

Geopolitical Risk

Renewed U.S.–Iran tensions have restored geopolitics as a major market variable. Brent near $95 and WTI above $90 increase inflation, production costs and the risk of tighter monetary policy.

De-escalation would reduce these pressures, while further disruption involving Hormuz or regional energy infrastructure could materially weaken the inflation and growth outlook.

Scenario Matrix – September 2026

Constructive Expansion: Softer inflation, geopolitical stabilisation and lower yields allow the S&P 500 to extend record highs.
Controlled Consolidation: Strong earnings offset elevated oil, yields and Fed uncertainty, maintaining the broader uptrend.
Macro Repricing: Further geopolitical escalation, persistent inflation and tighter Fed policy trigger valuation compression and a deeper correction.

Key Variables – September 2026

Federal Reserve: The September FOMC decision will determine whether tighter policy becomes a more significant equity headwind.
Inflation & Oil: Persistent energy inflation would increase pressure on yields and equity multiples.
Corporate Earnings: Strong profitability and AI investment remain the principal fundamental supports for the market.

Executive Summary

The S&P 500 enters September with its medium-term bullish structure intact, supported by strong earnings and continued AI investment. However, higher oil prices, renewed geopolitical tensions and increasingly hawkish Fed expectations have created a more difficult macro environment.

The preferred scenario is volatile consolidation rather than a structural reversal. Continued earnings resilience should provide support, while the evolution of inflation, Treasury yields, Fed policy and the U.S.–Iran conflict will determine whether the summer rally extends or develops into a more meaningful correction.

STOXX50

August 2026 Recap

August was a resilient but increasingly complex month for the STOXX Europe 50, with European equities initially supported by strong corporate earnings, improving economic confidence and continued technology and AI-related investment. The index reached record territory during the first half of the month before conditions became more challenging.

The macroeconomic backdrop remained relatively constructive, with Eurozone business activity expanding and the Composite PMI reaching 52.0. However, inflation accelerated to 3.3%, largely reflecting higher energy costs and shifting expectations away from future ECB easing toward the possibility of more restrictive policy.

Geopolitical risk returned as a major driver toward month-end. Renewed U.S.–Iran escalation pushed Brent above $90, increasing concerns over energy costs, corporate margins and inflation. Europe's dependence on imported energy made the region particularly sensitive to this renewed shock.

Corporate earnings continued to provide underlying support, although sector performance became increasingly differentiated. Energy benefited from higher crude prices, while energy-intensive industrials and rate-sensitive sectors faced greater pressure from rising input costs and bond yields.

Key Takeaways

The broader outlook remains constructive as resilient economic activity and corporate earnings continue to support European equities. However, renewed geopolitical tensions, higher energy prices and rising inflation have created a more challenging environment for valuations and ECB policy.

Conclusion

August confirmed the underlying resilience of the STOXX Europe 50 but marked an important shift in the macro environment. Strong earnings and improving activity supported equities, while renewed Middle East escalation restored energy and inflation risks. Entering September, attention shifts to whether higher energy costs remain temporary or develop into a broader inflationary shock capable of forcing tighter ECB policy.



September 2026 Outlook

Market Overiewt

The STOXX Europe 50 enters September in a more challenging environment as renewed U.S.–Iran escalation, higher energy prices and rising inflation restore the geopolitical risk premium across European markets.

The European economy remains relatively resilient, but Brent above $90 and Eurozone inflation at 3.3% have materially changed the monetary-policy outlook. September therefore begins with a neutral-to-defensive bias, although the broader structural case for European equities remains intact.

Monetary Policy & Economic Outlook

The ECB has become a more significant risk for equities as markets shift from expectations of easing toward the possibility of additional tightening.

At the same time, Eurozone activity remains resilient, with the Composite PMI at 52.0 and improving manufacturing and exports. This reduces immediate recession risk but could also give the ECB greater flexibility to maintain restrictive policy if inflation remains elevated.

Earnings & Sector Positioning

Sector dispersion is expected to increase during September. Energy and Defence remain relatively supported by the geopolitical environment, while Healthcare should benefit from more defensive positioning.

Industrials, Autos, Chemicals and Consumer Discretionary remain more exposed to higher energy and financing costs. Financials could initially benefit from higher rates, although rising sovereign yields and weaker credit conditions represent increasing risks.

Geopolitical & Market Risk

The Middle East conflict is the principal external risk. Continued disruption around the Strait of Hormuz could maintain elevated oil prices and reinforce inflationary pressure across Europe.

A credible de-escalation would reduce energy and yield pressures relatively quickly, while broader regional escalation could create a more severe stagflationary environment for European equities.

Scenario Matrix – September 2026

Constructive Expansion: Geopolitical de-escalation, lower oil prices and reduced ECB tightening expectations support a broader equity recovery.
Controlled Consolidation: Conflict remains contained but elevated energy prices and hawkish ECB expectations maintain volatility and sector rotation.
Risk Repricing: Further Hormuz disruption, higher inflation and tighter monetary policy trigger a broader European equity correction.

Key Variables – September 2026

ECB & Inflation: Persistent inflation above 3% could reinforce expectations for additional tightening.
Energy Markets: Oil prices remain the principal transmission channel between geopolitical risk, inflation and European growth.
Economic Activity: Resilient PMIs and improving manufacturing provide an important counterweight to the deteriorating macro backdrop.

Executive Summary

September represents a more demanding environment for the STOXX Europe 50. Resilient economic activity and corporate fundamentals continue to provide underlying support, but higher energy prices, renewed geopolitical escalation and tighter ECB expectations have increased downside risks.

The preferred scenario is volatile consolidation with a neutral-to-defensive bias. De-escalation and lower oil prices could restore stronger upside momentum, while a prolonged energy shock would increase inflation, financial-condition and growth risks for European equities.

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