

MARKET INSIGHT WEEK 37

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UPCOMING ECONOMIC EVENTS

	Time*	Forecast	Previous
Monday, September 7			
US Labor Day - Holiday			
Tuesday, September 8			
JP GDP (QoQ) (Q2)	00:50	0.3%	0.3%
Thursday, September 10			
US OPEC Monthly Report	11:00		
EU ECB Interest Rate Decision (Sep)	13:15	2.65%	2.40%
US Initial Jobless Claims	13:30	205K	206K
US PPI (MoM) (Aug)	13:30	0.3%	0.2%
EU ECB Press Conference	13:45		
US Crude Oil Inventories	17:00		-4.4450
Friday, September 11			
GB GDP (MoM) (Jul)	07:00	0.0%	0.3%
US CPI (MoM) (Aug)	13:30	0.4%	0.1%

*US moves forward one hour for daylight saving time.

Weekly Recap - August 31-September 4, 2026 (W36)

Strong NFP Validates Warsh's Hawkish Signal and Raises September Hike Expectations

Week 36 strengthened the case for another Fed increase as August payrolls rose by 162,000, unemployment remained at 4.1% and previous employment figures were revised higher. Resilient services activity reinforced the growth outlook, while rising oil prices increased inflation risks. September hike expectations rose, supporting the USD and yields while pressuring gold.

United States

Strong NFP Reinforces the Hawkish Fed Case

August employment significantly exceeded expectations.

Key developments:

- Nonfarm payrolls increased by 162,000.
- July payrolls were revised from -23,000 to +21,000.
- Unemployment remained at 4.1%.
- Labour-force participation increased to 61.6%.
- Private-sector employment rose by 127,000.
- Wage growth remained moderate at 3.1%.

As a result:

- September hike expectations increased.
- Short-term Treasury yields rose.
- USD strengthened following the NFP.
- Fed policy expectations became more hawkish.

The strong employment report removed a major obstacle to further tightening, although moderate wage growth kept the September decision dependent on inflation.

Geopolitics

Energy Risks Intensify Again

Renewed U.S.-Iran tensions restored pressure on energy markets.

- Oil prices rose sharply.
- Hormuz supply risks increased.
- Geopolitical uncertainty intensified.
- Higher energy prices increased inflation risks.
- Oil once again became a major external threat to global disinflation.

Eurozone

Higher Inflation Reinforces ECB Tightening Risk

Eurozone headline inflation accelerated to 3.3%, largely driven by higher energy prices.

- Manufacturing activity remained resilient.
- Core inflation moderated.
- ECB tightening expectations increased.

The euro remained supported by expectations that persistent inflation could keep European monetary policy restrictive.

United Kingdom

Restrictive Policy Expectations Persist

UK monetary expectations remained influenced by elevated inflation and resilient services activity.

- Inflation remained above target.
 - Services conditions stayed relatively firm.
 - BoE tightening risk persisted.
- Sterling remained sensitive to relative rate expectations and renewed USD strength.

Asia-Pacific

Policy Divergence Remains in Focus

Regional markets remained sensitive to U.S. yields, Chinese growth and Japanese policy expectations. Stronger U.S. employment supported the USD, while expectations of further BoJ normalisation continued to provide some support for JPY. AUD and NZD remained exposed to global risk sentiment and commodity conditions.

Commodities

Gold

- Gold rallied temporarily on more cautious Fed commentary.
- Strong NFP reversed the recovery.
- Higher yields and a firmer USD pressured prices.
- Gold ended lower for a second consecutive week.

Oil

- U.S.-Iran tensions intensified.
- WTI and Brent gained around 9%.
- Hormuz supply concerns returned.
- Higher energy prices increased global inflation risks.

Equities

Strong Growth Meets Higher Rate Expectations

Equities remained broadly stable as stronger economic activity offset renewed tightening concerns.

- S&P 500 finished approximately flat.
- Nasdaq modestly outperformed.
- Strong NFP supported the growth outlook.
- Higher yields limited valuation expansion.
- Rising oil added inflation pressure.

Markets now face a familiar tension between resilient economic growth and the increasing probability of tighter monetary policy.

Summary

Week 36 strengthened the case for further Fed tightening as payrolls significantly exceeded expectations and previous employment data were revised higher. Resilient services activity confirmed continued economic momentum, while surging oil prices increased inflation risks. The NFP removed a key obstacle to a September hike, leaving inflation as the final major policy test.

Key Takeaway

- » Strong NFP and positive revisions reinforced U.S. labour-market resilience.
- » Higher oil prices and persistent services inflation strengthened the hawkish policy case.
- » The next inflation report will determine whether the Fed raises rates in September.

Market Outlook: Key Levels and Trends to Watch Across Major Pairs and Commodities

U.S. Dollar Index

DXY remains under bearish pressure after breaking below the rising trendline and failing to recover above 99.20-99.30. The current setup favours further downside toward 98.00-98.10, the next key support zone. As long as price stays below 99.30-99.50, rebound attempts may remain limited. A recovery above this zone would reduce downside pressure and stabilise the structure.



EUR/USD

EURUSD remains in a constructive recovery phase, consolidating around the 1.1600-1.1620 support area. The current setup favours another upside attempt toward 1.1750-1.1760, the next key resistance zone. The bullish scenario remains valid above 1.1580-1.1600. A break below this area would weaken momentum and expose 1.1550-1.1520.



GBP/USD

GBPUSD is testing key support around 1.3480-1.3510 after pulling back from recent highs, where previous resistance and the 55-day moving average may provide support. The broader recovery remains valid above 1.3480, with upside potential toward 1.3650-1.3700. A break below 1.3480 would weaken momentum and expose 1.3400-1.3350.



USD/JPY

USDJPY has broken sharply below the rising trendline and is consolidating around 156.00-156.30, confirming a weaker short-term structure. The current setup favours further downside toward 153.00-153.20, the next key support zone. As long as price stays below 158.00-158.50, rebound attempts may remain limited. A recovery above this zone would reduce downside pressure and stabilise the structure.



USD/CHF

USDCHE is testing the 0.8090-0.8110 resistance area after recovering from the recent pullback. The current setup favours a possible rejection toward 0.8000-0.8010, the key short-term support zone. As long as price stays below 0.8110-0.8130, upside remains limited. A break above this zone would reduce downside pressure and expose 0.8180-0.8200.



USD/CAD

USDCAD remains under bearish pressure after rejecting the 1.3830-1.3850 area. The current setup favours further downside toward 1.3720-1.3740, near rising trendline support, with 1.3630 as the next target if selling accelerates. As long as price stays below 1.3850-1.3900, rebound attempts may remain limited. A recovery above this zone would reduce downside pressure.



AUD/USD

AUDUSD remains in a strong bullish structure above the key moving averages and is approaching resistance around 0.7240-0.7265. The current setup favours a short-term pullback toward 0.7150-0.7170 before another upside attempt. The bullish scenario remains valid above 0.7150. A break below this area would weaken momentum and expose 0.7080-0.7060.

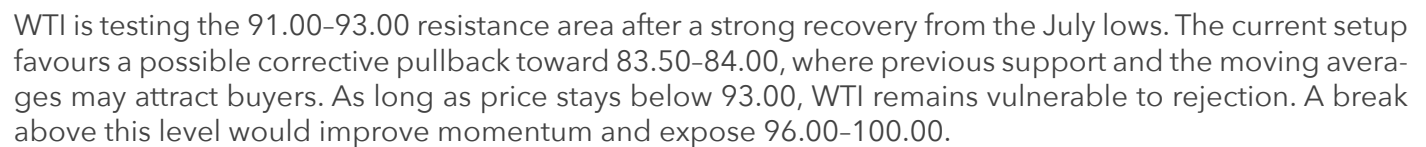


NZD/USD

NZDUSD is retesting key support around 0.5870-0.5900 after pulling back from the recent highs near 0.5980-0.6000. The broader recovery remains valid above 0.5860-0.5870, supported by the 55-day moving average and previous breakout zone, with upside potential back toward 0.5980-0.6000. A break below 0.5860 would weaken momentum and expose 0.5800-0.5780.



Gold remains in a recovery phase after bouncing from the lower channel area and is consolidating below the 4,630–4,700 supply zone. The current setup favours another upside attempt while price holds above 4,350–4,400. The recovery remains valid above 4,350, while a break below would expose 4,200–4,100. A clear break above 4,700 would open upside toward 4,840 and 5,000.



S&P 500

S&P 500 remains in a strong bullish structure, consolidating above the key moving averages around 7,700-7,720. The current setup favours continuation toward 7,880-7,900, with 8,000 as the broader target. The bullish scenario remains valid above 7,650-7,680. A break below this zone would weaken momentum and expose 7,580-7,550.



EuroStoxx 50

EuroStoxx 50 is recovering after testing the 6,350-6,400 support area and is regaining short-term momentum. The current setup favours another upside move toward 6,570-6,580, the next key resistance zone. The broader bullish structure remains valid above 6,350. A break below this area would weaken momentum and expose 6,250-6,200.



Strategic Outlook Week 37 (September 7-11, 2026)

U.S. Inflation and the ECB Decision Will Determine Whether Global Tightening Accelerates

Week 37 shifts the focus toward U.S. inflation and the ECB decision. Following the strong August NFP, markets will assess whether inflation remains persistent enough to justify a September Fed increase, while the ECB is expected to tighten as Eurozone inflation rises.

The macro framework now stands as follows:

- The Fed maintains a hawkish bias.
- August payrolls increased by 162K.
- Headline PCE remains at 3.7%.
- Core PCE remains elevated at 3.3%.
- Services activity and prices remain strong.
- Oil rose sharply during Week 36.
- September Fed hike expectations remain near 60%.

Macro Themes

1. United States

CPI Becomes the Final Test Before the Fed

The August CPI and PPI reports will determine whether strong employment is accompanied by sufficient inflation pressure to justify another Fed increase.

Key Focus

- Consumer Price Index.
- Producer Price Index.
- Core inflation.
- Services prices.
- Energy costs.
- Treasury yields.

Strategic Scenarios

Controlled Core Inflation

- September decision remains finely balanced.
- USD retains a constructive bias.
- Gold consolidates.
- Equities remain cautious.

Hot CPI

- September hike expectations increase.
- Treasury yields and USD rise.
- Gold and technology face renewed pressure.

Soft CPI

- September hold expectations increase.
- Treasury yields and USD decline.
- Gold rebounds.
- Risk appetite improves.

The key question is whether inflation confirms the hawkish signal already provided by employment.

USD Bias: Mildly bullish unless core inflation clearly moderates.

2. Geopolitics

Oil Restores the Inflation Threat

Renewed U.S.-Iran tensions have sharply increased energy-market risk.

- Oil remains near recent highs.
- Hormuz disruption risks persist.
- Higher energy costs threaten renewed inflation pressure.
- Further escalation could push Brent toward or above \$100.

3. Eurozone

ECB Tightening Becomes the Key European Catalyst

The ECB is expected to raise rates by 25 basis points after Eurozone inflation accelerated to 3.3%.

- Headline inflation remains elevated.
- Manufacturing activity is improving.
- Markets will focus on whether Lagarde signals further tightening.

A hawkish ECB could support the euro and push European yields higher.

4. United Kingdom

Growth and Inflation Keep the BoE in a Difficult Position

Markets will focus on UK GDP and activity data as higher energy costs increase pressure on households.

- Services resilience.
- Consumer activity.
- Fiscal and borrowing pressures.

Stronger growth could reinforce BoE tightening expectations, while weakness would increase stagflation concerns.

5. Asia-Pacific

China and Japan Remain the Regional Drivers

Markets will monitor Chinese trade and inflation data alongside Japanese policy expectations.

Weak Chinese domestic demand would pressure AUD and NZD, while further BoJ normalisation expectations could support JPY.

6. Commodities

Gold and Oil Remain Highly Policy Sensitive

Gold - Supportive factors:

- Soft core CPI.
- Lower Treasury yields.
- Softer USD.
- Geopolitical uncertainty.

Hot core inflation and higher real yields would create renewed downside risk.

WTI Crude - Key drivers

- U.S.-Iran tensions.
- Hormuz shipping flows.
- OPEC+ policy.
- U.S. inventories.

Oil is likely to remain elevated and volatile, with further escalation increasing inflation risks.

7. Equities

Inflation Must Remain Controlled Without Undermining Growth

Equities remain supported by resilient earnings and AI investment, but higher rates continue to limit valuations.

Equity Scenarios

Controlled Core CPI

- Strong growth remains constructive.
- Technology can recover.

Hot CPI

- Higher yields pressure technology and rate-sensitive sectors.

Soft CPI

- Lower yields support equities.
- September hold expectations increase.

The most constructive outcome remains controlled core inflation alongside resilient economic activity.

Summary & Key Risks

Summary

Week 37 shifts the policy debate from labour-market resilience to inflation confirmation. Strong August payrolls removed a major obstacle to another Fed increase, leaving CPI and PPI as the final major tests before the September meeting.

The base case remains firm headline inflation but more controlled core pressure, leaving the September decision narrowly tilted toward a 25-basis-point increase. The ECB is also expected to tighten, reinforcing the broader shift toward more restrictive global monetary conditions.

Key Riskst

- a. Hot CPI and PPI → September Fed hike expectations rise, strengthening the USD and Treasury yields.
- b. Softer core inflation → Fed hold expectations increase, supporting gold and equities.
- c. Hawkish ECB guidance → euro and European yields strengthen while equities face pressure.
- d. Oil above \$100 → inflation risks increase and central-bank flexibility declines.
- e. Renewed geopolitical escalation → energy prices and safe-haven demand rise while growth risks intensify.

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