

# MARKET INSIGHT WEEK 39

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# UPCOMING ECONOMIC EVENTS

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| <b>Wednesday, September 23</b>                 |       |          |          |
| <u>US</u> S&P Global Manufacturing PMI (Sep) P | 14:45 | 53.4     | 53.9     |
| <u>US</u> Crude Oil Inventories                | 15:30 |          | -0.640M  |
| <b>Thursday, September 24</b>                  |       |          |          |
| <u>CH</u> SNB Interest Rate Decision (Q3)      | 08:30 | 0.00%    | 0.00%    |
| <u>US</u> Initial Jobless Claims               | 13:30 | 201K     | 196K     |

\*US moves forward one hour for daylight saving time.

## Weekly Recap - September 14-18, 2026 (W38)

### *Fed Restarts Tightening as Persistent Inflation and Resilient Demand Support Another Rate Increase*

Week 38 marked the return of active Federal Reserve tightening. The Fed raised rates by 25 basis points to 3.75%-4.00%, while the dot plot projected another increase before year-end and no easing during 2027. Strong demand, persistent inflation and oil near \$100 reinforced the restrictive policy outlook.

#### United States

##### **Fed Increase and Hawkish Dot Plot Reopen the Tightening Cycle**

The Federal Reserve delivered its first rate increase since 2023.

Key developments:

- Fed funds target increased to 3.75%-4.00%.
- Sixteen of 18 policymakers projected further tightening in 2026.
- The median year-end projection increased to 4.00%-4.25%.
- No policy easing was projected during 2027.

As a result:

- Markets priced approximately a 90% probability of another increase by year-end.
- The two-year Treasury yield reached approximately 4.74%.
- The 10-year yield approached 5%.
- USD reached a seven-week high.

The projections suggested that September may represent the beginning of a limited tightening cycle.

##### **Consumer Strength Contrasts With Manufacturing Weakness**

August retail sales increased by 1.2%, while industrial production was unchanged and manufacturing output declined by 0.3%. The divergence highlighted resilient consumer demand alongside growing industrial weakness.

#### Geopolitics

##### **\$100 Oil Remains the Principal External Inflation Risk**

Middle East supply concerns kept oil around \$100, with WTI near \$100.30 and Brent near \$103.87. Hormuz disruption risks remained elevated, maintaining pressure on the global inflation outlook.

#### Eurozone

##### **Global Tightening Maintains Pressure**

Following the ECB increase, European markets remained exposed to elevated yields and persistent energy inflation. Further tightening remained possible as energy costs continued to threaten disinflation.

#### United Kingdom

##### **BoE Holds but Turns More Hawkish**

The Bank of England maintained rates at 3.75% by a 6-3 vote.

- UK inflation increased from 2.9% to 3.1%.
- Three members supported an immediate increase.
- The BoE warned inflation could exceed 4% in early 2027.

Further tightening could become more likely if energy inflation spreads into wages and services.

#### Asia-Pacific

##### **BoJ Continues Policy Normalisation**

The Bank of Japan raised rates by 25 basis points to 1.25%, the highest level since 1995. The yen weakened as the BoJ provided less explicit guidance on further tightening than the Fed.

#### Commodities

##### **Gold**

Gold recorded its first weekly gain in four weeks, rising approximately 0.6% to finish near \$4,380. Geopolitical and fiscal uncertainty provided support despite higher U.S. rates and a stronger dollar.

##### **Oil**

Oil remained broadly stable around \$100 despite significant volatility.

- WTI gained approximately 0.2%.
- Brent declined approximately 0.7%.

Oil remained the principal external threat to global disinflation.

#### Equities

##### **Higher Yields Increase Market Divergence**

U.S. equities ended the week mixed as higher yields pressured rate-sensitive sectors.

- S&P 500 declined approximately 0.1%.
- Dow Jones fell approximately 1.7%.
- Nasdaq Composite gained approximately 0.7%.
- Russell 2000 declined approximately 1.5%.

Nasdaq resilience reflected continued strength in AI-related companies, while smaller and cyclical companies remained under pressure.

## Summary

Week 38 marked the return of active Federal Reserve tightening as the Fed unanimously increased rates to 3.75%-4.00%. More importantly, the updated dot plot projected another increase before year-end and no easing during 2027. Strong retail sales and resilient employment continued to provide the Fed with room to tighten despite growing weakness in manufacturing.

#### **Key Takeaway**

- » The Fed's September increase reopened the tightening cycle, with another move now the central policy projection.
- » Strong consumer demand and persistent inflation continue to outweigh emerging weakness in manufacturing.
- » Higher global rates and \$100 oil are creating increasingly restrictive financial conditions across currencies, bonds and equities.

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

### U.S. Dollar Index

DXY is showing a stronger recovery after reclaiming 99.70–99.80 and moving above the short-term moving averages. The current setup favours a brief retest of this area before another upside attempt toward 101.50–101.60. The recovery remains constructive above 99.70. A break below this level would weaken momentum and expose 99.00–98.80.



### EUR/USD

EURUSD remains under short-term bearish pressure after breaking below 1.1530–1.1555 and the key moving averages. The current setup favours a possible rebound toward 1.1530–1.1550, but the bias remains negative below this zone. The next downside target is 1.1385–1.1400. A break below would expose the 1.1160 gap area, while a recovery above 1.1555 would reduce downside pressure.



## GBP/USD

GBPUSD remains under short-term bearish pressure after breaking below 1.3450-1.3470 and the key moving averages. The current setup favours a possible rebound toward 1.3440-1.3470, where resistance may emerge. The bearish scenario remains valid below 1.3470, with downside risk toward 1.3280-1.3300. A recovery above 1.3470-1.3500 would reduce downside pressure and improve the short-term structure.



## USD/JPY

USDJPY is recovering strongly from the 153.00-153.50 support area and has reclaimed the 9-day moving average. The current setup favours continuation toward 159.50-160.00, where key resistance converges. The recovery remains valid above 155.50-156.00, but the broader structure remains fragile below 159.50-160.00. A break below 155.50 would reopen downside risk toward 153.00.



## USD/CHF

USDCHE remains in a constructive bullish structure, trading above the key moving averages after the recent breakout. The current setup favours a short-term pullback toward 0.8150–0.8160 before another upside attempt. The bullish scenario remains valid above 0.8150, with upside potential toward 0.8400–0.8440. A break below this area would weaken momentum and expose 0.8090–0.8100.



## USD/CAD

USDCAD is showing a stronger short-term recovery after moving above the 1.3920–1.3930 area and key moving averages. The current setup favours a retest of this support zone before another upside attempt toward 1.4080–1.4120. The recovery remains valid above 1.3920. A break below this level would weaken momentum and expose 1.3800–1.3750.



## AUD/USD

AUDUSD is showing short-term weakness after failing to sustain the move above 0.7150-0.7180 and retreating toward the 55-day moving average. The current setup favours a corrective move toward 0.6970-0.7000, the next key support zone. As long as price stays below 0.7150-0.7170, upside remains limited. A recovery above this area would reduce downside pressure and expose 0.7220-0.7250.



## NZD/USD

NZDUSD remains under bearish pressure after breaking below 0.5770-0.5810 and the 55-day moving average. The current setup favours a possible rebound toward 0.5800-0.5820 before another move lower. The bearish scenario remains valid below 0.5820-0.5840, with downside risk toward 0.5630-0.5640. A recovery above 0.5840 would reduce immediate downside pressure.



## Gold (XAU/USD)

Gold remains inside the broader descending channel, consolidating around 4,350–4,420 after the recent rejection. The current setup favours a short-term rebound toward 4,420–4,450, but upside remains limited below this resistance zone. A break below 4,300–4,250 would expose 4,200 and the lower channel area. A recovery above 4,450 would improve momentum and reopen upside toward 4,550–4,650.



## WTI Crude

WTI is showing short-term rejection after failing to hold above 100.00–101.00 and moving below the 9-day moving average. The current setup favours a deeper correction toward 85.00–86.00, with the 83.50 gap area as the main downside target. The bias remains negative below 98.50–100.75. A recovery above 100.75 would invalidate the bearish setup and expose 104.00–106.00.



## S&P 500

S&P 500 remains in a broader bullish trend, but short-term momentum is weakening as price tests the 7,630-7,590 moving-average area. The current setup favours a corrective move toward 7,340-7,350, the next key support zone. Upside remains limited below 7,700-7,750. A break below 7,590 would strengthen the correction toward 7,340, while a recovery above 7,750 would reduce downside pressure.



## EuroStoxx 50

EuroStoxx 50 remains under short-term bearish pressure after losing 6,290-6,335 and the key moving averages. The current setup favours a possible rebound toward 6,330-6,340, where resistance may emerge. The bearish scenario remains valid below 6,335, with downside risk toward 5,980-6,000. A recovery above 6,335-6,350 would reduce downside pressure and improve the short-term structure.



## Strategic Outlook Week 39 (September 21-25, 2026)

**Markets Shift From the Fed's September Hike to the Probability of Another Increase Before Year-End**  
Week 39 shifts attention from the Fed's September increase to the timing of the next move. With rates at 3.75%-4.00% and another increase projected before year-end, Fed communication and activity data will determine whether markets move toward October or December.

The macro framework now stands as follows:

- Fed funds target increased to 3.75%-4.00%.
- Sixteen policymakers expect further tightening in 2026.
- The year-end projection stands at 4.00%-4.25%.
- The U.S. 10-year yield is close to 5%.
- Oil remains near \$100.

### Macro Themes

#### 1. United States

##### Fed Communication Becomes the Main Global Catalyst

Fed speeches and flash PMIs will drive expectations for the next increase.

##### Key Focus

- Fed officials' interpretation of the September increase.
- October versus December timing.
- U.S. flash PMIs.
- Jobless claims and durable-goods orders.

##### Strategic Scenarios

##### Hawkish Fed

- Officials support faster tightening.
- Strong PMIs reinforce October expectations.
- Treasury yields and USD rise.
- Equities face renewed pressure.

##### Hawkish Hike

- Dot plot projects multiple additional increases.
- Treasury yields and USD rise.
- Gold and technology face renewed pressure.

##### Patient Fed

- Officials maintain a tightening bias without committing to October.
- Yields consolidate.
- December remains the more likely timing.

##### Softer Data

- PMIs and durable goods disappoint.
- Treasury yields retreat.
- USD corrects and equities and gold recover.

The central scenario is that policymakers validate another 2026 increase while keeping October and December available.

**USD Bias:** Constructive while activity remains resilient and the Fed maintains a hawkish bias.

#### 2. Geopolitics

##### \$100 Oil Remains the Principal External Inflation Risk

Middle East tensions continue to support energy prices.

- Oil remains near \$100.
- Hormuz disruption risks persist.
- Diplomatic progress could provide relief.

A further increase would strengthen inflation

expectations and the case for earlier Fed tightening.

#### 3. Eurozone

##### PMIs Test the ECB's Hawkish Position

Eurozone PMIs will test whether activity can withstand higher rates and energy costs.

- Energy inflation remains a key risk.
- Growth remains uneven.
- Further ECB tightening remains possible.

Stronger activity and prices would reinforce expectations of another increase.

#### 4. United Kingdom

##### PMIs Test the BoE's Hawkish Hold

Following the BoE's hold at 3.75%, markets will focus on services activity and price pressures.

- Three MPC members supported an increase.
- Inflation remains above target.

Strong services and higher prices would increase expectations of further tightening.

#### 5. Asia-Pacific

##### China Holds Rates as Global Tightening Continues

China is expected to keep its Loan Prime Rates unchanged despite weak domestic demand. Limited stimulus could maintain pressure on activity, while the recent BoJ increase reinforces the global policy-normalisation trend.

#### 6. Commodities

##### Gold and Oil Remain Highly Policy Sensitive

**Gold** - Supportive factors:

- Geopolitical uncertainty.
- Fiscal concerns.
- Central-bank demand.

Higher real yields and further USD strength remain the principal downside risks.

**WTI Crude** - Key drivers

- U.S.-Iran tensions.
- Hormuz shipping flows.
- Supply disruptions.
- Diplomatic developments.

Oil near \$100 remains a major threat to inflation and central-bank flexibility.

#### 7. Equities

##### High Yields Maintain Pressure on Market Breadth

Equities remain supported by earnings and AI investment but face pressure from yields near 5%, elevated oil and expectations of another Fed increase.

##### Equity Scenarios

##### Hawkish Fed

- Higher yields pressure technology and small caps.
- Rate-sensitive sectors underperform.

##### Patient Fed

- Yields stabilise.
- Equities remain volatile but supported.

##### Softer Data

- Lower yields support technology.
- Broader equities recover.

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## Summary & Key Risks

### Summary

Week 39 shifts the policy debate from the September Fed increase to the timing of the next move. The updated dot plot has established another 2026 increase as the central institutional scenario, but policymakers must now determine whether persistent inflation and resilient activity justify acting in October or waiting until December.

The base case is that Fed officials maintain a hawkish bias without committing to October. Resilient PMIs, low jobless claims and oil near \$100 would preserve expectations of another increase, while weaker activity could push the timing toward December.

### Key Risks

- a. Hawkish Fed communication → October hike expectations rise, supporting Treasury yields and USD while pressuring rate-sensitive assets.
- b. Softer U.S. activity → yields retreat, USD corrects and equities and gold recover as expectations shift toward December.
- c. Stagflationary data → weaker activity and higher prices keep yields elevated while pressuring equities.
- d. Oil moves materially above \$100 → inflation expectations rise and central-bank flexibility declines.
- e. Weak global PMIs → growth concerns intensify despite restrictive monetary conditions.

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