

MARKET INSIGHT WEEK 40

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UPCOMING ECONOMIC EVENTS

	Time*	Forecast	Previous
Tuesday, September 29			
AU RBA Interest Rate Decision	05:30	4.60%	4.35%
US JOLTS Job Openings (Aug)	15:00	7.23M	7.27M
US CB Consumer Confidence (Sep)	15:00	90.0	89.4
Wednesday, September 30			
US ADP Nonfarm Employment Change (Sep)	13:15	70K	38K
US Core PCE Price Index (MoM) (Aug)	13:30	0.3%	0.2%
US Crude Oil Inventories	15:30		2.969M
Thursday, October 1			
US Initial Jobless Claims	13:30	199K	197K
US ISM Manufacturing PMI (Sep)	15:00	54.8	54.6
Friday, October 2			
EU CPI (YoY) (Sep) P	10:00	3.5%	3.2%
US Nonfarm Payrolls (Sep)	13:30	100K	162K
US Unemployment Rate (Sep)	13:30	4.2%	4.1%

*US moves forward one hour for daylight saving time.

Weekly Recap - September 21-25, 2026 (W39)

Fed Officials Validate Further Tightening as the 10-Year Treasury Yield Breaks Above 5%

Week 39 turned the Fed's projections into market pricing. Several Fed officials said further increases are likely to be needed, U.S. PMIs reached multi-year highs and input-cost inflation accelerated. The 10-year Treasury yield broke above 5% to its highest level since 2007, while the probability of an October increase rose to approximately 64%-69%.

United States

Fed Officials Support Further Tightening

Fed speakers delivered a consistently hawkish message. Key developments:

- Barr: further policy adjustments are likely to be needed.
- Williams: another increase by year-end is a reasonable expectation.
- Musalem, Collins and Paulson supported further restraint.
- October hike probability rose to approximately 64%-69%.

As a result:

- The 10-year yield reached approximately 5.17%, after a 5.23% intraday high.
- The 30-year yield exceeded 5.50%.
- USD recorded a second consecutive weekly gain.

Markets no longer question whether the Fed will tighten further, only when.

PMIs Surge as Price Pressure Builds

The composite PMI rose to 58.4, a 62-month high, with manufacturing at 57.0 and services at 58.7. Input-cost inflation reached its highest level since 2022, while jobless claims fell to 197,000.

Geopolitics

Diplomacy Divides the Oil Market

The United States and Iran discussed a phased agreement to reopen the Strait of Hormuz.

- WTI fell sharply on hopes of a deal.
- Houthi attacks on Saudi Arabia kept Brent above \$100.
- Trump reportedly rejected Iran's conditional ceasefire proposal.

Oil remains the principal external risk to global disinflation.

Eurozone

Stronger Activity, Rising Prices

The composite PMI rose to 53.1, a 41-month high.

- Germany's Ifo index reached its highest level since May 2023.
- Input costs and selling prices rose at the fastest pace in four months.

- France returned to growth for the first time in ten months.

The data support the ECB's hawkish position ahead of September inflation.

United Kingdom

Bailey Warns on Rate Increases

UK growth slowed in September.

- Composite PMI declined to 51.7.
 - Services prices rose at the fastest pace in four months.
 - August borrowing exceeded expectations.
- Governor Bailey warned that it is becoming harder to avoid rate increases, and markets price approximately a 60% probability of a November increase.

Asia-Pacific

Yen Rebounds on Intervention Signals

The yen rose by approximately 1% on Friday after Japan reaffirmed coordination with Washington on currency weakness. Japanese 10-year yields reached a 30-year high above 3%, while China kept its Loan Prime Rates unchanged for a sixteenth month.

Commodities

Gold

Gold fell by approximately 2.2% to finish near \$4,286, pressured by higher yields, a firmer dollar and rising Fed hike expectations.

Oil

Oil diverged sharply

- WTI fell approximately 7.9% to \$92.41.
 - Brent gained approximately 0.4% to \$104.32.
- The Brent-WTI spread widened to almost \$12.

Equities

AI Leadership Offsets Higher Yields

U.S. equities advanced despite the bond sell-off.

- S&P 500 gained approximately 1.2%.
- Dow Jones gained approximately 0.3%.
- Nasdaq Composite gained approximately 2.1%.
- Russell 2000 declined approximately 0.8%.

Technology led, while small caps remained under pressure from higher financing costs.

Summary

Week 39 marked the moment when the Fed's new tightening cycle was fully absorbed by the bond market. Fed officials broadly supported further increases, U.S. activity data surprised strongly to the upside and inflation expectations moved higher. The 10-year Treasury yield broke above 5%, while AI leadership allowed U.S. equities to advance despite higher rates.

Key Takeaway

- » Fed officials validated the dot plot, and an October increase is now more likely than not.
- » The 10-year Treasury yield above 5% is tightening financial conditions across mortgages, credit and equities.
- » Oil increasingly depends on U.S.-Iran diplomacy, with WTI and Brent moving in opposite directions.

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

U.S. Dollar Index

DXY has extended its recovery to a two-month high after reclaiming 100.00 and moving above the short-term moving averages. The current setup favours a brief pullback toward 100.50-100.60 before another upside attempt toward 101.60-101.80. The bullish structure remains valid above 100.00. A break below this level would weaken momentum and expose 99.40.



EUR/USD

EURUSD reached the 1.1385-1.1400 target and recorded a two-month low near 1.1364. The current setup favours a technical rebound toward 1.1450-1.1470, but the bias remains negative below this zone. The next downside target is 1.1330-1.1355. A break below would expose the 1.1160 gap area, while a recovery above 1.1530 would invalidate the bearish setup.



GBP/USD

GBPUSD reached the 1.3280-1.3300 target and extended its decline to a three-month low near 1.3206. The current setup favours a rebound toward 1.3330-1.3350, where resistance may emerge. The bearish scenario remains valid below 1.3400, with downside risk toward 1.3140-1.3150. A break below 1.3140 would expose 1.3010.



USD/JPY

USDJPY extended its recovery to 159.04, close to the 159.50-160.00 target, but was rejected sharply on Friday. The current setup favours a corrective move toward 155.50-156.00 while price remains below 159.00-159.50. A break below 155.50 would reopen downside risk toward 153.00, while a clear break above 159.50 would expose 160.40-162.00.



USD/CHF

USDCHE extended its breakout to 0.8298, the highest level of the past year. The current setup favours a short pullback toward 0.8230–0.8240 before another upside attempt toward 0.8400–0.8440. The bullish scenario remains valid above 0.8180. A break below this level would expose 0.8120.



USD/CAD

USDCAD reached the 1.4080–1.4120 target and extended to 1.4154, supported by the decline in WTI. The current setup favours a pullback toward 1.4060–1.4080 before another upside attempt toward 1.4240–1.4250. The bullish scenario remains valid above 1.3990. A break below this level would expose 1.3950–1.3960.



AUD/USD

AUDUSD tested the 0.6970-0.7000 support zone, with a low near 0.7007. The current setup favours a rebound toward 0.7080-0.7100 before another move lower toward 0.6960-0.6970. The expected RBA increase could provide temporary support. A break below 0.6960 would expose 0.6870.



NZD/USD

NZDUSD extended its decline to 0.5652, approaching the 0.5630-0.5640 target. The current setup favours a short-term rebound toward 0.5710-0.5730 before another move lower. The bearish scenario remains valid below 0.5730, with downside risk toward 0.5630. A break below would expose 0.5585.



Gold (XAU/USD)

Gold remains inside the broader descending channel after rejection from 4,390–4,410 and a low near 4,245. The current setup favours a limited rebound toward 4,320–4,350, followed by another move lower toward 4,240 and 4,130–4,150. The bias remains negative below 4,410. A recovery above this level would reopen 4,500–4,520.



WTI Crude

WTI fell sharply from the 100.00 area and reached 88.70, trading below the 9-day moving average but above the 55-day. The current setup favours a rebound toward 95.00–96.00 before another move lower toward 86.50–87.00. A recovery above 97.00 would invalidate the bearish setup and expose 101.00–103.00.



S&P 500

S&P 500 rebounded from the 7,590–7,630 moving-average area and trades less than 1% below its record high. The current setup favours a short pullback toward 7,680 before another attempt at 7,780–7,820. A clear break above 7,820 would open the way toward 7,950, while a break below 7,600 would expose 7,500.



EuroStoxx 50

EuroStoxx 50 has stabilised between 6,190 and 6,420 but remains below the 55-day moving average. The current setup favours a rebound toward 6,370–6,400, where resistance converges, before renewed weakness toward 6,190–6,200. A recovery above 6,420 would expose 6,500, while a break below 6,190 would expose 5,980–6,000.



Strategic Outlook Week 40 (September 28 - October 2, 2026)

PCE and Payrolls Decide Whether an October Fed Increase Becomes the Base Case

Week 40 begins with the U.S. 10-year yield above 5% and markets pricing approximately a two-in-three probability of an October Fed increase. PCE inflation and the September employment report will determine whether October becomes the base case or whether the Fed can wait until December.

The macro framework now stands as follows:

- Fed funds target at 3.75%-4.00%.
- October hike probability at approximately 64%-69%.
- Year-end rate expectations close to 4.25%.
- U.S. 10-year yield at approximately 5.17%.
- Brent above \$100; WTI near \$92.

Macro Themes

1. United States

PCE and Payrolls Define the Fed's Timing

Core PCE and nonfarm payrolls will drive October hike expectations.

Key Focus

- Core PCE: +0.3% m/m, 3.4% y/y expected.
- Nonfarm payrolls: 100,000 expected, from 162,000.
- Unemployment: 4.2% expected.
- ISM manufacturing prices paid.

Strategic Scenarios

Hawkish Data

- Core PCE at 0.4% or higher.
- Payrolls above 150,000.
- October hike probability rises above 80%.
- Treasury yields and USD rise.

Central Scenario

- Core PCE at 0.3%; payrolls near 100,000.
- October remains firmly available.
- Yields remain between 5.00% and 5.25%.

Softer Labour Market

- Payrolls below 50,000; unemployment at 4.3%.
- Yields retreat toward 5%.
- December becomes the more likely timing.

Stagflationary Mix

- Weaker employment with higher prices.
- Yields remain elevated.
- Equities come under pressure.

The central scenario is that inflation data support the hawkish case, while a slower employment report prevents markets from fully committing to October.

USD Bias: Constructive against the euro, sterling and commodity currencies; two-way risk against the yen.

2. Geopolitics

U.S.-Iran Talks Remain the Key Oil Variable

Negotiations over the Strait of Hormuz will drive energy prices.

- Trump reportedly rejected Iran's conditional ceasefire proposal.
- Houthi attacks on Saudi Arabia continue.
- OPEC+ meets on October 4.

An agreement would be the most important disin-

flationary development available to central banks.

3. Eurozone

Inflation Tests the ECB

Flash CPI is expected to rise to 3.5%, the highest since 2023.

- Core inflation near 2.6%.
- Activity at a 41-month high.

Higher inflation with stronger activity would reinforce expectations of another ECB increase.

4. United Kingdom

GDP and Bailey's Warning

Final Q2 GDP is expected to be revised down to 0.4%.

- Markets price a 60% chance of a November increase.
- Services inflation is accelerating.

Weaker growth with rising prices leaves the BoE in a difficult position.

5. Asia-Pacific

RBA Expected to Raise Rates

The RBA is expected to raise rates to 4.60% on Tuesday. Japan's Tankan and continued intervention risk will drive the yen, while China publishes PMIs before the Golden Week holiday.

6. Commodities

Gold and Oil Remain Highly Policy Sensitive

Gold - Supportive factors:

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

Treasury yields at 2007 highs and a firm dollar remain the principal downside risks.

WTI Crude - Key drivers

- U.S.-Iran negotiations.
- Hormuz shipping flows.
- Possible U.S. diesel-export restrictions.
- OPEC+ decision.

The Brent-WTI divergence shows that global supply risk remains elevated.

7. Equities

AI Leadership Versus 5% Yields

Equities remain supported by AI investment but face pressure from yields above 5% and a likely October Fed increase. Micron's results on Wednesday will test the AI semiconductor cycle.

Equity Scenarios

Hawkish Data

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

Central Scenario

- Volatile but supported, with AI leadership.

Softer Labour Market

- Lower yields broaden the rally.

Summary & Key Risks

Summary

Week 40 will test whether the hawkish repricing of Week 39 is justified by the data. Fed officials have already validated the dot plot, and the bond market has pushed the 10-year yield above 5%. The remaining question is timing.

The base case is that PCE confirms persistent inflation, while a slower employment report keeps December available. Another Fed increase in 2026 remains firmly on the table, and oil remains the variable that could change the framework in either direction.

Key Risks

- a. Hot PCE and strong payrolls → October hike becomes the base case, pushing yields and USD higher and pressuring equities, small caps and gold.
- b. Weak payrolls and higher unemployment → yields retreat, USD corrects and equities and gold recover as expectations shift toward December.
- c. Stagflationary data → weaker employment with higher prices keeps yields elevated while pressuring equities.
- d. Collapse of U.S.-Iran talks → oil rebounds, inflation expectations rise and central-bank flexibility declines.
- e. Disorderly bond market → a further rise in long-term yields tightens financial conditions globally.

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