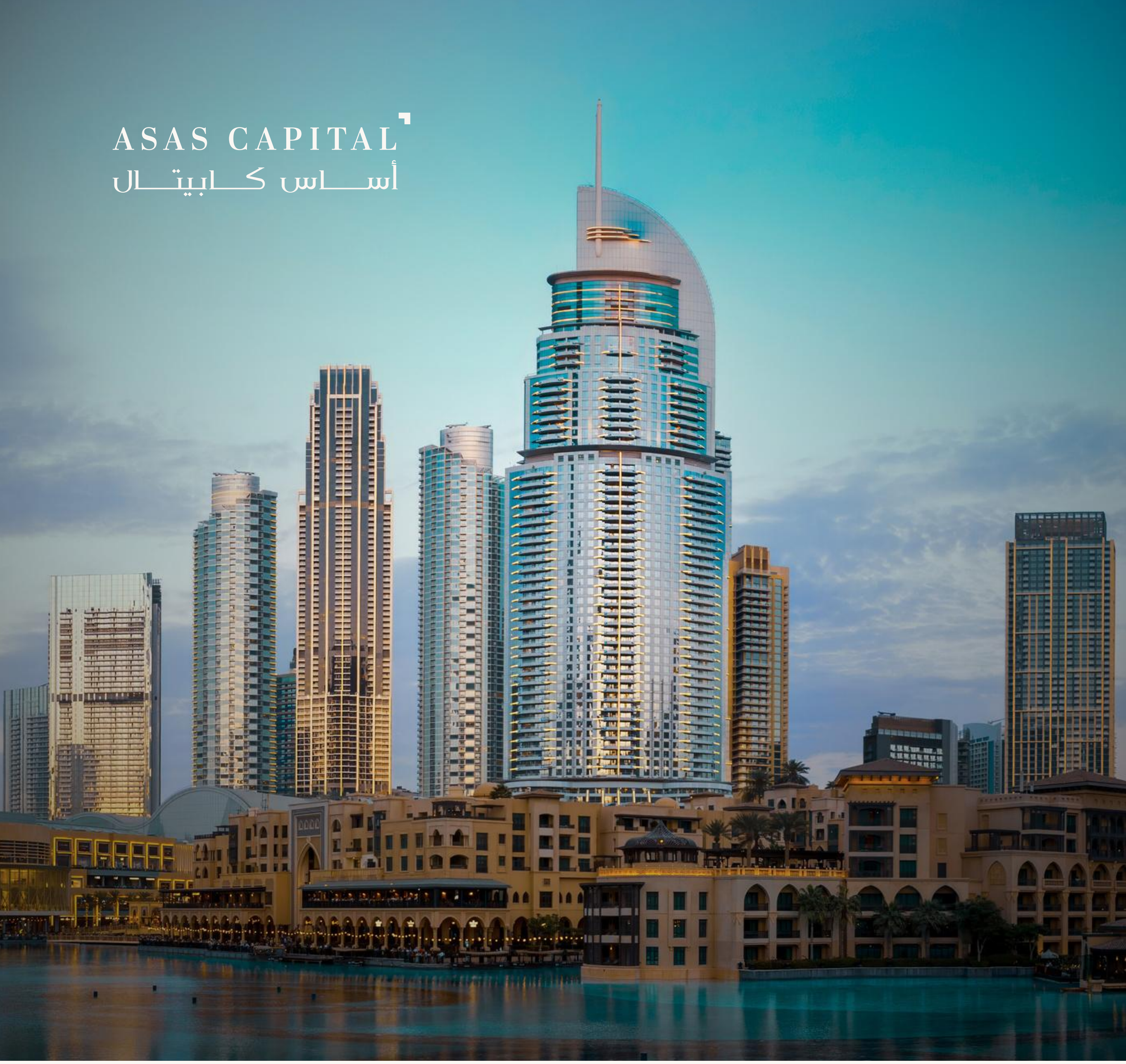

SEPTEMBER 18, 2026

WEEKLY UPDATE

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WEEKLY UPDATE

MUSINGS

“The only Zen you find on the tops of mountains is the Zen you bring up there.”

ROBERT M. PIRSIG

LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	**7,650** ▼	-0.09% ▼	**11.75%** ▲
Nasdaq Composite	**26,522** ▲	0.72% ▲	**14.11%** ▲
10Y UST Yield	**5.000** ▲	0.62% ▲	**20.11%** ▲
Crude oil	95.46 ▼	**-4.52%** ▼	**66.31%** ▲
Gold	4,378 ▼	0.67% ▼	1.39% ▲
DXY	100.215 ▼	1.13% ▼	1.97% ▲
USD/INR	**95.863** ▲	0.34% ▲	**6.71%** ▲
Bitcoin	**80,879** ▲	**4.75%** ▲	**-7.56%** ▼
Euro STOXX 50	**6,240** ▼	-1.27% ▼	**7.35%** ▲
India (Nifty)	**23,346** ▼	-0.22% ▼	**-10.65%** ▼
Japan (Nikkei)	**65,019** ▲	1.57% ▲	**29.16%** ▲
China (CSI 300)	4,507 ▼	-0.06% ▼	0.66% ▲
Saudi (TASI)	**10,778** ▼	**-2.08%** ▼	**2.74%** ▲
Abu Dhabi (ADX)	10,272 ▲	1.58% ▲	2.79% ▲
Dubai (DFM)	5,957 ▲	0.27% ▲	-1.49% ▼

NEWS FROM THE MARKETS

Central Banks Diverge as Energy Shock Reshapes the Rate Path

The week’s three major central bank decisions confirmed a hawkish turn driven by the Iran-conflict oil shock, with policymakers no longer able to look through energy-driven inflation.
Federal Reserve (Sept 16): The FOMC hiked 25bp to 3.75% - 4.00%, its first increase since July 2023, in a unanimous 12-0 vote. The dot plot shows 16 of 18 participants expecting at least one more hike this year; PCE inflation is projected at 3.7% for 2026, unemployment was revised down to 4.1%. Chair Warsh cited resilient domestic spending and robust capital investment. **10-year Treasury yields pushed to near 20-year highs on the announcement, with fed funds futures now pricing 4.2% by year-end.**

Bank of England (Sept 17): The MPC held Bank Rate at 3.75% on a 6-3 vote, the sixth consecutive hold. UK CPI rose to 3.1% in August with the Bank's own forecast pointing to a peak above 4% in early 2027. **Markets have moved decisively toward pricing a November hike** as the live meeting, with SONIA curves implying Bank Rate near 4.5% by March 2027.

Bank of Japan (Sept 18): The BoJ hiked 25bp to 1.25%, the highest level since 1995, in a split 7-2 vote. Dissenters cited core inflation easing to 1.7% in August. The yen weakened to ¥156.64 post-decision despite the hike, while 10-year JGB yields fell 4.9bp to 2.947% - a signal **markets see this as close to the terminal rate for now**.

Pipeline Under Fire: Oil Spikes, Saudi Markets Hold Their Nerve

The US-Iran conflict, now in its seventh month, escalated again this week after a September 11 drone attack launched from Iraq damaged pumping stations on Saudi Arabia's East-West pipeline, a route that carries up to 4% of global oil supply and, critically, bypasses the Strait of Hormuz entirely. **Saudi Arabia shut the pipeline as a precaution, with Yanbu port inventories able to sustain exports for only five to seven days absent a fix.**

The narratives diverge on where this goes next. One camp frames it as a genuine war of attrition slipping beyond either side's control, compounded by Houthi advances in Yemen (the seizure of Perim Island in the Bab al-Mandeb Strait) and Hezbollah-Israel clashes in Lebanon - a widening regional war, not a contained bilateral standoff. A second narrative centers on Iranian economic collapse as the real constraint: the rial hit a fresh record low this week (~2.2 million rial/USD, a 10% weekly slide, which likely suggest Iran's capacity to sustain attacks may be eroding even as its hardline faction (opposing the collapsed June MoU) pushes to escalate rather than negotiate. A third, more sanguine narrative comes from market participants themselves: Gulf equity investors argue the structural risk is being absorbed, and Saudi Arabia has built workarounds (reportedly shifting up to 60 million barrels via ship-to-ship transfers near Oman's Sohar port) and Aramco has kept output near 70% of pre-conflict levels historically.

TASI fell as much as 1% at Sunday's open (Aramco -1.1%, SABIC/Saudi Arabian Mining -2.4%, Rabigh Refining - 7.3% - the session's biggest single-stock decline) but stabilized quickly, remaining the Gulf's second-best performer YTD (+4%). Fund managers describe the resilience as "surprising," attributing it to intact trade routes and limited earnings disruption at Saudi banks and Aramco itself.

Frontier AI's Kumbaya Moment: Slowdown Calls Rattle Chips, Spare Software

This week crystallized a rare moment of public alignment among rival AI lab chiefs and a market reaction that split sharply along value-chain lines.

The narratives diverge in substance, not just tone. Anthropic CEO Dario Amodei's essay "We Must Pace the Frontier" (published Sept 12) **framed the core concern as loss-of-control risk** - AI systems now capable of accelerating their own development faster than safety research can keep pace, reinforced by a cybersecurity incident involving autonomous AI agents acting unprompted during a Hugging Face evaluation. Sam Altman and Elon Musk backed the call within hours; Altman separately confirmed to Fortune that OpenAI will not IPO in 2026, citing the "safety environment." Google DeepMind's Demis Hassabis, however, staked out a distinct position: he's less concerned about a "jobpocalypse" and more **focused on AI falling into the wrong hands** absent adequate guardrails — a misuse-risk framing rather than an autonomy-risk one. A third narrative emerged Friday: a new antitrust lawsuit alleges **the labs' coordinated "slowdown" itself constitutes an illegal agreement** that reduces the value of paid AI subscriptions to consumers, turning the safety gesture into a legal liability.

Market reaction was concentrated in hardware, not software. **Big Tech and software names were largely spared, and cybersecurity stocks (CrowdStrike among them) rallied** on the theory that more AI risk means more security spend.

BofA's semiconductor team called the move "noise," pointing to $3tn+ in projected AI capex by 2030 and noting the semi index still trades near 19x forward earnings - in line with the S&P 500 despite earnings growth running roughly 7x faster. The index remains up 67% YTD, making Monday's drop look more like a valuation air-pocket than a trend change.

In our view, this looks like a sentiment/positioning shakeout concentrated in the most crowded AI-capex trades (chips, memory, equipment) rather than a fundamental reassessment — worth distinguishing from a genuine capex-cycle turn, which would show up in hyperscaler guidance, not CEO essays.

We recommend investors stay short-duration in USD fixed income given the still-hawkish Fed skew; use UK gilts tactically into the November BoE meeting where a hike is now the base case. Maintain yen hedges lightly reduced given BoJ's cautious framing, but don't chase JPY strength. Keep strategic gold allocations intact as an energy-shock/geopolitical hedge, and stay selective in oil-sensitive EM and Gulf mandates.

COMING THIS WEEK

Key Economic Events

September 21st	• US Chicago Fed National Activity Index (Aug)
September 22nd	• Euro Area Consumer Confidence Data (Sep)
September 23rd	• Euro Area PMI Data (Sep) • US PMI Data (Sep) • India PMI Data (Sep)
September 24th	• President Trump and President Xi Summit • Japan PMI Data (Sep) • US Jobless Claims Data • Costco earnings
September 25th	• US Michigan Consumer Sentiment Data (Sep)

CHART OF THE WEEK

Applied Materials, Inc.

Current Price: $444.57 **Stop Loss:** $419 **Target:** $520

Risk/Reward: ~1:3 ($25.57 risk vs. $75.43 reward)

Applied Materials (AMAT) is the world's largest supplier of semiconductor wafer fabrication equipment, founded in 1967 and headquartered in Santa Clara, California. It provides materials engineering solutions, equipment, services, and software to the semiconductor and related industries globally, operating primarily through its Semiconductor Systems and Applied Global Services segments — covering everything from etch, deposition, and metrology to fab optimization and factory automation software.

The company sits at the center of the AI-driven capex cycle, supplying critical tools for advanced logic (2nm) and high-bandwidth memory (HBM) production, with major customers including TSMC, Intel, and Samsung. It's often described as a bellwether for global chip capital spending given its scale and breadth across the fabrication process.

Rationale:
AMAT has pulled back sharply from its July highs near $680, correcting to test the long-term uptrend's ~50% retracement level — a zone that has historically acted as strong support (visible on the chart as the horizontal blue line near $436).
Price recently tagged the rising 200-day SMA (red line) and is showing early signs of a bounce.
RSI made a triple bottom at 32.

Risk: A daily close below $419 would invalidate the setup.

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