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WEEKLY UPDATE

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MUSINGS

"Everything can be taken from a man but one thing: the last of the human freedoms—to choose one's attitude in any given set of circumstances."

VIKTOR FRANKL

LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	**7,657** ▼	-0.80% ▼	**11.85%** ▲
Nasdaq Composite	**26,333** ▼	-0.66% ▼	**13.30%** ▲
10Y UST Yield	**4.969** ▲	**3.87%** ▲	**19.36%** ▲
Crude oil	**99.98** ▲	**9.59%** ▲	**74.18%** ▲
Gold	4,349 ▼	-1.82% ▼	0.72% ▲
DXY	99.094 ▼	-0.07% ▼	0.83% ▲
USD/INR	**95.54** ▲	1.12% ▲	**6.35%** ▲
Bitcoin	**77,212** ▼	**-3.09%** ▼	**-11.75%** ▼
Euro STOXX 50	**6,320** ▼	-1.22% ▼	**8.73%** ▲
India (Nifty)	**23,398** ▼	**-2.09%** ▼	**-10.45%** ▼
Japan (Nikkei)	**64,011** ▼	**-1.55%** ▼	**27.16%** ▲
China (CSI 300)	4,510 ▼	-0.84% ▼	0.66% ▲
Saudi (TASI)	**11,007** ▼	-0.24% ▼	**4.92%** ▲
Abu Dhabi (ADX)	10,112 ▲	1.35% ▲	1.19% ▲
Dubai (DFM)	5,941 ▲	0.97% ▲	-1.75% ▼

NEWS FROM THE MARKETS

The defining shift this week was not any single data point but a convergence: the Fed, the ECB and the Bank of Japan are now all leaning hawkish at the same time, something that has not happened since before the 2026 easing cycle began. Markets are pricing roughly a 90% probability of a Fed hike at Wednesday's meeting, up from about 58% a week ago. The ECB delivered its second hike of the year on Thursday. The BOJ is widely expected to follow next week. That is a genuine regime shift, not noise, and it explains almost everything else in this note : from the front-end Treasury selloff to gold's third straight weekly decline.

Macro & Central Banks

August CPI, released Friday, was a mixed but ultimately hawkish print: headline inflation held at 3.4% year-on-year as expected, with a 0.4% monthly rise, but core CPI rose 0.3% month-on-month, its largest monthly gain since April and above the 0.2% consensus, even as the annual core rate eased to 2.4%, its lowest since March 2021. The monthly acceleration mattered more to markets than the annual improvement: it followed a hotter-than-expected PPI print on Thursday that had already sent stocks lower, and together the two releases pushed the market-implied probability of a 25bp Fed hike on 16 September to roughly 90%, from about 70% before Thursday's PPI and 58% a week earlier. This is a genuinely fast repricing.

Consumer confidence data reinforced the inflation-anxiety theme: the University of Michigan's preliminary September sentiment reading missed at 47.8, while one-year inflation expectations rose to 4.6%, above forecast. Growth signals were more encouraging - Eurozone GDP grew 0.6% quarter-on-quarter in Q2 and UK GDP grew 0.4% in July, both beating expectations - which is precisely why central banks feel able to tighten into an energy shock rather than ease through it. The ECB raised its main refinancing rate 25bp to 2.65% (deposit rate to 2.50%) on Thursday, its second hike since the Iran war began, while lifting its 2027 and 2028 inflation forecasts and upgrading growth. **The net read: this is a synchronized, inflation-led tightening cycle now, not a series of one-off central bank decisions, and portfolios should treat "peak rates" assumptions with caution until the energy shock driving it clearly fades.**

US Equities

All four major indices fell for four consecutive sessions before a broad Friday rally triggered by cooling oil prices and a CPI print that investors could live with trimmed the damage. For the week, the S&P 500 fell 0.8% to 7,656.98, the Dow lost 1.6% to 52,573.29, the Nasdaq slipped 0.7% to 26,333.04, and the Russell 2000 underperformed sharply, down 2.4% - small caps' greater sensitivity to borrowing costs showing through clearly as short-term yields spiked. The VIX, which had climbed through the week, fell 11.2% Friday to 15.84. The S&P 500 remains roughly 2% below its 13 August record but is still up almost 12% for the year.

The week's most important single corporate story was Oracle, which fell 5.4% Thursday on broad market weakness and pre-earnings jitters, then rallied more than 4% after hours once results landed: Q1 FY2027 revenue of $19.3bn beat consensus, cloud infrastructure revenue surged 121% to $7.4bn, and remaining performance obligations rose $26bn to a record $664bn. But the release also confirmed the tension investors have been pricing all year - capital expenditure of $28bn in the quarter drove free cash flow to negative $5bn, and full-year capex guidance sits at $90–95bn. Oracle's management noted most of the new RPO came via customer prepayments or bring-your-own-hardware arrangements that won't require additional Oracle capital, a genuinely reassuring detail for the credit story specifically. **The stock's round trip - down hard, then sharply higher - is a useful read on the broader AI-infrastructure trade: the market is rewarding revenue conversion and demand visibility, but punishing anything that looks like uncontrolled cash burn.** Dell and HPE, both tied into the Oracle ecosystem, posted double-digit Friday gains on the same read-through.

International Equities

It was a difficult week outside the US too, and largely for the same reason: oil and rates. The STOXX 600 fell 1.66% as surging European natural gas prices and rising bond yields weighed on sentiment despite the ECB's hike coming largely as expected. Japan's Nikkei 225 fell 1.55% for the week, including a sharp 2.19% single-session drop Friday led by AI and chip-related names as investors positioned for a likely BOJ hike at next week's meeting alongside the broader global bond selloff.

China was the weakest major market: the Hang Seng dropped 3.3%, underperforming a milder 0.8-1.1% decline in mainland indices, as Hong Kong-listed names bore the brunt of the same global rate repricing. None of this makes the case for rotating into international equities right now: if anything, the synchronized nature of the tightening cycle means non-US markets are just as exposed to the rates story as US ones this week, with less of the AI-driven earnings offset that has cushioned parts of the US market.

US Fixed Income & Credit

This was the week's most consequential move. The 2-year Treasury yield closed at 4.63% Friday, up roughly 25 basis points on the week and its highest level in well over a year, as the CPI-and-PPI combination cemented hike expectations. The 10-year yield closed just under 5%, up around 18 basis points on the week, while the 30-year rose to roughly 5.36%. That the front end moved further than the long end is the clearest possible signal: this is a hawkish Fed repricing, not a growth or fiscal-risk story.

Separately, the Treasury's first expanded buyback operation this week found weak demand - the government repurchased just $5.2bn against a $6bn cap and roughly half of the $10.5bn on offer - early evidence that the buyback strategy meant to cap long yields is struggling to gain traction. **For portfolios, this argues for continued caution on front-end and belly duration specifically into Wednesday's decision, even though credit markets have so far stayed calm and largely priced this as a rates story rather than a growth or default-risk one.**

Gold

Gold fell to around $4,380 on Friday, down nearly 1% for the week and its third consecutive weekly decline, despite an active US-Iran conflict that would ordinarily support safe-haven demand. This is the more interesting story than the headline number suggests: **rising real yields and hardening rate-hike expectations are currently outweighing geopolitical risk as the dominant driver of gold's price action.** That is a genuine, if likely temporary, shift in the metal's narrative, since a confirmed hike with hawkish guidance could pressure gold further even as the Iran conflict continues.

Oil

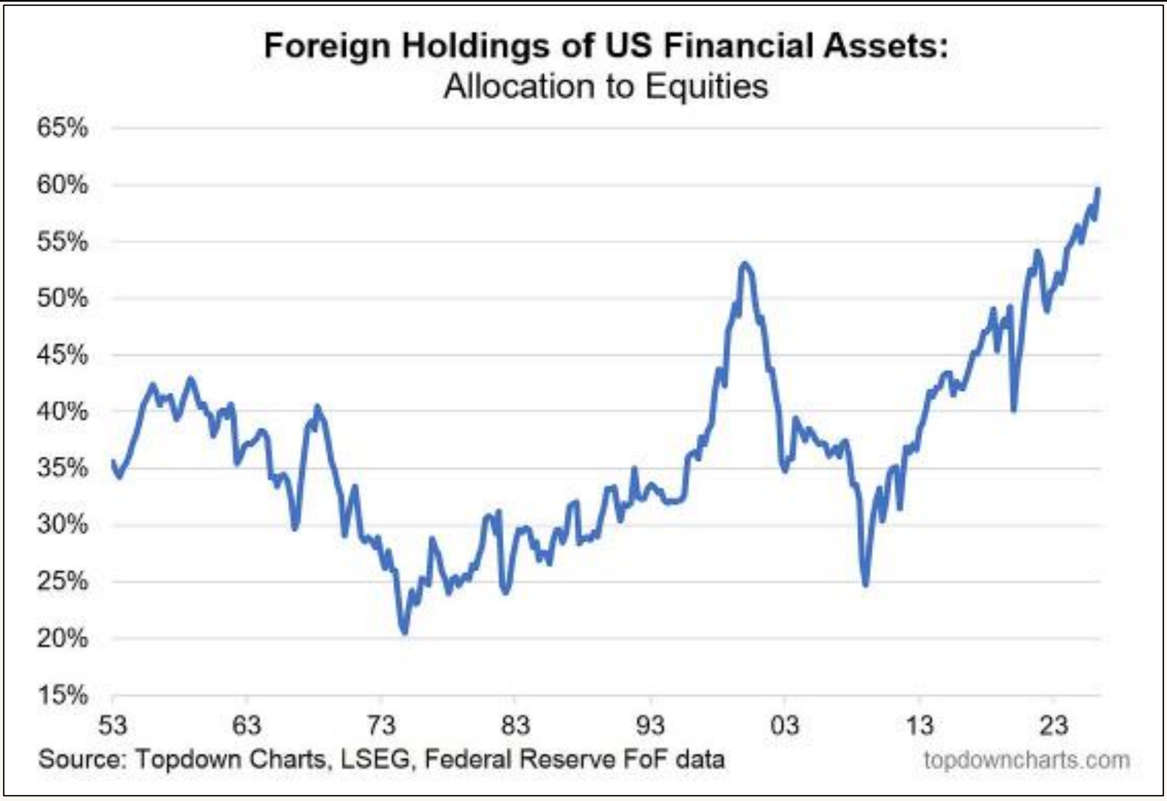
Oil was again the week's most dramatic mover: Brent surged 9% to around $104 -105 a barrel, touching above $108 intraweek, while WTI rose roughly 10% to near $100, as renewed US-Iran strikes escalated further and Saudi Arabia shut its East-West crude pipeline as a precaution. US diesel prices crossed $6 a gallon for the first time in history. Friday brought a genuine, if fragile, de-escalation signal: Brent pulled back 3–4% on reports that Iranian and Gulf Cooperation Council diplomats plan to meet in Oman on Monday to discuss a temporary arrangement for Hormuz shipping. **This is the single most important swing factor to watch next week** - a credible diplomatic breakthrough would ease the inflation pressure currently driving the entire hawkish central-bank narrative, while a breakdown would push oil, and the case for further hikes, higher still.

The Week Ahead

The Fed's decision on Wednesday, 16 September, is the dominant event of the month, with a hike now priced at roughly 90% and the accompanying Summary of Economic Projections likely to matter more than the decision itself for the path beyond September. The Bank of England follows on 17 September and the Bank of Japan concludes its meeting on 18 September, with a hike widely expected - a genuinely rare week of three major developed-market central banks acting in the same direction. Monday's Iran-GCC talks in Oman on Hormuz shipping are worth watching closely given their direct bearing on oil and the inflation outlook. US data includes retail sales, industrial production, and the New York and Philadelphia Fed manufacturing indices, all of which will help clarify whether growth is resilient enough to absorb a hike without disproportionate damage to risk assets.

September 14th	• India CPI Data (Aug)
September 15th	• China Industrial Production Data (Aug)
September 16th	• Euro Area Industrial Production Data (July) • US Fed Interest Rate Decision
September 17th	• Bank of England Interest Rate Decision • US Jobs Data
September 18th	• Japan Inflation Data (Aug) • Bank of Japan Interest Rate Decision

CHART OF THE WEEK



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