

AI under the microscope, yields in the telescope – a September to remember

Macro headlines

President Trump unveiled plans for South Korea to invest roughly USD200bn in US projects, though Seoul quickly signaled that a key component – a USD54bn LNG pipeline in Alaska – is not yet finalized. The announcement underscores Washington's push to deepen strategic industrial partnerships, particularly in energy and advanced infrastructure, even as allies calibrate their commitments. Regulatory pressure on AI intensified as the Federal Trade Commission expanded its probe into Anthropic, OpenAI, and other firms following recent hacking incidents. The FTC will seek testimony from senior executives. The widening investigation highlights growing concern that rapid AI deployment is outpacing governance frameworks. The Trump administration also proposed an overhaul of private market access rules, including allowing retail funds to charge performance fees, part of a broader effort to democratize alternative investments. Separately, the Federal Reserve finalized changes to its annual bank stress tests to make them more transparent and less volatile, signaling a shift toward clearer supervisory expectations. Labor data from ADP showed US private sector employment rising 90k in September, well above expectations, reinforcing steady job creation despite geopolitical uncertainty. The August PCE inflation report was Wednesday's centerpiece. Headline PCE rose 0.3% m/m and 3.4% y/y, while core PCE increased 0.2% m/m and 3.0% y/y, both cooler than expected. Methodological changes revised prior months lower, reducing urgency for an October rate hike. Consumer spending surged 0.9% m/m, and the saving rate was revised higher, pointing to resilient household demand. US Q2 GDP was revised up to 2.2%, driven by strong consumption and investment tied to AI infrastructure buildout. In Europe, inflation accelerated sharply during September: Germany at 3.3%, France at 3.4%, and Italy at 4.1%, all driven by energy costs amid Middle East tensions. The readings raise the likelihood of another ECB hike next month. The Bank of Japan's September meeting summary showed some policymakers favoring faster rate increases, adding to global tightening pressure. In corporate news, Micron forecast stronger revenue and expanded long-term supply commitments to USD32bn, reinforcing robust AI-memory demand.

Market performances

Global bonds closed their worst month in years, with the US 10-year yield posting its largest monthly increase since 2022 and its biggest quarterly rise since 2009. The 10-year rose 53bps in September, while the 30-year climbed 39bps, reflecting expectations that rates will remain higher for longer. France's 10-year yield recorded its biggest monthly rise in nearly four years and its largest quarterly jump in almost four decades, widening the French-German spread to its highest level since 2012. Sovereign yields remain the anchor for global markets, raising borrowing costs across governments, corporates, and households. The cooler-than-expected PCE report briefly eased rate expectations. Two-year yields initially fell as markets priced a 63% chance the Fed will hold rates steady next month, up from 55% before the release. Equities reacted positively at first, but gains faded as long-dated yields remained near multi-decade highs. The Dow fell 0.86%, the S&P 500 declined 0.25%, while the Nasdaq rose 0.24%, supported by optimism surrounding AI-infrastructure investment and Micron's upbeat guidance. MSCI's global index fell 0.1%, and the STOXX 600 dropped 0.5%. Oil prices rose on stalled US-Iran peace talks and tightening US fuel markets. Brent settled at USD103.50/bbl for the expiring November contract and USD98.03/bbl for December, while WTI rose to USD90.42/bbl. Brent gained 14% on the month, its strongest since July, and WTI rose 5%, reinforcing energy's role in global inflation dynamics. The dollar was flat

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on the day but strengthened over the month alongside rising US yields. The euro posted a monthly loss after two months of gains. Gold fell to USD4,154/oz, pressured by higher real yields. Overall, markets ended September navigating a complex mix of cooling US inflation, accelerating European inflation, rising geopolitical risk, and multi-decade-high long-term yields – a combination that leaves risk assets sensitive to incoming data.

What's Next

The US releases initial jobless claims and continuing claims, offering a timely read on labor market momentum ahead of Friday's payrolls. The S&P Global manufacturing PMI and ISM manufacturing index will provide insight into whether September's strong output readings can be sustained. ISM prices paid will be closely watched for signs of renewed cost pressures. Construction spending and inventory data will help refine Q3 GDP tracking. Latin America's calendar includes Chile's economic activity, industrial production, manufacturing output, and unemployment; Peru's CPI; and Argentina's tax revenue. Switzerland publishes HICP, CPI, and core CPI, while France releases final manufacturing PMI. Germany reports unemployment and flash inflation, Italy releases HICP, and the eurozone publishes its unemployment rate. The UK releases final manufacturing PMI. Asia's data includes Japan's Tankan survey, Korea's trade balance, Australia's trade balance, Indonesia's CPI, and India's manufacturing PMI. China's markets are closed for National Day. Markets enter Thursday focused on labor data, manufacturing surveys, and global inflation prints, with rate expectations delicately balanced and long-dated yields continuing to exert pressure across risk assets.

Daily Market View

Investment Strategy ♦ October 01, 2026

Performance snapshot*					
Rates	Latest	1D (bp)	1M (bp)	3M (bp)	
SOFR	3.88	0.00	24.00	20.00	
UAE Eibor 3m	4.32	-2.44	45.33	49.91	
UAE Eibor 12m	5.09	-1.71	62.16	95.54	
US 3m Bills	4.11	-3.42	34.84	29.94	
US 10yr Treasury	5.28	4.87	60.87	81.97	
German 10yr Bund	3.59	-4.00	33.30	72.60	
UK 10yr Gilt	5.42	1.40	39.40	66.70	
Fixed Income		1D (%)	1M (%)	3M(%)	
Global Agg. Index	488	0.07	-2.78	-2.46	
Global Treasuries	202	0.11	-2.46	-2.00	
Global Corporate	294	0.05	-3.26	-3.37	
EM USD Sovereign	449	-0.17	-3.63	-4.25	
EM LCY Sovereign	168	0.15	-0.71	1.58	
Global High Yield	1,860	-0.07	-3.12	-2.24	
Currencies					
Dollar Index	101.45	0.08	2.31	0.26	
EUR USD	1.1330	-0.11	-2.77	-0.81	
GBP USD	1.3265	0.25	-2.41	0.02	
USD JPY	157.41	0.08	-1.24	-3.16	
Equities					
S&P 500	7,652	-0.25	-1.03	2.03	
Dow Jones	50,906	-0.86	-4.97	-2.70	
NASDAQ	26,861	0.24	1.20	2.47	
STOXX 600	635	-0.50	-2.60	-1.07	
DAX	25,199	-0.79	-4.43	0.81	
Nikkei 225	66,754	1.94	0.94	-4.72	
FTSE 100	10,606	-0.29	-1.73	1.04	
SENSEX	72,480	-0.07	-5.79	-5.23	
Hang Seng	24,613	0.37	-3.73	7.57	
MSCI World	4,903	-0.13	-1.82	1.60	
MSCI EM	1,705	0.18	-1.04	-1.05	
Regional Equities					
ADX	10,070	-0.61	0.26	2.71	
DFM	5,961	-0.46	1.32	0.08	
Tadawul*	10,441	-0.14	-5.67	-3.03	
DSM*	9,245	-0.67	-5.03	-7.59	
MSM30*	7,567	-0.16	-0.85	5.61	
BHSE*	1,908	0.05	-1.52	-2.95	
KWSE*	8,779	-0.21	-0.69	0.94	
Commodities					
BBG Commodity Index	141.8	0.40	1.21	15.11	
Brent USD/bbl	103.53	0.92	15.42	41.98	
WTI USD/bbl	90.42	1.16	8.25	30.10	
Gold USD/t oz	4,157.4	-0.60	-9.60	3.73	
Silver USD/t oz	60.4	-1.71	-12.74	3.12	

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Platinum USD/t oz	1,716.2	0.17	-7.25	10.54
Aluminum	3,176.0	-1.47	-1.89	3.24
Copper USD/MT	14,487.0	0.09	-0.02	8.59
Digital Assets				
Bitcoin	83,621.2	0.03	4.39	42.60
Ether	2,681.1	-0.28	6.89	70.35
Solana	118.0	-0.92	8.20	60.26
XRP	1.5	-0.40	2.47	43.29
Volatility				
VIX	16.34	1.87	12.61	-0.67
MOVE	110.45	3.61	58.10	53.49

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8:00AM UAE time – October 01, 2026. Performance in local currency terms.

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