

Central banks tighten as oil shock pushes yields to new cycle highs

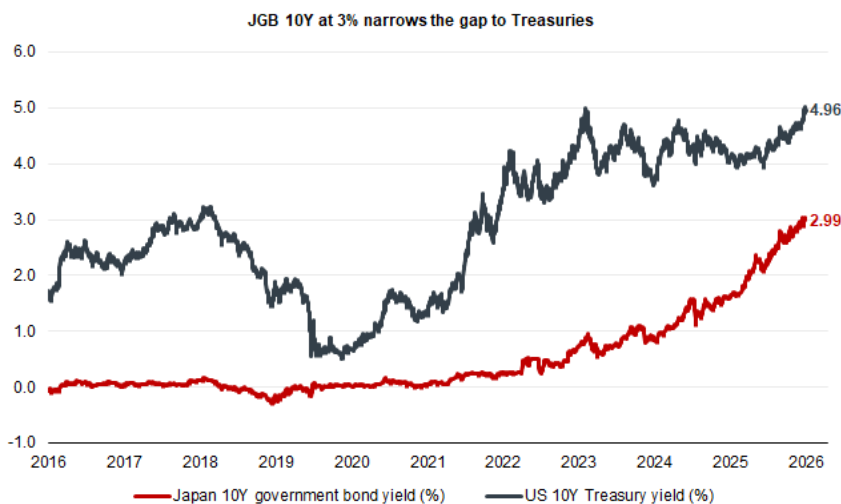
Macro headlines

The dominant theme last week was the interaction between geopolitical tensions, higher energy prices and central bank policy. Escalating disruptions around the Strait of Hormuz and the Red Sea kept oil prices elevated, reinforcing concerns that the Middle East conflict is becoming an increasingly important source of global inflation pressure. The inflation backdrop remained firm, with US core CPI surprising to the upside and UK inflation accelerating, while stronger-than-expected US retail sales highlighted the resilience of domestic demand. Against this backdrop, the Federal Reserve raised rates by 25bps, its first hike since 2023, and signalled additional tightening ahead. The Bank of Japan also raised rates by 25bps to 1.25%, the highest level in over three decades, while the Bank of England kept policy unchanged despite higher inflation. Economic data elsewhere remained mixed, with China continuing to exhibit a divergence between robust industrial activity and softer domestic demand. Overall, markets ended the week reassessing the prospect of interest rates staying higher for longer as policymakers responded to persistent inflation risks.

Market performances

Market performance reflected the week's shift toward tighter financial conditions. Global bond yields rose sharply before partially retracing later in the week, with the US 10-year Treasury briefly touching the psychologically important 5% level, its highest since 2007. Equities experienced significant volatility as investors balanced stronger economic data against higher discount rates. The S&P 500 and Nasdaq initially weakened following the Fed decision and concerns over AI sector valuations but recovered toward the end of the week. European equities broadly underperformed while GCC markets remained relatively resilient. Energy was the best-performing sector as Brent crude remained above USD100/bbl throughout the week, supported by supply disruptions and geopolitical uncertainty. Gold recovered late in the week as yields eased from their highs, while the US dollar strengthened alongside expectations of further policy tightening.

Chart of the Week: Yields Hit Highest Levels in Years



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Weekly Market View

Investment Strategy ♦ September 21 2026

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	3.85	23.00	23.00	-2.00
UAE Eibor 3m	4.40	18.42	54.32	88.43
UAE Eibor 12m	4.94	25.70	74.39	132.26
US 3m Bills	4.06	7.01	33.02	44.39
US 10yr Treasury	4.96	2.92	54.28	82.91
German 10yr Bund	3.46	1.50	53.40	66.40
UK 10yr Gilt	5.23	-4.80	45.30	81.60
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	494	-0.63	-1.26	-1.52
Global Treasuries	204	-0.82	-1.03	-1.94
Global Corporate	299	-0.38	-1.79	-1.76
EM USD Sovereign	460	-0.15	-2.09	0.18
EM LCY Sovereign	168	-0.38	1.63	3.53
Global High Yield	1,893	-0.53	-0.43	1.64
Currencies				
Dollar Index	100.30	1.11	-0.62	1.93
EUR USD	1.1478	-0.97	0.13	-2.21
GBP USD	1.3385	-0.95	1.23	-0.59
USD JPY	157.23	2.13	-2.74	0.11
Equities				
S&P 500	7,651	-0.08	2.00	11.76
Dow Jones	51,683	-1.69	0.23	7.53
NASDAQ	26,523	0.72	0.02	14.11
STOXX 600	641	-0.57	-0.03	7.31
DAX	25,549	-1.03	1.27	3.32
Nikkei 225	65,019	1.57	-8.75	29.16
FTSE 100	10,732	0.08	2.85	7.33
SENSEX	74,936	-0.65	-3.27	-12.82
Hang Seng	25,043	-0.22	3.45	-3.43
MSCI World	4,914	-0.47	1.79	10.92
MSCI EM	1,711	-0.62	-4.22	21.82
Regional Equities				
ADX	10,081	1.57	2.55	2.79
DFM	5,959	0.27	-3.35	-1.49
Tadawul*	10,778	-2.08	-3.09	2.74
DSM*	9,659	-1.68	-8.10	-10.25
MSM30*	7,603	-0.58	0.28	29.60
BHSE*	1,924	-0.29	-5.13	-6.90
KWSE*	8,913	-0.33	1.75	0.06
Commodities				
BBG Commodity Index	144.7	0.15	14.59	32.59
Brent USD/bbl	101.9	-0.71	28.92	70.70
WTI USD/bbl	98.5	0.25	30.94	74.68
Gold USD/t oz	4,350.5	0.68	5.36	1.37
Silver USD/t oz	66.2	2.75	2.09	-7.54
Platinum USD/t oz	1,806.2	0.22	8.08	-12.53
Aluminum	3,297.8	0.64	-3.36	10.71
Copper USD/MT	14,529.0	2.04	7.38	16.19

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Investment Strategy ♦ September 21 2026

Digital Assets				
Bitcoin	84,088.7	4.90	28.32	-7.47
Ether	2,703.6	4.01	54.12	-11.62
Solana	115.2	10.79	64.01	-8.69
XRP	1.5	3.00	23.73	-23.72
Volatility				
VIX	14.97	-6.50	-11.74	-0.94
MOVE	80.64	-1.91	23.32	26.08

Source: Bloomberg, and ADCB Asset Management | Notes: *Data as of September 11 2026 unless stated otherwise; **Data as of September 21 2026.

Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
9/21/2026 14:30	Fed's Goolsbee Speaks at Event			
9/21/2026 16:30	Chicago Fed Nat Activity Index	Aug	-0.04	-0.08
9/22/2026 16:15	ADP Weekly Employment Change	5-Sep	--	16.250k
9/22/2026 16:30	Philadelphia Fed Non-Manufacturing Activity	Sep	--	-10.6
9/22/2026 18:00	Richmond Fed Manufact. Index	Sep	2	4
9/22/2026 18:00	Richmond Fed Business Conditions	Sep	--	-12
9/23/2026 15:00	MBA Mortgage Applications	18-Sep	--	-4.10%
9/23/2026 17:45	S&P Global US Manufacturing PMI	Sep P	53.6	53.9
9/23/2026 17:45	S&P Global US Services PMI	Sep P	55.9	56.5
9/23/2026 17:45	S&P Global US Composite PMI	Sep P	54.7	56
9/24/2026 16:30	Current Account Balance	2Q	-\$256.2b	-\$226.8b
9/24/2026 16:30	Initial Jobless Claims	19-Sep	200k	196k
9/24/2026 16:30	Initial Claims 4-Wk Moving Avg	19-Sep	--	203.25k
9/24/2026 16:30	Continuing Claims	12-Sep	1745k	1730k
9/24/2026 18:00	New Home Sales	Aug	616k	607k
9/24/2026 18:00	New Home Sales MoM	Aug	1.30%	-10.50%
9/24/2026 19:00	Kansas City Fed Manf. Activity	Sep	9	10
9/24/2026	Building Permits	Aug F	--	1394k
9/24/2026	Building Permits MoM	Aug F	--	-2.70%
9/25/2026 14:00	Bloomberg Sept. United States Economic Survey			
9/25/2026 16:30	Durable Goods Orders	Aug P	-0.30%	1.10%
9/25/2026 16:30	Durables Ex Transportation	Aug P	0.60%	0.40%
9/25/2026 16:30	Cap Goods Orders Nondef Ex Air	Aug P	0.50%	0.00%
9/25/2026 16:30	Cap Goods Ship Nondef Ex Air	Aug P	0.70%	1.20%
9/25/2026 18:00	U. of Mich. Sentiment	Sep F	47.5	47.8
9/25/2026 18:00	U. of Mich. Current Conditions	Sep F	50.5	50.9
9/25/2026 18:00	U. of Mich. Expectations	Sep F	45.5	45.8
9/25/2026 18:00	U. of Mich. 1 Yr Inflation	Sep F	--	4.60%
9/25/2026 18:00	U. of Mich. 5-10 Yr Inflation	Sep F	3.40%	3.40%
9/25/2026 19:00	Kansas City Fed Services Activity	Sep	--	-3
9/28/2026 18:30	Dallas Fed Manf. Activity	Sep	--	11.6

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
9/24/2026 4:30	S&P Global Japan PMI Composite	Sep P	--	53.5
9/24/2026 4:30	S&P Global Japan PMI Mfg	Sep P	--	54.9
9/24/2026 4:30	S&P Global Japan PMI Services	Sep P	--	52.5
9/25/2026 9:30	Nationwide Dept Sales YoY	Aug	--	5.10%
9/25/2026 9:30	Tokyo Dept Store Sales YoY	Aug	--	9.00%
9/28/2026 3:50	PPI Services YoY	Aug	--	3.60%

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9/24/2026 4:30	S&P Global Japan PMI Composite	Sep P	--	53.5
9/24/2026 4:30	S&P Global Japan PMI Mfg	Sep P	--	54.9

Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
9/22/2026 18:00	Eurozone Consumer Confidence	Sep P	--	-15.5
9/23/2026 11:15	France S&P Global Manufacturing PMI	Sep P	--	51.1
9/23/2026 11:15	France S&P Global Services PMI	Sep P	--	48
9/23/2026 11:30	Germany S&P Global/BME Manufacturing PMI	Sep P	--	54.3
9/23/2026 11:30	Germany S&P Global Services PMI	Sep P	--	49.7
9/23/2026-9/30/2026	Germany Retail Sales SA YoY	Aug	--	-2.50%
9/23/2026 12:00	Eurozone S&P Global Manufacturing PMI	Sep P	52.3	52.7
9/23/2026 12:00	Eurozone S&P Global Services PMI	Sep P	51.1	51.6
9/24/2026 12:00	Eurozone ECB Publishes Economic Bulletin			
9/24/2026 12:00	Germany IFO Business Climate	Sep	89	88.8
9/24/2026 12:00	Germany IFO Current Assessment	Sep	--	88.5
9/24/2026 12:00	Germany IFO Expectations	Sep	--	89.1
9/25/2026 10:00	Germany GfK Consumer Confidence	Oct	-26	-26.6

United Kingdom



Date & Time (GST)	Indicator	Period	Expected	Prior
ss	Rightmove House Prices YoY	Sep	---	-1.00%
9/23/2026 12:30	S&P Global UK Manufacturing PMI	Sep P	--	51.7
9/23/2026 12:30	S&P Global UK Services PMI	Sep P	--	52.5
9/25/2026 3:01	GfK Consumer Confidence	Sep	-16	-14

China & India



Date & Time (GST)	Indicator	Period	Expected	Prior
9/21/2026 5:00	China 1-Year Loan Prime Rate	21-Sep	3.00%	3.00%
9/21/2026 5:00	China 5-Year Loan Prime Rate	21-Sep	3.50%	3.50%
9/23/2026 9:00	India HSBC PMI Mfg	Sep P	--	52.8
9/23/2026 9:00	India HSBC PMI Services	Sep P	--	54.1

GCC



Date & Time (GST)	Indicator	Period	Expected	Prior
9/19/2026-9/29/2026	Qatar CPI YoY	Aug	--	--
9/20/2026-9/25/2026	Dubai CPI YoY	Aug	--	5.33%
9/23/2026-9/27/2026	Bahrain CPI YoY	Aug	--	3.00%
9/24/2026	Saudi Arabia Trade Balance	Jul	--	17314.8m

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