

Oil surges, yields spike, nerves rise

Macro headlines

The Middle East conflict widened again. Iran-aligned Houthis seized Mocha, a strategic port on Yemen's Red Sea coast, and advanced toward key islands. The escalation came hours after President Trump said he expected the Iran war to end after the midterm elections – a remark that markets interpreted as political timing rather than geopolitical de-escalation. The conflict's expansion continues to impair shipping routes and intensify energy price risk. Staying with oil, OPEC lowered its 2026 oil demand growth forecast to 380k bpd, marking a fifth consecutive downward revision. The group still sees a smaller consumption impact from the Iran war than the IEA, which expects demand to decline next year. OPEC raised its 2027 demand forecast, signaling confidence in medium-term consumption despite near-term geopolitical drag. The ECB raised rates by 25bps, lifting the deposit facility to 2.5% – its second hike in three months. The Governing Council cited persistent inflation pressures from the Middle East conflict and said inflation will remain above target “for an extended period.” Staff projections show headline inflation averaging 3% this year, with upward revisions for 2027 and 2028. Turkey's central bank held its one-week repo rate at 37.0%, citing decelerating underlying inflation but warning that higher energy prices pose upside risks. The bank last cut rates in January. US PPI rose 0.4% m/m during August, in line with expectations, with core PPI up 0.2% m/m. Headline PPI rose 5.4% y/y, driven by energy and broad-based cost increases. Existing home sales fell 2.0% m/m to 3.98mn SAAR in August, the lowest since June 2025, as mortgage rates climbed to 6.67%. Japan's wholesale inflation remained elevated in August. PPI rose 7.6% y/y, above expectations, reinforcing the case for a BOJ rate hike to 1.25% next week. On a sequential basis, PPI dipped 0.2%, but the annual trend remains strong.

Market performances

Markets remained nervy Thursday as oil surged and yields climbed. Brent jumped another 6% to USD108.64/bbl, extending Wednesday's break above USD100/bbl. Markets increasingly expect a prolonged conflict, with tanker attacks and shipping disruptions driving supply route risk. US equities fell again: the Dow dropped 0.6%, the S&P 500 fell 0.6%, and the Nasdaq declined 0.65%. MSCI's global index slipped 0.66%. Investors braced for Friday's CPI release, which could determine whether the Fed raises rates next week. Bond markets tightened further. The US 10-year yield rose to 4.96%, its highest since 2023, following another firm inflation print and lingering disappointment over the Treasury's USD6bn buyback. Germany's 10-year yield hit 3.50%, the highest since April 2011; France's OAT reached 4.33%; UK 10-year yields climbed to 5.39%, surpassing post-2007 highs. The dollar index edged up to 98.83. The combination of surging oil, rising yields, and widening conflict has created one of the most complex pre-FOMC backdrops in years.

What's Next

Friday's US calendar is dominated by CPI. Headline CPI is expected to rise 0.4% m/m, with core CPI at 0.2% m/m. Energy is expected to contribute strongly: motor fuel prices +4.1% m/m, household energy +0.5% m/m. Food prices are expected to rise 0.2% m/m. The University of Michigan releases consumer sentiment and inflation expectations. The Fed also publishes Q2 household net worth. International releases include Peru's reference rate, Brazil's IPCA inflation, Mexico's industrial and manufacturing production, Uruguay's industrial production, and UK GDP, industrial production, manufacturing, construction, services, and trade balance. Germany publishes current account data; Türkiye publishes current-account data; Russia releases its key rate decision, trade balance, GDP, CPI, and core CPI. China releases new yuan loans, aggregate financing, and M2. The IEA publishes its monthly oil market report, which will be closely watched given Brent's surge above USD100/bbl and OPEC's downward demand revision. Markets will remain highly sensitive to energy price dynamics, bond market stress, and the US inflation print.

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Daily Market View

Investment Strategy ♦ September 10, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.64	0.00	2.00	5.00
UAE Eibor 3m	4.16	3.83	29.16	40.37
UAE Eibor 12m	4.75	25.16	49.01	69.16
US 3m Bills	3.94	5.03	14.83	23.17
US 10yr Treasury	4.96	12.20	31.72	41.03
German 10yr Bund	3.50	5.70	36.90	42.50
UK 10yr Gilt	5.37	11.30	45.30	44.30
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	497	-0.60	-0.68	-0.28
Global Treasuries	206	-0.59	-0.45	0.12
Global Corporate	300	-0.64	-1.09	-1.04
EM USD Sovereign	461	-0.54	-1.08	-0.59
EM LCY Sovereign	169	-0.19	0.80	3.02
Global High Yield	1,904	-0.41	-0.42	0.72
Currencies				
Dollar Index	99.05	0.23	-0.49	-0.90
EUR USD	1.1619	-0.15	0.52	0.56
GBP USD	1.3524	-0.21	0.24	1.01
USD JPY	154.28	0.46	-2.21	-3.87
Equities				
S&P 500	7,592	-0.58	-2.14	4.47
Dow Jones	52,064	-0.60	-3.65	4.30
NASDAQ	26,082	-0.65	-2.28	3.62
STOXX 600	636	-0.69	-3.68	2.88
DAX	25,361	-0.84	-3.64	4.82
Nikkei 225	65,271	0.20	-0.51	1.70
FTSE 100	10,609	-0.57	-2.68	3.45
SENSEX	74,903	0.19	-4.58	1.24
Hang Seng	24,954	-1.27	-2.78	2.24
MSCI World	4,906	-0.66	-2.04	4.76
MSCI EM	1,745	-0.60	5.25	4.68
Regional Equities				
ADX	10,112	0.06	0.17	5.59
DFM	5,904	-0.39	-0.68	2.54
Tadawul*	11,007	-0.08	0.91	1.80
DSM*	9,824	-0.27	-0.68	-4.31
MSM30*	7,648	0.29	1.42	0.87
BHSE*	1,930	0.02	-1.13	-4.66
KWSE*	8,943	0.16	2.06	2.33
Commodities				
BBG Commodity Index	147.1	1.49	11.69	12.28
Brent USD/bbl	107.63	6.34	28.82	15.61
WTI USD/bbl	102.48	6.69	31.08	13.83
Gold USD/t oz	4,364.2	-1.03	0.52	5.87
Silver USD/t oz	63.6	-5.48	0.07	0.38

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Platinum USD/t oz	1,781.7	-6.26	1.79	7.00
Aluminum	3,316.3	-1.75	1.26	-4.39
Copper USD/MT	14,390.0	-1.92	1.05	7.63
Digital Assets				
Bitcoin	77,244.3	-1.35	18.96	25.11
Ether	2,460.7	-0.42	28.57	51.05
Solana	100.0	-2.47	35.52	58.08
XRP	1.4	-3.55	32.06	23.24
Volatility				
VIX	17.84	8.38	19.73	-19.71
MOVE	82.09	6.97	13.97	11.01

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – September 10, 2025. Performance in local currency terms.

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