

Yields climbed higher with both eyes fixed firmly on the Fed

Macro headlines

The global policy landscape tightened further on Tuesday as political, geopolitical, and technological stress converged. On policy, the US Senate failed to advance the Clarity Act – comprehensive cryptocurrency legislation backed by President Trump – falling short of the 60-vote threshold. Four Republican senators joined Democrats in opposition, dealing a setback to digital asset companies and highlighting fractures within the party ahead of midterms. In a rare moment of bipartisan alignment, Senator Sanders and Steve Bannon both called for stronger oversight of artificial intelligence, uniting two political adversaries around concerns that AI could harm humans. Their warnings came as global AI-linked stocks plunged following existential risk statements from leaders of OpenAI, Anthropic, and xAI. The selloff exposed the fragility of AI's debt funded expansion at a moment when global borrowing costs are rising and bond yields sit at multi-year highs. Geopolitics remained tense as markets watched oil supply risk from the middle east. In macroeconomic data, Germany's ZEW investor morale stabilized at 34.7, while the current conditions index improved sharply to -47.1 from -61.1, supported by fiscal measures and export momentum. The eurozone's adjusted trade surplus widened to EUR5bn, with exports up 1.2% and imports down 0.4% in July. Saudi inflation remained flat at 1.8% y/y in August, though energy-related categories rose 3.9% y/y amid intensified attacks on infrastructure. Japan posted its largest import increase in nearly four years (+28% y/y) in August, driven by elevated oil prices and yen weakness. UK labour market data showed a gentle cooling: payroll employment fell by 39,000 in the three months to July, vacancies declined, and private sector wage growth remained subdued – a combination that signals easing pressure on inflation and offers the Bank of England a little more breathing room.

Market performances

Markets extended losses Tuesday as oil surged and yields climbed to levels not seen in nearly two decades. The Dow fell 0.29%, the S&P 500 dropped 0.48%, and the Nasdaq declined 0.56%. MSCI's global index slipped 0.5%. Energy stocks outperformed, while consumer discretionary, communication services, and utilities led declines. European equities fell, with the STOXX 600 down c0.3%, hitting its lowest level since June. Oil remained the dominant force. Brent settled above USD105.68/bbl, driven by Houthi attacks and the shutdown of Saudi Arabia's East-West Pipeline, which normally helps bypass the Strait of Hormuz. Energy supplies remain restricted as Iran continues to blockade the strait, and tanker attacks impair flows across the region. Bond markets tightened further. The US 10-year yield rose to 5%, its highest since 2007. German Bund yields climbed to 3.56%, the highest since 2009. Markets now price a 90% probability of a Fed hike on Wednesday and a 76% chance of a BOJ hike to 1.25% on Friday. The dollar index rose to 99.39. The macro narrative remains dominated by three forces: 1) surging oil prices and impaired supply routes, 2) rising global yields and tightening financial conditions, and 3) AI-sector stress and political fractures ahead of major central-bank decisions.

What's Next

Wednesday's calendar includes Canada's housing starts and building permits; US import and export prices; retail sales (headline, ex-auto, ex-auto-and-gas, and control group); the NAHB housing-market index; business inventories; and the FOMC rate decision. Markets expect a move to 3.50-3.75%, with attention focused on Chair Warsh's press conference. Brazil releases IGP-10 inflation, economic-activity data, and the Selic rate decision. Chile publishes central-bank minutes. Colombia releases retail sales, manufacturing, and industrial production. The UK publishes CPI, core CPI, services CPI, CPIH, RPI, PPI output, and PPI input. Sweden releases unemployment; Italy publishes final HICP; the eurozone releases industrial production; Hungary releases wage data; Israel publishes GDP and current-account data; South Africa releases retail sales; Poland publishes core CPI. Markets will remain highly sensitive to the Fed's decision, BOJ expectations, and oil price dynamics – all unfolding in a world where yields touch 2007 highs.

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Daily Market View

Investment Strategy ♦ September 16, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.62	0.00	-2.00	-3.00
UAE Eibor 3m	4.14	-3.45	25.22	39.09
UAE Eibor 12m	4.69	0.72	42.49	72.75
US 3m Bills	4.03	2.86	23.83	33.11
US 10yr Treasury	4.99	2.06	29.92	50.86
German 10yr Bund	3.52	1.40	36.00	52.30
UK 10yr Gilt	5.37	2.40	40.30	53.10
Fixed Income		1D (%)	1M (%)	3M (%)
Global Agg. Index	495	-0.35	-0.92	-1.25
Global Treasuries	205	-0.40	-0.71	-0.92
Global Corporate	299	-0.31	-1.23	-1.95
EM USD Sovereign	459	-0.29	-1.26	-1.83
EM LCY Sovereign	168	-0.30	0.39	1.81
Global High Yield	1,896	-0.37	-0.74	-0.25
Currencies				
Dollar Index	99.39	0.27	-0.44	-0.36
EUR USD	1.1560	-0.34	0.17	-0.07
GBP USD	1.3505	-0.14	-0.01	0.74
USD JPY	154.32	0.46	-3.11	-3.69
Equities				
S&P 500	7,620	-0.48	-1.40	2.54
Dow Jones	52,421	-0.29	-2.55	2.38
NASDAQ	26,186	-0.56	-0.98	1.15
STOXX 600	636	-0.49	-3.71	0.44
DAX	25,441	-0.50	-3.60	3.27
Nikkei 225	63,493	-0.81	-5.19	-3.83
FTSE 100	10,698	0.44	-1.35	2.16
SENSEX	74,782	0.00	-4.32	-0.99
Hang Seng	24,918	0.45	-2.87	0.81
MSCI World	4,910	-0.55	-1.71	2.55
MSCI EM	1,698	-1.38	1.95	-1.06
Regional Equities				
ADX	10,118	0.06	1.11	3.20
DFM	5,977	0.59	1.64	0.38
Tadawul*	10,878	0.13	-0.69	0.65
DSM*	9,824	-0.25	1.46	-2.64
MSM30*	7,630	-0.22	1.43	-0.19
BHSE*	1,930	0.03	-0.71	-3.96
KWSE*	8,962	0.20	1.63	3.45
Commodities				
BBG Commodity Index	145.3	0.07	7.84	12.28
Brent USD/bbl	105.68	1.02	18.86	21.01
WTI USD/bbl	101.39	1.34	21.86	19.45
Gold USD/t oz	4,315.9	-0.76	-1.54	2.29
Silver USD/t oz	63.2	-1.95	-2.24	-7.04

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Platinum USD/t oz	1,765.8	-1.82	1.31	2.62
Aluminum	3,290.3	0.41	-2.05	-6.87
Copper USD/MT	14,044.0	-1.37	-2.64	3.24
Digital Assets				
Bitcoin	79,084.8	2.29	24.16	24.70
Ether	2,570.5	1.60	36.67	54.47
Solana	104.0	1.51	36.84	56.01
XRP	1.5	7.43	43.88	29.19
Volatility				
VIX	17.10	7.95	11.91	-3.28
MOVE	83.90	2.06	7.67	20.96

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – September 16, 2025. Performance in local currency terms.

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