

Fed delivers its first rate hike since 2023

Macro headlines

Global policy and geopolitical tensions tightened further on Wednesday. Starting with geopolitics, European Commission President von der Leyen said she wants Canada to become the EU's first "associate member," framing the proposal as a strategic alliance in "an openly hostile world." In Washington, the House passed a sweeping sanctions and tariff bill aimed at increasing economic pressure on Russia, sending the legislation to President Trump nearly 18 months after its introduction. Turning to policy, the Federal Reserve raised rates by 25bps to 3.75-4.00%, its first hike since 2023, and signaled more tightening ahead – even though we had expected a hold at this meeting. Chair Warsh joined the rest of the committee, with updated projections showing 16 of 18 policymakers expect at least one additional hike this year. The Fed acknowledged persistent inflation pressures driven by global import tariffs, the Iran-related energy shock, and capital spending from the AI boom. In macroeconomic data, US retail sales surprised to the upside, rising 1.2% m/m in August, the strongest in five months, with gains across 12 of 13 categories. Gasoline stations and online retailers led the advance, showing consumers continued to spend despite rising fuel costs. Housing data softened. The NAHB Housing Market Index fell to 32, the lowest since September 2025, as higher mortgage rates, labor shortages, and rising material costs weighed on builder confidence. Import and export prices for August rose 0.7% m/m and 0.6% m/m, respectively, contrary to expectations for declines, with broad-based increases across end use categories. UK inflation accelerated to 3.1% y/y, driven by petrol and household energy, keeping alive the prospect of a Bank of England rate increase later this year. Brazil's central bank cut the Selic rate by 25bps to 13.75%, its fifth consecutive cut, citing slowing activity in cyclical sectors and an unchanged inflation forecast of 3.2%.

Market performances

Markets fell Wednesday as the Fed delivered a rate hike and signaled more tightening ahead. The Dow dropped 1.21%, the S&P 500 fell 0.45%, and the Nasdaq slipped 0.01%. MSCI's global index declined 0.16%, marking a third straight session of losses. European equities closed higher before the Fed decision, with the STOXX 600 up 0.46%. Bond yields climbed further. The US 10-year rose to 5%, its highest since 2007, while the 2-year reached 4.738%. Markets now price at least one more Fed hike this year and expect the BOJ to raise rates by 25bps to 1.25% on Friday. Oil prices dipped but remained elevated. Brent fell 2.69% to USD105.83/bbl after reports that Saudi Arabia was offering additional crude cargoes via Oman following drone damage to its Red Sea pipeline. Vessel passage through the Strait of Hormuz remained constrained as regional attacks intensified. The dollar strengthened across major peers. The euro fell to 1.1465, the yen weakened to 156.26, and the dollar index rose to 100.25.

What's Next

Thursday's calendar includes the US Philadelphia Fed manufacturing survey, initial and continuing jobless claims, housing starts, building permits, pending home sales, business inventories, and TIC flows. Canada releases industrial product and raw materials price indices, international securities transactions, and housing data. Argentina publishes Q2 GDP; the eurozone releases final HICP and core HICP; the UK announces its Bank Rate decision, with markets expecting a hold at 3.75%. Singapore releases non-oil domestic exports; Taiwan announces its benchmark interest rate. ECB Executive Board member Philip Lane speaks in Frankfurt; Canadian Prime Minister Mark Carney addresses the European Parliament; and the UN Security Council votes on renewing the mandate of the Iran sanctions-committee expert panel. Markets will pay close attention to interest rate decisions from BoE (Thursday) and BoJ (Friday) and the volatility in oil prices.

Mohammed Al Hemeiri

Senior Specialist

+971 (0)2 812 6450

mohammed.alhemeiri@adcb.com

Kishore Muktinutalapati

Head - Investment Strategy

+971 (0)2 812 6457

kishore.muktinutalapati@adcb.com

www.adcb.com/marketinsights

Daily Market View

Investment Strategy ♦ September 17, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.64	0.00	2.00	1.00
UAE Eibor 3m	4.13	-4.98	19.15	33.30
UAE Eibor 12m	4.81	11.15	53.98	76.11
US 3m Bills	4.06	1.68	25.81	35.13
US 10yr Treasury	5.02	2.06	37.98	58.31
German 10yr Bund	3.51	-3.10	37.60	57.70
UK 10yr Gilt	5.30	-9.20	34.30	50.80
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	495	0.09	-1.12	-1.61
Global Treasuries	205	0.11	-0.87	-1.31
Global Corporate	299	0.10	-1.46	-2.19
EM USD Sovereign	459	0.15	-1.66	-2.38
EM LCY Sovereign	168	0.10	0.21	1.14
Global High Yield	1,894	0.07	-1.05	-0.70
Currencies				
Dollar Index	100.25	0.64	0.29	0.72
EUR USD	1.1465	-0.68	-0.55	-1.23
GBP USD	1.3381	-0.72	-0.79	-0.34
USD JPY	156.26	0.75	-2.03	-2.60
Equities				
S&P 500	7,552	-0.45	-3.17	0.54
Dow Jones	51,462	-1.21	-4.42	-1.03
NASDAQ	25,978	-0.01	-3.08	-1.51
STOXX 600	637	0.46	-3.36	0.17
DAX	25,538	0.53	-2.90	2.52
Nikkei 225	63,923	0.69	-6.42	-7.90
FTSE 100	10,688	0.28	-0.78	1.85
SENSEX	74,336	0.45	-4.79	-3.22
Hang Seng	24,714	0.19	-2.69	0.90
MSCI World	4,876	-0.23	-3.13	0.67
MSCI EM	1,687	0.34	-0.52	-5.00
Regional Equities				
ADX	10,114	-0.22	0.69	1.51
DFM	5,967	0.66	0.99	-1.46
Tadawul*	10,780	-0.02	-2.70	-0.36
DSM*	9,638	-1.39	-0.52	-4.61
MSM30*	7,550	-0.85	0.54	-1.33
BHSE*	1,930	0.02	-0.75	-4.04
KWSE*	8,942	-0.04	0.55	3.07
Commodities				
BBG Commodity Index	146.4	-0.50	8.90	14.66
Brent USD/bbl	105.83	-2.69	21.55	34.03
WTI USD/bbl	102.43	-3.21	26.07	34.69
Gold USD/t oz	4,263.7	-0.66	-1.99	-1.56
Silver USD/t oz	63.0	-1.09	-2.34	-10.06

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Platinum USD/t oz	1,756.0	-1.33	2.15	-2.83
Aluminum	3,274.3	0.52	0.66	-3.26
Copper USD/MT	14,227.0	1.30	-0.41	3.98
Digital Assets				
Bitcoin	76,103.0	0.30	20.12	15.68
Ether	2,408.9	0.12	27.82	34.13
Solana	98.6	1.29	29.52	33.14
XRP	1.3	0.67	29.09	6.52
Volatility				
VIX	17.71	2.97	21.05	7.92
MOVE	80.73	-3.56	16.61	19.99

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – September 17, 2025. Performance in local currency terms.

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