

BoE holds, BoJ hikes – Central Bank reaction functions may vary

Macro headlines

Global monetary policy diverged sharply on Thursday and Friday as inflation pressures remained elevated across regions. The Bank of England held its benchmark rate at 3.75% for the sixth consecutive meeting, with a 6-3 split that leaves the committee out of step with both the Federal Reserve and the European Central Bank. The decision comes despite rising UK inflation driven by surging energy costs linked to the Middle East conflict, underscoring the BoE's preference to wait for clearer evidence before tightening further. In contrast, on Friday, the Bank of Japan raised rates to 1.25%, the highest level in 31 years, in a 7-2 vote aimed at preventing inflation from overshooting its 2% target. Staying with Japan, hot-off-the-press core CPI release showed 1.7% y/y inflation in August, reinforcing the case for continued normalization. More on central banking, Taiwan's central bank kept rates unchanged for a tenth straight quarter but lifted both its growth and inflation forecasts, signaling a more constructive domestic outlook. Australia's Reserve Bank flagged that upside inflation risks are materializing, with Governor Bullock highlighting pressures from the Middle East conflict and the AI-driven investment boom. Turning to data, US macro data were mixed. The Philadelphia Fed manufacturing survey eased to 37.8 in September from 47.4, still well above expectations and pointing to resilience in regional activity. Single family housing starts rose 7.6% m/m to 918,000 in August, but permits fell 1.8% m/m, suggesting the improvement may be temporary as mortgage rates climb alongside the 10-year Treasury yield near 5%. Focusing on CEEMEA, Saudi Arabia increased crude loadings to Asian refiners via ship-to-ship transfers off Oman, partially offsetting supply disruptions from attacks on its East-West pipeline. Meanwhile, Turkey froze trading in funds run by seven asset managers and ordered 130 funds liquidated to contain a speculative bubble that has destabilized local markets, prompting liquidity support and regulatory referrals for suspected manipulation.

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Market performances

Global equities rebounded on Thursday as markets unwound the prior session's hawkish-Fed selloff. The Dow rose 0.61%, the S&P 500 gained 1.1%, and the Nasdaq jumped 1.7%, breaking a three-session losing streak. Sector performance in the US was led by technology, consumer discretionary, and utilities, while consumer staples and financials lagged. European equities followed suit, with the STOXX 600 up nearly 1%, while MSCI's global index climbed 0.84%, snapping its three-day decline. Bond yields eased from recent highs. The US 10-year fell 6.55bps to 4.939%, and the 2-year dropped 5.65bps to 4.671%, reflecting modest relief after Wednesday's unanimous Fed hike and dot-plot signal of one additional increase this year. The dollar softened as yields retreated. The euro edged up to 1.14765, the yen strengthened to 155.97, and sterling slipped to 1.3355 after the BoE's decision. The dollar index took a breather after hitting a seven-week high. Oil prices eased, with Brent down nearly 1% to USD104.82/bbl, as Saudi Arabia's additional cargoes helped offset supply concerns stemming from intensified attacks by Iran-backed Houthi fighters. Gold rose to USD4,342/oz, benefiting from lower yields and a softer dollar.

What's Next

Friday's US calendar includes industrial production (0.2% m/m expected), capacity utilization (76.4%), and leading economic indicators. Colombia releases July economic activity; Argentina publishes its August trade balance. The UK releases GfK consumer confidence, retail sales, and ex-auto-fuel measures, all key for assessing the impact of rising energy costs. Germany reports August PPI (1.1% m/m, 3.0% y/y expected), while the eurozone publishes current account data and ECB inflation expectations surveys – crucial inputs for gauging whether recent price pressures risk becoming entrenched. Apple's iPhone 18 Pro and 18 Pro Max go on sale, Russia begins parliamentary elections, and Germany holds regional elections in Berlin and Mecklenburg-Vorpommern on Sunday. Markets will focus on BoJ follow-through, UK consumer data, eurozone inflation expectations, and whether US yields stabilize after brushing the 5% threshold.

Daily Market View

Investment Strategy ♦ September 18, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.62	0.00	0.00	-1.00
UAE Eibor 3m	4.21	8.58	26.89	34.53
UAE Eibor 12m	4.95	14.34	65.76	89.25
US 3m Bills	4.06	-0.05	27.81	30.50
US 10yr Treasury	4.93	-9.21	23.82	44.35
German 10yr Bund	3.48	-3.00	27.30	55.00
UK 10yr Gilt	5.22	-7.40	18.50	47.10
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	496	0.11	-0.92	-1.34
Global Treasuries	205	0.02	-0.79	-1.22
Global Corporate	300	0.24	-1.06	-1.70
EM USD Sovereign	460	0.41	-1.12	-1.78
EM LCY Sovereign	168	-0.04	0.05	1.06
Global High Yield	1,897	0.12	-0.96	-0.40
Currencies				
Dollar Index	100.25	0.00	0.58	0.16
EUR USD	1.1476	-0.51	-0.81	-1.00
GBP USD	1.3349	-0.71	-1.40	-0.35
USD JPY	156.06	0.61	-2.05	-2.58
Equities				
S&P 500	7,638	1.14	-1.90	2.93
Dow Jones	51,778	0.61	-3.64	0.55
NASDAQ	26,418	1.69	-1.16	1.52
STOXX 600	643	0.86	-2.32	0.51
DAX	25,717	0.70	-2.74	3.14
Nikkei 225	64,136	0.33	-6.66	-8.25
FTSE 100	10,816	1.19	0.61	2.93
SENSEX	74,315	-0.03	-4.74	-3.68
Hang Seng	24,604	-0.44	-2.04	1.20
MSCI World	4,922	0.94	-2.14	2.43
MSCI EM	1,688	0.08	-0.78	-5.31
Regional Equities				
ADX	10,161	0.47	1.13	1.65
DFM	5,987	0.34	1.72	-2.11
Tadawul*	10,778	-0.02	-3.55	-0.22
DSM*	9,659	0.22	-0.84	-4.40
MSM30*	7,603	0.70	1.36	-0.20
BHSE*	1,924	-0.30	-1.18	-3.77
KWSE*	8,913	-0.32	0.14	2.70
Commodities				
BBG Commodity Index	146.0	-0.25	7.84	13.89
Brent USD/bbl	104.82	-0.95	18.41	31.77
WTI USD/bbl	101.91	-0.51	23.68	32.71
Gold USD/t oz	4,362.4	0.36	-0.32	0.06
Silver USD/t oz	65.2	3.56	0.84	-3.98

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Platinum USD/t oz	1,773.8	1.01	1.40	2.01
Aluminum	3,313.7	1.20	2.08	-3.13
Copper USD/MT	14,400.5	1.22	-0.99	4.84
Digital Assets				
Bitcoin	76,499.5	0.52	21.72	18.84
Ether	2,451.6	1.77	30.49	40.44
Solana	101.2	2.63	34.82	40.36
XRP	1.3	-0.29	30.02	9.14
Volatility				
VIX	15.44	-12.82	8.35	-16.27
MOVE	76.22	-5.59	9.54	7.87

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – September 18, 2025. Performance in local currency terms.

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