

Markets brace for UNGA as yields hit 5% and oil refuses to cool

Macro headlines

World leaders gather in New York this week for the UN General Assembly (UNGA). Discussions will center on widening conflicts in the Middle East and Ukraine, alongside rising concerns over artificial intelligence. US Treasury Secretary Bessent and Chinese Vice Premier He Lifeng concluded talks in New York, with the US proposing a new AI-safety notification mechanism for consideration at the Trump-Xi summit. The geopolitical backdrop darkened further over the weekend after Yemen's Houthis claimed attacks on sites in Riyadh. Turning to monetary policy, China kept its benchmark lending rates unchanged for a 16th straight month, holding the one-year LPR at 3.00% and the five-year at 3.50%, in line with expectations. Where geopolitics and money flows meet, Saudi Arabia withdrew from China's mBridge digital currency initiative, a move that underscores tensions around alternative cross-border payment systems and concerns in Washington that such platforms could bypass dollar-dominated channels like Swift. Turning to politics, German Chancellor Merz vowed to remain in office despite heavy CDU losses and surging support for far-right and far-left parties in regional elections. In macroeconomic data, German inflation showed a stark divergence between headline and core PPI: headline rose 1.2% m/m for a second month in August, driven by energy, while ex-energy PPI rose only 0.2% m/m, still elevated but less alarming. US industrial production was flat in August, with manufacturing output falling 0.3% m/m after seven months of gains. Utilities production jumped 1.8%, mining edged up 0.1%, and overall IP rose 1.4% y/y. Higher oil prices – above USD100/bbl – and rising interest rates threaten to offset support from the AI buildout, keeping activity moderate. UK retail sales rebounded 0.5% m/m, reversing July's decline, helped by online sales and improved stock availability. The resilience comes despite rising inflation pressures linked to energy costs.

Market performances

The Fed's first rate hike in three years and its signal of further tightening continue to shape expectations as Treasury yields hover near 5%. Bond yields remained elevated. The US 10-year touched 5%, its highest since 2007, before settling slightly lower. Yields across the eurozone and UK also hit multi-year highs, reflecting inflation pressures and global tightening momentum. Global equities ended a turbulent week on a muted note. The S&P 500 rose 0.17%, the Nasdaq gained 0.4%, while the Dow slipped 0.18% on Friday. The week was split between anticipation ahead of the Fed's rate hike and the aftermath of Wednesday's decision. Technology and industrials led gains, while materials, utilities, and real estate lagged. The S&P 500 and Dow posted weekly losses; the Nasdaq managed a weekly gain. European equities fell 1.1% on Friday, contributing to a weekly decline, while MSCI's global index edged up slightly but still posted a weekly loss. Monetary policy remained the dominant theme as central banks globally leaned toward tighter stances. The BOJ raised rates to 1.25% on Friday, the highest in 31 years, with two dissenters. The yen weakened to 156.76, down 2% for the week – its worst performance against the dollar in two years – as markets digested both BOJ tightening and the Fed's more aggressive inflation stance. The euro traded at 1.1488, while the dollar index held steady at 100.19. Sterling traded at 1.3355 after the BoE signaled it may need to hike if the Iran war drags on. Oil prices retreated, with Brent down nearly 1% to USD103.87/bbl, after reports that China asked Tehran to help rein in Houthi attacks. Hopes that Gulf exporters may find alternative shipping routes also eased supply concerns.

What's Next

The week ahead is dominated by geopolitics and central bank communication. The UN General Assembly opens with President Trump's address expected to focus on Middle East conflict dynamics, Ukraine, and AI risks. Chinese President Xi Jinping will skip the UNGA in favor of a state visit to Washington, including a one-to-one meeting with Trump on Thursday. Discussions will center on trade, AI governance, and national security. September flash PMIs for manufacturing, services, and composite readings across major developed markets and India will provide fresh insight into global momentum. A dense central bank calendar includes Hungary, Indonesia, South

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Daily Market View

Investment Strategy ♦ September 21, 2026

Africa, Switzerland, Sweden, Norway, Mexico, and Egypt – all facing varying degrees of inflation pressure and currency volatility. Investors will focus on the trajectory of interest rates, Middle East tensions, and renewed calls to slow AI advancement as they assess whether equity indexes can push toward new all-time highs despite yields near 5% and oil above USD100/bbl. Monday's data includes UK Rightmove house prices, Türkiye capacity utilization, and Poland's wages, employment, and construction output. Chicago Fed President Goolsbee speaks in London, offering another window into post-hike Fed thinking. Markets enter the week confronting a world where geopolitics intensifies, central banks tighten, and the macro cycle remains under emerging strain.

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Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.85	23.00	20.00	23.00
UAE Eibor 3m	4.36	14.41	47.92	54.32
UAE Eibor 12m	4.94	-1.87	69.88	74.39
US 3m Bills	4.07	1.22	27.67	33.02
US 10yr Treasury	5.00	6.57	26.22	54.28
German 10yr Bund	3.52	4.20	26.10	53.40
UK 10yr Gilt	5.30	7.30	23.50	45.30
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	494	-0.39	-1.48	-1.26
Global Treasuries	204	-0.41	-1.40	-1.03
Global Corporate	299	-0.38	-1.52	-1.79
EM USD Sovereign	460	-0.19	-0.95	-2.09
EM LCY Sovereign	168	0.08	-0.38	1.63
Global High Yield	1,893	-0.19	-1.13	-0.43
Currencies				
Dollar Index	100.30	0.09	1.52	-0.54
EUR USD	1.1476	-0.10	-1.74	0.04
GBP USD	1.3379	-0.12	-1.94	1.11
USD JPY	157.01	-0.08	-1.22	-2.66
Equities				
S&P 500	7,651	0.17	-0.31	2.00
Dow Jones	51,683	-0.18	-2.99	0.23
NASDAQ	26,523	0.39	1.31	0.02
STOXX 600	635	-1.11	-2.86	-0.03
DAX	25,304	-1.60	-3.19	1.27
Nikkei 225	65,019	1.38	-1.51	-8.75
FTSE 100	10,659	-1.45	-1.46	2.85
SENSEX	74,687	0.57	-3.68	-2.75
Hang Seng	24,892	0.57	-4.30	4.04
MSCI World	4,914	-0.17	-1.12	1.79
MSCI EM	1,711	1.36	-0.64	-4.22
Regional Equities				
ADX	10,272	1.09	2.67	2.55
DFM	5,957	-0.49	1.72	-3.35
Tadawul*	10,750	-0.26	-1.87	-2.95
DSM*	9,550	-1.12	-1.36	-8.88
MSM30*	7,580	-0.30	0.76	1.21
BHSE*	1,920	-0.21	-1.22	-5.42
KWSE*	8,848	-0.73	0.34	1.01
Commodities				
BBG Commodity Index	144.9	-0.40	3.10	14.13
Brent USD/bbl	101.66	-2.16	7.70	26.18
WTI USD/bbl	98.11	-2.17	12.69	28.08
Gold USD/t oz	4,359.0	-0.47	-5.30	4.89
Silver USD/t oz	66.4	0.05	-3.81	2.25

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Platinum USD/t oz	1,802.6	-0.07	-4.10	8.09
Aluminum	3,297.8	-0.48	1.79	-3.36
Copper USD/MT	14,529.0	0.89	1.67	7.38
Digital Assets				
Bitcoin	81,461.5	0.42	5.11	27.74
Ether	2,667.8	1.14	9.31	55.17
Solana	111.7	1.27	21.59	52.18
XRP	1.42	0.97	3.40	24.86
Volatility				
VIX	14.81	-4.08	-2.12	-11.74
MOVE	80.64	5.80	9.86	23.32

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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