Weekly Market Update

Central bank tightening, resilient pockets of demand and volatile energy prices defined the week. Their interaction increased uncertainty across asset classes and reinforced divergent economic and market conditions between regions.

US

The Federal Reserve raised rates by 0.25 percentage points, prioritising price stability as energy costs kept inflation risks elevated. Its guidance pointed to scope for further tightening, which kept bond yields and interest-rate-sensitive assets under pressure.

August retail sales were stronger than expected, while weekly jobless claims fell. Continued consumer and labour market resilience supported the growth outlook, but also reduced the case for an early end to monetary tightening.

Oil and diesel costs remained a major market influence after disruption to Saudi and Russian supply. Prices eased later in the week as supply-restoration hopes improved, but the risk of renewed inflation and weaker household purchasing power persisted.

Technology remained supported by durable demand for artificial-intelligence infrastructure, although debate over the pace of advanced model development and concentrated earnings leadership highlighted valuation and market-breadth risks.

UK

The Bank of England held the Bank Rate at 3.75% by a 6-3 vote, but warned that persistent energy costs could create broader inflation pressures. The tone kept the prospect of a future rate rise firmly in view.

The Bank paused gilt sales until April 2027 and ended sales of the longest-maturity bonds. This reduced near term supply pressure and supported long-dated gilts, even as the wider fiscal backdrop remained challenging.

Labour market data softened, with a larger claimant-count increase and slower headline wage growth. This pointed to easing domestic demand, complicating the case for tighter policy despite energy-driven inflation risks.

August retail sales rose despite forecasts for a decline, signalling that household spending remained resilient. However, higher energy bills and borrowing costs continued to threaten the durability of that strength.

Europe

European Central Bank commentary remained hawkish as policymakers focused on the risk that higher oil and gas prices could spread into wages and services. Markets continued to expect further tightening, although the timing remained uncertain.

Household inflation expectations rose across short, medium and longer term horizons. This mattered because persistent expectations can make inflation harder to contain and increase the likelihood of restrictive policy lasting longer.

German producer prices rose more than expected as energy and metals costs increased, adding pressure to an already fragile industrial outlook. Higher input costs reinforced concerns about margins, competitiveness and growth.

European equities recovered as oil prices eased late in the week, with technology and healthcare supported by company-specific news. Nevertheless, weak breadth and low realised dispersion suggested that investor confidence remained selective.

Global

The Bank of Japan raised its policy rate by 0.25 percentage points to 1.25%, its highest since 1995. Two dissenting votes made the decision appear less hawkish, weakening the yen and clouding the pace of future normalisation.

Japan's underlying inflation remained close to target, with core consumer prices rising 1.7% year on year in August. Stable inflation supported gradual tightening, but offered little justification for a faster sequence of rate rises.

China's weak credit and activity data showed that property and household demand remained subdued, despite strength in technology-related manufacturing. The contrast reinforced the case for targeted policy support rather than broad optimism about recovery.

Higher oil prices weighed on energy-importing markets, while Australia's central bank also signalled concern about upside inflation risks. The regional policy backdrop therefore tilted towards tighter financial conditions, even as growth remained uneven.

Performance

Asset Class/Region	Currency	Week ending 18 Sep 2026	Month to date	YTD 2026	12 Months
Developed Market Equities					
United States	USD	-0.1%	-0.4%	12.4%	16.3%
United Kingdom	GBP	0.1%	-1.3%	10.4%	19.7%
Continental Europe	EUR	-0.8%	-2.6%	8.9%	16.1%
Japan	JPY	1.6%	-1.6%	21.5%	32.5%
Asia Pacific (ex Japan)	USD	-0.3%	-0.9%	23.8%	27.9%
Australia	AUD	-0.1%	-3.1%	3.0%	3.2%
Global	USD	-0.5%	-1.0%	11.9%	16.2%
Emerging Markets Equities					
Emerging Europe	USD	-3.2%	-0.1%	27.3%	38.9%
Emerging Asia	USD	-0.1%	-0.3%	26.6%	31.7%
Emerging Latin America	USD	-2.5%	1.0%	16.2%	27.3%
BRICs	USD	-0.6%	-2.9%	-8.7%	-10.9%
China	USD	-0.2%	-3.8%	-11.2%	-15.9%
MENA countries	USD	-1.6%	-1.7%	0.9%	-0.9%
South Africa	USD	-3.5%	-3.6%	1.5%	20.7%
India	USD	-0.7%	-3.9%	-15.5%	-14.7%
Global emerging markets	USD	-0.6%	-0.4%	23.6%	29.6%
Bonds					
US Treasuries	USD	-0.1%	-1.1%	-1.5%	-0.8%
US Treasuries (inflation protected)	USD	-0.5%	-1.5%	-1.0%	-1.2%
US Corporate (investment grade)	USD	0.1%	-1.0%	-1.1%	-0.5%
US High Yield	USD	-0.3%	-0.9%	1.6%	2.9%
UK Gilts	GBP	0.9%	-0.4%	-1.7%	1.3%
UK Corporate (investment grade)	GBP	0.5%	-0.7%	-0.7%	2.1%
Euro Government Bonds	EUR	-0.2%	-1.6%	-2.6%	-2.3%
Euro Corporate (investment grade)	EUR	-0.2%	-1.2%	-1.1%	-0.8%
Euro High Yield	EUR	-0.1%	-1.0%	0.8%	1.4%
Global Government Bonds	USD	-0.8%	-1.1%	-1.7%	-2.2%
Global Bonds	USD	-0.6%	-1.4%	-1.9%	-1.6%
Global Convertible Bonds	USD	-0.8%	-0.7%	13.2%	15.2%
Emerging Market Bonds	USD	-0.2%	-1.2%	-0.1%	3.2%

Performance

Asset Class/Region	Currency	Week ending 18 Sep 2026	Month to date	YTD 2026	12 Months
Property					
US Property Securities	USD	-1.9%	-3.6%	11.8%	10.5%
Australian Property Securities	AUD	-1.8%	-5.5%	-18.3%	-21.8%
Global Property Securities	USD	-1.8%	-3.5%	4.0%	4.0%
Currencies					
Euro	USD	-1.1%	-1.2%	-2.2%	-2.7%
UK Pound Sterling	USD	-1.0%	-1.2%	-0.5%	-1.3%
Japanese Yen	USD	-2.0%	1.9%	0.0%	-5.7%
Australian Dollar	USD	-0.8%	-0.6%	6.7%	7.6%
South African Rand	USD	-0.8%	-1.0%	1.9%	6.7%
Swiss Franc	USD	-0.8%	-1.8%	-3.6%	-3.7%
Chinese Yuan	USD	0.1%	0.3%	4.3%	6.2%
Commodities & Alternatives					
Commodities	USD	-0.1%	3.5%	46.6%	51.1%
Agricultural Commodities	USD	-2.2%	-3.8%	17.1%	13.4%
Oil	USD	-0.7%	14.8%	70.7%	54.0%
Gold	USD	0.5%	-1.1%	1.4%	20.2%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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Important notes