

September 2026

## Macro Monthly Outlook

Volume 02

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# Independent Multi-Asset Advisory & Analytics

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Our solutions combine advanced technology with market expertise to deliver transparent execution, robust risk management and data-driven decision making.

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Our services help organisations analyse exposures, improve execution quality and strengthen governance through independent market insight and advanced reporting capabilities.

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## Advanced Analytics & Execution Oversight

Audere's platform combines advanced analytics with independent execution oversight, giving clients clear visibility of their trading activity and performance.

## Hedging Analytics

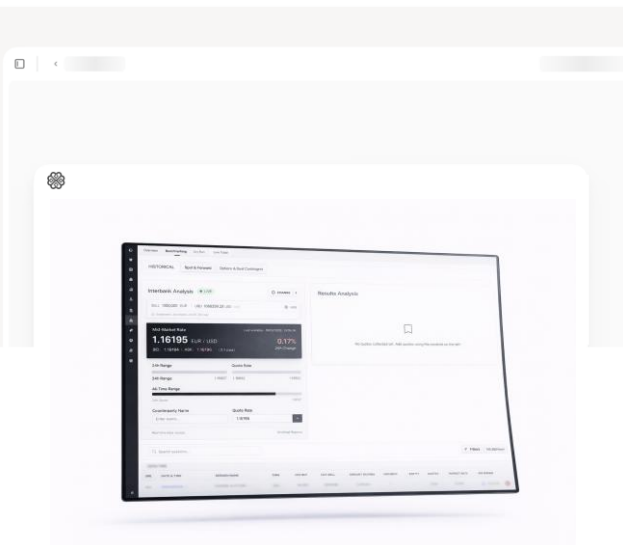
Analyse exposures, test hedging strategies and simulate market scenarios. Compare performance across products and strategies to support informed decision-making.

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Our independent tender process invites leading banks and brokers to compete for execution, improving price transparency and reducing slippage.

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# Summary

Despite August being a historically quieter month for markets, we've seen substantial volatility across asset classes and geographies. Starting in the US, fiscal concerns are mounting as national debt surpassed \$40 trillion in August, further stretching an already elevated debt-to-GDP level which in turn has weighed on the long-end of the curve.

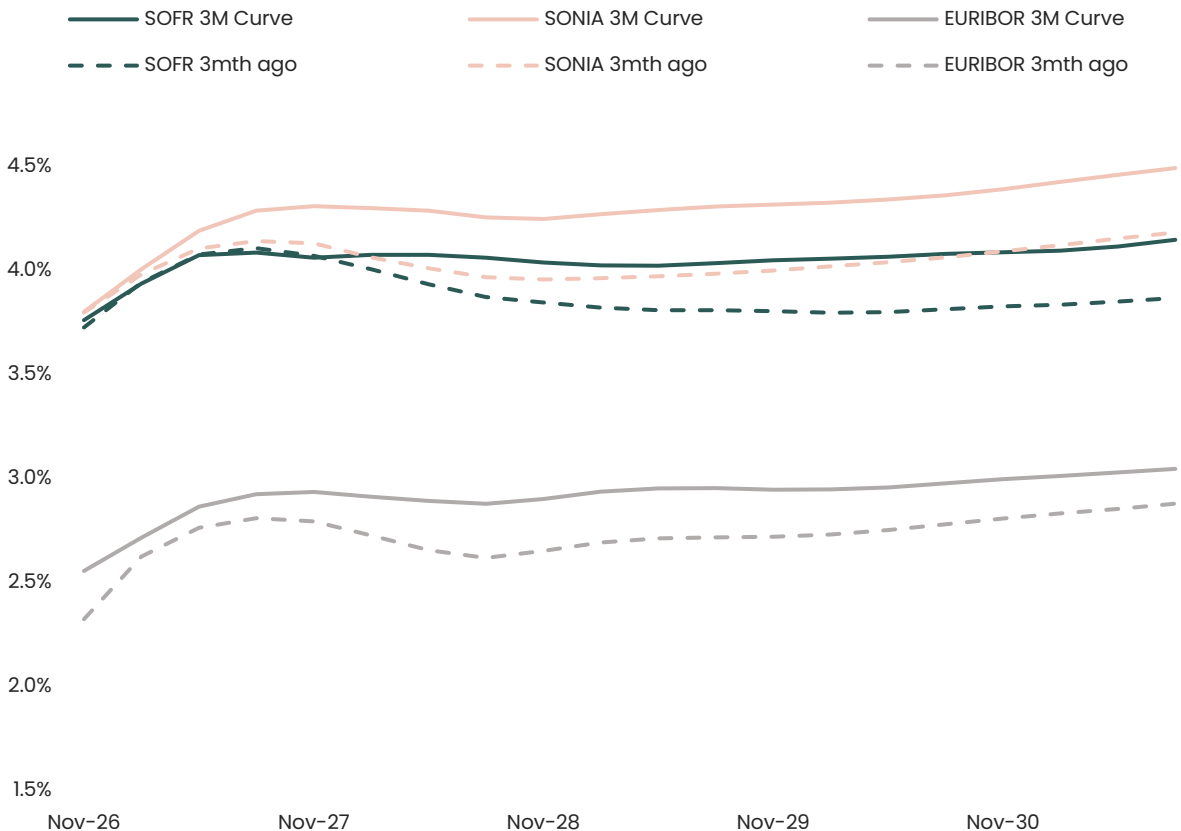
This is spilled across markets as other developed market bond prices. Gilts sold off to, although the size of the UK move suggests domestic factors, such as a weak July borrowing print, did just as much damage as any US spillover.

Europe remains the bright spot, with the composite PMI back in solid expansion, though the ECB still looks likely to hike in September and the region faces real supply-side inflation risk into year end from low Rhine levels and thin gas storage heading into winter.

| Country   | 3Y Swap (Last Month) | 3Y Swap (This Month) |
|-----------|----------------------|----------------------|
| USA       | 4.00%                | 4.02%                |
| UK        | 4.13%                | 4.21%                |
| Euro Area | 2.86%                | 2.86%                |

## USD, GBP and EUR 3M Swap Curves

Current SOFR, SONIA and EURIBOR 3M curves compared with levels from one month ago, showing shifts in rate expectations.



# United Kingdom

**Key Developments.** Given the rise in global bond yields that we have seen, it is hardly surprising that the long end of the UK curve has also sold off. The UK, as we have mentioned previously, has been a constant target for the 'bond vigilantes' and this route was no different.

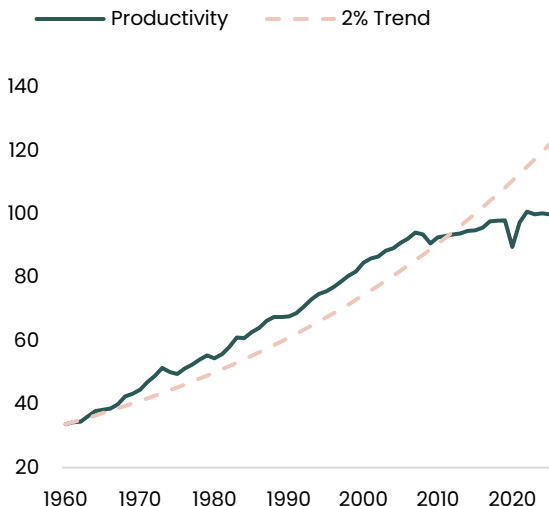
The UK and US' curve is closely entangled and there has been a gradual selling off of the US long end as investors grow increasingly concerned about their fiscal position. Prices move inversely to yields. However, the Government was not helped by the fact that the UK borrowed more than expected in July, with a total deficit of £1.8bn throughout the month.

The UK debt-to-GDP ratio sits well above 90% which is considered a significant level and the level at which it is considerably harder to achieve economic growth once this threshold has been passed. The key path out of this mess comes from GDP growth which has been sluggish in recent years, which in part, has been driven by a stagnation of productivity over the last 20 years. There is a suggestion that this may be starting to change with new ONS data and a study from the Resolution Foundation which suggests that there might be a light at the end of the tunnel. This research is still disputed.

In terms of the shorter-term monetary policy path, headline inflation came in at 2.9% which was in line with forecasts. Core inflation stayed flat at 2.6% for the third month in a row. Unemployment remained consistent at 4.9% for the second month in a row.

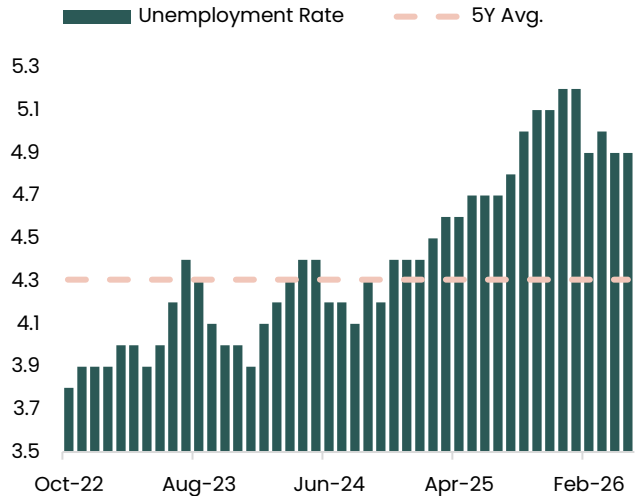
## UK Productivity

Prior to 2008, the UK's productivity growth was averaging 2%. It has stalled since then.



## UK Unemployment Rate

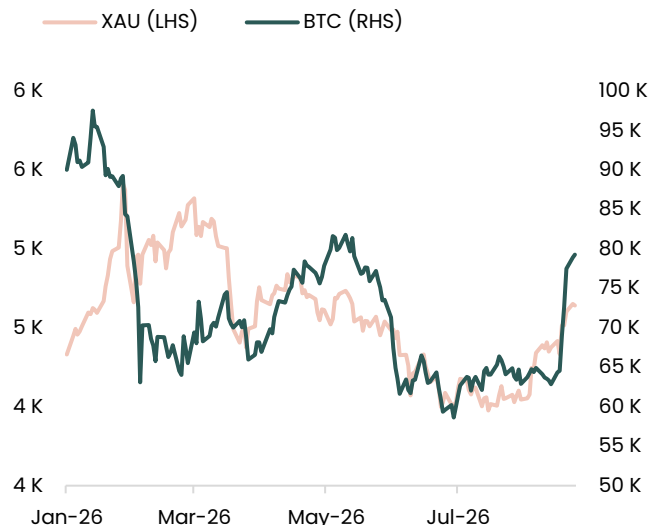
UK unemployment sits well above its 5-year average.



The market expectation for the BoE is now just over one hike before the end of the year although there is not much consensus at which meeting this hike will come. However, there is increasingly a lack of confidence that this will come to fruition. There still remains considerable slack within the labour market which means, ceteris paribus, that the passthrough of inflation may be less robust. Moreover, the consistent core inflation rate of 2.6% backs up this claim but also suggests that we may be entering into a new inflation regime. This would make sense given the increasing friction in supply chains as a result of deglobalisation and more reminiscent of the post-war system rather than the one of the early 2000s.

## Gold & Bitcoin Bounced

The recent fears over the US administration's meddling in the bond market has reignited debasement fears.



# United States

**Key Developments.** Last week, we heard from Kevin Warsh at the annual Jackson Hole symposium that is hosted in Wyoming. This was the third time that we have heard from him in a widely publicised setting since he became Chair in May. The previous two speeches have been notably (and deliberately) short and lacking specificity. This speech, the first without an accompanying meeting, provided Warsh the opportunity to lay out how the Fed's 'reaction function' will work under his leadership.

He heavily leant on the price-stability side of their dual mandate and committed to getting inflation back to 2% and that his preferred measure would be PCE. The July PCE print came in at 3.7%. Given this, the market has moved quickly and sharply back to expecting a hike in September. There is a 65% chance of a hike in September which is nearly twice what it was prior to the meeting. However, this is not the first time Warsh has leaned hawkish with rhetoric before a policy hold.

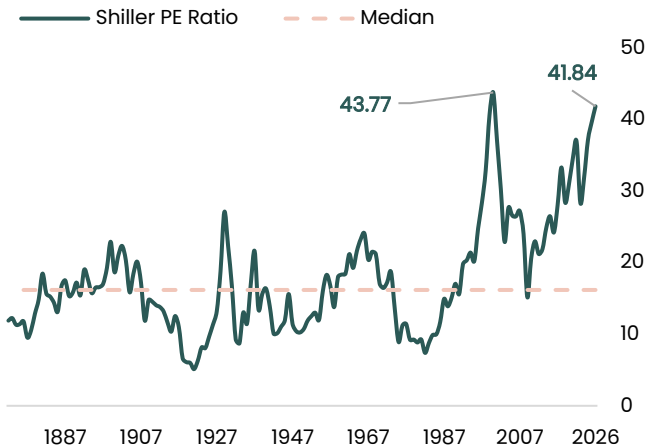
Prior to the speech, we saw the return of the 'debasement' trade which was present throughout the latter half of 2025 (and actually kicked off after last year's Jackson Hole meeting). This trade is predicated on the belief that debts and deficits are too high and that Governments are inflating their way out of this crisis. For this reason, speculators are long 'inflation-proof' assets such as Gold and Bitcoin and short the Dollar and long-term Government debt. The reason that this 'debasement' trade came back was because of signals from the Treasury that the administration is increasingly concerned about the debt burden of the US (and rightfully so given the deficit recently passed \$40 trillion). This trade suffered a setback in the meeting due to the hawkish nature of the speech but is far from over.

A key piece of evidence for the debasement trade was Secretary Bessent undertaking a shock intervention in the bond market to the tune of \$4bn. This caused a sharp spike in bond prices in the longer end of the curve. This is backed up by the re-opening of the FIMA repo facility for Japan which stops the Japanese selling Treasuries if they need to intervene again in the FX market.

The speech has not helped the long-end of the curve particularly as yields have continued to climb higher. This climb seems to be more to deal with real yields than inflation as investors continue to demand more for the risk of holding US Government debt.

## Shiller P/E Ratio vs Historical Average (S&P 500)

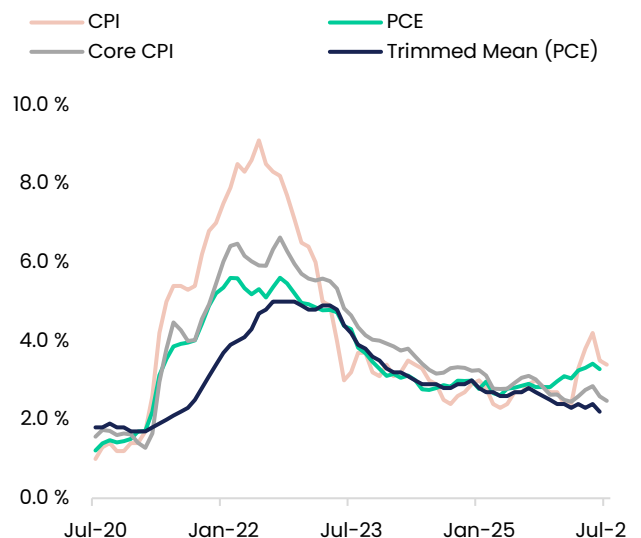
Equity markets are almost as expensive as during the dot-com bubble.



The other narrative that was present prior to the speech was a stock market with valuations that are stretched – Shiller P/E Ratio sits at ~41 about 2.5x its historical median. The market is widely considered to be in (or close to) bubble territory. This has been propped up by huge AI infrastructure spending and mammoth earnings from the Mag 7. However, the bubble is migrating from just equity markets and starting to enter debt markets as Hyperscalers have tapped up bond markets for more than \$200bn of corporate bonds so far this year. Both the equity valuations and the debt raising are supported by lower interest (discount) rates. The S&P500 fell a little after the speech.

## Measures of Inflation

The Jackson Hole meeting may bring clarity on the key inflation measure that the Fed are watching.



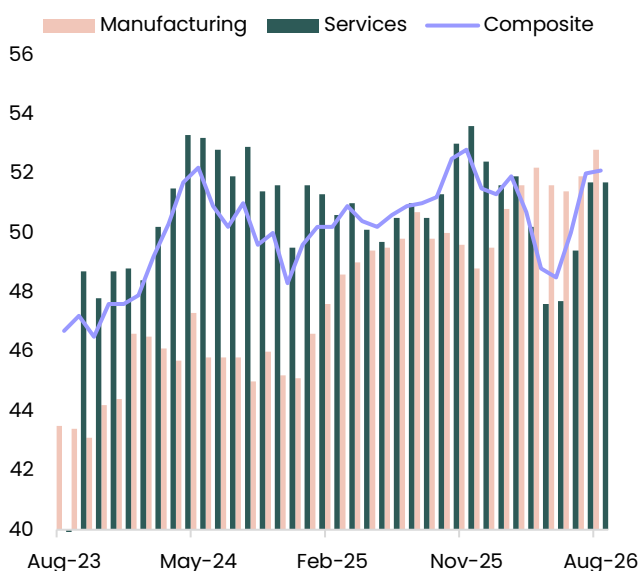
# Euro Area

**Key Developments.** The European economy has been surprisingly resilient in 2026 with the composite PMI remaining in expansion territory. The August reading came in at 52.1 which was higher than expectations of 51.7. The largest driver of this has been the uptick in manufacturing PMIs which jumped by 0.9 from July. This was, in part, caused by slowing input cost growth and selling price growth slowed. This seems counterintuitive to the current events and the uptick in Oil (and its derivatives') prices that we have seen. This may be evidence that there is less of a passthrough to core inflation than had previously been anticipated. That being said, the market is still very much pricing in a rate hike for the ECB in the September meeting. The market-implied likelihood of a hike sits at 95%.

One area that will be very interesting for the Euro area (and the rest of the world) will be the ongoing impact of climate change on inflation and supply chains. This summer was filled with record high temperatures across the continent. One of the effects of this was a severely decreased water level in the Rhine in Germany. This river accounts for 80% of Germany's domestic shipping. As a result of a lack of water, barges have had to considerably decrease the loads that they are moving through the waterways. ING have forecast that this could take ~0.2% of German GDP. This may not be the end of weather-related disruption for the year, currently Morgan Stanley see a 95% chance that El Nino arrives by the December 2026.

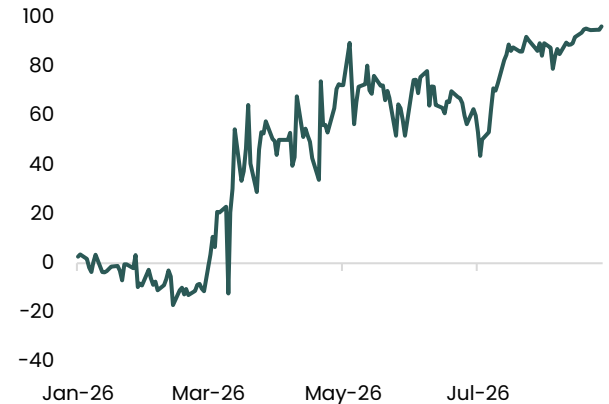
## PMIs

Both the manufacturing and services sector continue to expand in the most recent PMIs.



## Likelihood of a Hike in September (%)

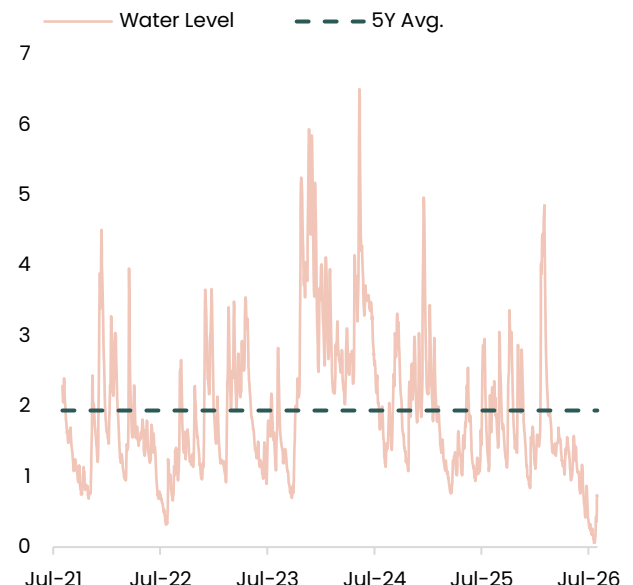
Market-implied expectations of the ECB raising rates in September meeting.



The expectation is that this could have severe disruptive impacts on crop supply and harvests especially given the tight supply of fertiliser from the closure of the Strait of Hormuz. The key element for Europe is that it could lead to a very cold winter at a time when European gas storage is at historical lows (as a result of the conflict) and there will be continued institutional buying throughout the end of the year to replenish these stocks. This could provide a floor for gas prices and may stop headline inflation subsiding. Moreover, there is the potential that food price inflation picks up if harvests are sufficiently roiled by the weather. This, however, will likely show up in 2027 rather than this year.

## Rhine Water Level

Water levels in the Rhine sit well below their 5Y average and the lowest level in the last 5 years.



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