

WEEKLY MARKET OUTLOOK



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EXECUTIVE
SUMMARY

Three central banks met in three days and the tightening cycle became synchronised. The Fed raised its target range to 3.75% to 4.00% on Wednesday in a unanimous 12-0 vote, its first hike since July 2023, and the projections showed 16 of 18 participants expecting at least one more increase this year. Warsh said inflation had been too high for too long. The Bank of England held at 3.75% on Thursday but split 6-3, with three members voting to hike, and the Bank of Japan raised to 1.25% on

Friday in a 7-2 vote, a 31-year high. The dollar index rose 1.11%, the largest move in the scan, with sterling down 1.12% and the euro 1.03%. Yields moved in opposite directions, the 2-year up 4 basis points against the 30-year down 6, flattening 2s10s by a further 8. Equities split: the Nasdaq rose 0.72% while the Dow fell 1.69% and the Russell 2000 1.50%. Utilities, financials and real estate were the weakest sectors. Energy stalled after three weeks of gains.

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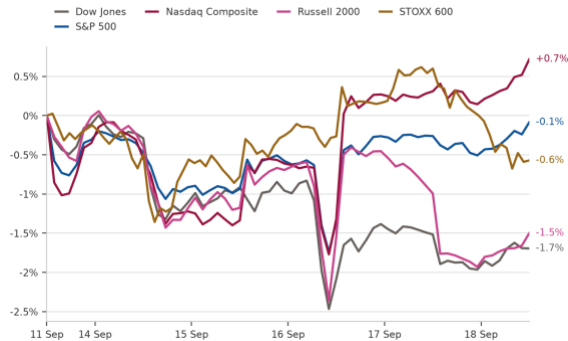
WEEK IN
REVIEW

In the U.S., the split that has defined recent weeks widened. The Nasdaq Composite rose 0.72% and the Nasdaq 100 0.94%, while the Dow fell 1.69% and the Russell 2000 1.50%, leaving the S&P 500 fractionally lower at 0.08%. AMD gained 8.46% for a second consecutive week and Palantir 6.22%, with Alphabet up 3.26% and Meta 2.73%. Broadcom, Amazon and Microsoft finished lower. The VIX fell 6.50% to 14.81.

Europe was weaker, the FTSE MIB down 1.84%, the CAC 40 1.40% and the DAX 1.03%. Asia rose modestly, Taiwan gaining 2.16% and the Nikkei 1.57%.

Wednesday's Fed decision was the week. The committee raised its target range to 3.75% to 4.00% in a 12-0 vote, the first increase since July 2023 and a shift from July's 9-3 split. Sixteen of eighteen participants projected at least one further increase this year and four saw two, with none beyond 2026

and one cut each in 2028 and 2029. The move itself was priced, so the repricing happened in duration rather than direction.

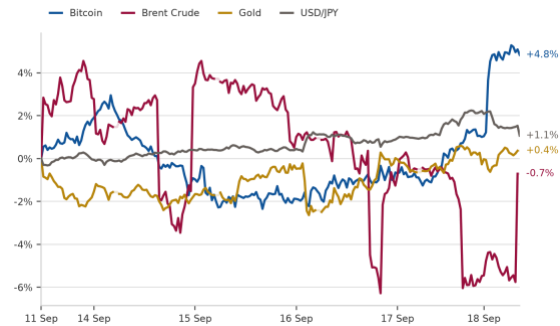


All five lines dropped sharply on Wednesday around the Fed decision before recovering most of the move within the session. The Nasdaq kept climbing from there and finished the only line positive, while the Dow and the Russell 2000 fell away through Thursday and Friday to end weakest. The STOXX 600 led briefly on Thursday before giving it back.

That shows in the curve. The 2-year rose only 4 basis points while the 30-year fell 6 and the 10-year 2, flattening 2s10s by 8 for a second straight week. The long end rallying on a hike is the market accepting that a credible inflation fight means lower rates later.

The Bank of England held at 3.75% on Thursday by 6 votes to 3, the dissenters favouring a hike, and signalled a possible move by December. The Bank of Japan raised to 1.25% on Friday in a 7-2 vote, a 31-year high, but the yen still weakened after Ueda's press

conference disappointed those expecting a firmer tone. The dollar rose 1.11%. Energy stalled, Brent slipping 0.71%, while Bitcoin added 4.83%.



Brent was by far the most volatile line, swinging through a twelve point range and finishing close to where it started. The dollar-yen line rose steadily all week. Bitcoin held a narrow range until Friday, when it broke sharply higher to finish the strongest line on the chart.

In August the question was whether the Fed would hike at all. It has now done so unanimously, the Bank of Japan has followed, and three members of the Bank of England's committee voted the same way. The long end believes them.

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MACRO OUTLOOK

Macro Outlook			September 2026 – Calendar Week 39		
	Monday	Tuesday	Wednesday	Thursday	Friday
Eurozone/UK	-	-	Germany and UK Flash PMIs (Sep)	Germany Ifo Business Climate (Sep)	Germany GfK Consumer Confidence (Oct)
US/Canada	-	-	-	Trump-Xi Summit	Durable Goods Orders (Aug)
Asia	-	-	-	-	-

What we're watching & why

Thursday's summit between Presidents Trump and Xi is the event of the week and the only scheduled item capable of moving the tape more than the data. It arrives with crude having risen three weeks out of four on Middle East supply risk and with tariffs unresolved, so the read-through runs through energy, industrials and the dollar rather than through any single release.

Wednesday's flash PMIs give the first read on September activity in Germany and the UK, with German manufacturing seen holding near 54.5 and UK manufacturing expected to improve to 52.7. They are the first activity data since the ECB raised rates on 10 September.

Friday's durable goods orders are expected to contract 0.5% after a 1.1% gain in July. With the Fed now projecting at least one further hike, the first signs of tightening reaching the real economy matter more than they did a month ago, and business investment is where they tend to appear first.

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Sector COMMENTARY

Financials**-2.2%**

Among the weakest sectors despite the hike, with regional banks down 1.56% as the curve flattened a further 8 basis points and removed the margin support a rate rise would normally bring.

Industrials**-1.3%**

Lower with the broader cyclical complex, finding no support from an energy market that stalled after three weeks of gains.

Health Care**+1.6%**

The strongest sector, recovering most of the previous week's 4.70% decline as the Novartis-driven selloff reversed.

Information Technology**+0.8%**

Second strongest, carried again by AMD's 8.46% gain, though Broadcom fell 1.21% and semiconductors added only 0.83%.

Energy**-1.6%**

Fell as the run ended, Brent down 0.71% and European gas unchanged, though US natural gas rose 2.86%.

Materials**-2.0%**

Lower despite firmer metals, silver up 3.10% and copper 2.25%, with the stronger dollar weighing on the sector.

Communication Services**+0.8%**

Higher on Alphabet's 3.26% and Meta's 2.73% gains.

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MARKET SOLUTIONS

Short-to-Medium Term Tactical Solutions			
		Base Case	Key Risks
Investment Backdrop	Macro	The Fed hiked 12-0 to 3.75%-4.00% and 16 of 18 participants project at least one more this year. The BoJ followed on Friday.	The dots show no rises beyond 2026 and cuts in 2028. If growth softens first, the projected path gets cut short.
	Fixed Income	The curve flattened 8 basis points for a second week, with the 30-year down 6 on a hike. The long end is pricing credibility rather than inflation.	If the further hikes the dots project arrive without the economy slowing, the long end has to reprice higher again.
	Equities	Stay selective. The Nasdaq rose while the Dow fell 1.69% and small caps 1.50%, so the rate move is landing on the most rate-sensitive names.	Utilities, financials and real estate were the three weakest sectors. Yield proxies fall further if the dots are delivered.
	Alternatives	Oil stalled after three weeks, Brent down 0.71%, and the supply premium is no longer the dominant driver.	Thursday's Trump-Xi summit is the largest unscheduled risk to both energy and industrial metals.
	FX	Hold dollar exposure. The index rose 1.11% as the Fed proved the most hawkish of three central banks meeting in the same week.	The Bank of Japan hiked to a 31-year high and the yen still fell. If Ueda turns firmer, that unwinds quickly.

CONTRIBUTORS

Roy Ramlugon, Research Associate

DISCLAIMER

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REFERENCES AND SOURCES

CNBC, Reuters and Bloomberg market wraps; the Federal Reserve for the FOMC statement, projections and press conference; the Bank of England for the September MPC minutes; the Bank of Japan for the policy decision; Trading Economics for Brent, index and commodity data; Trading Economics economic calendar; Finviz sector and industry performance; TradingView S&P sector performance data; yfinance, the FRED API and Python for the graphs.

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