Asset Management Market Flash: “The Winter Of Our Discontent”

11September 2026

- **In Europe, the ECB raised interest rates by 25 basis points and is maintaining a hawkish stance, while growth forecasts have been revised upward, except for France.**
- **In the United States, rising energy prices are fueling inflationary pressures, while strong employment and economic activity have driven interest rates higher.**
- **Geopolitical tensions remain high, amid escalation in the Middle East and the rise of far-right parties in Europe, supporting oil prices and fueling short-term volatility.**

The Saxony-Anhalt election resulted in a strong rise in Germany’s pro-Russian extreme right with the AfD winning 44%. The party could take control of the region if the extreme left party, which is also pro-Russian and anti-migrant, supports it. The region only represents 2% of Germany’s GDP and 3% of the country’s population but the results weaken Chancellor Friedrich Merz and could be a prelude to a National Rally win in next year’s presidential elections in France. The election is an alert for a possible shift in the EU’s political balance, one which could weaken Kiev just after the failure of a solution to end the conflict in Ukraine.

Meanwhile, the US and Iran continued to exchange fire but oil tankers are now being targeted. And Houthi rebel attacks on Saudi Arabia have hit towns and energy sites. In his first speech in November’s midterm election campaign, Donald Trump promised an end to the conflict after the election so an earlier resolution now looks less likely. The conflict risks getting bogged down and oil reacted by moving above $100. Refined products have been even more seriously affected due to production capacity being destroyed. Petrol at the pump is now costing more than during the 2022 peak when the barrel was actually even higher than today.

The US-Canada trade war continued with a ban on some Canadian exports to the US and broader levies to replace customs duties which had been cancelled.

Energy prices are starting to hit US producer prices; they accelerated from 4.8% to 5.4% in August. And yet wages decelerated to 3.1%. Growth in the US is still strong with manufacturing and services indicators at 54.6 and 55.4 in August vs. 55.6 and 54.1 in July. And non-farm payrolls jumped to 162,000 in August when analysts were expecting 55,000. On average, 80,000 jobs have been created so far this year, or above break even. The data sent bond yields higher and even the news that the Treasury was to spend $6bn on long bond buybacks failed to stop the rise as markets considered the amount disappointing.

The ECB raised rates by 25bp as expected by the market. The chair’s comments were more hawkish than expected with another rise possible in October depending on the data. Another rise would mark an acceleration in rate hikes. Inflation forecasts now suggest meeting the bank’s 2% target will take longer. The bank sees inflation at 2.5% in 2027 and 2.1% the year after. Growth forecasts have been raised by 30bp to 0.9% this year and 1.4% in 2027. France is a case apart as growth for this year has been revised down to 0.5% from 1%. As a result, meeting the 5% deficit target could be tricky even with higher-than-expected tax revenues.

China's domestic economy is still sluggish but its trade surplus rose 6% in August to an all-time high. And its trade surplus with the US rose 44% to a high not seen since Donald Trump returned to the White House. This has underpinned export prices which are up 3.8%

In Japan, average wages rose 4.7% over a year and second-quarter GDP was revised up to 1.4% so the Bank of Japan could continue to raise rates.

But the Bank of England tempered rate hike expectations as inflation is limited by the worsening labour market.

With bond yields now at historically attractive levels, we are maintaining our positive view on duration. Donald Trump's declarations may increase short term volatility but do not undermine the likelihood of an end to the conflict so we are still upbeat on equities, corporate debt and duration. We remain negative on the US dollar.

European equities

Trading was influenced by a marked upturn in Middle East risk as investors weighed the consequences for energy costs and inflation. Increased attacks in the region and persistent disruption in the Strait of Hormuz sent Brent crude above $106 and TTF European gas prices higher than €82/MWh, fuelling fears that the energy shock would last even longer.

In company news, **Danone** completed its acquisition of Huel. The deal will reinforce the group's exposure to nutritionally complete food, a segment with structural growth potential. **Theon**, a specialist in night vision and thermal imagery, confirmed its robust operating momentum with a strong order book and medium term prospects that could be raised thanks to recent acquisitions. **D'Ieteren**'s subsidiary **Belron**, the worldwide leader in vehicle glass repair, continued to offset weakness in its parent company's auto business. A possible capital transaction at Belron could offer an extra catalyst. **Prysmian** secured funding for its Atkore acquisition with a small capital raising at a slight discount. Momentum for industrials remained good. **Airbus** deliveries have increased 9% since the beginning of 2026 but meeting its annual target will require a marked acceleration in the fourth quarter. In healthcare, the setback in trials for the Pelacarsen heart drug represents a slight disappointment for **Novartis**, insofar as it would only make a limited contribution to results. The recent success of the group's chronic urticaria drug Remibrutinib is more significant strategically. Consumer discretionary remained under pressure. **Inditex**'s results showed how margins had been affected by transport and input costs. And **Primark's** new profit warning highlighted persistently soft demand. In today's environment, **Interparfums** is a good example of how pricing power, cost controls and inventory management matter in sorting winners from losers.

US equities

Wall Street lost ground as oil prices and bond yields rose along with the odds of a rate hike. The S&P 500 shed 1.64%, the Nasdaq 100 -1.49% and the Russell 2000 2.85%. WTI jumped 12 % to $102.5 and Brent crude to $108 as US-Iran tensions continued.

Tech (-1.3%) proved more resilient. The SOX semiconductor index only fell 1% thanks to **AMD** (+5.5%) and **Qualcomm** which gained 4.8% after an agreement with Amazon Web Services to provide customised AI chips. In contrast, **Nvidia** tumbled 5.2% after news that the Department of Justice might launch an antitrust enquiry into its licensing agreement with Groq. It was a very bad week for software with **ServiceNow** down 7.1% and **Workday** 5.5% lower.

Energy (+1.7%) was the only sector to buck the trend thanks to the surge in oil prices. Gains were concentrated among oil producers like **APA** (+4.1%), **Devon Energy** (+4.1%) and **ExxonMobil** (+3.6%). Oil services companies underperformed. **Baker Hughes** was down 6.5%, **Halliburton** lost 2.7% and **Schlumberger** was 2.6% lower.

Healthcare (-3.4%) led sector losses after several unfavourable developments. **Boston Scientific** (-9.8%) withdrew annual guidance after a cybersecurity incident. **Stryker** (-10.9%) suffered from a similar problem as well as cautious statements from management.

Consumer discretionary fell 2.3%. Travel agents were particularly hard hit. **Booking** tumbled 9.8%, **Airbnb** 7.9% and **Expedia** 7.1%, on worries over a potential AI impact and rising energy prices.

Emerging markets

The MSCI EM had gained 1.13% in USD on the week to Friday. Korea, Brazil and Taiwan were up 6%, 1.97% and 1.55%. India, China and Taiwan were down 2.57%, 2.44% and 1.67%, respectively.

In **China**, trade releases again ran hot but missed at the margin: exports rose 25.0% YoY (est. +25.9%, prior +23.9%) and imports 28.2% (below the ~+31% expected), leaving a monthly surplus 6% wider than July and pushing the YTD surplus near to $806bn, on track for a fresh annual record. CPI accelerated to +0.8% Y/Y, in line with expectations while PPI beat at +3.8% YoY. The MoF will issue ¥300bn of special bonds to recapitalise eight major state-owned financials. The government reportedly has temporarily suspended approval for a new ESS batteries capacity expansion. Moonshot, a Chinese AI model player, is considering raising up to $5bn in its planned HK IPO as soon as this year. Deepseek is also planning an IPO for STAR Board. Xiaomi launched a new EREV SUV with aggressive pricing.

South Korea. Exports for the first 10 days of September grew 82.6% YoY while imports grew 20.7%. OpenAI deepened its Samsung partnership to co-develop next-generation chips. Samsung also led Mistral AI's Series D funding round and will integrate Mistral AI across its semiconductor operations.

In **Taiwan**, August exports surged 41% YoY to a record $82bn (est. +34.7%), imports +44.3% (est. +34.7%) and the Ministry of Finance said Q3 and Q4 are "very likely" to set fresh export records. TSMC's August revenue of $16.3bn rose 53.3% YoY, accelerating from July and running ahead of quarterly consensus. Hon Hai's August sales rose 52% (against ~37% expected for the quarter), with Quanta +177.5% and Wistron +166.5%.

In **India**, the government granted approval for ~$11bn of procurement for defence equipment with 98% sourced domestically. In geopolitics, Vladimir Putin arrived in Delhi on Friday for the BRICS summit, his first in-person BRICS appearance outside Russia since the Ukraine invasion, with Xi also expected to attend. On the corporate front, Adani Airports sold a 5.54% stake to investors including BlackRock and Temasek for ~$1bn.

In **Mexico**, August CPI came in soft across the board, headline +0.20% MoM / +3.26% YoY and core +0.16% MoM / +3.88% YoY, both below estimates. The 2027 budget package framed the policy path of a public deficit narrowing from 4.1% to 3.9% of GDP.

In **Brazil**, a BTG/Nexus poll put Flávio Bolsonaro ahead of Lula 46–45 in a reversal. Lula signed pre-election fuel-tax cuts in response to the Brent crude surge, adding pressure to an elevated deficit, and enacted the "blusinhas" law ending the tax exemption on sub-$50 imports.

Corporate debt

Risk appetite declined significantly over the week. Increased attacks in the Strait of Hormuz sent Brent crude above $107 and rekindled fears over global inflation. The ECB turned more restrictive by raising rates by 25bp to 2.5% on September 10 and some officials suggested another hike could come in October. In the US, the Treasury's bond buyback programme was smaller than expected so 10-year yields surged to flirt with 5%. And France's decision to abandon its deficit reduction target, now seen above 5% of GDP, fuelled budgetary concerns in Europe.

Equity markets fell with the S&P 500 down 1.64% and the Euro Stoxx 50 1.32% lower to 6,308. Government bond yields jumped with the 10-year US Treasury up 15.4bp to 4.94% and Germany's equivalent Bund 16.7bp higher to 3.51%. Credit markets lost ground overall but still outperformed. The Xover widened by 8.9bp. EUR HY and EUR IG shed 0.46% and 0.82%. Euro hybrids were around 0.6% lower and AT1 debt lost 0.38%. Over the week, there were numerous new issues in France both in HY and IG. And also new hybrid deals from **Engie** and **EDF**.

GLOSSARY

- Investment Grade: bonds rated as high quality by rating agencies.
- High Yield: corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons.
- Senior debt benefits from specific guarantees. Its repayment takes priority over other debts, known as subordinated debt.
- Debt is considered to be subordinated when its redemption depends on the earlier payment of other creditors. To offset the higher risk, subordinated Senior debt has priority over other debt instruments.
- Tier 2 / Tier 3 : subordinated debt segment.
- Duration: the average life of a bond discounted for all interest and capital flows.
- The spread is the difference between the actuarial rate of return on a bond and the rate of return on a risk-free loan with the same maturity.
- The so-called "Value" stocks are considered to be undervalued.
- EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization.
- CTA: quantitative strategy which uses futures to invest in a wide range of financial assets, including equity indices, short-term and long-term interest rates, currencies, and commodities.
- The PMI, for "Purchasing Manager's Index", is an indicator of the economic state of a sector.
- AT1s belong to a family of bank capital securities known as contingent convertibles or "Cocos". Convertible because they can be converted from bonds to shares (or depreciated entirely) and contingent because this conversion only occurs if certain conditions are met, such as the issuing bank's capital strength falling below a predetermined trigger level.
- RT1s: perpetual bond issues with early redemption possible after 10 years. Coupon payments are discretionary and non-cumulative.

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