September 11, 2026

Weekly Investment Insights

The oil market was front and centre again last week, after Brent crude crossed the psychological $100 per barrel threshold. The war in the Middle East has persisted for seven months by now, and previous buffers against a supply shock are beginning to wear thin. Strategic reserves are low, fiscal deficits limit how much support governments can offer, and Chinese oil demand is back. All the while, Saudi Arabia reported that its crude oil production dropped to levels unseen since 1990 in August. The transportation of oil and other petroleum products could become even more complicated, with Iran-backed Houthis now having seized the Yemeni Red Sea port of Mocha as they advance south towards the Bab al-Mandeb Strait – a crucial shipping conduit.

Nonetheless, towards the tail-end of the week, after rising towards $109 per barrel, Brent fell to around $104. The move appeared to be the result of revised IEA forecasts, which saw lower oil demand this year than previously expected. This led to brightened sentiment in stock markets, and long-term bond yields retreated from multi-year highs.

Next week will be a big week for monetary policy, with the Fed, the BoE and the BoJ all set to decide on their policy calibrations.

MACRO SNAPSHOT

ECB hikes by 25bp to 2.5%

The ECB raised interest rates by 25 basis points to 2.5%. The move was widely expected by markets, so the tone of the accompanying communication - which left the door open to further tightening - took precedence.

Policymakers revised their inflation projections higher and now expect price growth to remain above the ECB's 2% target throughout the forecast horizon, with it sitting at 2.1% in 2028. The Governing Council also warned that inflation is likely to stay above target for an "extended period". Europe's energy dependencies leave it vulnerable to higher global prices resulting from the ongoing war in the Middle East. Last week, European natural gas prices hit levels unseen since early 2023.

At the same time, the ECB upgraded its growth outlook after the euro area economy proved more resilient than expected. GDP growth is now forecast at 0.9% in 2026 and 1.4% in 2027, with the ECB citing the stronger-than-anticipated performance of the economy in recent quarters.

The statement also highlighted the elevated uncertainty surrounding the outlook. Notably, the ECB described the situation as "highly uncertain", a stronger formulation than the "uncertain" outlook used in June. It also said that risks are tilted to the upside for inflation and to the downside for economic growth.

Markets interpreted the meeting as distinctly hawkish. Investors continue to expect additional tightening, with money markets fully pricing in another 25bp increase before year-end and a further move by March 2027.

The ECB reiterated that future decisions will remain data-dependent and will be taken on a meeting-by-meeting basis. Meanwhile, the balance sheet continues to shrink gradually, with both the APP and PEPP portfolios declining as maturing securities are no longer being fully reinvested.

Despite the hawkish message and the repricing of rate expectations, the euro failed to gain support following the announcement, suggesting markets had already largely anticipated the more aggressive policy stance.

ECB Staff Projections

	GDP Growth		Inflation		Core Inflation	
	September Forecast	June Forecast	September Forecast	June Forecast	September Forecast	June Forecast
2026	**0.9%**	0.8%	**3.0%**	3.0%	**2.5%**	2.5%
2027	**1.4%**	1.2%	**2.5%**	2.3%	**2.6%**	2.5%
2028	**1.5%**	1.5%	**2.1%**	2.0%	**2.3%**	2.2%

Source: ECB, BIL

US core inflation surprises on the upside, boosting rate hike bets

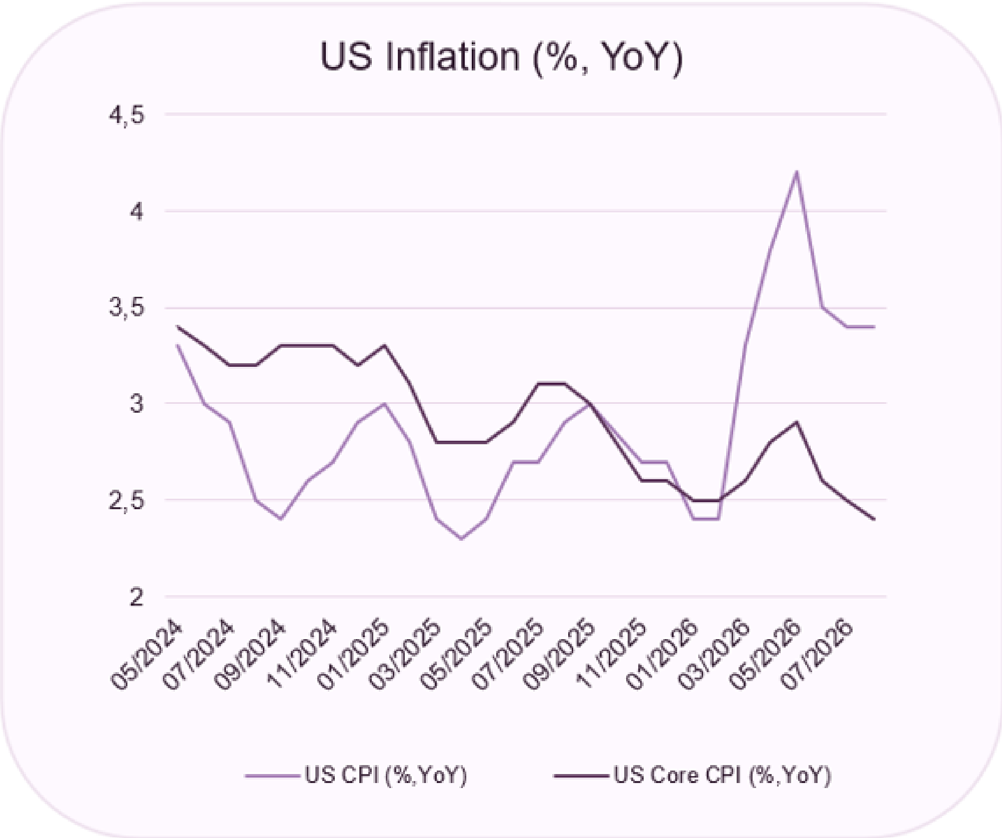
Aspects of Friday's US inflation report came in stronger than expected, reinforcing market expectations that the Federal Reserve will need to tighten policy further if it is to keep inflation contained.

At first glance, the headline inflation print looked benign, remaining unchanged at 3.4% YoY in August. Inflation moderated in some key categories, including shelter, where annual inflation eased to 3.0% from 3.2%, and food, which slowed to 2.7% from 3.0%. However, Energy prices continued to soar, with gasoline prices rising 27.4% from a year earlier and fuel oil prices surging 52%.

Computer software and accessories prices rose a record 25.4% from a year earlier, suggesting that growing demand linked to artificial intelligence may be contributing to inflationary pressures in certain sectors.

On a monthly basis, consumer prices increased by 0.4%, the largest rise in three months, driven largely by a 3.9% increase in gasoline prices, which accounted for more than one-third of the monthly gain. Additional price increases were observed in communication services, airline fares, and used vehicles. The clincher for markets was that core inflation, which excludes food and energy, rose 0.3% month-on-month, accelerating from July's 0.2% pace and highlighting ongoing inflationary pressures. Although annual core inflation edged down to 2.4%, its lowest level since March 2021, markets focused on the stronger monthly reading. Following the print, markets are betting with a high probability that the Fed will hike rates on Wednesday. One more hike later in the year is also viewed as possible, if not plausible.

On the flipside, elevated prices continue to erode consumer sentiment. Also on Friday, the Michigan Consumer Sentiment Index fell to 47.8, well below expectations of 51.0. It was the weakest reading since May's record low, with optimism around the future state of personal finances deteriorating, as households foresee greater pressure on household budgets amid rising fuel prices and trade tensions. Overall sentiment is now 16% below February levels, before the start of the Iran conflict, and 13% below its level a year ago. Year-ahead inflation expectations jumped to 4.6%, while five-year expectations inched up to 3.4% after coasting at 3.3% for three consecutive months.

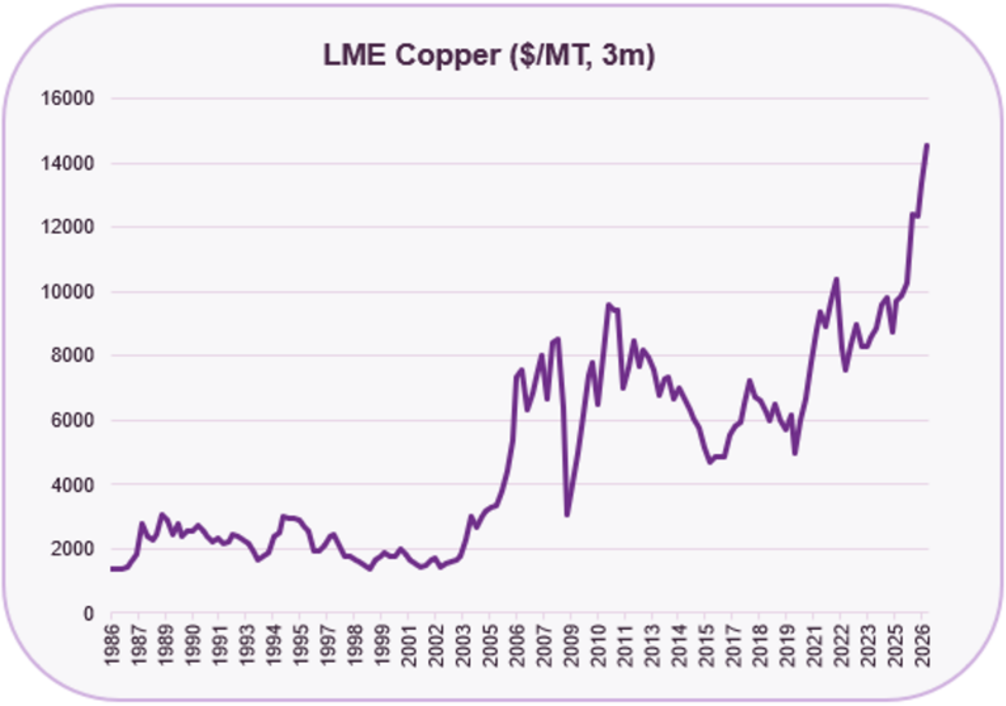


Source: Bloomberg, BIL

Copper Hits Record High as Global Demand Accelerates

Copper prices surged to a record high above $14,530 per tonne intraday on Tuesday – a fact worth noting given that the pink metal has a reputation for being able to signal shifts in the global economy. Often viewed as a barometer of economic health, copper demand is closely linked to industrial production, construction activity, infrastructure investment, and the energy transition.

It appears that surging investment in electrification, renewable energy, data centers, and AI infrastructure is driving a sharp increase in copper consumption, while tightening supply conditions are adding further upward pressure on prices. The move also points to the risk of renewed inflationary pressures, as higher raw material costs percolate down through supply chains.



Source: Bloomberg, BIL as of 8/9/26. Past performance is not a reliable indicator of future performance

Eurozone GDP growth revised up

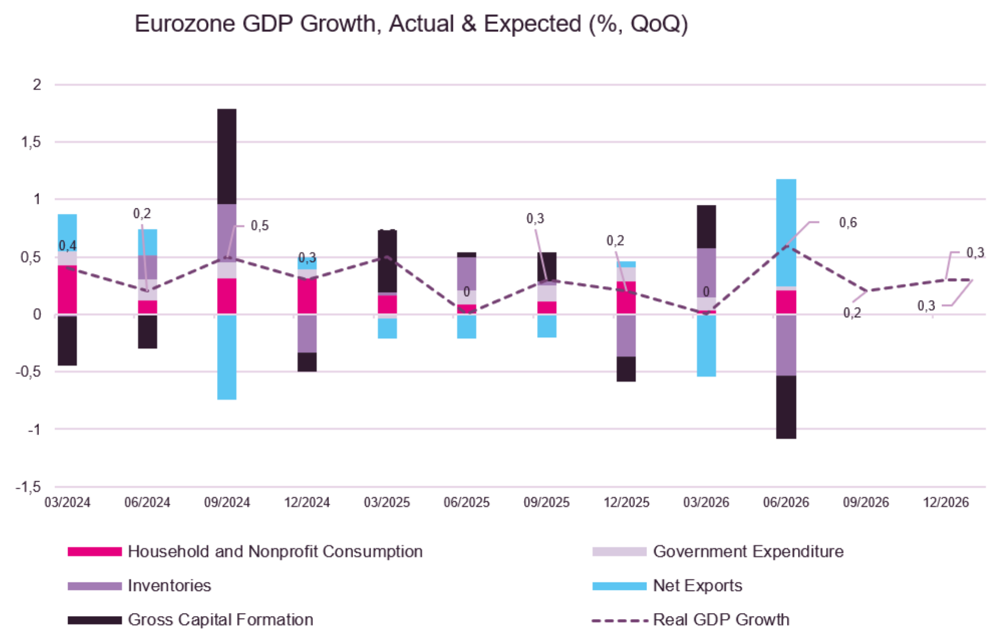
Monday brought the third and final Eurozone GDP estimate for Q2. The economy was shown to have expanded by 0.6%, above the initial estimate of 0.4% and the strongest quarterly growth since Q2 2022. However, a large share of the upward revision reflected Ireland, where GDP rose 10.2% following a 7.8% contraction in Q1. Irish GDP is highly volatile because of the activities of multinational corporations, including profit shifting, transfer pricing, intellectual-property transfers, and other cross-border accounting effects, which can cause large swings in measured output that are not fully representative of underlying domestic economic activity.

Digging into the Eurozone details, net trade was the main driver of growth in Q2, contributing 0.9 percentage points, with exports (+3.4%) comfortably outpacing imports (+1.5%). Changes in inventories acted as a drag, subtracting 0.5p.p, while fixed investment and government consumption made negligible contributions. On an annual basis, GDP growth accelerated to 1.2%, above the previous estimate of 1.0%.

Despite higher energy prices following the conflict in the Middle East and tighter financing conditions, the Eurozone outlook has improved in recent months. Activity is being supported by a stabilization in the manufacturing sector, a gradual recovery in external demand, and increased fiscal spending, particularly in Germany.

While the stronger-than-expected growth figures could embolden ECB hawks, the details of the report provide some reassurance on the inflation front. Employment increased by 0.1%

quarter-on-quarter, while compensation per employee slowed to 3.3% from 3.5%, suggesting wage pressures continue to moderate. As a result, the case for an additional ECB rate increase later this year will depend not only on growth data but also on whether higher energy prices begin to feed more persistently into underlying inflation. The evolution of the Middle East crisis will therefore remain a key factor for the policy outlook.



Source: Bloomberg, BIL as of 7/9/26

CALENDAR FOR THE WEEK AHEAD

Monday – Japan Industrial Production. China M2 Money Supply

Tuesday – China House Price Index, Industrial Production, Retail Sales, Unemployment, Fixed Asset Investment. UK Unemployment Rate. France and Spain Inflation (Final, August). Eurozone and Germany ZEW Economic Sentiment Index

Wednesday – UK Inflation (CPI and PPI). Italy Inflation (Final, August). Eurozone Industrial Production and Wage Growth. US Retail Sales and **Federal Reserve Monetary Policy Decision** (with fresh economic projections)

Thursday – Eurozone Inflation (Final, August). **Bank of England Monetary Policy Committee**. US Housing Starts, Building Permits, Pending Home Sales, Weekly Jobless Claims

Friday – Japan Inflation Rate (August) and **Bank of Japan Monetary Policy Decision**. Germany PPI. UK Retail Sales. US Industrial Production and Capacity Utilisation.

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