Monday, 31 August 2026

Daily Market Overview

Markets

- Some calm returned to markets today after the 'hawkish' repricing on US yields markets in the wake of Fed chair Warsh's Jackson Hole speech. At the same time, underlying trends on yields markets continue. US short-term yields apparently found some **short-term equilibrium awaiting more data or other evidence to further re-evaluate the chances on a September Fed rate hike.** This week's US activity data (ISM's, key labour market data) still deserve attention but with the focus on inflation, the August CPI data scheduled for September 11 has now become the single most important data series ahead of the September 19 Fed meeting. Will they give evidence that (underlying) inflation is indeed 'moving to the Fed objective, clearly and at sufficient speed'? **Otherwise the Fed will 'have work to do'.** At least today, **markets didn't want to push further on immediate Fed action.** Money markets still assume a September rate hike probability of about 60-65%. October is about 85% discounted. At the same time, in a session without key US data, the US curve again steepens further with the 2-y little changed but the 30-y again adding 4.5 bps. Yields over the 2-y/10-y segment continue testing recent cycle highs. It's too early to draw any conclusions but **the moves suggest that post-Jackson Hole confidence in Fed policy at least remains some kind of conditional.** Oil rising above $90 p/b on persistent tensions/resumption of mutual military action in the Middle East as usual is well visible on European yield markets. The TTF gas reference contract again trades within reach of the € 70 p/MWh reference (+€3.3 on the day), supporting the view that energy price inflation is here to stay for longer than hoped for. German National August CPI data showed a further rise. At 0.2% M/M and 2.9% both for the national measure and for the harmonized HICP were marginally softer than expected (both from 2.8% Y/Y). Yield markets very briefly declined after the release, but soon resumed their upward bias. German yields are currently rising between 2.5 (2-y) bps and 4 bps (5-30-y sector) as the report still confirms the case for a follow-up ECB rate hike at next week's policy meeting. **German yields at longer maturities (5y+) are again touching multi-year high levels.** The ECB flash CPI reading will be published tomorrow.

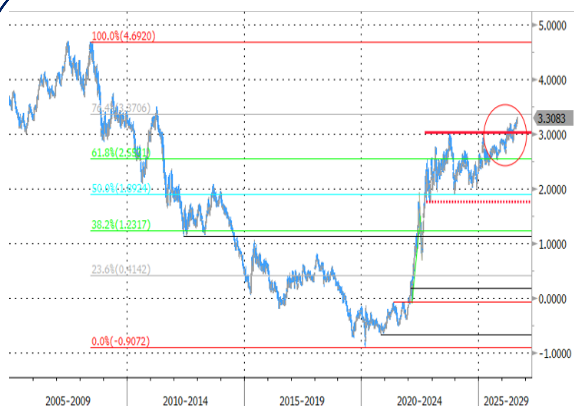
- **Stock markets** are losing modestly as tensions in the Middle East continue. The Eurostoxx 50 eases 0.3%. US indices open with similar losses. The dollar eases slightly after Friday's jump. DXY trades near 99.5 (from 99.7). EUR/USD hovers near the 1.16 big figure. USD/JPY slipped from opening levels just north of 160 this morning to 159.75.

News & Views

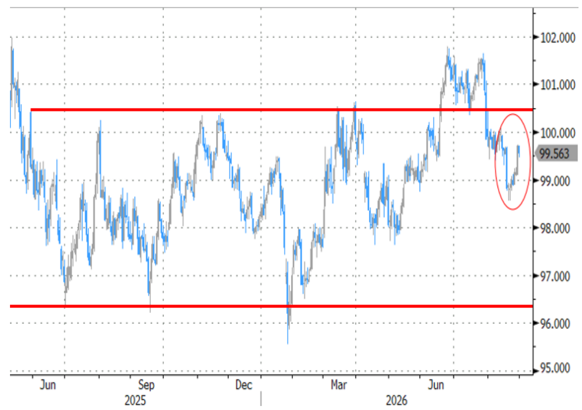
- The ECB in a blog dives deeper into **the consequences of US hyperscalers increasingly tapping the euro area bond market.** The researchers found that **US big tech companies currently represent almost 10% of the gross new issuance of euro-denominated bonds by non-financial corporations.** These hyperscalers are expanding the scope of the euro area corporate bond market by introducing longer maturities, greater exposure to the technology sector and higher-rated debt. But while the euro area bond market has so far absorbed this additional issuance well, the ECB economists said that "US big tech companies could push up borrowing costs for all sectors as they accumulate debt and account for a growing share of bond markets, with a potential spillover to the sovereign and supranational segment of the bond market." They warned **for a crowding-out risk** with some European issuers reportedly having timed their issuance to avoid days when hyperscalers tapped the market. Close monitoring is warrened, they concluded, due to the sheer scale of these companies' future borrowing needs (expected at $1tn in 2028), coupled with expectations of sustained strong but uncertain earnings.

- **The Czech budget draft for next year has a shortfall of CZK 389bn, the country's finance minister Schillerova said today.** She maintained the view that debt-to-GDP would still gradually decline in the following years. Such a deficit would mean an increase from this year's CZK 310bn but that doesn't come as a real surprise. Schillerova had been projecting a higher shortfall while pledging to keep it below the CZK 400bn mark. Czech lawmakers last week overrode a presidential veto of a bill that eased the budget limits and which would have capped next year's budget deficit at CZK 150bn, according to the finance minister.

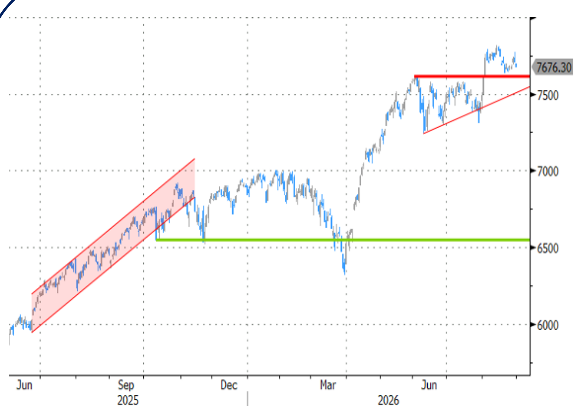
Graphs & Table



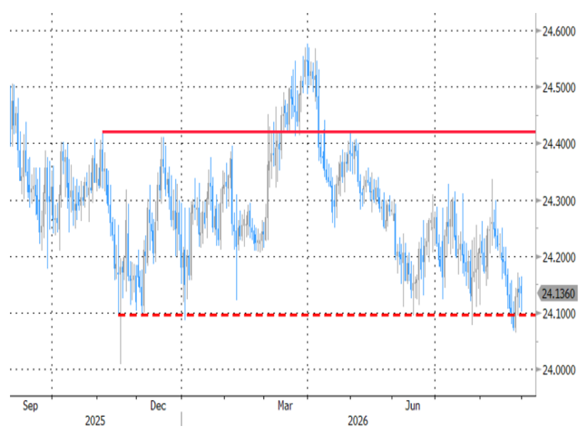
German 10-y yield extending uptrend to highest level since 2011.



DXY (TW USD index): post Jackson Hole USD rebound at least taking a breather.



S&P 500: modest correction on persistent tensions in the Middle East, higher oil prices and rising yields.



EUR/CZK: Czech koruna holding strong. Government plans higher budget deficit next year.

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	2,93	0,03	2	4,34	-0,01	DJ euro-50	6457,72	-27,95
5	3,06	0,04	5	4,49	0,02	DAX	26375,9	-194,09
10	3,32	0,04	10	4,75	0,03	S&P 500	7680,06	-31,70
30	3,80	0,03	30	5,25	0,04	Nikkei 225	66311,93	-93,63
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	55	-0,40	EUR/USD	1,1601	0,0016	CRB	406,36	0,00
FR 10y	85	0,20	EUR/GBP	0,8564	0,0005	Gold	4497,90	-32,00
IT 10y	83	0,60	USD/JPY	159,81	-0,2800	Brent	90,34	2,24

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