Tuesday, 01 September 2026

Daily Market Overview

Markets

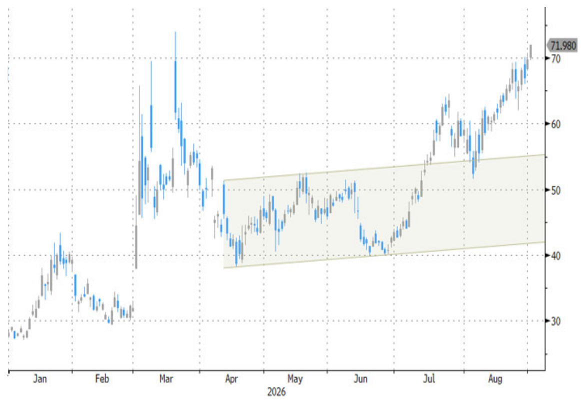
- **The return of armed hostilities near the Hormuz Strait is keeping a lid on risk sentiment.** Stock markets shed between 0.5% (Europe) and 1.2% (US, Nasdaq) with losses deepening on reports that two supertankers were struck. The conflict is adding upward **pressure to energy prices**. Brent oil advances further north of $90 towards the $92 barrier with its refined products (gasoline, diesel) at or closing in on the highs seen shortly after the Iran war erupted. **Gas prices (Dutch TTF) shoot through the €70/MWh lever.** In this post-war era, gas prices have only been higher once and only on an intraday basis on March 19. As things currently stand, the ECB's inflation forecasts at the September 10 meeting are all but certain to be revised higher. **The extend that they will is critical in deciding over the central bank's monetary response: a measured one or a forceful one.** Euro area money markets are currently torn between two and three additional rate hikes after June's move. **September remains fully priced in after today's August CPI,** which printed in line with expectations. Headline inflation rose by 3.3%, up from 2.9% in July and the quickest in almost three years. Core inflation eased a tad from 2.5% to 2.4%. That's bound to change if energy prices don't come down soon. Non-energy industrial goods inflation already accelerated to the fastest since February 2024. Services CPI came in at 3% (from 3.3%). **Yields globally march further north with a spectacular underperformance of UK gilts.** Benchmark changes help explain the largest moves (up to 18 bps in the 2-yr) but tenors that didn't see such change add about 3.2-7.8 bps as well. **Bund yields creep 1.2-1.9 bps higher.** The 5-yr hit a new 18-yr high, the remainder of the curve trades at 15-year peaks. **US Treasury yields rise 2.6-3.4 bps with the belly of the curve underperforming the wings.** The 10-yr powers through new YtD highs with the October 2023 peak around the psychologically important 5% basically the next reference on the charts. The 30-yr is mere basis point away from their recent highs (and which prompted a Treasury intervention). Chatter of capital flow repatriation is growing now that the **Japanese 10-yr yield benchmark rose to 3% for the first time in three decades.** The 30-yr's closing level was the highest since the tenor's inception in the late-nineties**. The fragile risk environment favours the US dollar over most peers but moves – as they have been the last months – remain technically insignificant.** EUR/USD returns sub 1.16, DXY inches higher to 99.6. USD/JPY surpasses the 160 critical threshold again, wiping out half of the intervention losses (JPY gains) of end-July.

News & Views

- S&P global reported **manufacturing operating conditions in the Czech Republic in August to show the sharpest improvement since April 2022.** The **August Manufacturing PMI rose from 52.2 to 54.1**, the sixed consecutive monthly rise and stronger than the series average. Demand conditions, especially among international costumers improved. Stronger client interest drove a steep rise in new orders and a solid increase in production levels. Pressure on capacity led to a rise in employment. Despite this fresh hiring, backlogs continued to accumulate at the quickest pace since December 2021. A stronger decline in vendor performance hampered output capacity at goods producers, with firms renewing efforts to build safety stocks amid difficulties sourcing key materials. **Inflationary pressures cooled from recent highs but rates of increase in input costs and output prices remain elevated by historical standards.** Czech manufacturers were also **more optimistic on output for the coming year.** Hopes of a strengthening of demand conditions and reports of planned investment in machinery helped confidence to a five-month high. In line with the broader markets, Czech yields rose sharpy of late, with the 2-y swap at 4.65% at the highest since end 2023 end the 10-y (4.90%) at the highest levels since March 2023. The koruna is holding strong near EUR/CZK 24.16.
- **Fewer companies in German were reporting problems in procuring intermediate goods**, an IFO survey showed. In July 13.7% of companies reported having material shortages compared to 17.2% in June. The situation improved considerably in the chemical industry (13.8% reporting shortages from 29.5%). There was only a slight change in the supply of intermediate products in mechanical engineering (14.2%) and the automotive industry (16%). The supply situation remains tense for manufacturers of data processing equipment and electronic and optical products (from 34.2% to 30.3%) and manufacturers of electrical equipment (from 27.7 to 25.2%.), probably still driven by the expansion in further fueled by the expansion of AI infrastructure. IFO warns that supply chains remain vulnerable new disruptions in the Straite of Hormuz.

Graphs & Table

Japanese 10-yr yield pierces through 3% barrier whilst government prepares next year's budget



Dutch TTF gas prices power through €70/MWh, to hit their highest (on a closing basis) since the Iran war erupted.

10-yr spread French OAT vs swap holding north of 80 bps as market monitors fiscal risks.

Nasdaq correcting lower as Hormuz hostilities intensify, but sideways trading range still holds.

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	2,95	0,02	2	4,36	0,02	DJ euro-50	6381,84	-38,32
5	3,08	0,02	5	4,53	0,03	DAX	26018,74	-239,37
10	3,34	0,02	10	4,77	0,02	S&P 500	7633,12	-53,02
30	3,82	0,01	30	5,26	0,01	Nikkei 225	66215,34	-96,59
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	55	0,10	EUR/USD	1,1600	-0,0018	CRB	410,57	0,00
FR 10y	86	0,40	EUR/GBP	0,8567	-0,0007	Gold	4400,50	-81,00
IT 10y	83	0,30	USD/JPY	160,04	0,3000	Brent	92,46	1,97

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