Internal

Thursday, 10 September 2026

Daily Market Overview

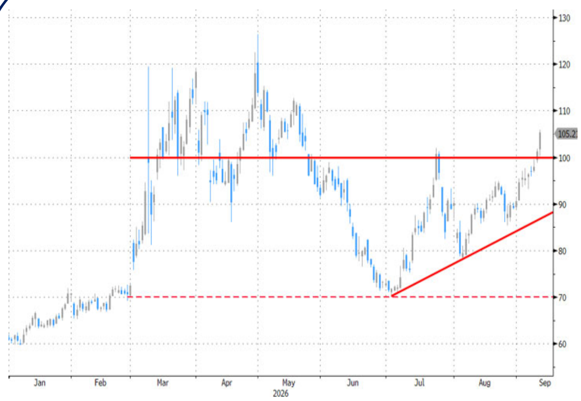
Markets

- The ECB delivered the widely expected hike from 2.25% to 2.5%. *"The conflict in the Middle East continues to generate inflation pressures, and* ***inflation is set to remain well above target for an extended period.",*** the statement reads. That narrative could be seen as the ECB acknowledging that the situation is starting to morph from the adverse) into the severe scenario. The former is described as *"a large though not-too-persistent overshoot of our target"* which warrants *"some measured adjustment of policy"*. The latter as inflation *"to deviate significantly and persistently from target",* for which *"the response must be appropriately forceful or persistent."* Current language puts the ECB somewhere in between. Inflation forecasts, unsurprisingly, saw upward revisions across the board. Headline inflation is now seen at 3%-2.5%-2.1% over 2026-2027-2028, up from 3%-2.3%-2%. Core CPI is expected to average 2.5%-2.6-2.3%, compared to 2.5%-2.5%-2.2% in June. Risks are tilted to the upside. Lagarde said that **wages**, observed closely to spot any second-round effects, **do not show a material response to the energy shock at this stage.** Greater-than-expected economic resilience resulted in upward (you read that right) revisions to GDP growth: 0.9%-1.4%-1.5% vs. 0.8%-1.2%-1.5%. Downside risks to growth prevail.
- The first question of the presser immediately **polled the chair on her view of market's understanding of the ECB's reaction function.** The previous meeting(s) Lagarde said they did so, which could be seen as her implicitly approving market pricing. **She wouldn't repeat that again today.** Lagarde knew she would get grilled on the future rate path, in various ways and through various angles. One was whether the ECB deemed it necessary to move north of neutral, which is where the rate now more or less stands. But she didn't take the bait in what appeared good preparation to such questions. The ECB said the recent surge in (global) government bond yields has been taken into account. That's interesting since even with this market-based tightening, the 2% inflation target remains out of reach. European yields surge even further, supported higher by **an alarming Saudi report that its August output fell to the lowest since 1990** that's pushing oil prices to $105 levels. Changes amount to up to 9 bps in a bear flattening move. Money markets attach an 80% probability of a back-to-back hike in October. December is more than priced in. The expected terminal rate (end of the tightening cycle) is jacked up to at least 3.25%.
- US rates rally higher across the curve as well on a combination of surging oil prices ($106+) following and **US PPI data.** The latter quickened sharply from July especially on a headline basis (5.4% y/y). It printed more or less in line with consensus though. And by doing so, the market reaction to it reveals the balance of risks for tomorrow's CPI. Anything that does not show a noticeable deceleration of price pressures will add to tightening bets. September is currently priced in for 70%, leaving scope for further repositioning. October is a 100% go. The US 10-yr yield (4.92%) surges 7.5 bps and closes in on the key 5% threshold.

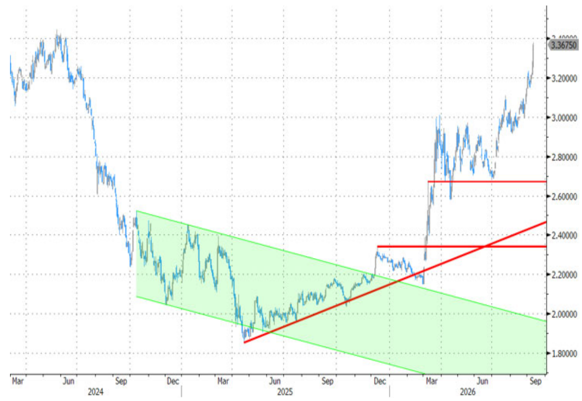
News & Views

- **Norwegian headline inflation fell by 0.3% M/M in August.** Food and non-alcoholic beverages (-1.4%), transport (-1.7%), household equipment (-1.3%) and clothing & footwear (-0.4%) showed the biggest monthly declines. Utility prices increased by 0.4% M/M. **Base effects still pushed the Y/Y-figure from 3% to 3.3%** (vs 3.2% consensus). Prices are higher compared to last year in all categories. **Underlying core inflation fell by 0.5% M/M, but rose from 2.7% Y/Y to 3% Y/Y** (in line with forecast). The new pick-up inflation follows subdued June/July readings. They prompted a slight change in forward guidance by the Norges Bank at the August meeting. They said that it **MAY become necessary** to raise the policy rate later this year compared to "it WOULD LIKELY BE necessary" at the June meeting. The market implied probability of a 25 bps rate increase at the September policy meeting dropped further after today's as-expected inflation report to 40%. Additional tightening is still being discounted by the December meeting. The Norwegian swap curve bull steepens today with the front end losing more than 5 bps. EUR/NOK had been testing the YtD low around 10.70 on energy-related NOK-strength, but the inflation print temporary broke that momentum.

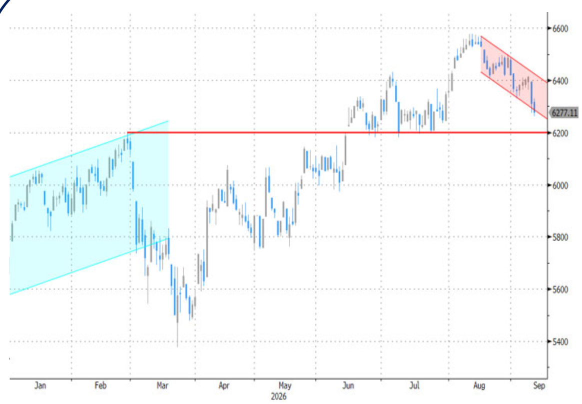
Graphs & Table



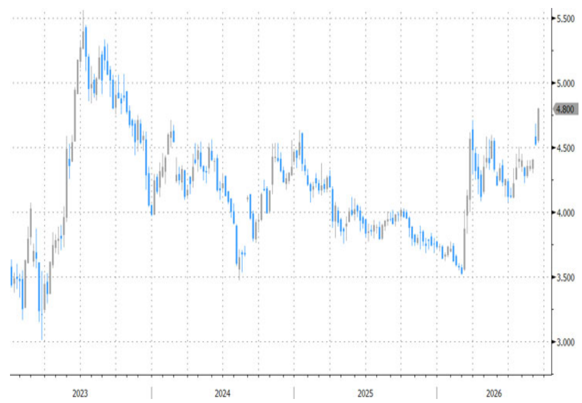
Brent oil prices rise to highest since May after Saudi informs OPEC that its output fell to lowest since 1990



European 2-yr swap yield: market adds to more and faster ECB tightening



EuroStoxx50 cracks under yield surge



UK 2-yr yield: markets see Bank of England having little choice but to tighten sooner rather than later

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,17	0,10	2	4,51	0,08	DJ euro-50	6282,28	-29,28
5	3,27	0,07	5	4,70	0,09	DAX	25428,88	-147,57
10	3,48	0,04	10	4,92	0,08	S&P 500	7596,11	-40,25
30	3,91	0,02	30	5,35	0,06	Nikkei 225	65270,95	128,17
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	60	0,80	EUR/USD	1,1616	-0,0017	CRB	423,11	0,00
FR 10y	91	0,80	EUR/GBP	0,8595	0,0008	Gold	4401,50	-59,20
IT 10y	86	1,40	USD/JPY	154,14	0,5800	Brent	105,05	3,84

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