Weekly Market Directions

Trust must be earned

"The Fed's September hike was primarily an insurance and credibility measure. Significant geopolitical uncertainty and scrutiny from bond markets could influence its actions going forward."

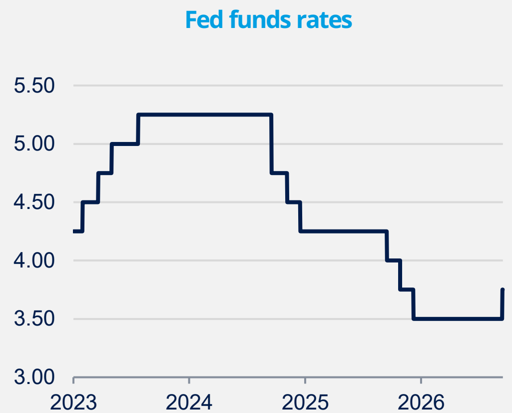
Monica Defend
Head of Amundi Investment Institute

The Fed raises policy rates

The Fed raised rates for the first time since 2023, bringing them into the 3.75% - 4% range. The decision was unanimous.

In the statement, the economy was described as solid, with domestic demand resilient despite elevated uncertainty related to geopolitics, while inflation remains elevated.

US bonds saw a divergence, with shorter-dated yields rising while longer-dated yields fell, supported by a retreat in oil.



Source: Amundi Investment Institute, Bloomberg as at 17 September 2026. Data refers to Federal Funds target rate lower bound.

The FOMC raised rates by 0.25%, describing the move as supportive of a timelier return of inflation to target. The Fed's rate projections were revised higher, signalling one further hike by the end of 2026, followed by a hold in 2027. In a brief press conference, Warsh reiterated that price stability remains the Fed's priority. He also noted that, given the macro backdrop, it is difficult for the Fed to see financial conditions as restrictive, adding that some accommodation has been removed. Markets reacted by lifting rate expectations and pricing in four additional hikes over the next year. The gap between the Fed's and the market's expectations reflects concern that inflationary pressure may persist, given continued tensions in energy prices and robust domestic demand. In our view, inflation is unlikely to ease enough in the near term, which supports the case for the Fed to hike again in the coming months, although the pace and scale of tightening will depend on inflation trends.

Key dates

22 Sep Eurozone consumer confidence, US ADP Weekly Employment, SK consumer confidence

23 Sep India PMI, Eurozone PMI, United Kingdom PMI, US PMI

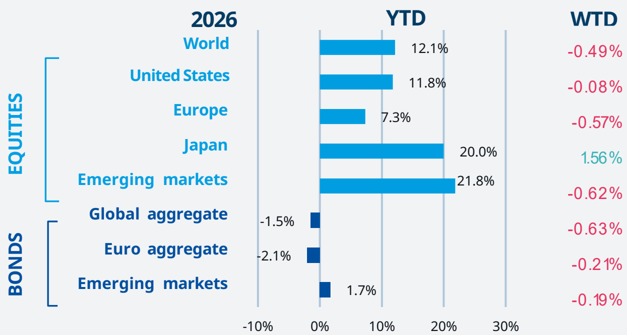
25 Sep US durable goods orders, University of Michigan consumer confidence

This week at a glance

Global equity markets started the week weaker, weighed down by calls from major technology companies for slower model development, before easing after the Fed's meeting and lower oil prices. In the government bond markets, with shorter-dated yields rose more, in response to the central. The dollar strengthened broadly, putting pressure on the euro and the yen. Oil prices declined, extending recent weakness.

Equity and bond markets

Asset class performances, year-to-date and week-to-date



Source: Bloomberg, data as of 18 September 2026. Please refer to the last page for additional information on the indices.

Government bond yields

2- and 10-year government bond yields, and 1-week changes

	2YR		10YR	
US	4.75	▲	5.00	▲
Germany	3.28	▲	3.52	▲
France	3.55	▲	4.56	▲
Italy	3.51	▲	4.43	▲
UK	4.84	▲	5.29	▼
Japan	1.85	▲	2.97	▼

Source: Bloomberg, data as of 18 September 2026. Please refer to the last page for additional information on the indices. The trend shown refers to 1-week changes. Please refer to the last page for additional information.

Commodities, FX and short-term rates, levels and weekly changes

Gold USD/oz	Crude Oil USD/barrel	EUR/ USD	USD/ JPY	GBP/ USD	USD/ RMB	Euribor 3M	T-Bill 3M
4378.63	100.30	1.15	156.88	1.34	6.70	2.62	4.08
+0.68%	*+0.2%*	*-0.97%*	*+2.13%*	*-1.0%*	*-0.2%*		

Source: Bloomberg, data as of 18 September 2026. Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas

The US Consumer Keeps Spending

US retail spending rebounded sharply in August, well above expectations. The rise was broad-based, from electronics to restaurants, and showed consumers remain resilient despite higher borrowing costs and elevated fuel prices. Meanwhile, weekly jobless claims fell to one of their lowest levels since the late 1960s, confirming that the labour market remains firm. The data point to a still-solid economy.

Europe

Bank of England holds rates but warns inflation could stay stubborn

The Bank of England kept rates unchanged at 3.75%, as expected, but three policymakers wanted an immediate increase. They warned that high energy prices could start feeding into wages and everyday costs if they stay elevated for long enough. The bank also scrapped plans to sell its longest-dated government bonds, which helped ease pressure on the UK bond market.

Asia

Japan raises rates again in a split vote

The BoJ raised its policy rate by 25bp to 1.25%, as expected, although two dissenting members signaled caution over further tightening. The decision reinforces our view that Japan's monetary regime shifted in late July, from gradual to a more proactive cycle aimed at preventing entrenched inflation. We expect quarterly hikes to lift the policy rate to 2% by mid-2027. An October hike remains unlikely; our base case is December, as Governor Ueda continues to signal that inflation will take time to settle sustainably at 2%.

NOTES

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Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD), United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD).

All indices are calculated on spot prices and are gross of fees and taxation.

Government bond yields (table), Commodities, FX and short-term rates.

Source: Bloomberg, data as of **18 September 2026.** The chart shows the price of gold.

Diversification does not guarantee a profit or protect against a loss.

GLOSSARY

BoE: Bank of England
BoJ: Bank of Japan
CPI: Consumer Price Index
ECB: European Central Bank
EZ: Euro Area
FED: Federal Reserve
FOMC: Federal Open Market Committee
GDP: Gross Domestic Product
ISM: Sentiment index of enterprises
MoM: Month-on-Month
YoY: Year-on- Year
PMI: Sentiment index of enterprises
PPI: Producer Price Index
PCE: Personal Consumption Expenditure
US: United States of America
UK: United Kingdom
YTD: Year to date
WTD: Week to date
FX: Foreign exchange

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IMPORTANT INFORMATION

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