FE Investments

WEEKLY MARKET COMMENTARY BY ROB GLEESON
11 September 2026

BESSENT ATTEMPTS TO BOSS THE MARKETS WITH MIXED RESULTS

This week US Treasury Secretary Scott Bessent warned financial markets not to challenge his authority as he seeks to support the value of the yen and discourage the Bank of Japan from selling its huge stock of US Treasury bonds. "I am the house now," he declared. Previous efforts by the Bank of Japan to drive up the yen had only a modest and very temporary effect. But, so far, the latest US Treasury and Bank of Japan combined effort has pushed the yen to a six month high, helped by expectations of BoJ rate hikes this autumn.

However, Bessent is more concerned with rising Treasury bond yields and his tough talking didn't impress the bond markets much. Rather than paying attention to Bessent's attempts to boss the markets, bond investors are more interested in inflation expectations and the return to $100+ Brent crude feeding them. Bond markets are also looking at potential AI-driven long-term productivity gains and the move up in long-term inflation and central bank rates this may bring. As the UK's surprise GDP growth in August shows, the AI growth story is not just theory.

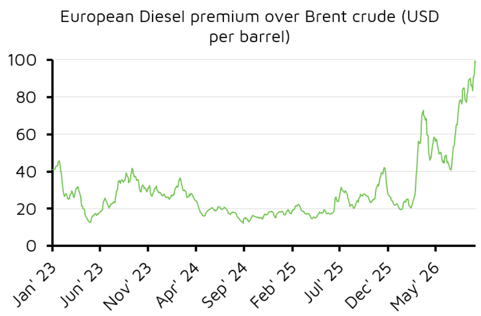
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.46%	-1.56%	-1.04%	-1.77%	-3.47%	+0.19%	+0.18%	+9.85%	-2.61%	-1.88%	-0.23%

ENERGY: OIL & REFINED PRODUCTS CLIMB AS SUPPLY CRUNCH INTESIFIES

The market has stopped treating the Iran war as a passing shock. Brent held above $100 all week, its first sustained run at that level since July and 30% above the early-August low. Supply is being squeezed and the Iran war has intensified. Traffic through the Strait of Hormuz has fallen to about 1m barrels a day from 8m in late August, and OPEC pumped 640,000 barrels a day less in August than in July.

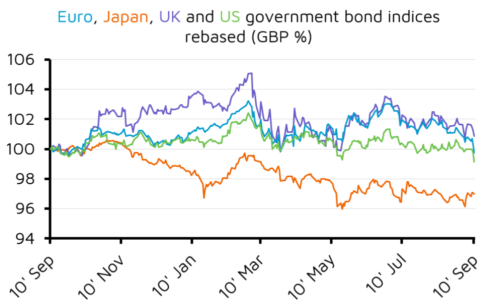
The strain is worst downstream. Diesel now costs twice as much as crude oil. So Andrew Bailey, the Bank of England governor, is watching the crack spread, the premium refined fuel commands over crude, rather than the crude price alone. Refined fuel is what British hauliers and households actually buy. Gas prices also rose another 10%, despite forecasts of a warm winter. Chancellor John Healey says the war is lifting inflation, slowing growth and raising borrowing costs, narrowing his choices at the Budget. Goldman Sachs expects $120 a barrel if attacks on shipping widen, but a drop to $80 if exports resume.



RATES: HIGHER YEILDS REFLECT INVESTORS' EXPECTATIONS OF RATE HIKES

The European Central Bank raised rates by a quarter point after Eurozone inflation reached 3.3% last month. Investors expect other central banks to follow as they tackle rising inflation. A big increase in new jobs in America last month supports the case higher US rates, as Federal Reserve chair Kevin Warsh said inflation needs addressed if the US economy keeps growing. This runs against the US Treasury, which wants yields lower. The Treasury bought more long-dated bonds this week, and prices fell anyway.

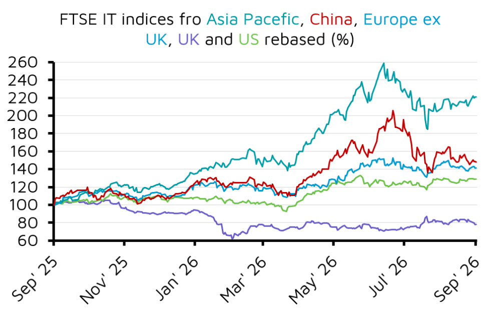
The Bank of Japan is expected to raise rates twice this autumn to support the yen, and the Bank of England to reach 4% by the end of the year. Governor Andrew Bailey warns inflation will rise due to the war in the Middle East and rising food prices. The UK's Food and Drink Federation forecasts food inflation will hit 4% by December and peak at 5.5% next summer. Rising inflation and the prospect of higher rates have pushed gilt yields up and prices down.



TECH: AI GROUPS TURN TO OVERSEAS INVESTORS TO FUND GROWTH

American and Chinese technology companies are raising money worldwide to fund their artificial intelligence plans. This week Amazon raised almost $6bn in its first sterling bond issue. Wistron, a Taiwanese maker of AI servers for customers including Nvidia, sold shares globally to raise just under $1.5bn for raw materials. Bytedance has gone to Chinese and international banks for close to $30bn of unsecured loans to build infrastructure outside China. All of this comes on top of the hundreds of billions that Asian and Gulf sovereign wealth funds have committed to AI in recent years.

In Europe, AI developer Mistral has raised $3bn and wants to compete with US rivals like Open AI and Anthropic. Its new valuation of $21bn shows how far behind the American leaders it remains. Anthropic is aiming to float at a $2tn valuation. Wall Street banks are meanwhile said to be lobbying credit rating agencies for investment grade status for Anthropic and OpenAI, a label that would let both borrow more cheaply.



Data sourced from FE Analytics, Argus Media