



US FOREIGN POLICY DOMINATES UN ANNUAL GATHERING BUT LITTLE PROGRESS IN EVIDENCE

This week oil traders were once again dancing to Donald Trump's tune as a potential meeting between the US and Iranian presidents on the sideline of the UN's annual general meeting raised hopes that a breakthrough was possible. In the end, Trump delivered another confrontational speech and there was no meeting between the rival leaders. But high-level direct talks were held for the first time in several months and Iran proposed a new ceasefire to allow some traffic through the Strait of Hormuz. The price of oil swung from \$107 to below \$100 and back up again.

The price of crude oil has given way to refined petroleum prices and rising shipping costs as the main concerns for inflation. Fears of higher inflation applied upward pressure on government bond yields and US Treasuries sold off further. This was particularly evident in shorter-dated bonds. Meanwhile, the meeting between Trump and Chinese president Xi Jinping was also a significant event. A small extension to the trade truce between the two countries was agreed in advance, so little was expected from the meeting and little was delivered.

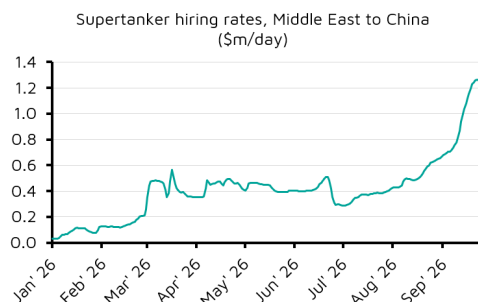
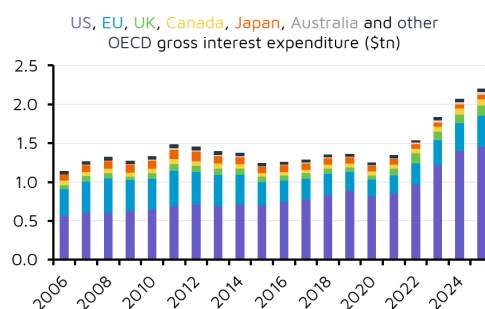
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.16%	+0.74%	+1.56%	+0.07%	-1.11%	+0.22%	+0.08%	+2.24%	-1.45%	+1.71%	-0.99%

BONDS: TWO-YEAR YIELDS JUMP ON FED BETS

 Bond markets are bracing for a Federal Reserve that has only just started raising rates. Ten-year Treasury yields hit 5.15% on Thursday, their highest since 2007, but shorter-dated bonds have moved more. Over the past month, two-year yields have risen by about 0.6 percentage points, nearly twice as much as 10-year yields. Thirty-year yields have risen far less. US business activity is growing at its fastest pace in five years, oil is back above \$105 a barrel, and traders put the chance of another October rate rise at more than 70%. Gilts and Eurozone bonds have followed suit.

This is bad timing for governments. The OECD warns that rising interest bills are a major concern now that debts are at record levels. A weak sale of US five-year bonds shows that buyers want a higher return. Washington is relying more on short-term bonds, so rate rises will feed into its interest bill faster. Emerging markets have not been put off, and are selling foreign-currency bonds at a record pace.



ENERGY: RECORD FREIGHT COSTS PUSH UP FUEL PRICES

The Iran war's oil shock has moved away from the oilfields and into ships and refineries. Brent crude has held above \$100 a barrel since early September, but moving oil has never cost more. Hiring a supertanker between the Middle East and China now costs over \$1.2mn a day, double the late-August rate. Buyers are fetching crude from further away, and ships are queuing off Oman. Freight now makes up a fifth of what crude costs by the time it reaches a refinery, and some Chinese refiners are cutting output. Tanker owners are doing well, and Trafigura plans to float its Volare fleet in Oslo next month.

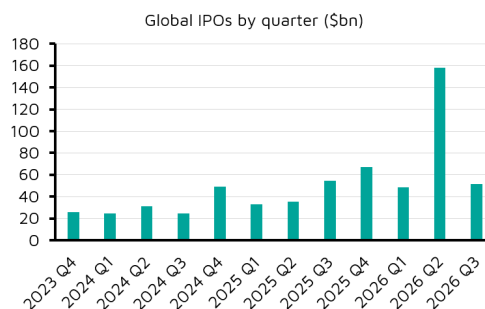
The squeeze is hardest on refined fuels. Diesel costs more than \$200 a barrel in Europe and a record \$6.54 a gallon in the US, where President Trump has backed a ban on diesel exports. The US is a major exporter of fuels. Europe bought 506,000 barrels a day of US diesel in August, so it would suffer most. Households and governments are paying the price, and 94 countries now help people with fuel costs.



EQUITIES: RETAIL DEMAND AND AI EXPANSION FUEL SPATE OF IPOs

Global equity markets are seeing a wave of blockbuster listings. India's National Stock Exchange raised \$2.3bn in its initial public offering (IPO), capitalising on the rapid growth in retail investing. It was India's second-largest IPO. Nigeria's Dangote Petroleum Refinery is also tapping into huge retail demand to launch Africa's biggest IPO. It hopes to raise around \$1.5bn at a valuation of about \$49bn when its shares start trading on Nigeria's stock exchange next month.

In London, Airtel Money, one of Africa's largest payments firms, aims to raise around \$800m at a valuation of \$8bn to \$9bn. That would be the London Stock Exchange's biggest IPO since 2017. UK-based Nscale hopes to benefit from demand for AI infrastructure. It has signed billion-dollar deals with Microsoft and Anthropic and is targeting a \$35bn valuation, with its listing expected within two weeks. Anthropic, data centre company SB Energy and nuclear energy firm Westinghouse Electric are expected to follow in the coming weeks.



Data sourced from Baltic Exchange, Dealogic and OECD

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