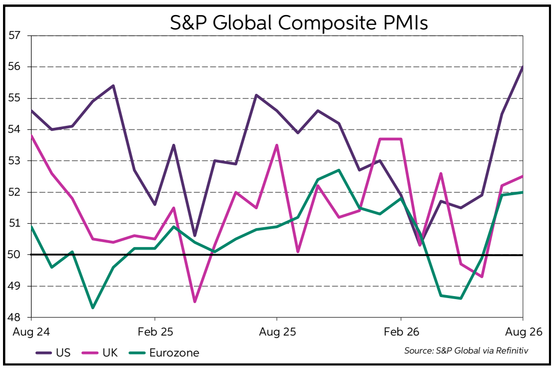
Weekly Market Brief

AIB Treasury Economic Research Unit

21st – 25th September 2026

Oliver Twist

- **With the major central bank meetings for September now concluded, the main theme emerging is a hawkish pivot in monetary policy across all.** The ECB, Fed and Bank of Jaspan all delivered expected 25bps hikes, while the Bank of England put markets on warning for an imminent hike to come in November.
- **For the Bank of England, the decision to leave the Bank Rate unaltered was, once again, not unanimous.** Similar to July, the decision was split 6:3, with three members in favour of a 25bps rate hike. Overall, assessing both the meeting statement and minutes, it is quite clear that the BoE has turned more hawkish compared to its previous meeting in July. In terms of the statement, it noted that the risks of material second round effects on prices and wages, and in turn the need for tighter policy is "greater the longer higher energy prices persist and are more volatile". The statement also referenced the view within the MPC that the "risks to inflation are tilted to the upside."
- **In terms of its quantitative tightening policy, the MPC also announced it will reduce its holding of UK government bonds by £368bn over eight years;** but crucially, indicated that it will retain a permanent portfolio of long-dated bonds and sell some short-dated securities back to the UK Treasury. This proposal immediately drove a sharp rally in gilt markets, with yields easing from the 20-year highs reached in prior days. The intervention is also timely for the UK Government ahead of the October budget and is reminiscent of the Fed's "Operation Twist" programmes of selling short -term bonds and purchasing long-term government debt during the global financial crisis.
- **For the Fed, the shift towards hawkish rhetoric from Chair Warsh has been abrupt since his last monetary policy press conference in July.** As he alluded to at in his Jackson Hole speech in August, he and other FOMC voters were becoming increasingly concerned by the lack of progress on disinflation. Against this backdrop, the Fed duly delivered the hike priced in by markets, and the latest interest rate projection (dot-plot) imply an increased hawkish bias within the FOMC. A total of 16 of the 18 FOMC participants now expect to tighten policy further before the end of the year to 4.1%. Meanwhile, for 2027 the median projection is for rates to remain at this level (compared to 3.6% in June).
- **However, both the core and headline CPI inflation rates have eased by more than anticipated over the summer.** The headline rate fell to 3.4% in July and remained at that level in August, while the core rate has declined in the last three months, printing at 2.4% in August, its lowest level since March 2021. Nevertheless, it appears Warsh has had to abandon his previously dovish outlook, perhaps under some duress from FOMC colleagues and the weight of market expectations. However, he may reassert these dovish credentials in the new year following the completion of five task force reports, upon which he will seek to remake the operations of the Fed. Warsh will also hope that geopolitical tensions have eased by that point, including the pressures on energy prices from Middle East conflicts. For now though at least, the Fed and others appear to be preparing for a prolonged war, and for second-round inflation effects as a result.



- **Turning to the week ahead, the macro data calendar is relatively light on both sides of the Atlantic.** On the monetary policy front, remarks from a slew of ECB, Fed and BoE officials will be in focus throughout the week. In terms of the data, the highlight will be the flash PMIs for September in the main advanced economies. In recent months, both the manufacturing and services PMIs have performed very similarly in the Eurozone and the UK. The services PMI was in contraction territory in both regions in Q2, but returned to expansion in July and August. At the same time, their respective manufacturing PMIs have remained firmly above the key 50 threshold, albeit the Eurozone survey has improved slightly so far in Q3, whereas the UK reading has declined marginally. The consensus is for the PMIs to be little changed across both regions and sectors in September. Meanwhile, the US PMIs have registered strong monthly results throughout this year, indicating robust levels of activity in manufacturing and services. This trend is set to continue in September, with both sectors expected to stay well above the 50 mark once again.
- **A raft of other survey data will also feature this week.** In the Eurozone, the flash reading of consumer confidence is projected to decline in September amid the recent re-escalation of the war in the Middle East and its potential impact on inflation. Similarly, measures of German and UK consumer confidence are also forecast to fall in the month. Elsewhere in Germany, a minor improvement is pencilled in for the closely followed Ifo measure of business sentiment.

Interest Rate Forecasts

	Current	End Q3 2026	End Q4 2026	End Q1 2027
Fed Funds	3.875	3.875	4.125	4.125
ECB Deposit	2.50	2.50	2.75	2.75
BoE Repo	3.75	3.75	4.00	4.25
BoJ OCR	1.25	1.25	1.25	1.50

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

	Current	End Q3 2026	End Q4 2026	End Q1 2027
EUR/USD	1.1463	1.15	1.16	1.17
EUR/GBP	0.8585	0.86	0.87	0.87
EUR/JPY	180.93	182	182	183
GBP/USD	1.3348	1.34	1.33	1.34
USD/JPY	157.79	158	157	156

Current Rates Reuters, Forecasts AIB's ERU

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ECONOMIC DIARY

Monday 21st - Friday 25th September

Date	*UK & Irish Time (GMT+1)*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		Vujčić, Lane (Wed); Vujčić (Fri)		
	BoE Speakers:		Dhingra, Breeden, Lombardelli (Thu)		
	Fed Speakers:		Goolsbee (Mon); Jefferson, Barkin, Williams (Tue); Barr (Wed); Williams, Barkin, Hammack Paulson (Thu); Hammack, Williams (Fri)		
Mon 21st					
Tue 22nd	**SPA:**	08:00	Overnight Stays (August)	44,846	
	UK:	11:00	CBI Trend - Orders (September)	-25.0	
	EU-21:	15:00	Flash Consumer Confidence (September)	-15.5	-16.5
Wed 23rd	**FRA:**	08:15	Flash S&P Composite PMI (September)	48.5	48.6
	GER:	08:30	Flash S&P Composite PMI (September)	51.8	51.9
	EU-21:	09:00	Flash S&P Composite PMI (September)	52.0	51.5
			- Manufacturing / Services	52.7 / 51.6	52.7 / 51.5
	UK:	09:30	Flash S&P Composite PMI (September)	52.5	52.0
			- Manufacturing / Services	52.5 / 51.7	52.1 / 51.5
	US:	14:45	Flash S&P Composite PMI (September)	56.0	55.6
			- Manufacturing / Services	53.9 / 56.5	53.6 / 56.0
Thu 24th	**JPN:**	01:30	Flash S&P Composite PMI (September)	53.5	
			- Manufacturing / Services	54.9 / 52.5	
	FRA:	07:45	INSEE Composite PMI (September)	98.0	
	GER:	09:00	Ifo Business Climate (September)	88.8	89.0
	US:	13:30	Initial Jobless Claims (w/e 14th September)	+196,000	
	US:	15:00	New Home Sales (August)	0.61m / -10.5%	+0.61m / +0.2%
Fri 25th	**UK:**	00:01	Gfk/NIM Consumer Confidence (September)	-14.0	-16.0
	GER:	07:00	Gfk/NIM Consumer Sentiment (September)	-26.6	-27.5
	SPA:	08:00	GDP (Q2: Final Reading)	+0.7% (+2.7%)	+0.7% (+2.7%)
	EU-21:	09:00	M3 Annual Money Growth (August)	(+3.4%)	(+3.5%)
			- Loans to Households	(+3.1%)	
	US:	13:30	Durable Goods (August)	+1.1%	-0.5%
			- Ex-Transport	+0.4%	
			- Ex-Defence	+1.3%	
	US:	15:00	Final Uni. Michigan Consumer Sentiment (Sep)	47.8	47.8

♦ *Month-on-month changes (year-on-year shown in brackets)*