ZITAPLUS
WEEKLY BULLETIN

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FED RAISES RATES, SIGNALS TIGHTER PATH

ZITA PLUS

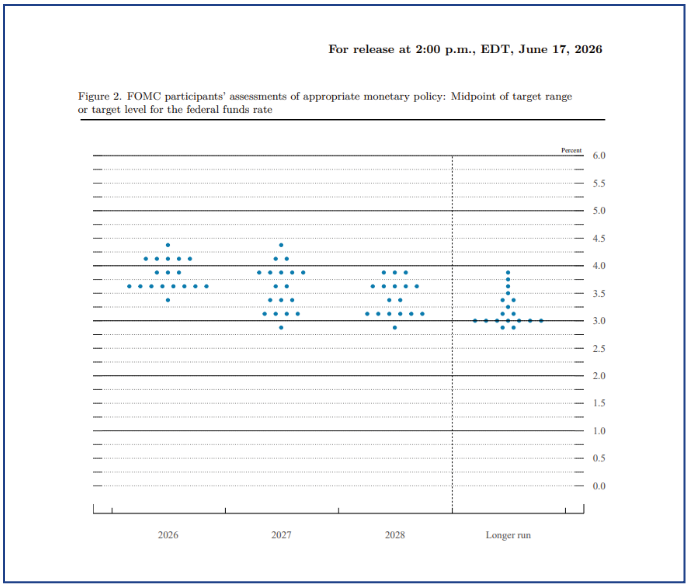
ECONOMIC CALENDAR • TECHNICAL ANALYSIS
WALL STREET HAS A NEW FEAR: THE BOND MARKET
EUROPE'S TRADE SURPLUS GETS A LIFT • AND MORE...

Contents

TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, SEP 21				
ALL DAY	JPY	Japan - Respect for the Aged Day	-	-
TUESDAY, SEP 22				
ALL DAY	JPY	Japan - Holiday	-	-
WEDNESDAY, SEP 23				
ALL DAY	JPY	Japan - Autumn Equinox	-	-
17:45	USD	S&P Global Manufacturing PMI (Sep)	-	53.9
17:45	USD	S&P Global Services PMI (Sep)	-	56.5
18:30	USD	Crude Oil Inventories	-	-0.640M
THURSDAY, SEP 24				
16:30	USD	Initial Jobless Claims	-	196K
18:00	USD	New Home Sales (Aug)	-	607K
FRIDAY, SEP 25				
ALL DAY	CNY	China - Mid-Autumn Festival	-	-
16:30	USD	Durable Goods Orders (MoM)	-	1.1%

GMT+4 DUBAI TIME

FED RAISES RATES, SIGNALS TIGHTER PATH



The Federal Reserve raised interest rates by 25 basis points, lifting the federal funds target range to 3.75%-4.00%. The unanimous decision marked the Fed's first rate increase in three years.

Fed Chair Kevin Warsh stressed that inflation remains elevated, with price pressures extending beyond energy costs and tariffs. The Fed also raised its 2026 PCE inflation forecast to 3.7% and does not expect inflation to return to its 2% target until 2029.

DOT PLOT SIGNALS ANOTHER 2026 HIKE

The September dot plot delivered an even more hawkish message than the rate decision itself. Of the 18 participants:

- **12 expect rates at 4.125% at the end of 2026**
- **Four project 4.375%**
- **Two see 3.875%**

This means 16 of 18 participants anticipate at least one additional rate increase before the end of 2026, suggesting the latest move may be part of a broader tightening cycle.

RATES COULD STAY HIGHER IN 2027

The outlook becomes more divided for 2027. Eight participants see rates ending the year at 4.375%, while six expect 4.125%. Three project 3.625%, and one sees 3.125%.

Rather than clearly pointing to further hikes in 2027, the projections suggest that many Fed officials expect borrowing costs to remain elevated for longer.

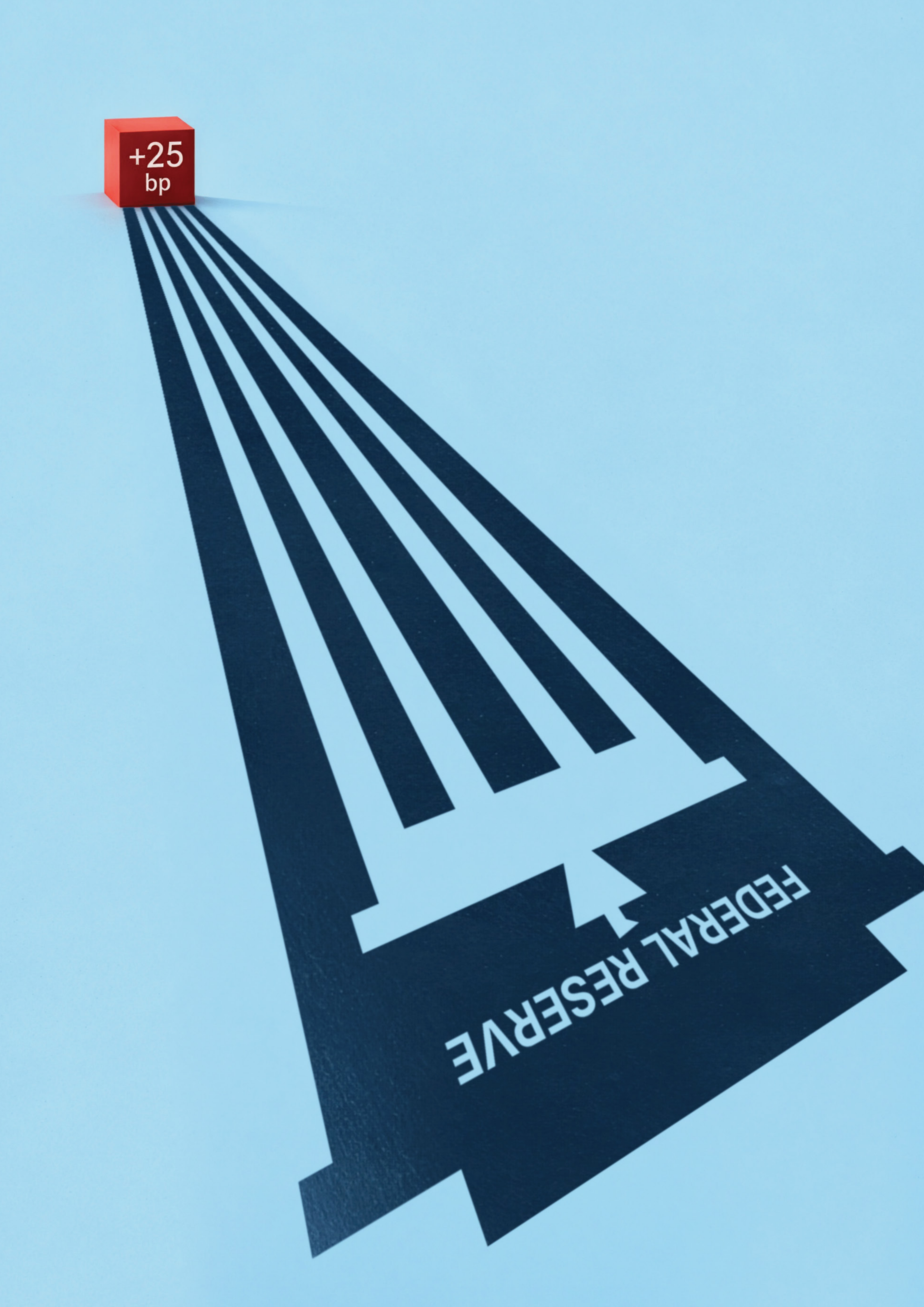
The shift from June is significant. The median year-end rate projection for 2026 increased from 3.8% to 4.1%, while the 2027 forecast jumped from 3.6% to 4.1%.

MARKETS FACE HIGHER-FOR-LONGER OUTLOOK

The updated projections indicate a more hawkish Fed stance as policymakers continue to address persistent inflation.

For markets, attention is now shifting from whether the Fed will raise rates to how long restrictive policy will remain in place. Higher rates could support the dollar and short-term Treasury yields while creating pressure for gold, equities, and other rate-sensitive assets.

Upcoming inflation reports and Fed communications will be critical in determining whether policymakers follow the tighter path outlined in September.

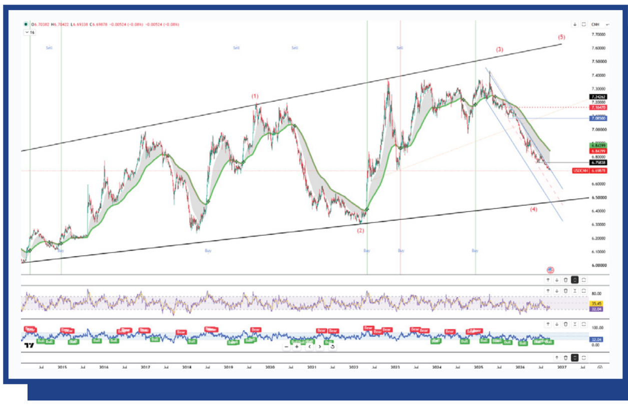

+25
bp
FEDERAL RESERVE

USDCNH

USDCNH EXTENDS DECLINE

USDCNH remains under pressure as the Chinese yuan continues to strengthen against the US dollar. The pair maintains its short-term downward structure, with firm yuan demand supporting further declines. If the current momentum continues, 6.59-6.60 stands out as the next important downside target.

A sustained move into this area would signal further yuan appreciation. As long as USDCNH stays below nearby resistance levels, the short-term outlook remains tilted to the downside.



USDJPY

BOJ HIKES, YEN FALLS

USD/JPY stayed above 157 even after the BOJ raised rates 25bp to 1.25%, the highest in 31 years. The yen weakened as the hike was largely priced in, leaving traders looking for stronger signs that more tightening is coming.

Resistance stands at 160–161, a zone associated with past intervention concerns, while 153–154 is the main support area.

XAUUSD

GOLD TESTS KEY RESISTANCE

Gold is trading near an important short-term resistance zone. A sustained move above 4,377-4,380 could strengthen buying momentum and push prices toward 4,400-4,405. A further breakout could bring 4,435-4,440 into focus, where selling pressure may return.

On the downside, initial support is positioned at 4,335. A break below this level could expose the next support at 4,315, while holding above these levels would support the current recovery.

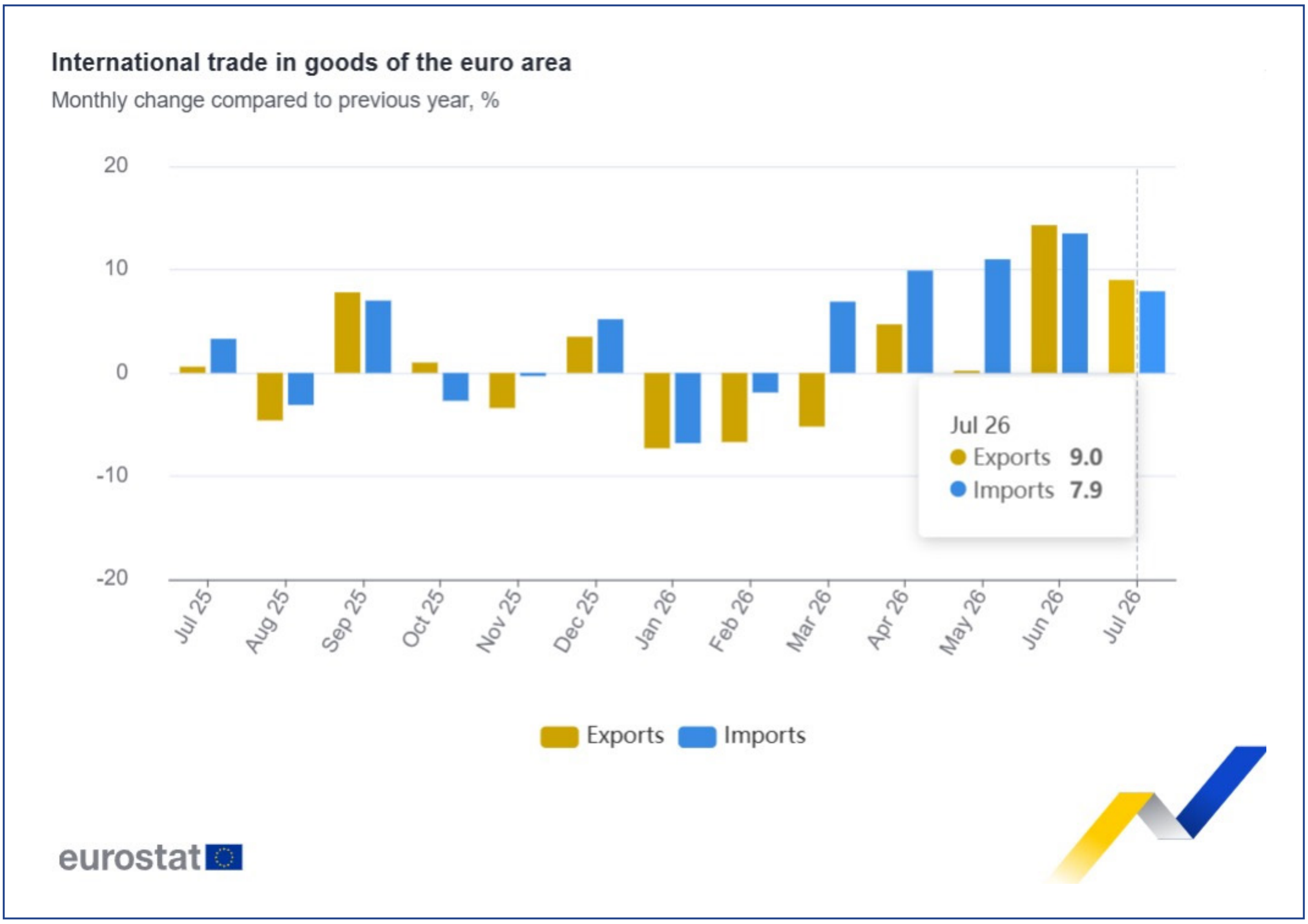
XAGUSD

SILVER'S BREAKOUT TEST IS HERE

Silver is testing a critical resistance area on the daily chart, with the descending trend line currently near 67.95. A clear break above this level could strengthen buying momentum and open the way toward 71.10, while 67.75–68.30 remains the immediate resistance zone.

On the downside, 65.50 is the key support. A daily close below this level could increase selling pressure and bring 62.30 back into view.

EUROPE'S TRADE SURPLUS GETS A LIFT



The Eurozone trade surplus widened to €14.2 billion in July 2026, its highest level since October 2025, as exports grew faster than imports. The surplus was up from €10.7 billion a year earlier, an improvement of €3.5 billion that points to stronger external demand for European goods. Exports jumped 9% year-on-year to €276 billion, reaching their highest level in more than 16 months. Imports also increased, rising 7.9% to €261.8 billion, but the slower pace allowed the trade balance to expand.

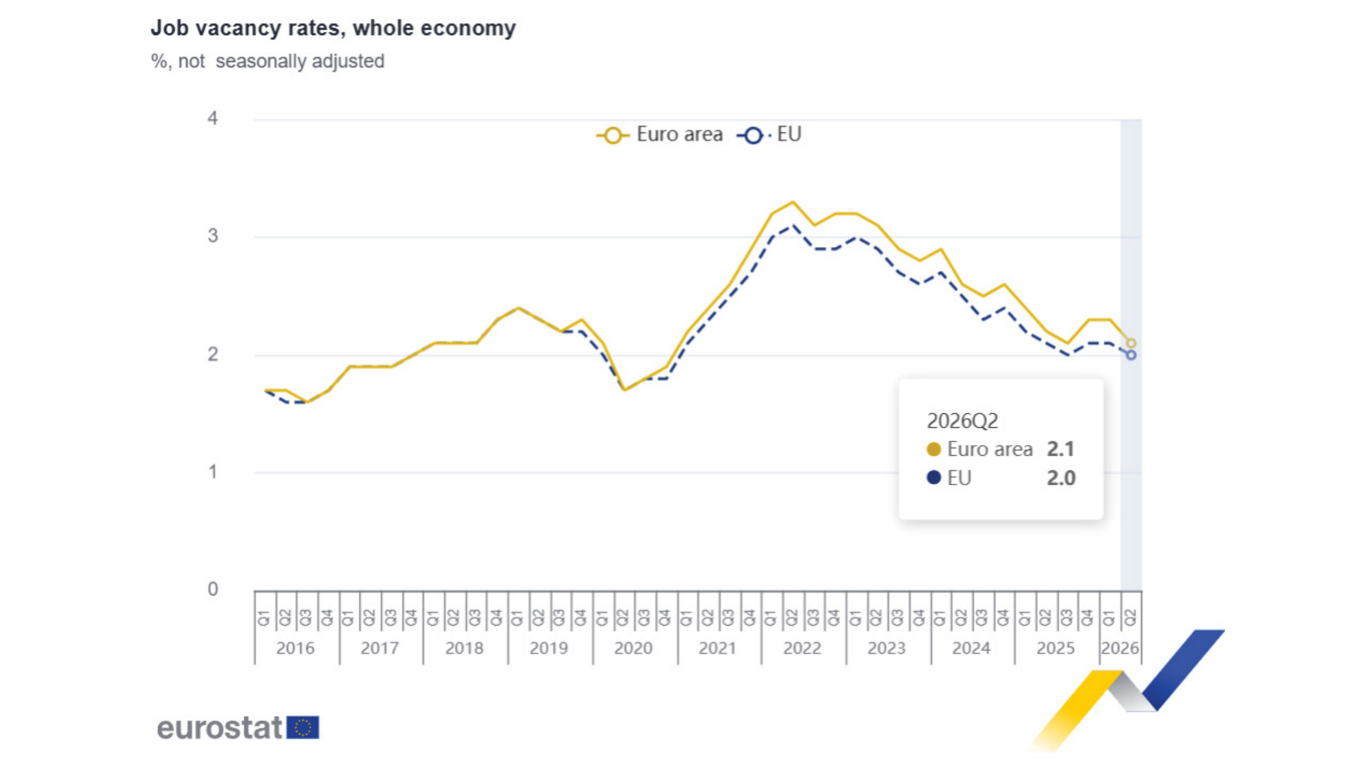
CHEMICALS DRIVE THE IMPROVEMENT

Much of the gain came from chemicals and related products, where the surplus increased, while other manufactured goods and food and drink also contributed positively. These gains were strong enough to offset a smaller surplus in machinery and vehicles. Energy provided some additional relief. The Euro Area's energy trade deficit narrowed to €26.1 billion from €28 billion in July 2025, reducing one of the region's largest trade imbalances.

CHINA TRADE MOVES IN THE OPPOSITE DIRECTION

The geographic breakdown showed a sharp divide between major trading partners. Euro Area exports to the US rose 10.7%, while shipments to the UK increased 3.1% and those to Switzerland climbed 14.2%. Exports to China, however, fell 1.6%. The contrast was even stronger on the import side. Purchases from the US and UK increased, while imports from China plunged 32.3%. July's figures show that stronger exports are providing support to the Euro Area economy, but the gains are not evenly distributed. Weaker machinery trade and the steep fall in Chinese imports suggest that beneath the nine-month-high surplus, some parts of European trade are still losing momentum.

EURO AREA JOB VACANCIES DECLINE



The euro area job vacancy rate declined to 2.1% in the second quarter of 2026, according to Eurostat, signaling a gradual slowdown in demand for new workers.

The rate fell from 2.3% in the first quarter and was also below the 2.2% recorded during the same period last year.

HIRING DEMAND CONTINUES TO COOL

The decline in vacancies suggests that businesses across the euro area are becoming more cautious about hiring. The job vacancy rate measures open positions as a share of total occupied and vacant jobs, making it an important indicator of labor demand.

Although the broader labor market remains relatively resilient, fewer available positions could indicate that employment conditions are beginning to soften following several years of stronger hiring demand.

A similar trend was recorded across the European Union, where the vacancy rate declined to 2.0% in Q2 2026. This compared with 2.1% in both the previous quarter and the second quarter of 2025.

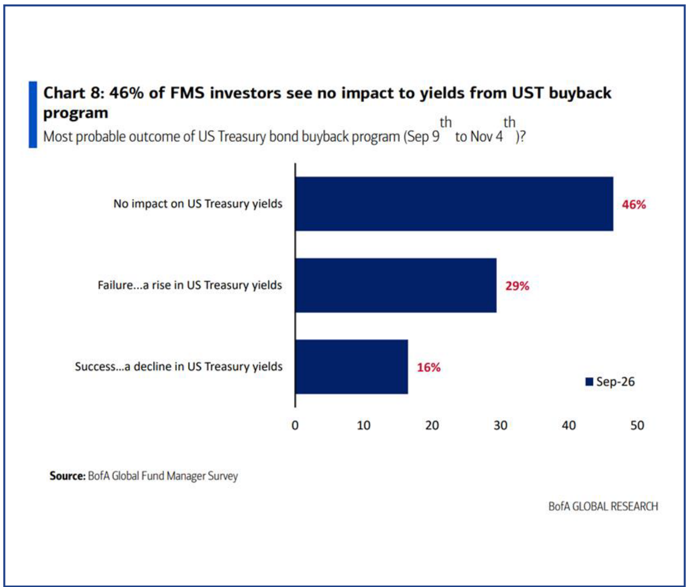
LOWER VACANCIES COULD EASE WAGE PRESSURES

The gradual decline in job openings could become increasingly important for the region’s inflation outlook. Softer demand for workers may reduce competition for employees and eventually ease upward pressure on wages.

For policymakers, further signs of labor market cooling could influence future monetary policy decisions. While employment conditions remain relatively stable, a continued decline in vacancies would suggest that businesses are becoming more cautious about expansion.

The trend will therefore be closely monitored alongside wage growth, unemployment and inflation as policymakers assess the strength of the European economy and the outlook for interest rates.

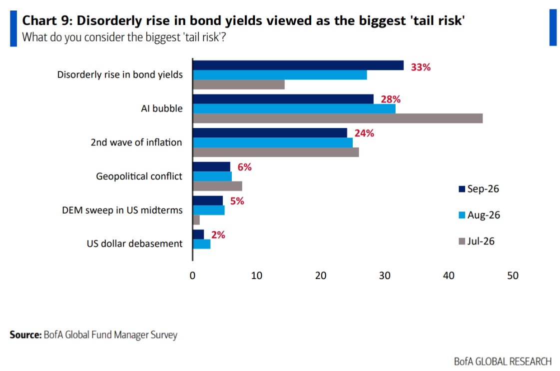
WALL STREET HAS A NEW FEAR: THE BOND MARKET

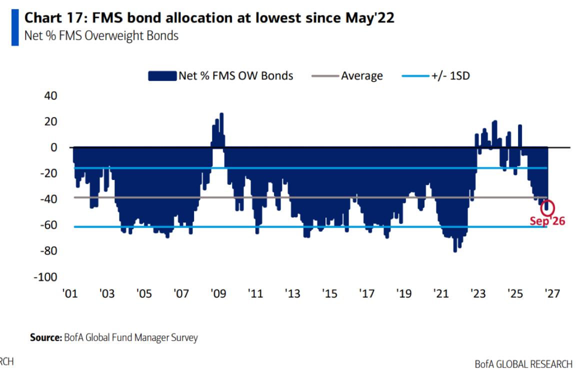


Wall Street's attention is shifting toward the bond market as long-term US borrowing costs climb into territory not seen for nearly two decades. Bank of America's September Fund Manager Survey identified a disorderly rise in government bond yields as the leading tail risk, with the US 10-year Treasury yield now above 5%, its highest level since 2007.

The surge has also cast doubt on how much relief can come from larger Treasury buybacks. The program is designed to improve liquidity and trading conditions, but fund managers largely question its ability to bring yields down. In the BofA survey, 46% said buybacks would have no meaningful effect on Treasury yields, while 29% said the measures could fail to contain rising borrowing costs. Just 16% expect them to produce a sustained decline in long-term yields.

PRESSURE GOES BEYOND LIQUIDITY





Buybacks may help the Treasury market function more smoothly, but the forces pushing yields higher run deeper. Persistent inflation concerns are being compounded by heavy government borrowing, uncertainty over the fiscal outlook and higher term premiums, all of which have added pressure to longer-dated debt.

Fund positioning reflects that unease. Managers were a net 48% underweight bonds in September, the most bearish allocation since May 2022. They have now maintained an underweight position for 17 consecutive months, according to BofA, showing that the rise in yields has yet to generate a broad return to government debt.

IS 6% THE LEVEL THAT BRINGS BUYERS BACK?

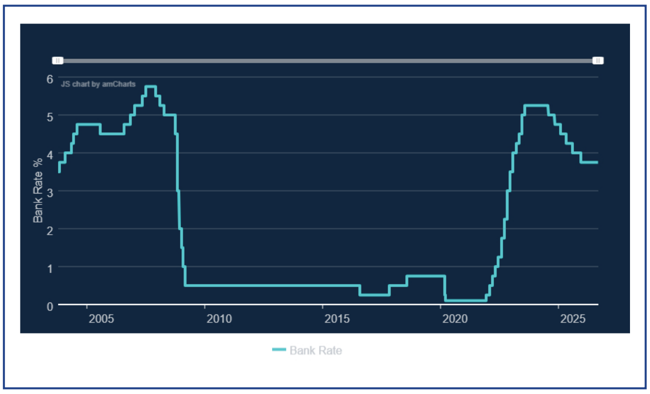
For a significant group of fund managers, current yields still do not offer enough incentive to move money out of equities. More than a quarter of respondents said they would need more attractive levels before making a substantial rotation into government bonds, with a US long-bond yield of around 6% cited as one potential threshold.

A further rise in yields could eventually make bonds attractive enough to draw buyers back, but reaching those levels would come with consequences elsewhere. Equities could face additional pressure, companies would encounter higher financing costs, mortgages could become more expensive, and the US government would have to absorb an even larger interest burden on its debt.

BOE HOLDS RATES AT 3.75%

The Bank of England kept its policy rate unchanged at 3.75% at its September meeting as policymakers continued to assess growing inflation risks from higher energy prices.

The Monetary Policy Committee voted 6-3 to hold rates, with three members supporting a 25-basis-point increase to 4%. The voting split was unchanged from the July meeting, highlighting continued differences within the committee over the appropriate path for monetary policy.



ENERGY PRICES RAISE INFLATION CONCERNS

Higher energy costs remained a major concern for the BoE. Crude oil and refined product prices have risen amid the prolonged conflict in the Middle East, adding to inflationary pressures across the UK economy.

Annual consumer inflation increased to 3.1% in August, and the Bank warned that further increases could follow in the coming months.

Policymakers are particularly focused on whether higher energy costs begin to affect wages and other prices more broadly. So far, these “second-round” inflation effects appear limited. However, the BoE warned that the risk could increase if energy prices remain elevated for a prolonged period.

BOE TAKES CAUTIOUS APPROACH

The central bank remains committed to bringing inflation sustainably back to its 2% target. However, policymakers appear reluctant to raise rates again before gaining a clearer picture of the scale and duration of the current energy shock.

Future decisions are therefore likely to depend heavily on inflation, wage growth and evidence of whether higher energy costs are spreading through the wider economy.

BOND HOLDINGS TO BE GRADUALLY REDUCED

The MPC also agreed on a long-term plan to continue reducing the Bank’s government bond portfolio.

Under the plan, holdings are expected to decline by an average of £46 billion per year through 2034, eventually bringing the portfolio to zero over the longer term.

The gradual approach signals that the BoE intends to continue shrinking its balance sheet while avoiding an abrupt withdrawal from the government bond market.

Market Roundup

HACKERS FIND A NEW ENERGY CHOKEPOINT

Cyber risk is becoming another threat to global energy shipping. US authorities are investigating cyberattacks on two Texas-bound energy tankers after malicious activity was detected in their onboard networks. The vessels were targeted near the Strait of Gibraltar, but US officials have not identified who was responsible. The incidents add digital disruption to the physical security risks already surrounding major energy routes such as Hormuz and Bab el-Mandeb.

BRAZIL CUTS WHILE THE FED HIKES

Brazil's central bank lowered the Selic rate by 25bp to 13.75%, its fifth consecutive cut, as economic activity slows and inflation shows signs of cooling. The decision came as the Fed moved in the opposite direction, narrowing the US-Brazil rate gap. Brazil's central bank kept its next move open, with further easing dependent on incoming inflation and economic data.

Image Source: REUTERS/Adriano Machado

AI BRINGS INTEL AND SK HYNIX TOGETHER

Intel and SK Hynix are exploring a US memory-chip partnership as AI drives demand for advanced memory. Discussions include leasing part of Intel's Ohio facility or forming a joint venture, potentially giving Intel better use of its manufacturing capacity and SK Hynix its first US memory-production footprint. Talks are still preliminary, with no agreement guaranteed.

WASHINGTON PRESSURES ON RUSSIAN ENERGY

The US House passed the Lindsey O. Graham Sanctioning Russia and Iran Act of 2026 by 262-159, sending it to President Trump. The bill expands sanctions on Russian energy and defense, targets sanctions-evading tankers, and broadens measures against Iran. It also allows tariffs of up to 100% on countries buying Russian energy, potentially affecting China and India. Supporters say it would pressure Moscow, while critics warn of broad tariff powers and effects on US trading partners.

Market Roundup

CONSTITUTIONAL PRESSURE BUILDS IN CARDIFF

Scotland, Wales and Northern Ireland's first ministers have signed a joint memorandum declaring that "constitutional change is coming" and challenging Westminster's power to block it. The move comes at a politically sensitive moment for Prime Minister Andy Burnham, shortly after Donald Trump publicly backed eventual Irish reunification. Yet the memorandum itself changes no legal mechanism: Westminster still controls the route to a Scottish referendum, while a Northern Ireland border poll remains dependent on the UK Secretary of State.

Image Source: Ben Birchall/PA Wire

AUSTRIA TAKES ON CHINA'S TUNGSTEN GRIP

Austria's Plansee Group is expanding its tungsten operations as Western economies look to reduce their reliance on China, which accounts for more than 80% of mined supply. The company can produce around 15,000 tons a year, with more than 90% coming from recycled material, and is investing €145 million in additional capacity. It is also expanding its Pennsylvania plant to process about 12,000 tons annually as tighter US restrictions on Chinese-origin tungsten approach in 2027.

ARAMCO STEPS UP GULF EXPORTS

Saudi Aramco has sold around 60 million barrels of crude for September and October loading, lifting exports from inside the Gulf to roughly 1–1.5 million barrels per day. China and South Korea are among the biggest buyers, with additional supplies heading to India and Japan. The increase has eased some supply concerns and pushed Brent lower, although disruptions around the Strait of Hormuz and wider Middle East tensions continue to keep the outlook uncertain.

IRELAND PUSHES FOR GLOBAL AI AGENCY

Ireland's Finance Minister Simon Harris said a global agency for artificial intelligence could help coordinate international approaches to AI. His comments come as calls from OpenAI and Anthropic for an industrywide slowdown fuel debate over global oversight, while the US and China have resisted calls for new restraints. EU finance ministers are also set to discuss AI, including closer cooperation with the industry and wider adoption of existing technology.

Image Source: Omar Havana/Bloomberg

The Week Ahead

Global markets face a busy economic calendar next week, with PMI data, central bank decisions and Fed communication taking center stage. Investors will continue assessing the interest rate outlook after the Fed's latest hike, while fresh economic indicators from Europe, the US and Asia could provide further direction for currencies, bonds and commodities.

AMERICAS

The US calendar will be particularly active as markets continue to assess the Federal Reserve's latest rate hike. Tuesday features weekly ADP employment data, the Richmond Fed Manufacturing Index and several Fed speeches. On Wednesday, attention turns to preliminary US manufacturing and services PMIs alongside crude oil inventories.

Thursday brings weekly jobless claims and new home sales, while Friday includes durable goods orders, Michigan consumer sentiment and inflation expectations, as well as remarks from Fed's Williams. Fed communication will remain an important driver for the dollar, Treasury yields and gold as investors evaluate the future path of interest rates.

EUROPE

European markets will focus on a busy midweek calendar. Preliminary manufacturing and services PMIs from France, Germany, the Euro Area and the UK are due on Wednesday, providing fresh signals on business activity across the region. Thursday brings the Swiss National Bank's interest rate decision and Germany's Ifo Business Climate Index. The week concludes with comments from BoE Governor Andrew Bailey, which could offer further clues on the UK rate outlook following the Bank's latest decision.

ASIA-PACIFIC

The week begins in Asia-Pacific with China's 1-year and 5-year Loan Prime Rate decisions on Monday. The releases will provide further insight into China's monetary policy direction and could influence regional market sentiment.

Overall, the main focus next week will remain on how global markets adjust to the Fed's latest tightening move. PMI releases, central bank communication and the SNB decision will be among the major catalysts, with Wednesday and Thursday likely to be particularly active for major FX pairs, bonds and precious metals.

ZITA PLUS
zitaplus.com
support@zitaplus.com
+44 7442 667878
Craigmuir Chambers, Road Town, Tortola,
VG 1110, British Virgin Islands