

Weekly Newsletter

September 12th 2025

MUSINGS

"The investor's chief problem—and even his worst enemy—is likely to be himself."

Benjamin Graham

LAST WEEK IN THE MARKETS

	Closing level	Weekly change	YTD change
S&P 500	6,584.29	1.59%	11.95%
Nasdaq Composite	22,141.10	2.03%	14.66%
10Y UST Yield	4.068	-0.20%	-11.04%
Crude oil	62.69	1.33%	-12.59%
Gold	3,643.09	1.58%	38.82%
DX	97.62	-0.12%	-10.01%
USD/INR	88.25	0.12%	3.18%
Euro STOXX 50	5,396.40	1.24%	11.09%
India (Nifty)	25,114.00	1.51%	6.21%
Japan (Nikkei)	44,768.12	4.07%	12.22%
China (CSI 300)	4,522.00	1.38%	14.92%
Saudi (TASI)	10,453.06	-1.90%	-13.16%
Abu Dhabi (ADX)	10,014.15	-0.20%	6.32%
Dubai (DFM)	6,030.55	0.69%	16.90%

NEWS FROM THE MARKETS

Politics once again took centre stage last week as three countries – Japan, France and Nepal – saw their political leadership change. **The primary trigger in every instance was mismanagement of the country's finances**, and the immediate future appears turbulent. France saw its credit rating downgraded by a notch in acknowledgement of its structural challenges, while Japanese stock markets responded positively to anticipated policy move.

In the US, the Bureau of Labor Statistics' August CPI report showed inflation picking up modestly on the month and edging higher year-on-year: the all-items CPI rose 2.9% year-over-year (up from 2.7% in July), with core CPI (ex-food & energy) remaining around the low-3% area. The monthly increase was larger than some expectations, led by certain service components.

Jobless claims jumped to roughly 263,000, the highest level in nearly four years and a clear sign that the labour market is loosening relative to the stupendous tightness seen earlier in 2024–25. The rise in claims suggested that companies are beginning to trim hiring and that payroll momentum may slow—important context for the Fed’s policy calculus.

The University of Michigan survey for September showed **consumer sentiment slipping to 55.4 from 58.2 in August, a multi-month low**. Consumers signalled growing worries about jobs and future prices; importantly, 1-year inflation expectations stayed elevated, and 5-year expectations ticked up—another reminder that inflation psychology has not fully normalized.

U.S. indices finished the period with strong gains overall, with the Nasdaq and large cap tech leading the charge to fresh highs in parts of the week. Investors interpreted the weaker labour data as bolstering the likelihood of Fed rate cuts, which favours growth-and-duration sensitive stocks.

The bond market traded on the two competing signals. Following the jump in jobless claims, yields dropped initially as markets priced a higher probability of Fed easing; but the hotter CPI print tested that view and produced a partial rebound in yields as investors weighed the timing and magnitude of potential cuts. The U.S. 10-year yield moved around the low-4% area during the week, reflecting the market’s ongoing re-assessment of terminal rates and the term premium.

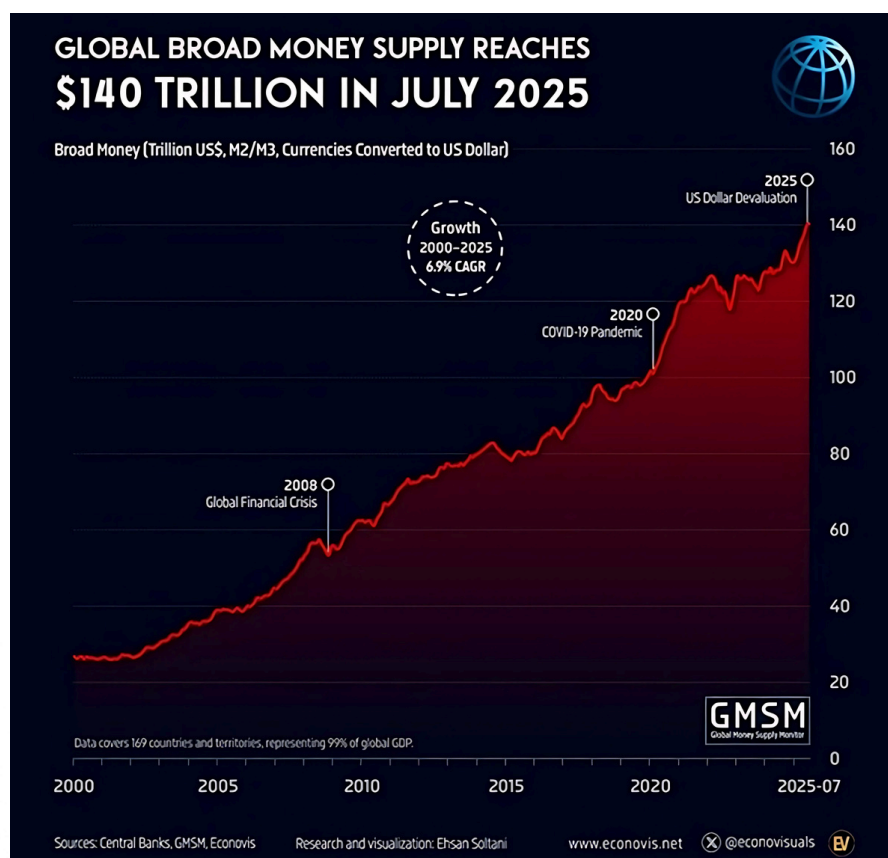
Oil prices were choppy but generally supported by geopolitical and supply-risk headlines (including disruptions affecting Russian loadings and flare-ups in the Middle East) even as worries about global demand and oversupply capped gains. Brent traded in the mid-to-high \$60s a barrel during the week, with intraday swings tied to news flow. Gold and other safe havens benefited from the lower-for-longer real-rate narrative when yields dipped.

Market pricing evolved to reflect **a higher probability of cuts (relative to earlier months), but the magnitude and timing remained contingent on whether the upcoming readings (notably payrolls and subsequent CPI prints) show a consistent downtrend in inflation**. Investors are now fixated on the Fed’s next communications (and the September 17 FOMC meeting commentary window).

KEY ECONOMIC EVENTS COMING THIS WEEK

Sep 15 th	<ul style="list-style-type: none">• Japan Markets Holiday (Aged Day)
Sep 16 th	<ul style="list-style-type: none">• US Retail Sales (Aug)• US 20-Year Bond Auction
Sep 17 th	<ul style="list-style-type: none">• EUR CPI (Aug)• US Rate Decision
Sep 18 th	<ul style="list-style-type: none">• US Initial Jobless Claims• Japan CPI (Aug)• Japan Rate Decision
Sep 19 th	<ul style="list-style-type: none">• China Rate Decision

CHART OF THE WEEK



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