

Market Quick Take - Oil above 100 lifts yields Asia slips into CPI

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Market drivers and catalysts

- Macro: Crude and fuel spike and a firm producer price print kept energy costs in focus ahead of CPI
- Equities: US and European equities extended losses as oil and yields climbed, Asia sold off sharply as tightening fears spread
- Volatility: One-day expectations jumped as traders positioned into the inflation report and next week's rate decision
- Digital Assets: Crypto spot steadied overnight while miners and platform names extended the previous session's decline
- Commodities: Crude spike sends precious metals lower while HG copper slumps on tariff doubts
- Fixed Income: Bond yields explode higher in Europe and the US on hawkish ECB, crude oil price surge.
- Currencies: EUR fails to get support from hawkish ECB. JPY steadies and strengthens despite surge in global bond yields.

Macro

- Middle East supply risk deepens. Iran and the US are settling in for a prolonged conflict, with little sign of a near-term truce with crude oil spiking higher on Thursday after fighting between Yemen-based Houthi militants and Saudi-backed forces intensified, adding to the disruption already affecting Strait of Hormuz shipping.
- US producer prices rose 0.4% month on month in August, the largest increase in three months, driven by a 1.1% jump in goods prices that included a 24.1% surge in diesel. Annual producer price inflation accelerated to 5.4% from 4.8%, above the 5.3% expected, with the core rate at 4.6%.
- Bond bears are pushing the 10-year Treasury yield towards 5% ahead of US inflation data that could prove decisive for Fed rate-hike expectations. Yields are already at their highest since 2023 and approaching levels last seen in 2007, driven by rising oil prices and inflation concerns. A break above 5% would raise concerns about US debt sustainability while adding further pressure on equities.
- The European Central Bank raised rates and Japanese sentiment strengthened. The ECB lifted the main refinancing rate to 2.65% and the deposit rate to 2.50% with a 25 basis point increase, citing persistent inflation linked to Middle East tensions. It held its 2026 inflation forecast at 3.0% but raised 2027 and 2028 to 2.5% and 2.1%. President Lagarde described growth risks as tilted down and inflation risks up, with policy set meeting by meeting. In Japan, the large manufacturers' business survey index rose to 7.6% in the third quarter from -1.8%, far above the 2.5% forecast, while producer prices rose 7.6% year on year. Today's US consumer price report is the last major inflation reading before the 15 to

16 September Federal Reserve meeting, with headline inflation expected at 0.4% on the month and core at 0.2%. Future outcomes are uncertain and may result in losses.

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Macro calendar highlights (times in GMT)

- 0600 – UK Jul. Manufacturing Production
- 0600 – UK Jul. Visible Trade Balance
- 0800 – IEA's Monthly Oil Market Report
- 1230 – US August CPI
- 1400 – ECB President Lagarde to speak
- 1400 – US September University of Michigan Sentiment
- 1600 – World Agriculture Supply and Demand estimates (WASDE)

Earnings events

- Tuesday: Trip.com
- Wednesday: Lennar
- Thursday: Carnival Corporation, Next

For all macro, earnings, and dividend events check Saxo's calendar.

Equities

• USA: The S&P 500 fell 0.6%, the Nasdaq 100 lost 1.1% and the Dow dropped 0.6%, marking a fourth straight decline for the S&P 500 as higher oil prices and Treasury yields revived inflation concerns. Apple gained 3.6% after positive analyst reactions to its new foldable iPhone, while Cooper Companies sank 14.7% after cutting full-year guidance and copper miners fell sharply on tariff uncertainty. After hours, Oracle beat expectations as cloud infrastructure revenue surged 121%, while Adobe also topped estimates as AI-first annual recurring revenue grew more than 150%. Investors now turn to US inflation data ahead of next week's Federal Reserve meeting.

• Europe: The Stoxx 600 fell 0.7% to a two-month low, while the DAX dropped 0.8%, the FTSE 100 lost 0.6% and the CAC 40 declined 0.5% as higher oil prices and a hawkish European Central Bank kept pressure on equities. Associated British Foods fell 7.9% after weak Primark comparable sales, while ASML lost 1.6% and copper-linked miners declined sharply on US tariff uncertainty. Energy provided some shelter, with BP gaining 1.4% as crude prices surged. Attention now shifts to how persistent energy-driven inflation could shape the next round of European rate decisions.

• Asia: Asian equities fell sharply on Friday as the global bond selloff and oil near USD 110 reinforced expectations for tighter monetary policy. Japan's Nikkei dropped 2.5%, the Hang Seng fell almost 1% and the Kospi declined 2.5% in early trade, while the broader MSCI Asia-Pacific index excluding Japan lost 1.8%. South Korean memory leaders SK Hynix and Samsung Electronics came under pressure after DeepSeek launched its V4.1-Flash model, adding concerns that more efficient AI architectures could reduce memory intensity, while Japanese chip-related shares also sold off. US inflation data later today is the next major test for global rate expectations.

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Volatility

VIX 17.84 | VIX FUTURES: 19.05 | TERM STRUCTURE: CONTANGO | SKEW: ELEVATED (147.02) | MOVE: 82.09 | MARKET REGIME: TRANSITIONING | AS OF ~06:00 CET

- Crude above USD 100 and a two-year yield at a 2024 high drove a fourth straight S&P 500 decline. Cash VIX rose 8.38% to 17.84, VIX1D jumped 52.49% to 17.46 ahead of today's inflation print, VIX9D 13.53% to 17.70 and VVIX 8.63% to 102.66.
- The cash curve holds contango to 22.23 at one year, SKEW 147.02 and MOVE 6.98% higher at 82.09, while crude volatility rose 21.89% to 60.76. SPX options imply 63 points (0.83%) today and 141 points (1.85%) to 18 September, which spans the Federal Reserve decision. Options carry a high risk of rapid loss.
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Digital Assets

BITCOIN ~76,838 (+0.38%) | ETHEREUM ~2,445 (+0.29%) | IBIT 43.68 (-1.38%) | ETHA 18.56 (-0.11%) | AS OF ~06:00 CET

- Spot held a narrow range overnight after Thursday's slide below USD 77,000, while the US-listed complex fell with equities and rising yields. Cipher lost 5.68%, Riot 5.07% and Marathon 4.11%, with Strategy down 3.12%, Iren 3.81% and Coinbase 1.40%. Reported forced liquidations across the market reached about USD 568 million in 24 hours.
- Spot bitcoin funds still drew about USD 987 million of net inflows in the week to 4 September, a third consecutive weekly gain, taking August's total to roughly USD 3.5 billion, the strongest month since September 2025.

Commodities

- The BCOM Total Return Index is heading for a fifth consecutive weekly gain and a fresh record high, rising 2.7% on the week and lifting its year-to-date advance above 37%. Once again, energy has been the main driver, gaining 8% despite a 4% drop in natural gas, led by a 12% rally in diesel and 10% gains in crude oil. Elsewhere, precious metals are heading for a third weekly decline amid continued pressure from rising bond yields and rate-hike expectations. Industrial metals are also lower, while agriculture is close to unchanged.
- Brent crude surged more than 6% on Thursday as fighting intensified across the Middle East, with Houthi attacks on Saudi energy facilities forcing some operations to halt. Unconfirmed reports overnight suggested the strategically important East-West pipeline to Yanbu, capable of carrying around 5 million b/d for export, had been damaged. In addition, Saudi Arabia told OPEC that its August production slumped to 6.23 million b/d, the lowest since 1990.
- Prices are slightly softer today after the FT reported that Gulf foreign ministers plan to meet their Iranian counterpart on Monday, as Oman and Iran seek regional backing for a temporary agreement to manage shipping through the Strait of Hormuz. The meeting would be the first at this level since the war began, underscoring the growing urgency to restore more reliable maritime flows through the Gulf.
- Copper slumped more than 5% in New York and 3% in London after Reuters reported that inflation and

affordability concerns have stalled a US government decision on whether to impose tariffs. Expectations that Washington may introduce import duties on refined copper have fuelled a sharp rally this year, amplified by an underlying long-term supply-demand imbalance as ageing mines struggle to keep pace with rising consumption from data centres, renewable energy and power grids.

- Gold fell towards support near USD 4,300, weighed down by surging crude and fuel prices, higher bond yields and rising rate-hike expectations. Copper's tariff-driven sell-off added pressure to silver and platinum, which both tumbled 6.3%. Besides developments in oil, the dollar and bond yields, traders will be watching today's CPI release, the final major inflation reading ahead of the Federal Reserve's 15–16 September meeting.

- More in our Commodity News, Analysis & Commentary

Fixed Income

- Global bond yields exploded higher Thursday on a combination of ECB hawkishness and a fresh large surge higher in oil prices. As the ECB upped its core inflation forecasts for the coming two years and raised GDP estimates for next year, the benchmark German 2-year Schatz yield rose all of sixteen basis points, the largest single-day gain in the yield in over 18 months. The benchmark 10-year German Bund bolted another six basis points higher to close just above the round 3.50% level, a new 17-year high. The Germany-France 10-year yield spread below several basis points wider Thursday to close near 94 basis points, the highest since the 2010-12 Eurozone sovereign debt crisis.

- US Treasury yields rushed higher as well, just a day after the US Treasury announced an increase in its monthly buybacks for the coming month and ahead of today's US August CPI release, which is seen as important for next Wednesday's FOMC decision on whether to hike rates. With the benchmark US 2-year treasury yield rushing over 15 basis point higher to close at a new cycle high above 4.58%, the forward expectations are now over 70% in favour of a hike next week and see two hikes in total as likely through the December FOMC meeting. The benchmark US 10-year treasury yield rose 12 basis points to above 4.96% Thursday, just below the 5.00% area that was the highest level reached in 2023 since before the global financial crisis in 2007.

Currencies

- Currency market volatility was rather muted given the huge moves in interest rates yesterday. EURUSD was selling off ahead of the ECB meeting Thursday, perhaps as a rush higher in oil prices at the time was pressuring risk sentiment globally, sending the US dollar broadly higher. The ECB hawkishness only saw EURUSD steadying by the end of the day, trading near 1.1610 early Friday after a 1.1592-1.1642 range Thursday

- JPY cross volatility was surprisingly muted as the enormous yield rises in Europe and the US at the front end of the yield curve were not repeated in Japan overnight. USDJPY did squeeze as high as 154.67 before drifting back to 154.08 by early Friday in Europe.

- The sharp rise in bond yields Thursday saw the Swiss franc weaker and EURCHF advancing to marginal new cycle highs above 0.9430, the highest level in over a year. The low yielding Swedish krona was also punished as EURSEK rose clear of 11.25 at one point, its highest level in nearly 14 months.

- More on currencies in our dedicated section: [Forex Trading News & Analysis](#)

