

Novum Partners: Biweekly Market Update

Tightening Into the Storm: Why Oil, Not the Fed, Is the Real Risk to Q4

September 18, 2026



Vittorio Treichler
Partner & Strategist

Last 2 weeks performance

World Equity Indices

	% TR USD	% TR Local
MSCI World	-1.3%	-1.3%
S&P 500	-1.0%	-1.0%
S&P 500 Equal Weighted	-2.6%	-2.6%
Mag 7 Index	1.9%	1.9%
Russell 2000	-3.3%	-3.3%
Euro Stoxx 50	-2.7%	-1.5%
CSI 300 Index	-0.6%	-0.8%
Hang Seng Index	-3.3%	-3.3%
Nikkei 225	-1.2%	0.0%
MSCI Asia	-1.8%	-1.8%
MSCI Latam	-1.6%	-1.6%
MSCI EM	-2.1%	-2.1%

S&P 500 Sectors

	% TR USD
S&P 500 Info Tech	0.1%
S&P 500 Comm. Serv	3.0%
S&P 500 Health Care	-1.6%
S&P 500 Financials	-3.9%
S&P 500 Cons Discr.	-2.7%
S&P 500 Energy	1.0%
S&P 500 Real Estate	-2.1%
S&P 500 Materials	-3.4%
S&P 500 Industrials	-3.6%
S&P 500 Cons Staples	-0.6%
S&P 500 Utilities	-3.2%

Key Thematic Indices

	% TR USD	% TR Local
ARK Innovation ETF	0.8%	0.8%
Software ETF	1.2%	1.2%
Memory ETF	-3.2%	-3.2%
Semiconductors ETF	-0.1%	-0.1%
Momentum ETF	-2.1%	-2.1%
GS Cyclical	-4.5%	-4.5%
BBG Defensive Sectors	-0.70%	-0.70%

Fixed Income

	% TR or bps
LQD (High Grade)	-0.3%
HYG (High Yield)	-0.6%
US Treasuries Index	-0.7%
TSY 2 year (bps)	34
TSY 10 year (bps)	18
Bund 10 year (bps)	18
SOFR March 27 rate (bps)	36

FX & Commodities

	% TR USD
US Dollar Index	1.2%
Bitcoin	-2.2%
BBG Precious Metals	-0.8%
BBG Energy	7.9%

Data as of 18 September

Executive Summary

- Risk assets pulled back (MSCI World -1.3%, S&P 500 -1.0%) as a synchronised hawkish turn from major central banks met a sharp Middle East escalation, driving energy prices and bond yields to multi-year highs.
- Brent spiked to an intraday peak above \$109/bbl before retreating to \$105 as Saudi pipeline repairs progressed and diplomatic signals eased the acute risk premium.
- 10yr US Treasuries briefly broke above 5% for the first time since 2007; the 10yr Bund exceeded its 2011 euro-crisis peak.
- The Fed, ECB and BoJ all hiked within the same fortnight - a rare synchronised tightening episode.

- Front-end-led yield moves flattened the 2-10yr curve sharply on both sides of the Atlantic - detailed in the Markets section given its relevance for the growth outlook.
- Equity performance was dispersed: mega-cap tech outperformed (Mag 7 +1.9%), while cyclicals and financials lagged (Financials -3.9%, Industrials -3.6%).
- Germany's AfD posted a record result in the Saxony-Anhalt election, adding to European political-fragmentation concerns.

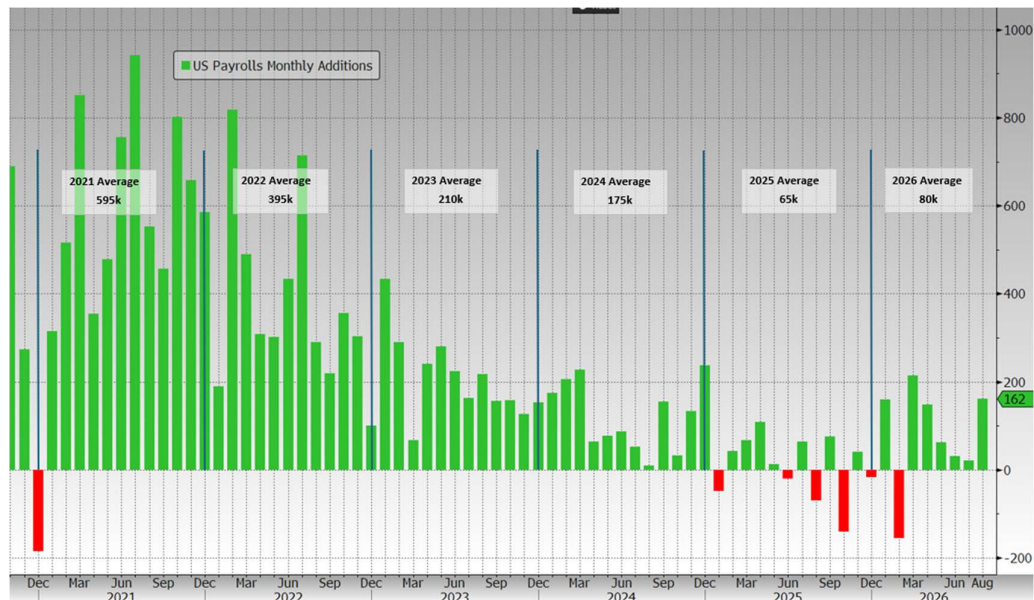
Economy and Monetary Policy

The ECB hiked 25bp to 2.50% on 11 September, its second move of the cycle, with hawkish guidance and upgraded growth/inflation forecasts through 2028.

The BoJ hiked to 1.25% (highest since 1995), though two dissenters made for a more dovish outcome than expected, weighing on the yen.

The BoE held at 3.75% but eased its QT programme (ending long-dated gilt sales, pausing further operations to April 2027), sparking a sharp long-end gilt rally.

US data stayed firm: payrolls, claims and retail sales all beat, while core CPI ran hot - reinforcing the tightening case.



Geopolitics

Middle East tensions dominated: tanker attacks, the shutdown of Saudi Arabia's East-West pipeline, Houthi advances on the Red Sea and direct US-Iran naval clashes drove Brent above \$109/bbl, before a partial reversal on pipeline-repair progress and diplomatic signals (a possible step-by-step US-Iran understanding, a Russia-Ukraine energy-infrastructure truce).

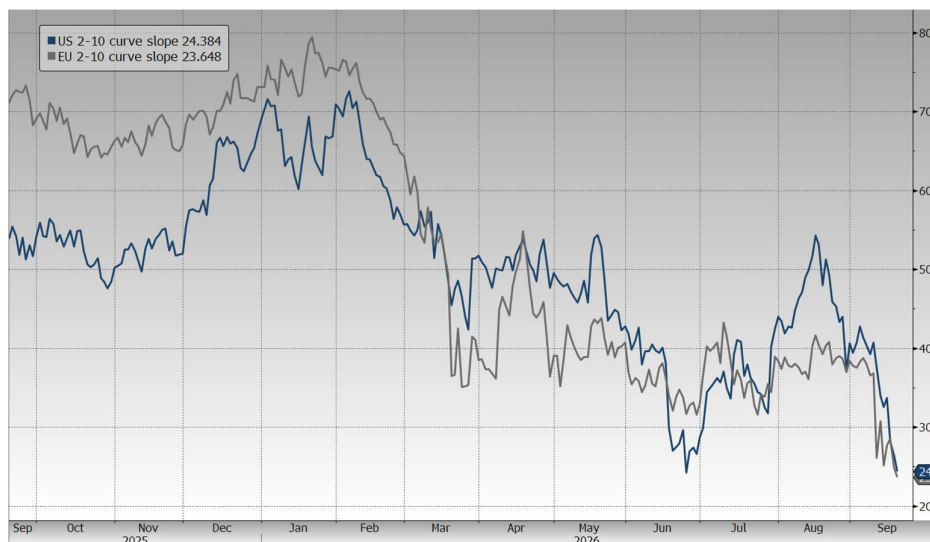
The Strait of Hormuz remains a live flashpoint: a planned Iran-Gulf states meeting was postponed, keeping a structural risk premium in energy markets.

Germany's AfD won a record 44% in Saxony-Anhalt, more than double its 2021 share, pushing the CDU to its weakest regional result, intensifying fragmentation concerns as the German economy already struggles with stagnation and high energy costs.

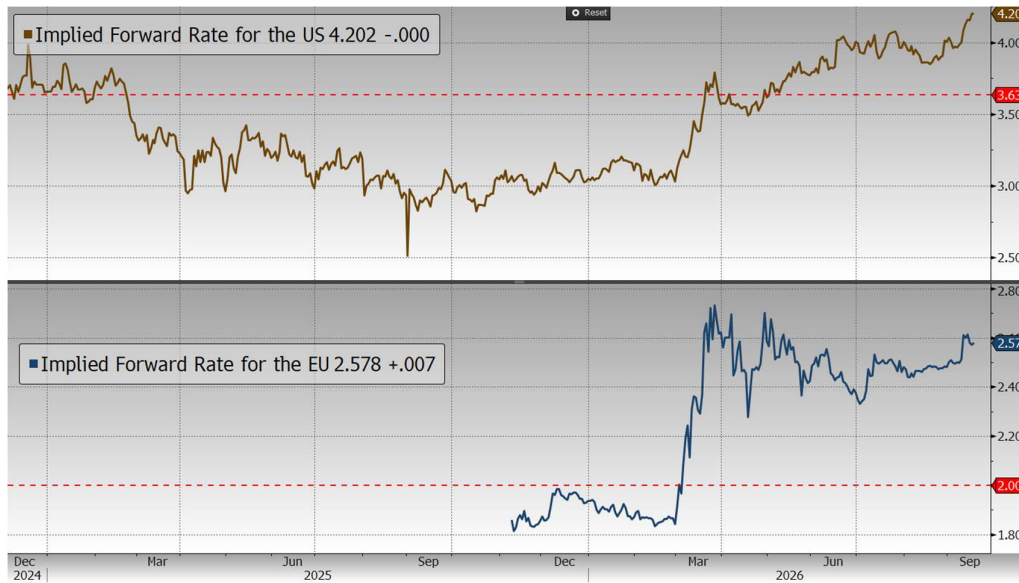
Markets

Curve flattening remains the key signal. As the below chart shows, US and European 2-10yr slopes compressed sharply over the period, from the low-50s to the mid-20s - among the flattest readings since early-2025. This was classic bear-flattening: front-end yields led the move (2yr Treasury +34bps vs. 10yr +18bps) as markets priced in the genuinely synchronised Fed/ECB/BoJ tightening. There is a constructive read, central banks reasserting credibility after markets had questioned their resolve, but rapid front-end-driven flattening has historically also signalled deteriorating growth expectations, not just tamed inflation.

The risk looks asymmetric for Europe: the ECB has now hiked twice since June against a backdrop of German industrial weakness, political fragmentation (AfD) and higher structural energy costs, and European equities are already underperforming.



The FOMC hiked 25bp to 3.75-4.00% - the first increase since 2023 - unanimously, with a more hawkish dot plot than expected (16 of 18 officials see further tightening this year). Chair Warsh framed the move as removing "a dose of accommodation" rather than a one-off adjustment, explicitly prioritising credibility and a "timelier return" to 2% inflation. Markets responded by pricing roughly 75bps of further hikes by next June.



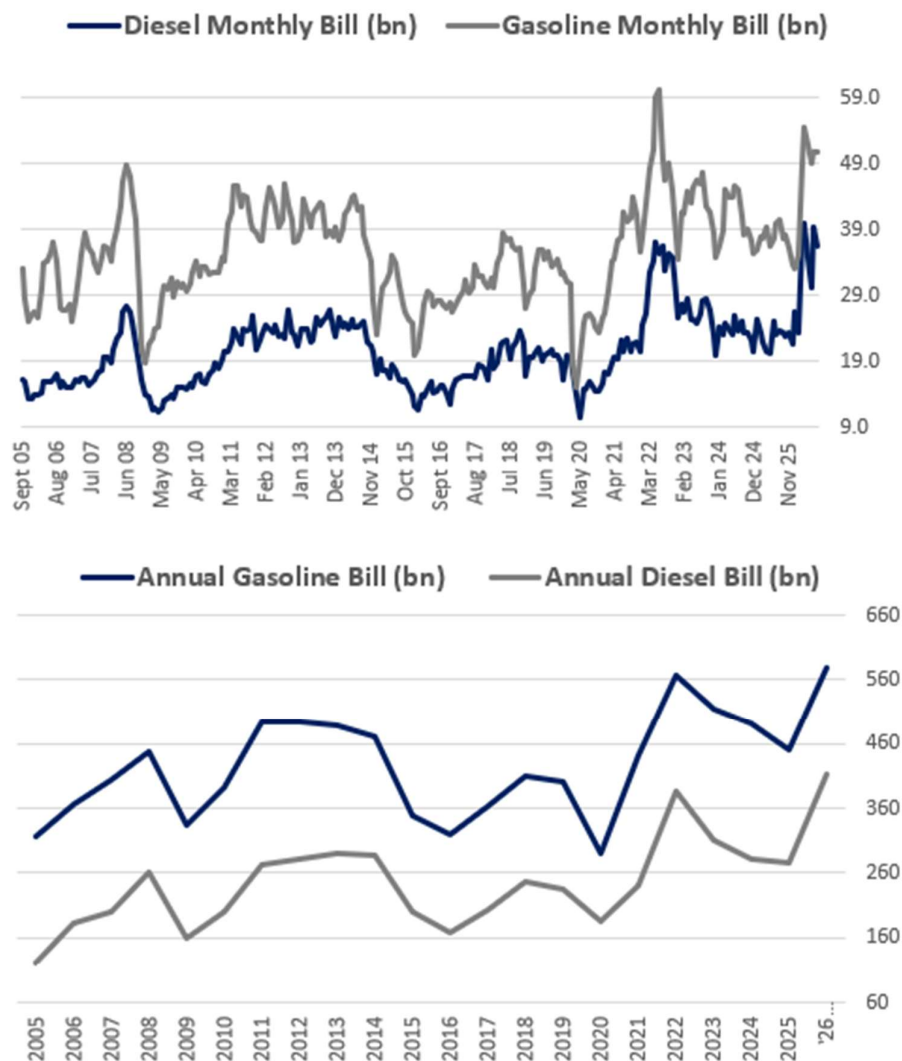
We remain constructive on US risky assets, but with some caution. Like the broader market, we welcome the Fed's rigour: reasserting central bank independence and credibility, after months of pressure from President Trump, is unambiguously the right call, and a hawkish, unanimous decision sends that signal clearly. But we are watching closely for a point where hawkishness becomes counterproductive.

The chart is instructive: since the war began, the Euro Stoxx 50 is up only ~2%, underperforming the S&P 500 by almost 9%. That gap is the direct result of the combination we flagged above - a central bank tightening into an energy shock rather than an overheating economy - and Europe, more energy-exposed and now two hikes into its own cycle, has borne the brunt of it.



The same mechanism is at work in the US, just less visibly so far. Energy demand is inelastic: households don't cut driving or heating materially when prices rise, so the current shock is passing almost one-for-one into consumer spending.

On our estimates, the combined US gasoline and diesel bill will rise by roughly \$274bn this year - close to 1% of GDP - driven purely by the supply-side spike in crack spreads, not by stronger demand. So far, the US consumer has absorbed this well, cushioned by the wealth effect from strong equity gains and by drawing down savings to offset the loss of purchasing power - but with the savings rate now around just 3% of disposable income, there is little further room for relief. Higher short-term rates do nothing to fix this: they don't add a barrel of oil to the market. What they do is add a second, self-inflicted drag on top of an already-squeezed consumer, at a time when housing, the most rate-sensitive part of the economy, is already suffering, even if it isn't getting much attention yet.



This is why we think oil, not the Fed, is now the key risk variable for the coming weeks. Iran has every incentive to keep disrupting the run-up to the US midterms and to complicate life for Trump, which argues for a sustained rather than transient energy shock. And if the Fed responds to that with further tightening beyond what's already priced, the read-through from Europe is a warning: an overly aggressive policy response to an energy-driven, not demand-driven, inflation problem risks capping the very equity market it is trying to protect, turning a credibility win into a growth-and-market cost.