Global Cross-Asset Tape

THE ECB CALLED ITS OWN HIKE A "NO-BRAINER" AND THE BOND MARKET TOOK IT LITERALLY. The ECB raised to 2.50% unanimously and told the market "inflation is set to remain well above target for an extended period" — a hawkish surprise. Markets now price a further 88bp of tightening peaking in September 2027. Add a hot August PPI (+0.4% m/m, 5.4% y/y — the highest 12-month reading of 2026) and Brent through $105 on the Houthi seizure of Mokha, and the curve broke: UST 2y +17.0bp to 4.594%, 10y +13.2bp to 4.973%, 30y 5.378%. Wall Street fell a fourth straight session (S&P 7,591.70, -0.58%). Gold fell 2.5% to $4,303 and Brent marks $108.08. The US August CPI prints TODAY at 08:30 ET. We have said for a week that we fade the dovish and do not fade the oil. Both legs paid.

US EQUITIES — 10 SEP CASH CLOSE (FOURTH CONSECUTIVE DOWN DAY)

ASSET	LAST	CHG
S&P 500	7,591.70	-0.58%
Nasdaq 100	29,103.51	-1.08%
Russell 2000	2,890.95	-1.04%
VIX	17.84	fr 16.46

RATES — 11 SEP MARKS. THE STORY. 10Y THROUGH 4.95%

ASSET	LAST	CHG
UST 2y	4.594%	+17.0bp
UST 10y	4.973%	+13.2bp
UST 30y	5.378%	+8.6bp
MOVE	82.09	fr 76.74 — vol wakes

THE DECOMPOSITION — REAL-LED, NOT BREAKEVEN-LED

ASSET	LAST	CHG
10y REAL	2.547%	+10.5bp
10y breakeven	2.413%	+2.7bp only
5y5y fwd	2.321%	+0.9bp — anchored
Gold	$4,303	-2.5% on real yields

COMMODITIES, FX & EUROPE — EUROPE 10 SEP CLOSE; CMD/FX 11 SEP

ASSET	LAST	CHG
Brent	$108.08	+6.9%
DAX	25,361.15	-0.84%
Bund / Gilt	3.499% / 5.373%	+5.7 / +11.2bp
Athens ASE	2,697.58	-0.15%; banks +0.45%

Read. Read the decomposition before you call this a de-anchoring. We wrote yesterday that a **breakeven-led** move from here would be a materially worse regime than the one we describe. It did not happen. The 10-year rose 13.2bp and **10.5bp of it was REAL**; the breakeven added only 2.7bp and the **5y5y forward barely moved at 2.321%**. That is a market repricing the POLICY PATH and the real cost of capital, not one losing faith in the inflation target. **Gold agrees** — down 2.5% to $4,303, which is what real yields do to a debasement hedge, and not what a fear trade looks like. The one genuine change in character is **MOVE at 82.09** from 76.74: rate volatility has finally woken up. Asia extended it overnight — **Nikkei 63,340.18, -2.43%**.

Session Read

Four threads: an ECB that pre-committed to nothing and sounded hawkish anyway; a PPI whose heat is almost entirely energy; a long end at 4.97% that is real-led rather than breakeven-led; and a Hormuz file where we re-specified our own trigger and found the real near-zero in gas.

The ECB — a unanimous hike, a hawkish sentence, and 88bp more priced

The deposit rate went to **2.50%**, the second hike since the Iran war began, and President Lagarde called it a unanimous **"no-brainer"** while stressing the economy's surprising resilience. The hawkish surprise was in the statement, not the rate: **"inflation is set to remain well above target for an extended period."** She declined to pre-commit to a path — **"can't anticipate what will be the next move"** — but the market drew its own conclusion and now prices **a further 88bp of tightening with the peak in September 2027**, with officials already signalling a possible October move. **This is the point we have been making about the energy channel:** euro-area August HICP was 3.3% with energy at +14.3%, and a central bank tightening into a supply shock is defending the expectations channel at the cost of demand it did not weaken. The periphery took it: **GGB +9.3bp to 4.242%**, **BTP +8.9bp to 4.381%**, **Gilt +11.2bp**.

The PPI — hot headline, but the heat is diesel, not services

August producer prices rose **0.4% m/m** for an annual rate of **5.4%, the highest 12-month reading of 2026**, with core at **0.3%**. **Read the composition, because it decides how much of this reaches core PCE.** Final demand GOODS rose 1.1% with energy up 4.2%, and **diesel alone — up 24.1% — accounted for more than a third of the goods increase.** Final demand SERVICES rose just **0.1%**, with transportation and warehousing up 2.3% and trade services actually falling 0.2%. So the pipeline pressure is an **oil pass-through, not a broadening**. That matters enormously for today's CPI: the components that translate most cleanly into core PCE are the services ones, and those are the ones that stayed quiet. **A hot headline with a soft services core is the single most likely shape of today's print**, and it is genuinely two-sided for the Fed.

The long end — 4.97%, and the composition is the reassuring part

The **10-year is at 4.973%** and the **2-year jumped 17.0bp to 4.594%** — a front-end move of that size without a data release tells you the market repriced the Fed on the ECB's tone and the barrel. The **30y at 5.378%** extends a two-decade high. **But the decomposition is doing our argument a favour:** real yields carried 10.5bp of the 13.2bp, breakevens 2.7bp, and the 5y5y forward is essentially unchanged at 2.321%. **Inflation expectations are not running.** Our position is unchanged: a POLICY repricing, not a fiscal accident, with the US term premium broadly stable and below Germany's and Japan's. The fiscal noise — a promise of **$5,000 per adult** if Republicans hold Congress in November — belongs in the risk register, not in the explanation of a real-yield-led move. Base case stays a 10y in **4.00-5.00%**; we are now at the top of it.

Oil & Hormuz — we re-specified our own trigger, and found the near-zero in GAS

Today's SoH Monitor leads with a correction against ourselves. **Yesterday we armed a Phase-1 trigger on a VLCC-exit stall.** Today we found the mechanism we had not established: Gulf producers have for months been **shuttle-shipping crude through the Strait and reloading via ship-to-ship transfer**. That explains the stall benignly, so we **re-specify the trigger** to total crude clearance rather than direct VLCC exits. **The payoff is that the same evidence locates the real near-zero, and it is GAS:** no LNG carrier has transited Hormuz since **11 July** — 61 days — because LNG cannot be ship-to-ship transferred. **Qatar has shipped 18 cargoes against 509 a year earlier, a 96% collapse**, with force majeure extended into November. And a **second chokepoint opened**: the Houthis seized **Mokha**, ~80km from Bab el-Mandeb. **Kharg's export terminal was NOT hit** — vicinity explosions only, no export halt.

Regime & Technical Radar

Archetype unchanged and hardening further: late-cycle, tightening-dominant, higher-for-longer — NOT Goldilocks. Now with a SYNCHRONISED tightening: the ECB has hiked and signalled more, the Fed is a coin toss on 16 September, and no cut is priced anywhere.

MARKET REGIME	
Archetype	NEUTRAL / TRANSITIONAL — tightening-dominant late cycle
Growth	NEUTRAL — flat, internals split (copper firm, small caps weak)
Monetary / Liquidity	UP — ECB hiked, 88bp more priced; Fed hike ~57%
Inflation	UP — PPI 5.4% y/y, EA HICP 3.3%, Brent $108
Risk / Stress	Firming — VIX 17.84, MOVE 82.1, credit softening

TECHNICAL RADAR	
UST 10y	4.973% — real-led (+10.5bp real vs +2.7bp breakeven)
Brent	$108.08 — +6.9%; Mokha seizure the driver
Gold	$4,303 — down 2.5%; NOT a fear bid
Athens ASE	2,697.58 — banks +0.45% against the tape

What we're watching this week

- **11 Sep (Fri)** — US August CPI, 08:30 ET — services core is the tell
- **16 Sep (Wed)** — FOMC — 25bp HIKE modal at ~57%, with SEP and dots
- **October** — ECB officials already signalling a possible further hike
- **Hormuz** — An LNG transit — the cleanest de-escalation signal available
- **Bab el-Mandeb** — Whether Mokha becomes a second closed chokepoint

Read. The axes are unchanged in direction and stronger in degree. What is new is that the tightening is now **SYNCHRONISED** — the ECB has moved and told us inflation stays above target for an extended period, while the Fed debates a hike into a 5.4% PPI. **Do NOT read Goldilocks.** But note the one genuinely constructive detail: the long-end move is **real-led with the 5y5y anchored**, which is the orderly version of this regime rather than the disorderly one.

Theme of the Day

THE MARKET REPRICED THE POLICY PATH, NOT THE INFLATION TARGET — AND THAT DISTINCTION IS THE WHOLE TRADE.

A 13.2bp move in the 10-year and a 17.0bp move in the 2-year, on a day with no US data release, looks alarming until you take it apart. **Real yields carried 10.5bp of it. Breakevens carried 2.7bp. The 5y5y forward did not move.** Gold fell 2.5%. That is not a market losing confidence in central banks — **it is a market being told by one central bank that rates are going higher and concluding that the other will follow. We flagged this exact test yesterday**, writing that a breakeven-led move would be a materially worse regime than the one we describe. The test ran overnight and came back on the benign side. It is worth being precise about what that does and does not license. It does NOT mean the inflation problem is solved — the PPI printed 5.4% y/y and the ECB has just told us inflation stays above target for an extended period. It means the mechanism is **orderly tightening** rather than **de-anchoring**, and those two regimes call for opposite duration decisions. **The energy read needs the same discipline.** Brent at $108 is up 6.9% on a Houthi ground offensive that took a Red Sea port — not on anything that happened in the Strait of Hormuz. And the PPI's heat was **diesel +24.1%** against services at +0.1%. Both facts point the same way: this is a supply-side energy shock passing through goods, not a demand-side inflation that has broadened into services. **Which is exactly why today's CPI is a genuine coin toss** — a hot headline with a soft services core is the most likely shape, and it is the shape that lets the Fed hold. **We stay short the dovish reflex into the print and long the energy tail, and we are watching the services line, not the headline.**

Catalyst Watch

TODAY — FRIDAY 11 SEPTEMBER

- **US August CPI, 08:30 ET / 15:30 Athens.** Consensus 3.4% y/y. Watch the SERVICES core, not the headline — the PPI's heat was diesel.
- **ATHEX opens 10:30** with banks having outperformed (+0.45%) against a falling tape.
- **Star Bulk's Athens book closes 16:00**; final pricing due tonight, Euronext Athens trading from 16 Sep.
- **Watch for an LNG transit** — none since 11 July; it is now the cleanest de-escalation signal in the Hormuz file.

NEXT WEEK

- **Mon 14 Sep — Safe Bulkers' 12m new shares** begin Athens trading after the EUR80.4m placement at EUR6.70.
- **Tue 16 Sep — Star Bulk begins trading** on Euronext Athens; FTSE 25 entry flagged.
- **Wed 16 Sep — FOMC.** A 25bp HIKE is modal at ~57%, with the SEP and the dots attached.
- **Thu 18 Sep — Euronext Athens rebalancing trade** and Scope / Moody's sovereign reviews; DM reclassification effective 21 Sep.

Risks to the Call

- **A hot SERVICES core today.** The headline is largely pre-announced by the PPI; a services core that accelerates converts the 16 Sep hike from a coin toss to near-certain, onto a 10y already at 4.97%.
- **Bab el-Mandeb becomes the second closed chokepoint.** Mokha gives the Houthis a Red Sea port 80km from the strait. Alternative routing is the assumption that has made the Hormuz throttle survivable; it is now itself at risk.
- **The gas channel prices the European winter.** No LNG through Hormuz since 11 July, Qatar down 96%, force majeure into November, TTF near four-year highs. Gas does more to euro-area core than another $10 of Brent.
- **A breakeven-led leg from here.** Today's move was real-led and the 5y5y held. If that inverts, the regime changes character and duration stops being a value trade.
- **Regional widening.** Pakistan has warned Tehran that continued Houthi action risks a joint defence arrangement with Riyadh and Ankara. That converts a US-Iran war into a bloc conflict.

Synthesis

THE CALL — both legs paid; stay with them, and watch the services line today.

We have said for a week: fade the dovish, do not fade the oil. The ECB hiked and called it a no-brainer, the PPI printed the hottest annual rate of 2026, the 2-year moved 17bp and Brent is $108. Both legs paid. That is not a reason to press — it is a reason to be precise about what would end it. **The most important thing in today's tape is a negative result.** The long-end move was **real-led, the 5y5y did not move, and gold fell**. We named a breakeven-led move as the regime-changing tail yesterday; it did not fire. So the correct description is still **orderly tightening at a restrictive level**, not a de-anchoring — and duration near 5% gets more attractive, not less, on that reading. **On the corridor we corrected ourselves again, and it mattered.** The VLCC-exit stall we armed a trigger on yesterday has a benign mechanical explanation — ship-to-ship shuttle transfer — so we re-specified the trigger rather than let it look prescient for another week. The same evidence found the genuine near-zero: **gas, shut since 11 July, because LNG cannot be transferred the way crude can.** That relocates the European inflation risk from Brent to TTF, which is where the ECB's problem actually lives. **Greece kept its own counsel again.** The index eased 0.15% to 2,697.58 but the **banks index rose 0.45%** against a falling European tape — a rate-hike beneficiary behaving like one — while refiners gave back (**Motor Oil -3.57%**). Eight sessions from reclassification, the composition keeps telling a more interesting story than the level.