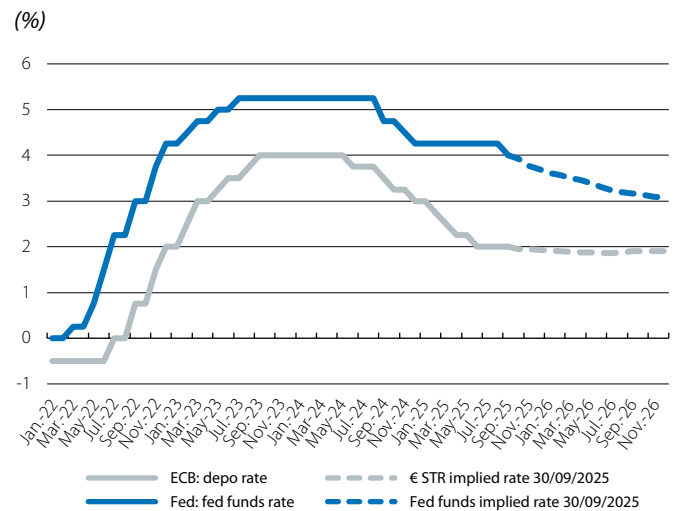


The central banks move the market in September

Central banks and geopolitical tensions mark investor sentiment. September has been a month of transition in the financial markets, characterised by increased volatility and significant movements in risk assets. Monetary policy decisions, especially the US Federal Reserve's meeting, has set the tone for the month, together with the process of adapting to the new trade context amid higher tariffs. In addition, episodes of geopolitical tension – such as the incursion of Russian drones into Polish territory, the federal government shutdown in the US and political instability in France – have contributed to market volatility. In this environment, investors have adjusted their expectations regarding the central banks' next steps, with greater confidence in cuts being made by the Fed and in the stability of ECB rates. These adjustments, combined with sensitivity to the data, have driven developments in yield curves, currencies and stock markets in the month. Investors remain cautious amid an environment that remains uncertain, with particular attention being placed on upcoming central bank decisions, the impact of the tariff hikes, the evolution of the economic indicators and the fiscal challenge that many countries are facing.

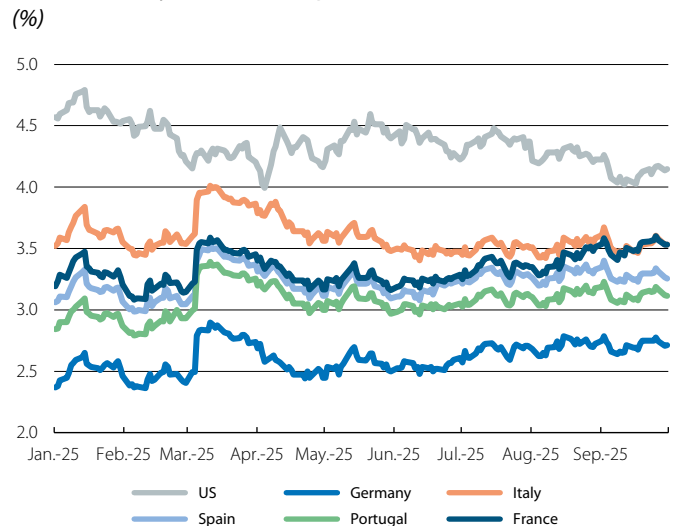
A rate cut by the Fed and a long pause on the part of the ECB, although everything will depend on the data. In the money market, September was marked by numerous policy meetings. The focus, however, was on the Fed, which cut interest rates by 25 bps, bringing them to the 4.00%-4.25% range and marking the first reduction in nine months. This move reflects a change in the reading of the balance of risks between the Fed's two mandates. According to Fed Chair Jerome Powell, the cooling of the labour market – which is visible in the data and is attributed both to lower demand and to supply factors – has gained prominence over inflation risks, which are now perceived to be more contained. The rate cut was practically unanimous, although there is a divergence of opinions regarding the next steps, as shown by the dot plot, which reflects significant dispersion among FOMC members. Powell stressed that monetary policy is not a pre-set course and that decisions will be made meeting by meeting, based on the data. Market expectations have shifted throughout the month – for instance, with the upward revision of Q2 GDP and the positive data published to date for Q3 – and at the close of this report investors are anticipating four rate cuts between now and December 2026, which would leave the fed funds rate in the 3.00%-3.25% range. The ECB, meanwhile, left rates unchanged (depo rate at 2%), in an expected and unanimous decision, and one that was accompanied by a relatively positive view of the outlook, with inflation already at the medium-term target rate. The ECB also continued not providing any guidance regarding the anticipated path of interest rates for the coming months, reiterating that monetary policy will be determined following a «meeting-by-meeting» and «data-dependent» approach. The market now anticipates that rates will remain stable for the remainder of this year and throughout 2026. President Lagarde avoided making any statements on France, although she

ECB and Fed: benchmark interest rates



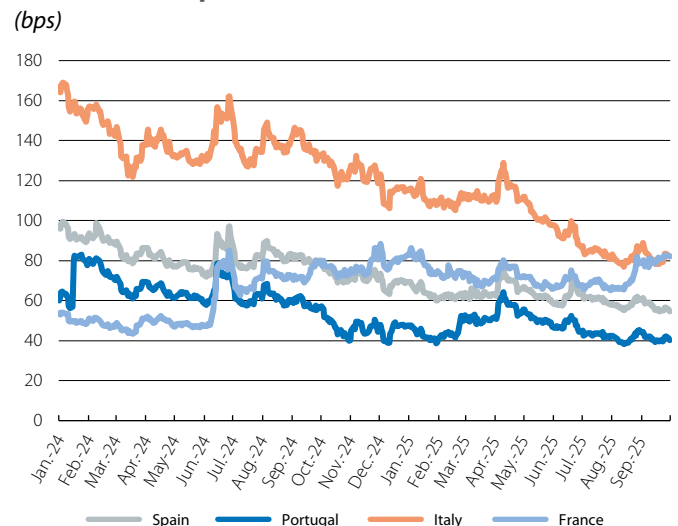
Note: The historical data for the fed funds rate correspond to the lower bound.
Source: CaixaBank Research, based on data from the ECB, the Fed and Bloomberg.

Yield on 10-year sovereign bonds



Source: CaixaBank Research, based on data from Bloomberg.

Euro area: risk premiums



Source: CaixaBank Research, based on data from Bloomberg.

recalled that the ECB has tools for ensuring that monetary policy is transmitted to all euro area jurisdictions and that, in activating asset purchases under the TPI programme, there is a combination of discretion and analysis (an assessment of the fiscal outlook is necessary, and tensions that are justified by the country's macroeconomic fundamentals should not be responded to).

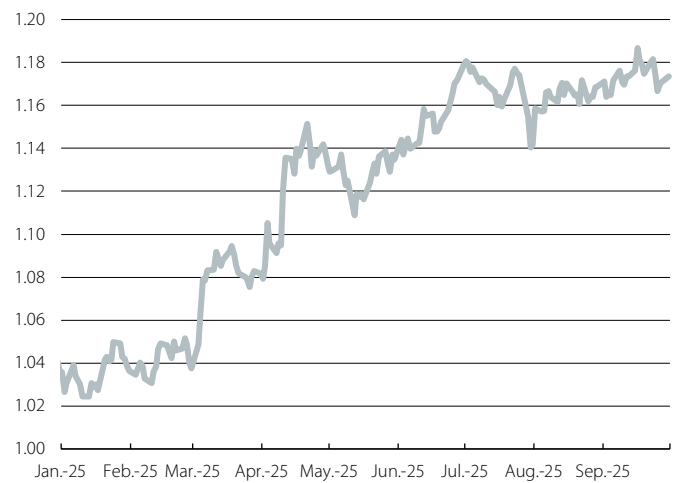
US sovereign rates fall hand in hand with expectations regarding the Fed's next moves. In fixed income, the month ended with declines in treasury yields, particularly in the long end of the curve, while in the euro area there was a rise in yields in the short end, given the widespread correction in the longer sections. The exception to this trend was France, which was once again the focus of attention due to the political instability in the wake of the change of government. There were new spikes in the country's risk premium, before it settled at around 80 bps, and a slight rebound in the yield on the French 10-year bond compared to the end of August, causing it to exceed 3.50%. On the other hand, the credit rating of Spanish debt was upgraded during September by all three rating agencies (S&P to A+, Moody's to A3 and Fitch to A). Fitch has also revised Portugal's rating from A- to A. This has been reflected in sovereign bonds, with declines in yields in both countries, as well as in the spread with the German 10-year bond, unlike the increase that occurred in France.

Appreciation of the euro, with fluctuations. The euro experienced a back-and-forth movement in September, appreciating against the dollar in the first half of the month, driven in part by a somewhat hawkish reading of the ECB meeting, to exceed 1.18. Subsequently, it closed the quarter around 1.17 (+0.4%). The dollar, meanwhile, recovered ground in the second half of the month, supported by favourable economic growth data in the US.

A positive month for the stock markets. The stock markets recorded gains during the month, although there were sessions with corrections – in some cases lasting several days in a row – driven by profit-taking and a rebound in bond yields. The IBEX 35 remained among the best-performing indices, although the gains were widespread on both sides of the Atlantic, with the exception of the German DAX, which closed almost flat compared to August (–0.1%).

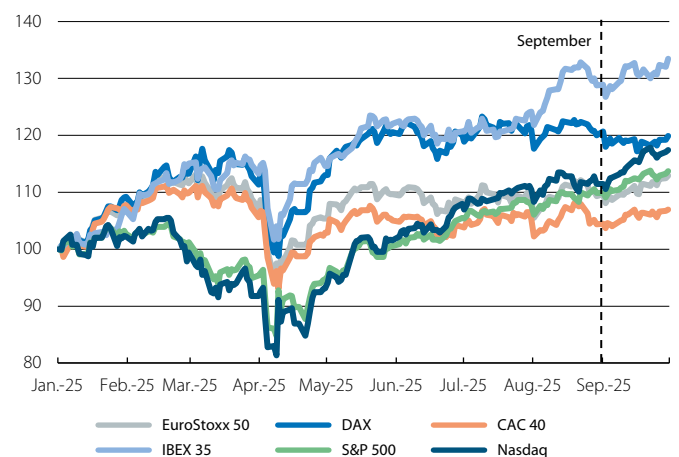
Volatility in oil and new highs in gold. In commodities, oil remained volatile and the Brent barrel rebounded to 70 dollars, before correcting much of that increase in the latter part of the month to close September down almost 2% versus the prior month (at 67 dollars). This pattern was driven by heightened geopolitical tensions (such as Ukraine's attacks on critical Russian oil infrastructure), questions over excess supply, an increase in US inventories, the resumption of exports from northern Iraq and the announcement of increased production from OPEC+ (which has already returned to the market the 2.2 million barrels per day that it cut in 2023 and is now embarking on recovering the second tranche of cuts implemented in 2023, of 1.7 million). Gold, meanwhile, reached new highs (exceeding 3,850 dollars per ounce), further reinforcing its role as a safe-haven asset in an environment of high fiscal and economic uncertainty, especially in the US.

Euro/dollar exchange rate (Dollars per euro)



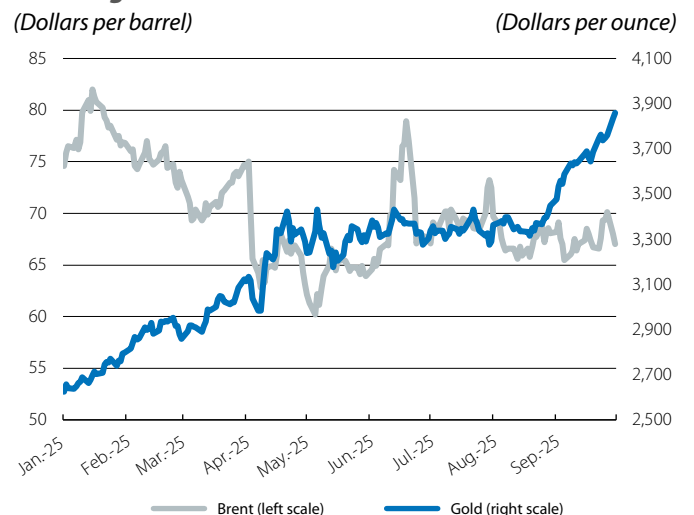
Source: CaixaBank Research, based on data from Bloomberg.

US and euro area: performance of the main stock market indices Index (100 = 01/01/2025)



Source: CaixaBank Research, based on data from Bloomberg.

Oil and gold in 2025



Source: CaixaBank Research, based on data from Bloomberg.