Global Macro Outlook and Strategy

Global Rates, Commodities, Currencies and Emerging Markets

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Overall summary

US Rates

- We see some optical value at the front end, but we are not ready to add exposure yet. We think risks longer out the curve skew bearishly: valuations remain rich, positions are near their longest since last fall, and next week's BoJ meeting looms large. We remain neutral on duration and short Treasuries cross market versus bunds. Maintain 10s/20s/30s belly-cheapening butterflies. Treasury's guidance tweak implies two-sided risks to auction sizing over the medium term, despite broad funding gaps opening in FY27 and beyond. We now expect Treasury to maintain its forward guidance into 2027 and to maintain current auction sizes through August 2027 (versus February 2027 previously).

International Rates

- The past week saw a further acceleration in the global DM rates sell-off led by the front-end. This mainly reflects a global high-beta move to the recent energy price spike, reinforced by continued hawkish central bank signals, including the ECB meeting on Thursday, and anecdotal positioning unwinds in Euro rates. We think current valuations in European rates are cheap. However, we remain cautious in positioning outright long given the increased uncertainty on energy prices and elevated Middle East tensions, with risks broadly tilted towards more central bank tightening if inflation stickiness is more persistent.

Currencies

- We stay bullish USD though the dollar's inability to rally amid cheap valuations, hawkish Fed repricing and surging energy prices has been disappointing. Meanwhile, FX carry remains the top conviction theme, as sticky inflation, higher rates, and resilient growth keep investors seeking inflation protection in high-yielders. Real yields have been the best performing signal in FX. Using DM funders vs. EM high-yielders has enhanced returns. The stark G10 high-beta decoupling should continue; stay bullish AUD and Bok relative to SEK and CAD. We tactically long USD, GBP and JPY ahead of central bank rate announcements.

Commodities

- Across LNG, QatarEnergy has kept liquefaction running but at heavily reduced rates, estimated at around 20% utilisation in July and August. The only meaningful outlet has been Kuwait, which has taken five Qatari cargoes since 25 July. This demand may sustain operations for a few more weeks, but is expected to fade as Middle East temperatures and cooling needs ease from late September. QatarEnergy is keeping trains running despite the cost to avoid full shutdown and enable a quicker ramp-up when and if Hormuz transit normalises.
- Gold's August revival shows that the debasement narrative isn't dead, but it is incomplete without Fed dovishness. We thinl left in the tank over the balance of the year ($14,800/mt 4Q26 target with overshoot potential) as Chinese stocks are low he peak demand season. As of 1 September, aggregate investor positioning across agricultural markets reached a six-month l positioning in grains & oilseeds and softs.

Emerging Markets

- Reflationary backdrop supports our OW in EM FX with a preference for higher yielders, even as energy and Fed risks linger
- We remain cautious on local rates with an overall MW position focusing on RV and tactical opportunities.
- Stay MW EM sovereigns and corporates, as more attractive yields offset tight, rangebound spreads.

