



GLOBAL MARKET INTELLIGENCE

The World in 5 Minutes

"The U.S. destroys five Iranian tankers in the Gulf of Oman and Oman's mediation collapses: Brent rises more than 8% and U.K. gilts near 6%, the highest since 1998"

The Hormuz crisis took a qualitative leap: on September 8 the U.S. destroyed five Iranian tankers —four in the Gulf of Oman, one near Kharg— after two Iranian attempts to hit a U.S. warship with missiles. Iran spelled out the scope of its "prohibited zone": from the U.S. naval blockade line to the Persian Gulf. The Oman-mediated meeting in Salalah, set for September 13, was postponed over Saudi objections and Bahrain's absence.

The Red Sea joined the escalation: on September 8 the Houthis struck Saudi oil facilities with missiles and drones —more than 70 wounded— breaking the 2022 truce, and on the 13th claimed an attack on the Sharurah base. Saudi Arabia has asked the U.S. for military support twice, with no response. In Ukraine, Putin rejected the 30-day ceasefire on September 8, in a call with Trump, and maintains his demand for the Donbas; Russia broke the de facto truce with a massive strike on Kyiv (166 drones, 32 missiles) and hit Zaporizhzhia and Odesa again on the 12th.

The sovereign-bond selloff showed no letup: the 30-year gilt neared 6%, a level not seen since 1998, with the October 28 budget drawing closer; the 10-year bund marked a high since 2011, at 3.50%; and the 10-year JGB brushed 3% again. The U.S. 10-year also neared 5% after Friday's CPI.

The week's U.S. data point was August CPI: +0.4% month-on-month and 3.4% year-on-year, in line, with core at +0.3%. The reading pushed the odds of a hike at the September 15-16 FOMC to 87-88%, from 69% a week earlier. Equities sold off mid-week and rebounded Friday: the S&P 500 fell 0.8%, and the STOXX Europe 600 posted its steepest decline in about two months, 1.6%.

Brent rose more than 8% on the tanker strikes and the Houthi attack, while the Baltic Dry corrected 3.3% after last week's jump. Credit, surprisingly, did not follow: HY tightened to 265 basis points and IG to 80, the block's steepest drop in months. Gold closed nearly flat (-0.3%), well below its January high of 5,589 dollars.

Fund flows (Reuters/LSEG Lipper, week through September 9, standing in for BofA in the absence of its own figure this week) showed heavy outflows from U.S. equities (-\$32,270M) and global equities (-\$15,520M, the worst since March 18), with emerging markets giving up -\$1,560M. Europe (+\$11,160M), money-market funds (+\$10,720M) and global bonds (+\$8,950M) picked up the slack. Gold logged its first net outflow (-\$537M) since the crisis began.

RESEARCH TEAM VIEW

What to watch in the days ahead

- FOMC, September 15-16: the odds of a hike jump to 87-88% (CME FedWatch) after the CPI, from 69% a week earlier.
- The BoE (September 17) and BoJ (September 17-18, with a hike signaled) also decide this week.
- Hormuz: Oman's mediation in Salalah was postponed on September 13 over Saudi objections; no confirmed date to resume it.
- Saudi Arabia is weighing whether to again request U.S. military support after the Houthi attack on its facilities, already turned down twice.
- U.K. budget, October 28: the 30-year gilt now hovers near 6%, its highest since 1998, squeezing the fiscal headroom.

QUANTITATIVE MODEL

Knightford Global Risk Index · as of 2026-09-11



The geopolitical block marks a new high since the Hormuz crisis began; the KGRI stays in the neutral range ahead of the FOMC

WEEK

+0.5

4 WEEKS

+3.1

INTERNAL DISPERSION

66%

CONFIDENCE SCORE

72/100

Why this reading this week?

The KGRI rises 0.5 points to 53.7, 3.1 above four weeks ago. The geopolitical block again pushes hardest, up to 84.2 out of 100, after the destruction of five Iranian tankers and the suspension of Oman's mediation; financial stability rises to 26.8, with the 10-2 year slope narrowing after the CPI. Credit offsets it, easing to 18.1 despite the escalation —the market is not yet pricing the Hormuz risk— along with liquidity, which eases to 48.6 as the TGA drain reverses. Monetary policy remains unchanged, ahead of the September 15-16 FOMC.

Technical note: weighted average of the eight sub-indexes with VSMRI inverted · confidence 72/100 reflecting indicators without a free data source.

What is the KGRI? A 0-100 index that summarizes global market risk by combining eight Visual Sigma™ "thermometers" (liquidity, monetary policy, activity, inflation, credit, financial stability, geopolitics and markets), weighted by relative importance and compared with their own history.

POSITIONING FRAMEWORK

Research team view: what to do at each KGRI range, reviewed weekly

0-20	Very low	Overweight risk, maximum exposure to equities and cyclical, minimal hedging.
20-40	Low	Maintain full exposure, favor quality, no additional hedging needed.
40-60	Neutral	Neutral exposure with quality selectivity; partial tactical hedging against surprises. ◀ we are here (53.7)
60-80	Elevated	Reduce beta, add quality and duration, activate hedges (options, gold).
80-100	Extreme	Defensive mode, maximum cash and hedging, minimize risk exposure.

THE EIGHT VISUAL SIGMA™ · KGRI COMPONENTS Level 0-100 and weight in the KGRI. Color follows the direction of risk.


What do these numbers mean? Every indicator runs from 0 to 100 on actual data; in the seven risk blocks a high number is bad news, but in market reaction it is the reverse, so always read the color, not just the figure. Confidence shows how much of the block is covered by free official sources: paid indicators (CDX, MOVE, Citi, Conference Board, ISM) are not estimated, they are deducted from confidence.

RESEARCH TEAM VIEW · QUALITATIVE

Not model output; analyst judgment, reviewed weekly

BASE CASE
40%

Targeted strikes continue without an effective closure of Hormuz transit; the U.S. and Saudi Arabia step up naval vigilance without widening the offensive, and Oman's mediation resumes in the coming weeks without a deal. Brent trades between 95 and 115 dollars and the KGRI moves between 48 and 60.

BULL CASE
20%

Oman's mediation resumes successfully, with a verified transit corridor and no new naval incidents in two weeks. Brent falls below 92 dollars and the KGRI drops below 46.

BEAR CASE
40%

New direct strikes —naval or against Saudi energy infrastructure— leave no room for mediation; the U.S. expands its deployment beyond naval targets. Brent tops 120 dollars and the KGRI tops 70 points.

GLOBAL GEOPOLITICAL RISK MAP Research team view. List curated manually each week; not VSGRI output (see next page).

● Very high ● High ● Medium

Middle East · Strait of Hormuz **VERY HIGH**

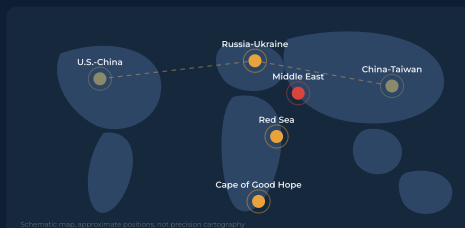
The U.S. destroyed five Iranian tankers on September 8 (four in the Gulf of Oman, one near Kharg) after two Iranian attempts to hit a warship with missiles. Iran spelled out the scope of its "prohibited zone": from the U.S. naval blockade line to the Persian Gulf. The Oman-mediated meeting in Salalah, set for September 13, was postponed over Saudi objections.

Red Sea · Bab el-Mandeb **VERY HIGH**

The Houthis struck Saudi oil facilities with missiles and drones on September 8 —more than 70 wounded— breaking the 2022 truce; on September 13 they claimed a fresh attack on the Sharurah base. Saudi Arabia has asked the U.S. for military support twice, with no response.

Routing · Cape of Good Hope **HIGH**

With Hormuz and the Red Sea in open conflict, the Cape detour remains the norm, though the Baltic Dry corrects 3.3% this week after last week's jump.


China-Taiwan **MEDIUM**

Routine gray-zone coercion —18 PLA aircraft sorties on September 10, 13 crossing the median line— with no escalation ahead of the September 24 Trump-Xi summit.

Russia-Ukraine **HIGH**

Putin rejected the 30-day ceasefire in a call with Trump on September 8 and maintains his demand for the Donbas; Russia broke the de facto truce with a massive strike on Kyiv (166 drones, 32 missiles) and hit Zaporizhzhia and Odesa again on September 12.

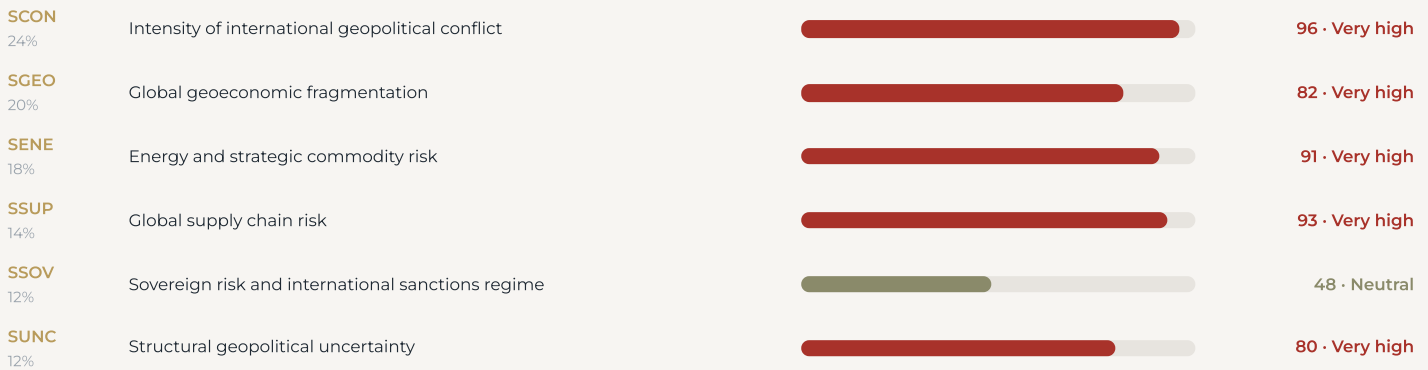
U.S.-China trade **MEDIUM**

The additional 7.5% tariff over "excess capacity" remains under study, with no announcement this week; the current truce expires November 10.

Context for the week under review, updated manually by the team. Not VSGRI output (see the quantitative breakdown on the next page).

QUANTITATIVE MODEL

VSGRI, breakdown of its six components (as of 2026-09-11)



0-100 scale; a higher value means greater risk pressure. The percentage shows its relative weight. Block scored by the team from verified facts of the week; with no freely available quantitative source, its confidence is 30/100.

OUR READ · RESEARCH TEAM VIEW

"The destruction of five Iranian tankers marks a qualitative leap: these are no longer limited strikes but the open elimination of the other side's assets, with Saudi Arabia suffering its own Houthi attack and Oman's mediation collapsing before it even starts. And yet credit does not reflect it: HY is tightening instead of widening, and European equities are pulling in money while U.S. equities hemorrhage it. It is a divergence that cannot last: either geopolitics cools off, or credit will end up validating what oil is already saying."

MARKET DATA · WEEKLY CLOSE

Live from FRED, the ECB Data Portal and Japan's Ministry of Finance, with no analyst intervention.

S&P 500

7,656.98

▼ -0.8%

A mid-week scare (low of 7,591.70) and a Friday rebound after the in-line CPI.

STOXX EUROPE 600

639.10

▼ -1.6%

Steepest weekly decline in about two months, weighed down by rates and oil.

VIX

15.84

▲ +1.31

Touched 17.84 mid-week, the highest since the tanker strikes.

UST 10-YEAR

4.95% (e)

▲ +0.18 (e)

Nears 5% after the CPI; FRED had not yet posted Friday's reading, Thursday the 10th is used.

EURO AAA CURVE, 10-YEAR

3.50% (e)

▲ +0.16 (e)

ECB portal unstable again; the German bund is used, a new high since 2011.

HY CORPORATE SPREAD

265 bps

▼ -3 bps

Tightens despite Hormuz and the Red Sea: credit is not yet pricing the risk.

DOLLAR (DXY INDEX)

99.10 (e)

▼ -0.1% week over week (e)

Essentially flat; the Fed's broad index (H.10) still does not cover this week.

EUR/USD

1.1592 (e)

▼ -0.3% week over week (e)

The euro slips slightly; same caveat as the dollar.

GOLD (SPOT)

\$4,385.61 (e)

▼ -0.3% week over week (e)

Nearly flat, but fund flows turn to a net outflow (-\$537M) for the first time.

BRENT

\$104.26 (e)

▲ +8.3% week over week (e)

Surges after the tanker strikes and the Houthi attack; FRED does not cover Friday yet.

JGB 10-YEAR

2.99% (e)

▲ +0.08 (e)

Japan's MOF fails again; hovers near 3% again, sourced from press reports.

BALTIMORE DRY INDEX

3,507

▼ -3.3% week over week

Corrects after last week's jump, still elevated on the Cape detour.

"Dollar" uses the DTWEXBGS. The ECB Data Portal, Japan's MOF and the U.K. DMO/Bank of England all failed this week: the euro AAA curve, the gilt curve and the JGB curve are estimated (e); UST 10-year on FRED also did not yet reflect Friday, also flagged (e).

MONETARY POLICY AND LIQUIDITY

FED

3.50-3.75%

target rate

unchanged; next meeting September 15-16

BCE

2.25%

deposit facility

unchanged this week

BOE

3.75%

bank rate

unchanged; next meeting September 17

BOJ

1.00%

policy rate

unchanged; next meeting September 17-18, with a hike signaled

Fed balance sheet: 6.741 trillion (Sep 9); TGA falls to 883,335 M.

WHERE DID THE MONEY GO THIS WEEK?

Week through September 9 (Reuters/LSEG Lipper, standing in for BofA, which had no figure of its own this week).

INFLOWS

European equities	+\$11,160M
Money-market funds	+\$10,720M
Global bonds	+\$8,950M
Short-term bonds	+\$6,650M
Asian equities	+\$3,030M

OUTFLOWS

U.S. equities	-\$32,270M
Global equities (aggregate)	-\$15,520M
Emerging markets	-\$1,560M

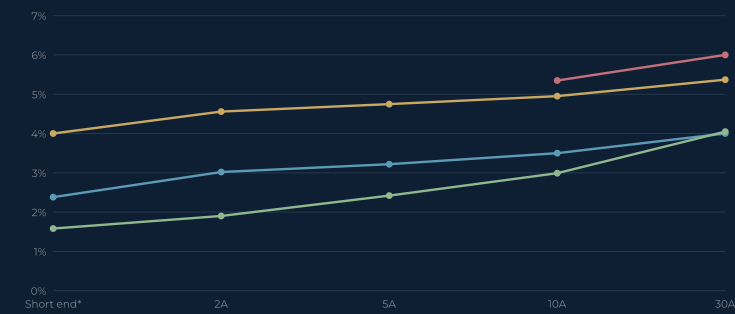
A week of heavy outflows from U.S. and global equities —the worst since March 18— while Europe and Asia pick up part of the slack and money-market funds log a second straight week of inflows. Gold logs its first outflow (-\$537M) since the crisis began.

YIELD CURVES, CROSS-COUNTRY COMPARISON

United States, euro area, United Kingdom and Japan; official data from each treasury or central bank.

Full curve · U.S., euro area, U.K. and Japan

Yield (%) by maturity



United States (Treasury): 4.00 · 4.56 · 4.75 · 4.95 · 5.37%
 Euro area (ECB, AAA curve): 2.38 · 3.02 · 3.22 · 3.50 · 4.00%
 United Kingdom (gilts): 5.35 · 6.00%
 Japan (Ministry of Finance): 1.58 · 1.90 · 2.42 · 2.99 · 4.05%

*The short end is not the same maturity across the four regions; from two years onward the tenors are identical. The ECB Data Portal, Japan's Ministry of Finance and the U.K. Debt Management Office had no stable access this week; the euro curve uses the German bund as a reference and the Japan and U.K. curves use press sources; all three are flagged (e).

► Research team read

The sovereign-bond selloff showed no letup: the U.K. 30-year gilt neared 6%, a level not seen since 1998, with the October 28 budget drawing closer and fiscal headroom already halved; the German 10-year bund marked a high since 2011, at 3.50%; and the 10-year JGB brushed 3% again. In the U.S., the 10-year neared 5% after August CPI, which pushed the odds of a hike at the September 15-16 FOMC to 87-88%, from 69% the week before. The team keeps last week's read —the selloff is real repricing, not noise— with one nuance: credit, which did calm down (HY and IG tightening), does not yet validate the same stress the sovereign debt shows.

What is the yield curve? The interest government debt pays by maturity. Normally the long end pays more than the short end (a positive slope); when it inverts, the market is usually pricing a slowdown.

RESEARCH TEAM VIEW · QUALITATIVE

Recommendation, idea selection and scenario probability; analyst judgment

Current KGRI range. Neutral (40-60), at 53.7. The recommendations below develop the page 1 positioning framework for this range, for equities and fixed income.

Equities

Neutral, with a more cautious tilt

A Fed likely to hike on September 15-16 and a Hormuz crisis that is no longer limited to isolated strikes —the U.S. destroyed five Iranian tankers— raise tail risk in both directions. The team keeps the neutral stance, favoring Europe, which is pulling in flows (+\$11,160M) against the outflow from U.S. equities (-\$32,270M); it avoids adding exposure to oil-sensitive sectors.

Fixed income and credit

Trimming more duration; credit still not pricing the risk

The sovereign selloff has intensified —gilt near 6%, bund at highs since 2011, JGB near 3% again— and warrants trimming more duration, especially in the long end of the European and U.K. curves. In credit the signal runs the other way: HY tightens to 265 basis points, barely paying for the latent risk; the team keeps its preference for investment grade, without chasing the high-yield spread at these levels.

TRADE OF THE WEEK

Gold · watch the first flow reversal in months

Gold gives up just 0.3%, nearly flat, but flows show their first net outflow (-\$537M) since the crisis began, after months of inflows. It is not yet a trend-change signal —the metal remains well below its January high of 5,589 dollars— but with the dollar stable and real rates rising the team slows its pace of buying and awaits confirmation before adding to the hedge. Revisit after the FOMC.

Note on this edition. Covers the week of September 7-13, market close Friday the 11th (the suspension of Oman's mediation, confirmed over the weekend, is included as context). The ECB Data Portal, Japan's Ministry of Finance and the U.K. Debt Management Office/Bank of England had no stable access: the euro AAA curve uses the German bund as a reference and the gilt and JGB curves use press sources; all are flagged (e). The UST 10-year reading on FRED also did not yet reflect Friday's close at the time of writing: Thursday the 10th is used, flagged (e). The Fed's broad dollar index (FRED, H.10) also does not cover this week: the DXY is used instead, also (e). Fund flows come from Reuters/LSEG Lipper (week through September 9), standing in for BofA Global Research (The Flow Show) as no verifiable figure of its own could be found.

Sources. Federal Reserve Bank of St. Louis (FRED): policy rates, the Treasury curve, VIX, ICE BofA spreads, financial conditions indexes, monetary aggregates and the S&P 500. U.S. Bureau of Labor Statistics: August CPI, released September 11. Baltic Exchange: freight index. Reuters/LSEG Lipper: weekly fund flows, week through September 9, cited as a stand-in for BofA Global Research (The Flow Show) given the lack of a specific verifiable figure this week. Trading Economics, Investing.com, CNBC, Bloomberg, Yahoo Finance and Reuters: closing levels for the STOXX Europe 600, gold, Brent, EUR/USD, DXY, the U.K. gilt, the German bund and the 10-year JGB, given this week's failure of the ECB Data Portal, Japan's Ministry of Finance and the U.K. Debt Management Office/Bank of England. CENTCOM, Bloomberg, CBS, Al Jazeera, NBC, CNN, Kyiv Independent, NPR, ABC News and Reuters: strikes, mediation efforts and diplomatic contacts on Hormuz, the Red Sea and Russia-Ukraine.

Visual Sigma™ engine (KGRI and the eight sub-indexes), computed under the methodological catalog (Volume II) using ten-year historical percentiles. Catalog indicators without a free public source (CDX IG and HY, the MOVE index, Citi Economic Surprise, Conference Board LEI, ISM) are neither estimated nor interpolated: they reduce the confidence level of the corresponding block, as the methodology requires. Figures flagged with (e) are estimates or press-sourced substitutes pending confirmation from an official source.

The views expressed herein are based on data collected from sources believed to be reliable; neither the analyst nor the firm is responsible for their accuracy. This report is for informational purposes only and does not constitute investment advice or a personalized investment recommendation.



Iciar Temprano

Head of Research and Quantitative Management