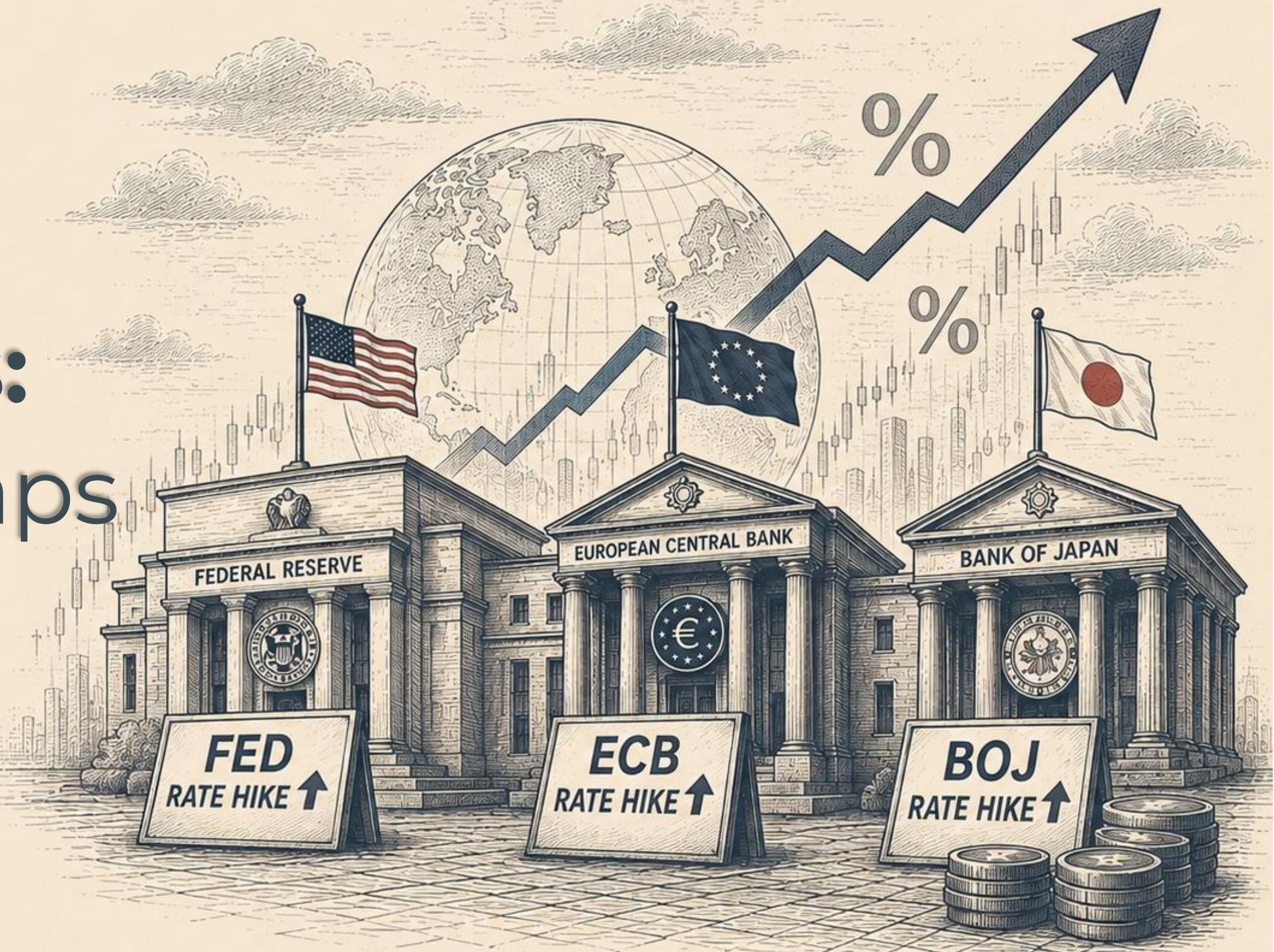
KGI Private Wealth

Weekly – Interest Rates: Global Rate Gaps Set to Narrow

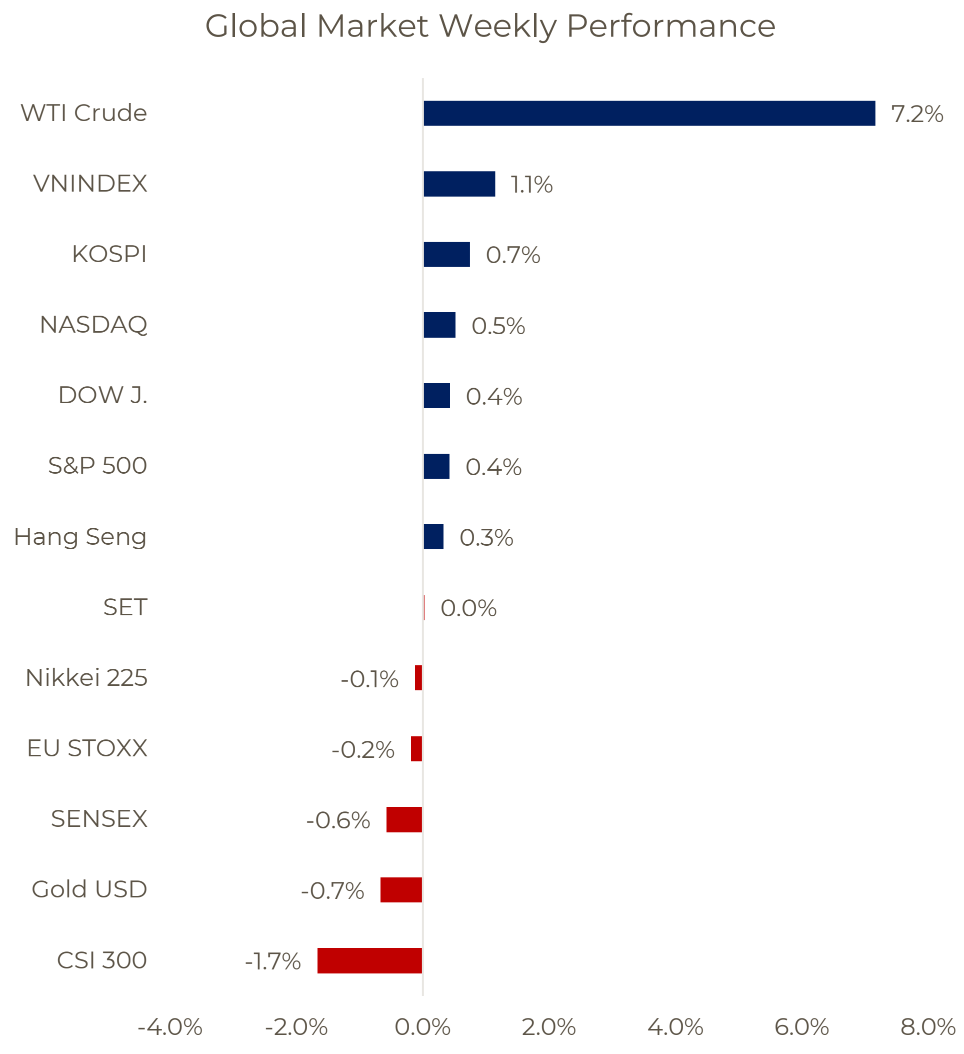


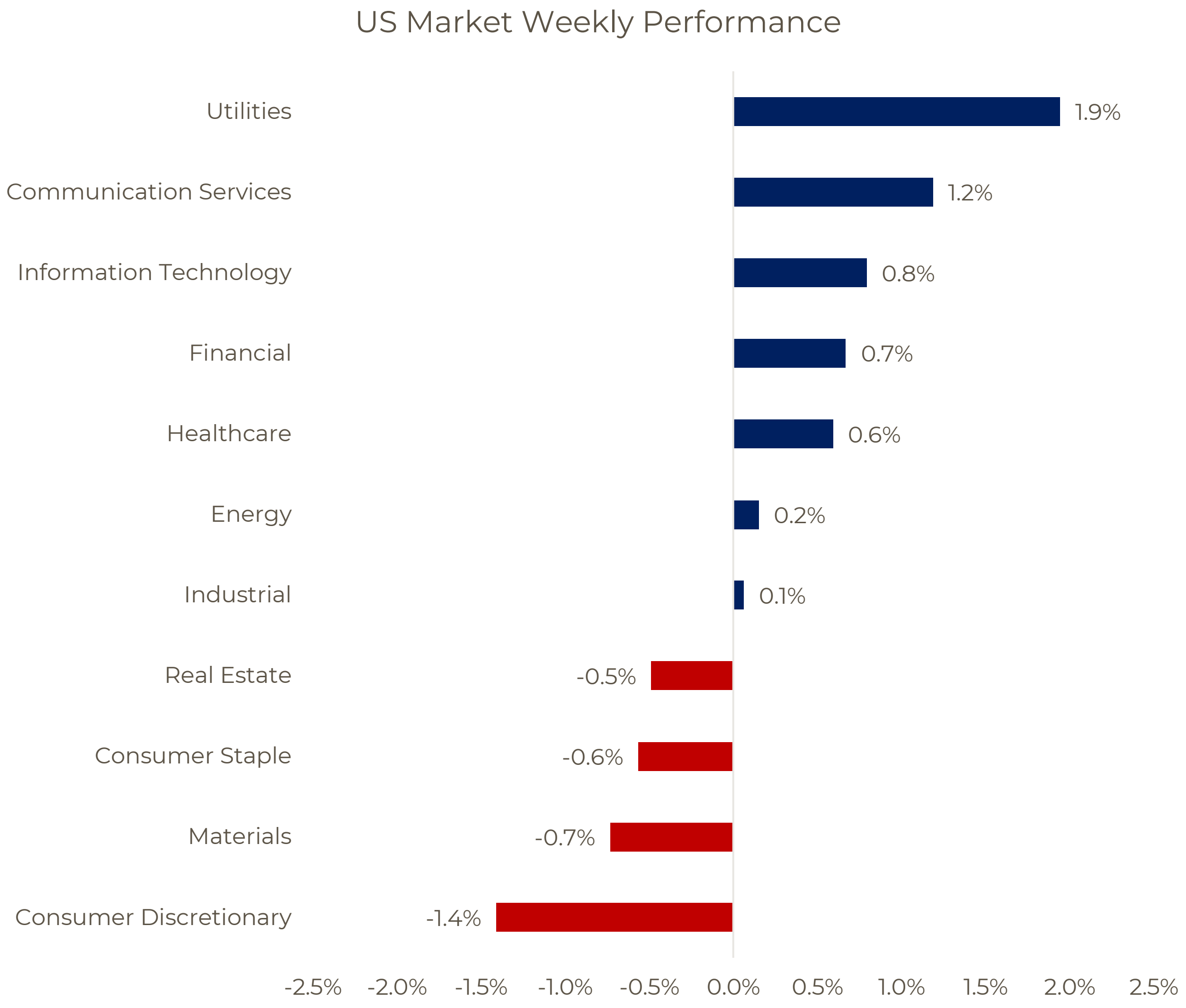
7 September 2026

Agenda

- Weekly Market Performance
- Playbook Scorecard
- Weekly – Interest Rates: Global Rate Gaps Set to Narrow
- Product Recommendation
- Q&A

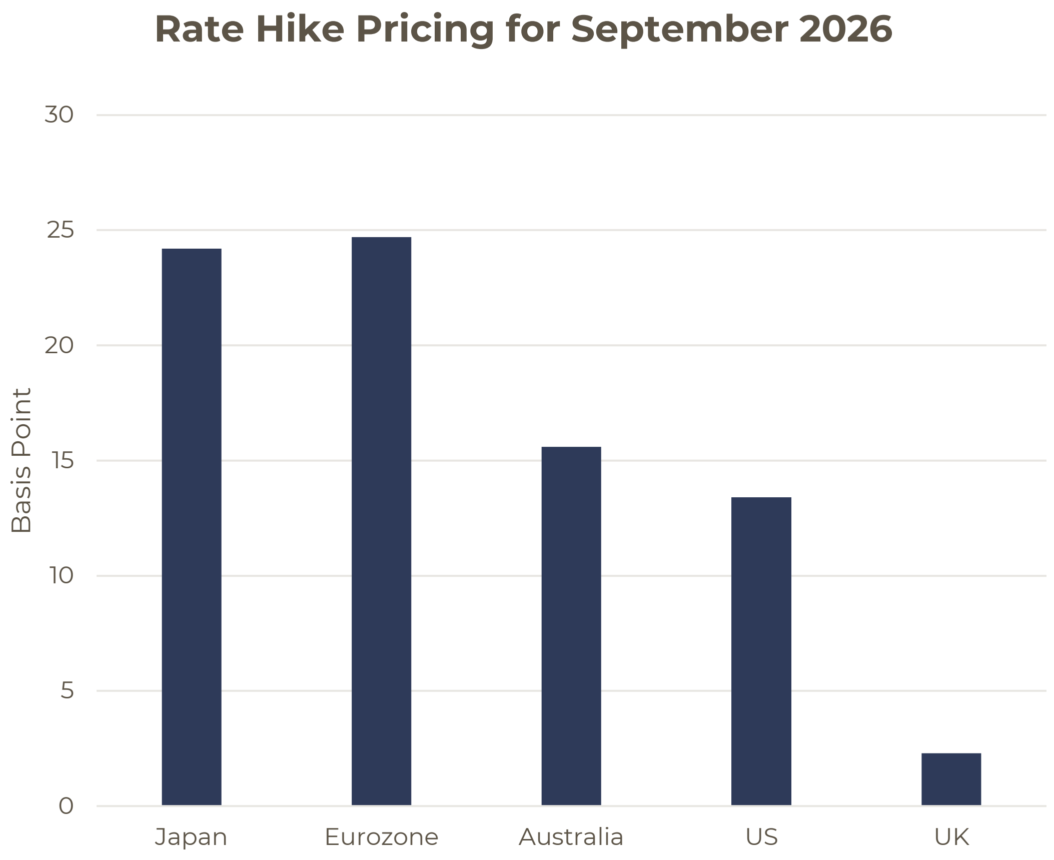
Market Performance

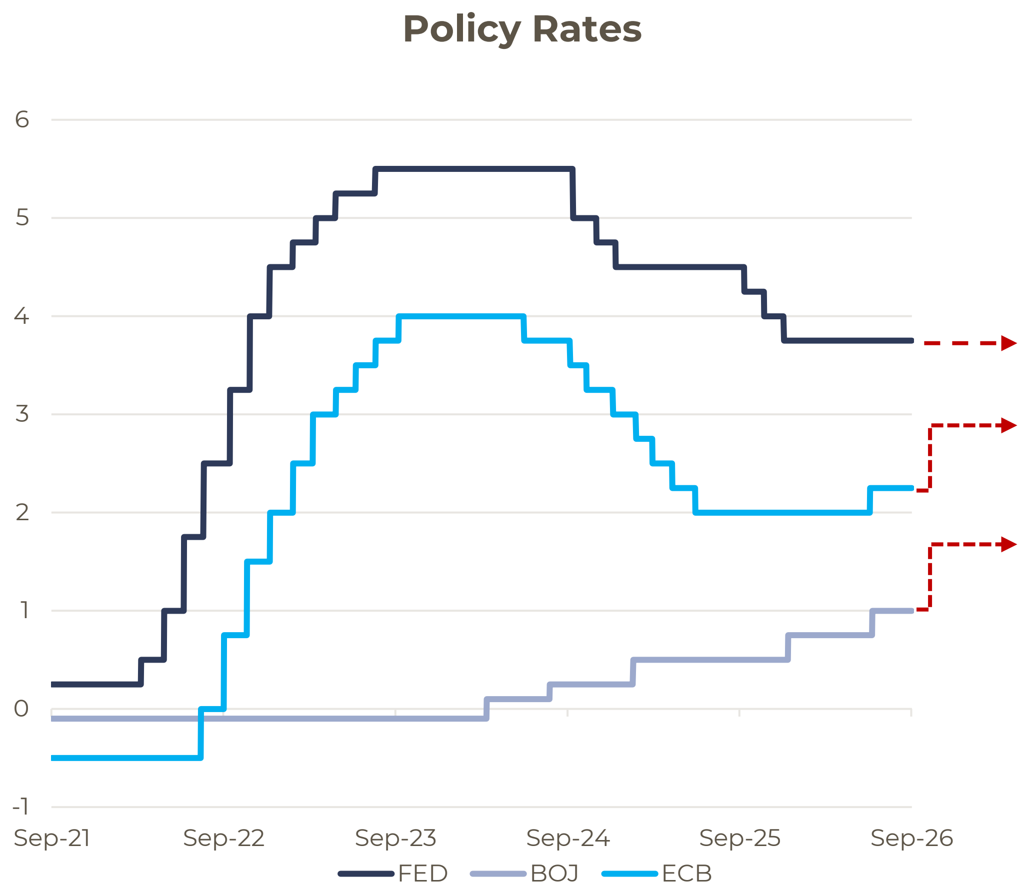




Source: Bloomberg, KGI Wealth As of 7 Sep 2026

Markets Are Pricing In Rate Hikes From Major Central Banks



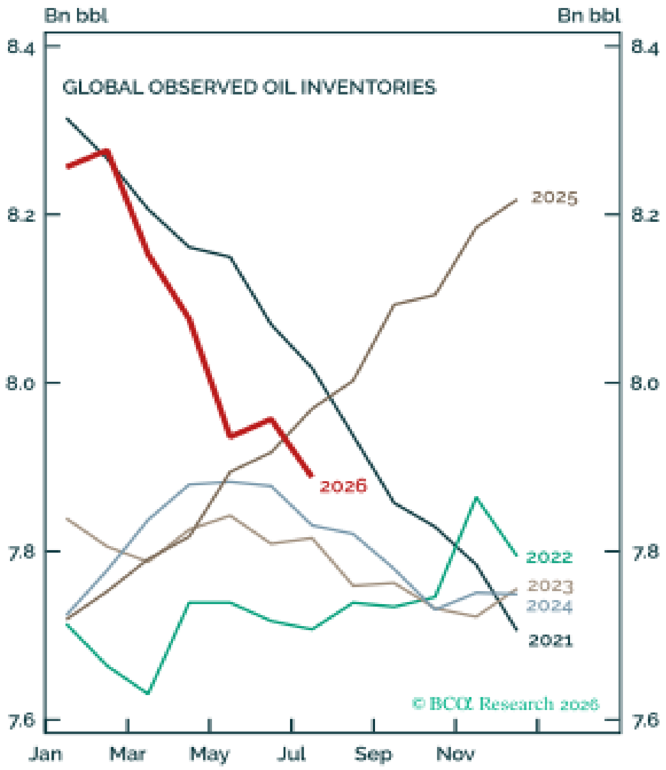


- We expect Japan and the Eurozone to hike this month, while the Fed stays on hold.

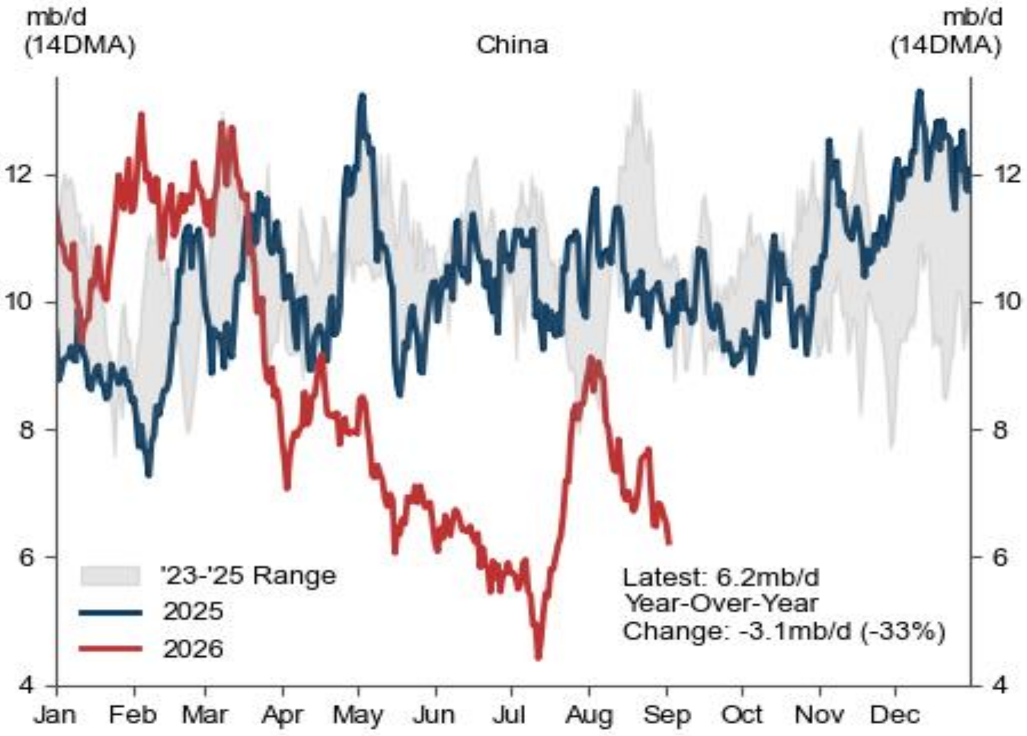
Source: Bloomberg; Data as of 4 September 2026

Fed: Oil Supply Pressure Is Easing, Not Building

Global Oil Inventories



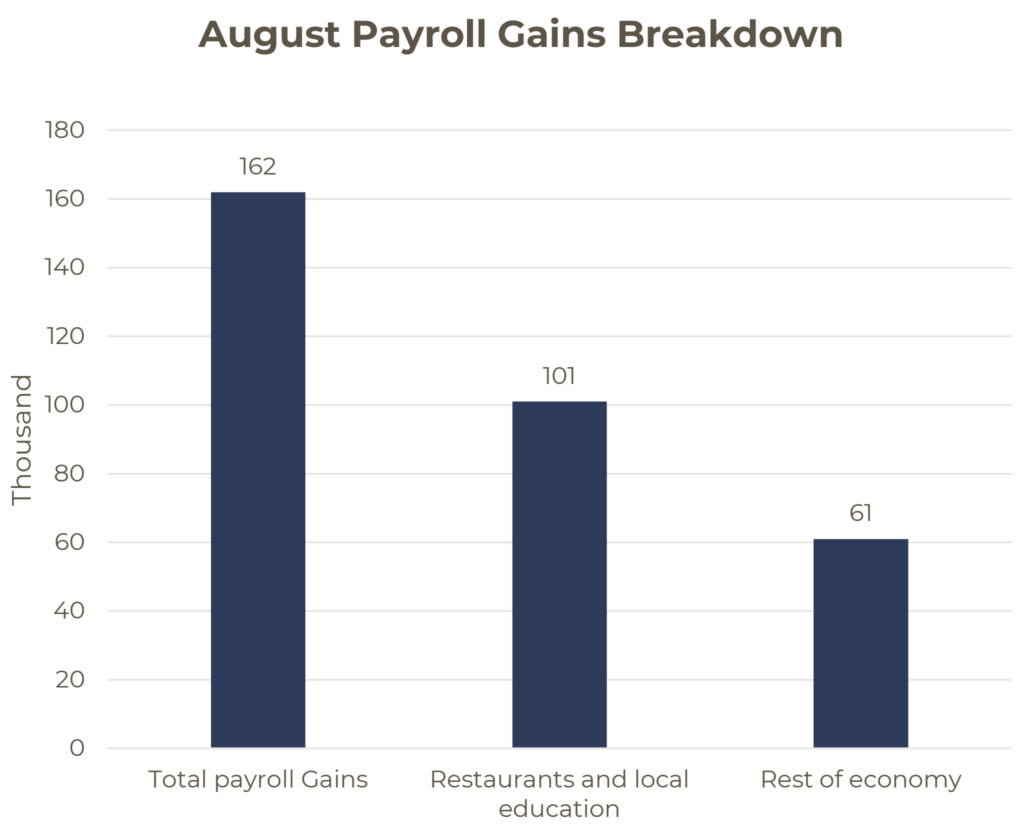
Net Import of Crude Oil



- The pace of inventory drawdowns slowed and China's price-sensitive imports pulled back.
- We keep our oil call at $80–90/bbl, with limited further upside.

Source: BCA Research, KGI Private Wealth

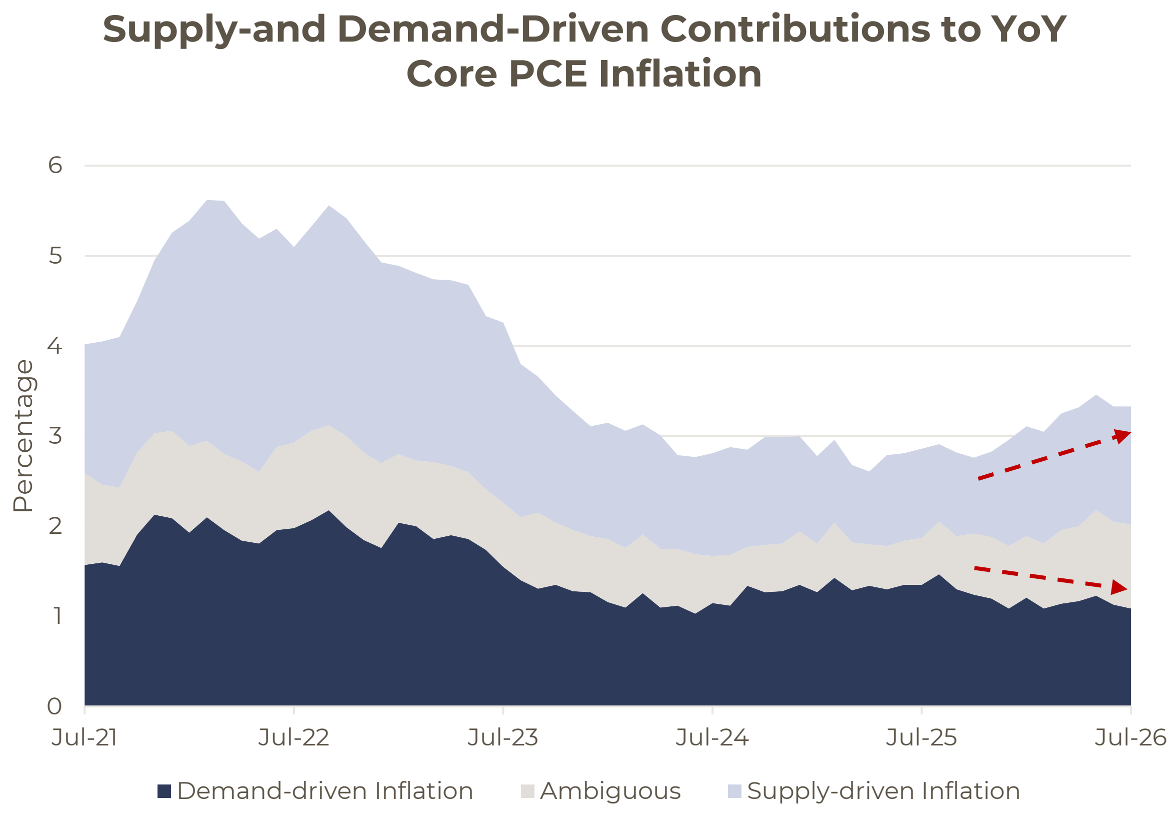
Fed: Labor Gains Reflect Seasonal Reversal, While Wage Growth Slows



- Two volatiles sectors drive 62% of August's Job surge.
- Wage growth moderated to 3.1% YoY, showing limited labor-driven inflation pressure and no clear second-round effects from energy prices.

Source: BSL, FRED , KGI Private Wealth

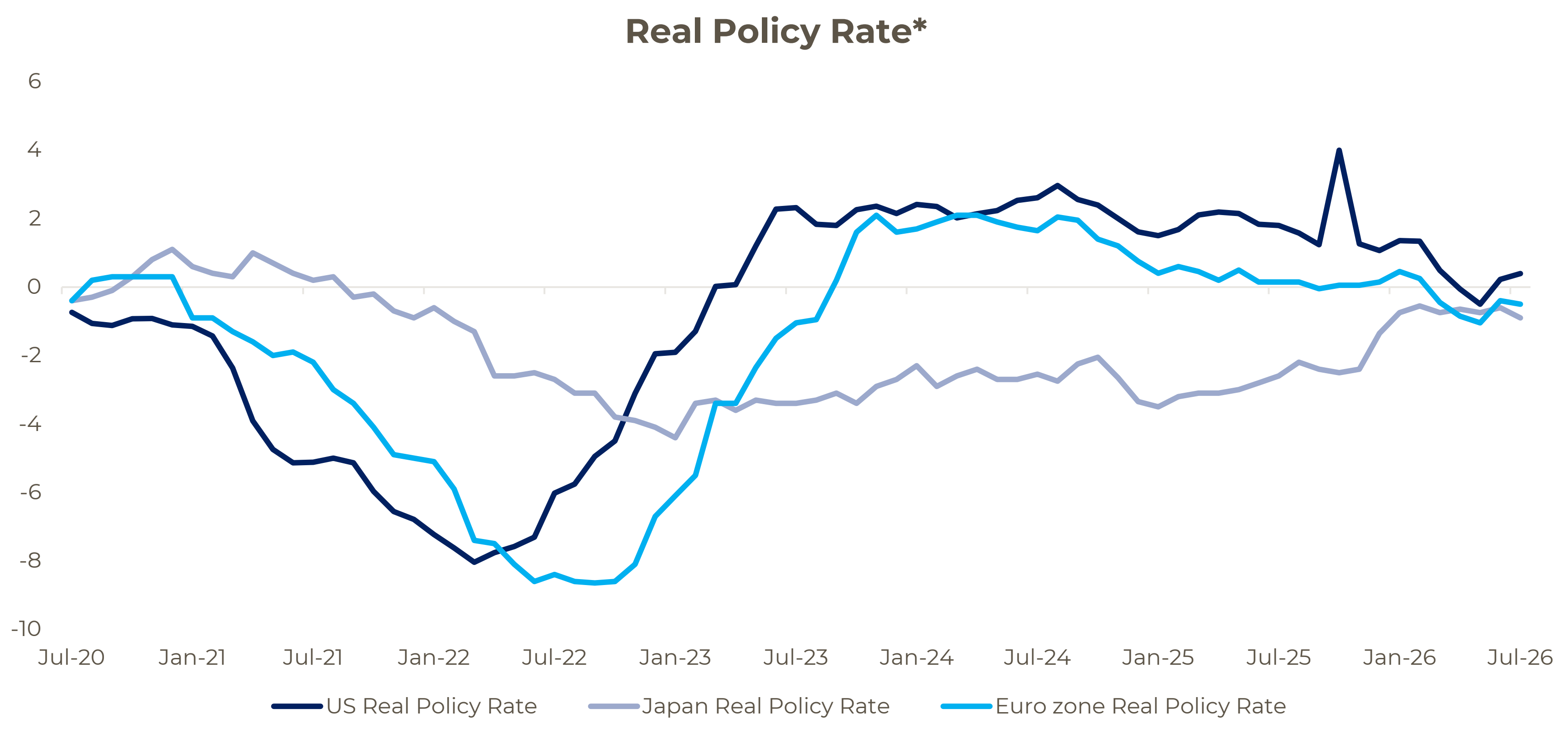
Fed: Core Inflation Is Supply-Driven, Not Demand-Driven



- Inflation remains largely supply-driven and beyond the Fed's control.

Source: Federal Reserve Bank of San Francisco , KGI Private Wealth

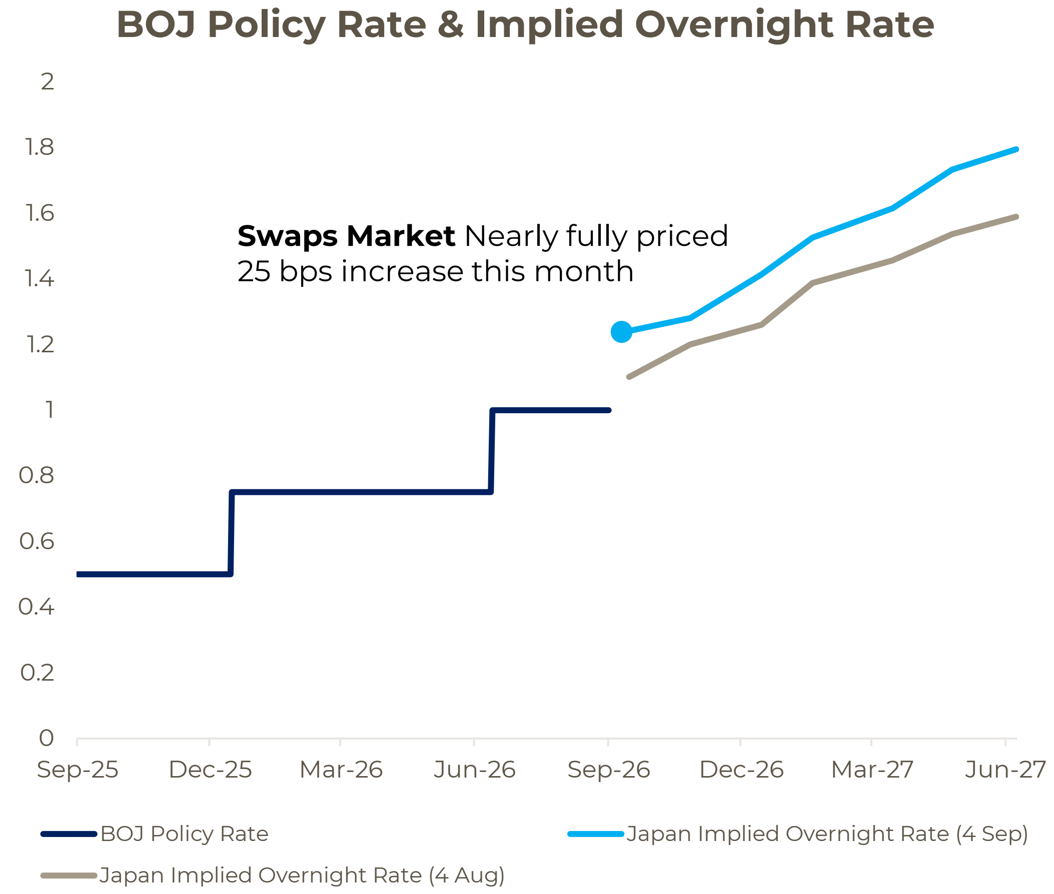
Fed: Positive Real Rates Give the Fed More Room to Wait, Unlike BOJ and ECB

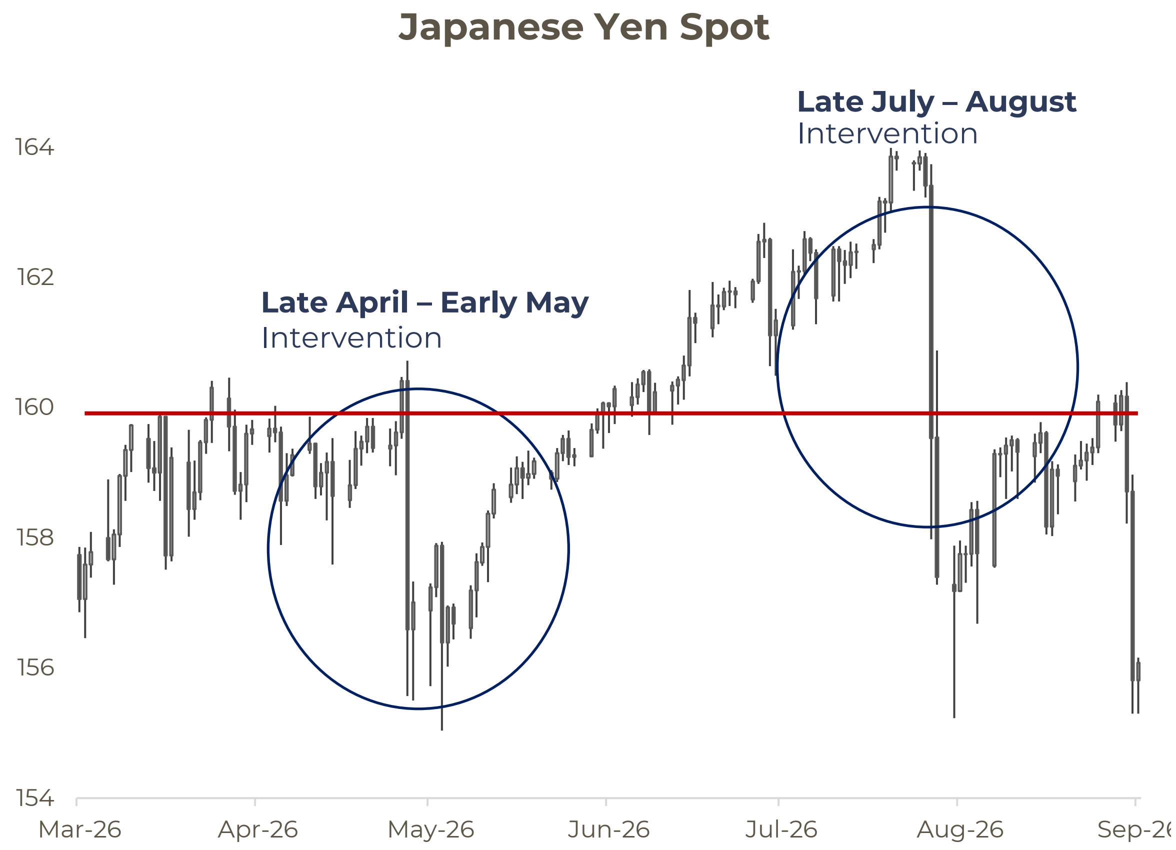


- US can afford to wait with positive real rates, while BOJ and ECB face greater pressure to hike as real rates remain negative.

Source: Bloomberg. *Real Policy Rate is calculated as the central bank's policy rate minus headline CPI inflation

BOJ: Leans Toward Rate Hike, Yen Rises

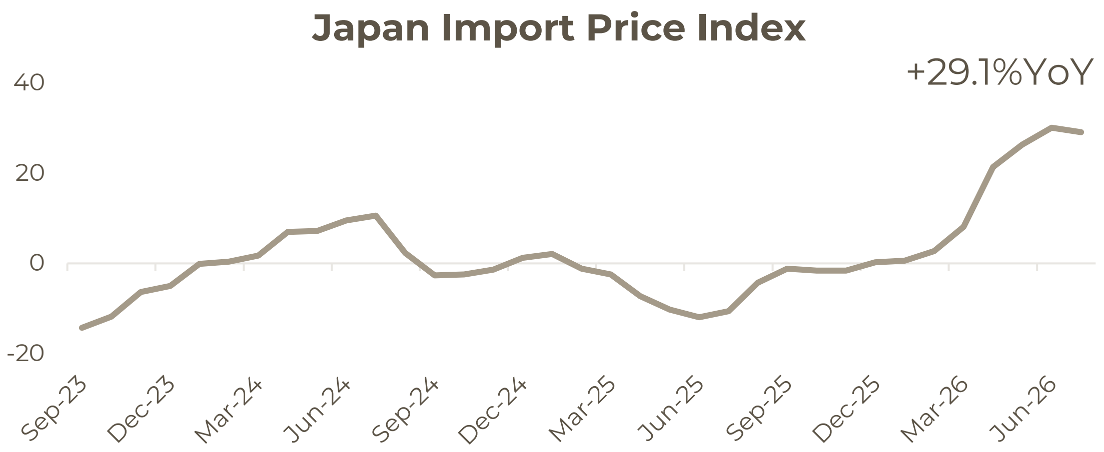


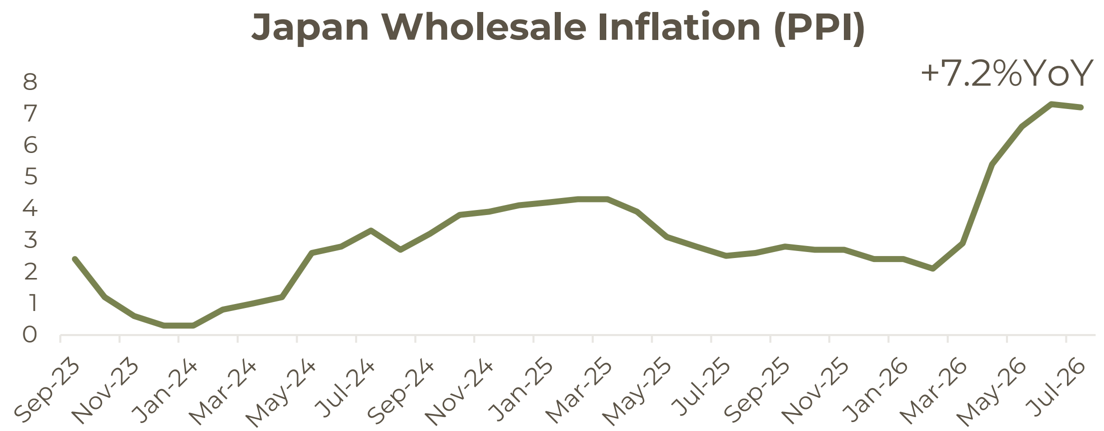


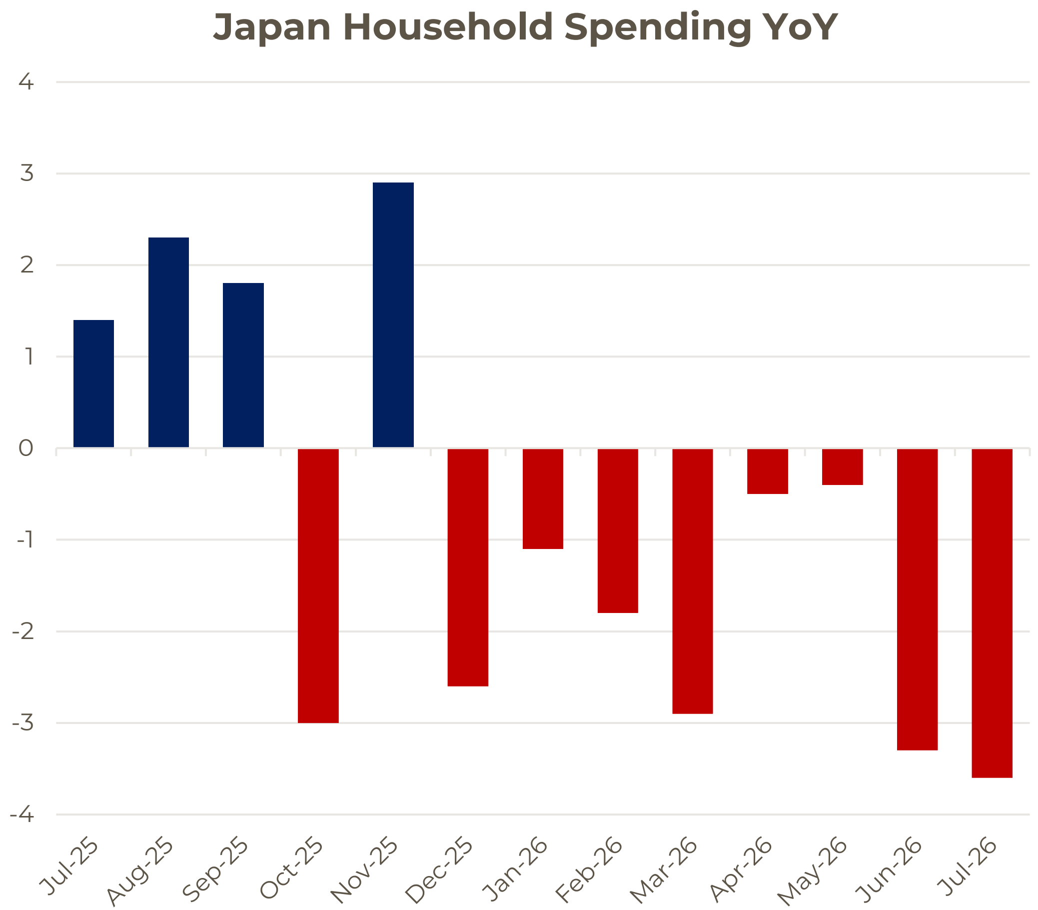
- BOJ signals stronger resolve to normalize policy as a weaker yen lifts import costs and inflation risks.

Source: Bloomberg, KGI Private Wealth

BOJ: The Cost of Not Hiking Now Outweighs The Cost of Hiking



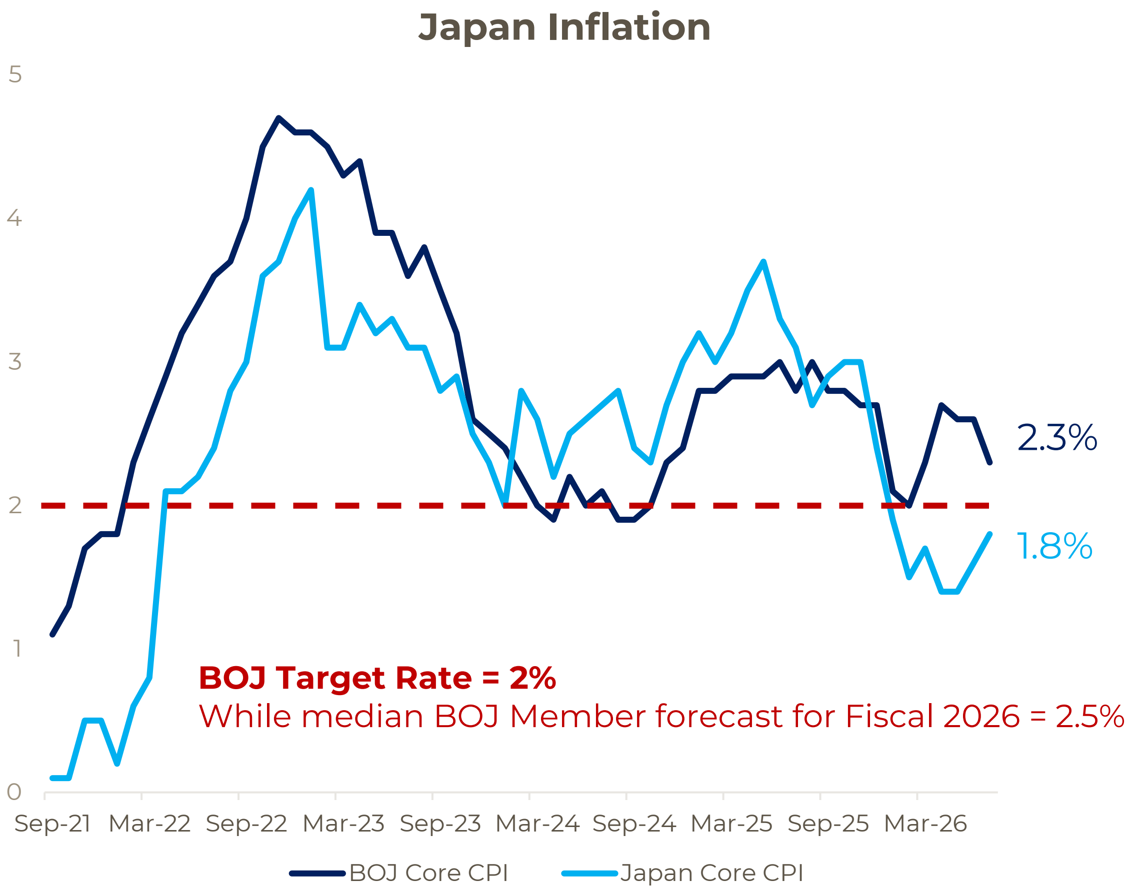




- A weak yen continues to push up import costs.
- Household spending fell for an eighth straight month as price pressures bite.

Source: Bloomberg, KGI Private Wealth

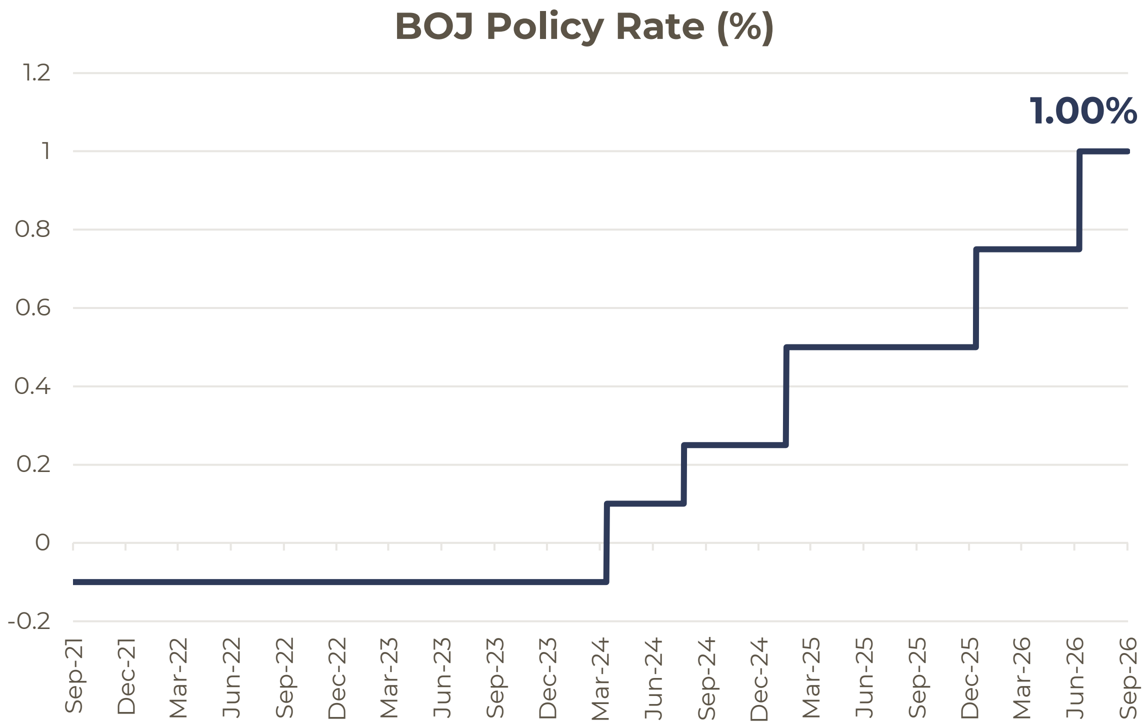
BOJ: Inflation Risks Leave Room For Further Hikes, But At Gradual Pace



- Persistent inflation supports further BOJ tightening, but higher rates may weigh on domestic growth.

Source: Bloomberg, BOJ Summary. BOJ Core CPI measures strip out special factors including the effects of government gasoline and utility subsidies

BOJ: Back-to-Back Rate Hikes Are Possible, But Not Set In Stone



Central Bank Rate Forecast - Japan

Global banks BOJ rate forecast	Current	Q3 26	Q4 26
Morgan Stanley	1	1	1.25
UBS	1	1.25	1.25
JPMorgan Chase	1	1.25	1.5
Goldman Sachs	1	1.25	1.25

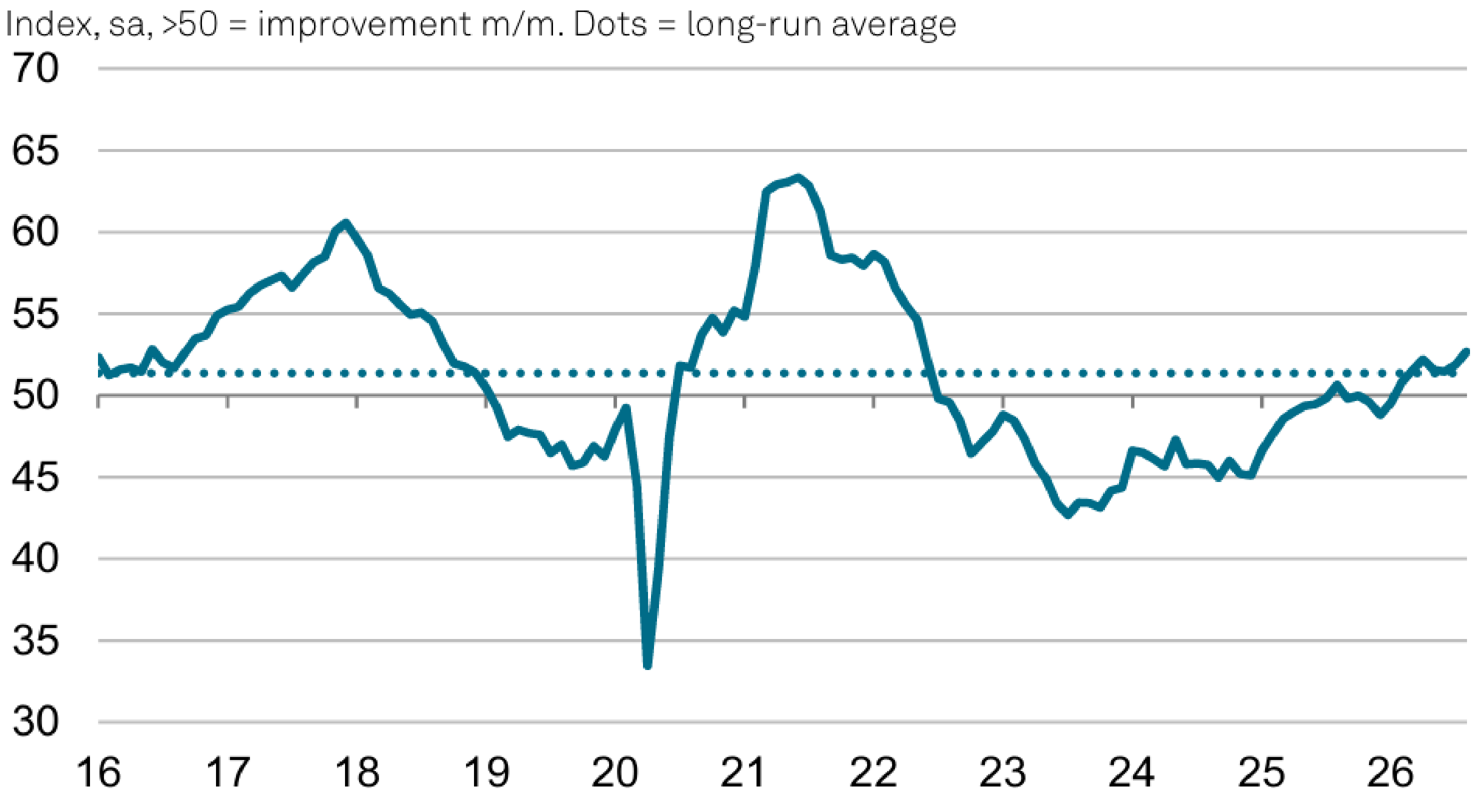
Factors That Could Slow or Accelerate the Pace of Rate Hikes:

- Upside risks to inflation
- FY2027 budget approval (Dec): potential pressure on JGB yields from fiscal concerns
- Yen fluctuations

Source: Goldman Sachs, Bloomberg

ECB: Eurozone Recovery Gains Momentum

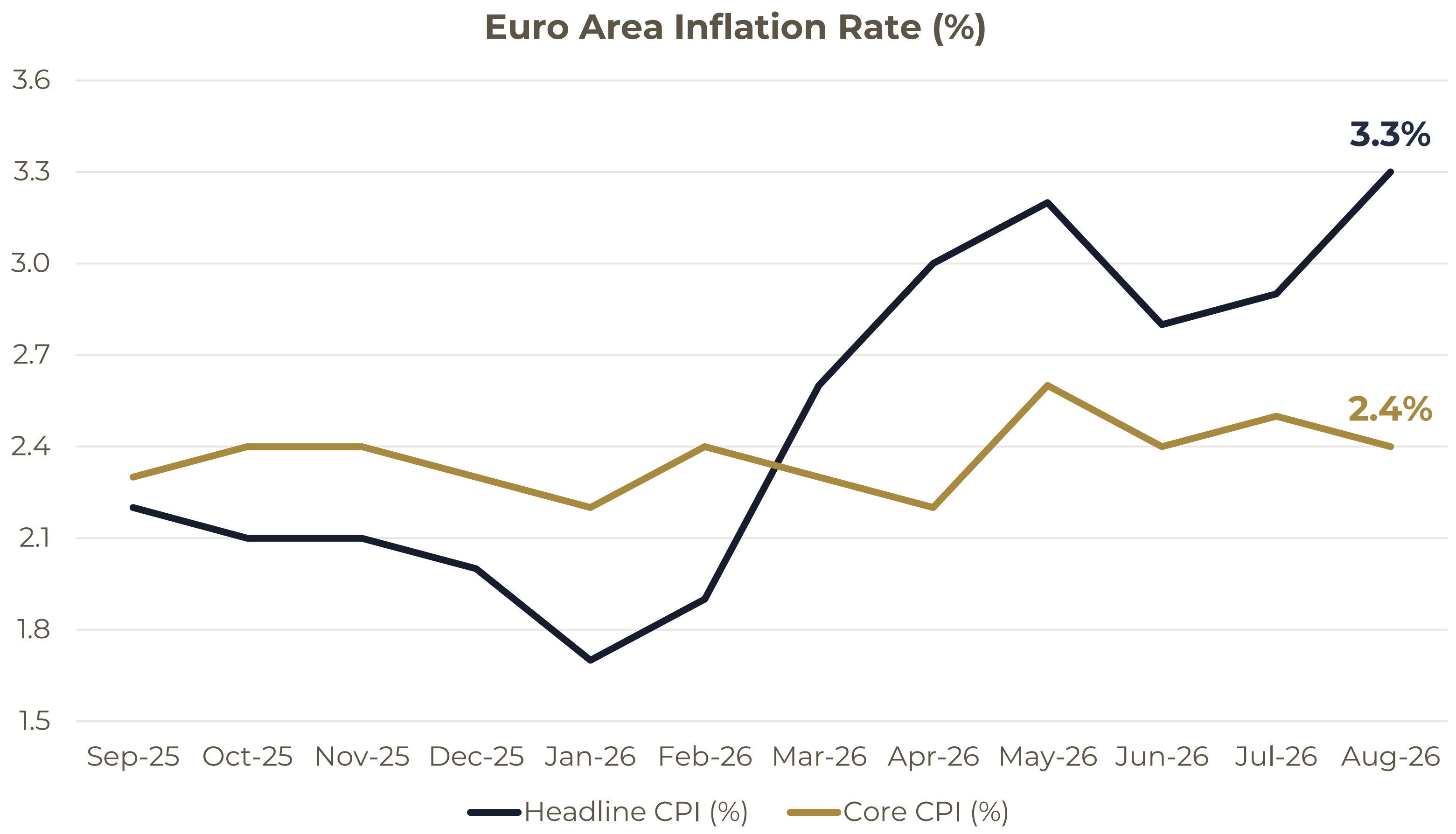
S&P Global Eurozone Manufacturing PMI



- Manufacturing PMI rose to 52.7 in August, its highest in over four years, as stronger output and new orders signal a broadening recovery, supported by fiscal stimulus and improving domestic demand.

Source: S&P Global PMI. Data were collected 10-21 August 2026.

ECB: Renewed Energy Pressures Keep Inflation Risks Elevated

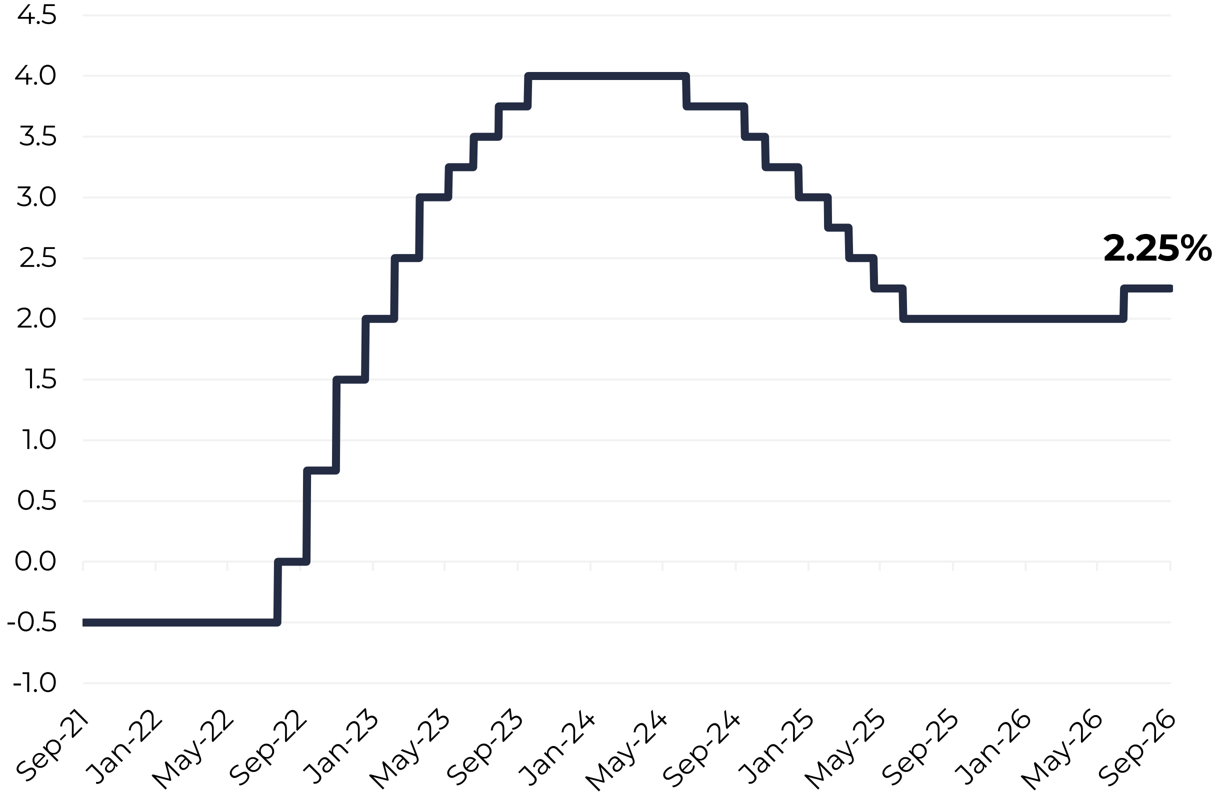


- Inflation remains above target at 2%, while renewed energy pressures increase the risk of prolonged inflation.

Source: Tradingeconomics

ECB: Hike Is About Inflation Control

ECB Deposit Facility Rate for Euro Area (%)



Central Bank Rate Forecast - ECB

Global banks ECB rate forecast	Current	Q3 26	Q4 26
Morgan Stanley	2.25	2.5	2.5
UBS	2.25	2.5	2.5
JPMorgan Chase	2.25	2.5	2.5
Goldman Sachs	2.25	2.5	2.5

- ECB targets energy-driven inflation and prevents second-round effects, with markets pricing in 25bps September hike.
- Rising bond yields are already tightening financial conditions, limiting room for further hikes.

Source: European Central Bank via FRED

Key Takeaway

What Happened:

- Global monetary policy is at a turning point, with Japan and Europe likely to hike while the Fed stays on hold.

KGI Private Wealth Analysis:

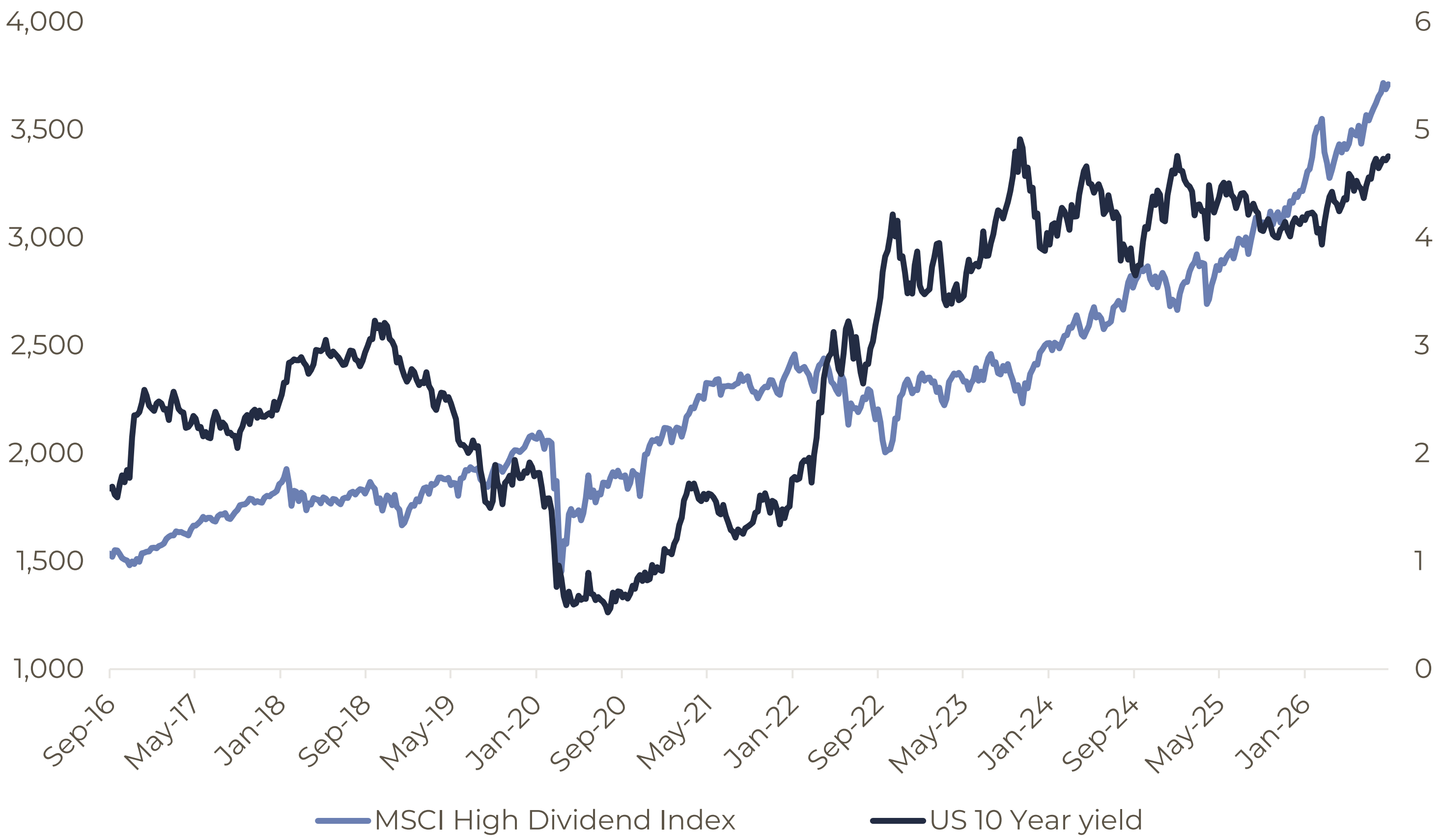
1) Markets might overpricing Fed hike risks, with energy inflation past its peak and limited pressure from the labor market.
2) Yen weakness is fueling imported inflation, supporting further BOJ hikes. However, fragile domestic growth should keep the pace gradual.
3) Europe's recovery continues, but energy-driven inflation supports 25 bps ECB hike in September, followed by a meeting-by-meeting approach.

Investment Implication:

- Shifting rate expectations may drive near-term volatility.
- We favor global high dividend equity.

Increasing Yield Doesn't Affect High Dividend Stocks More

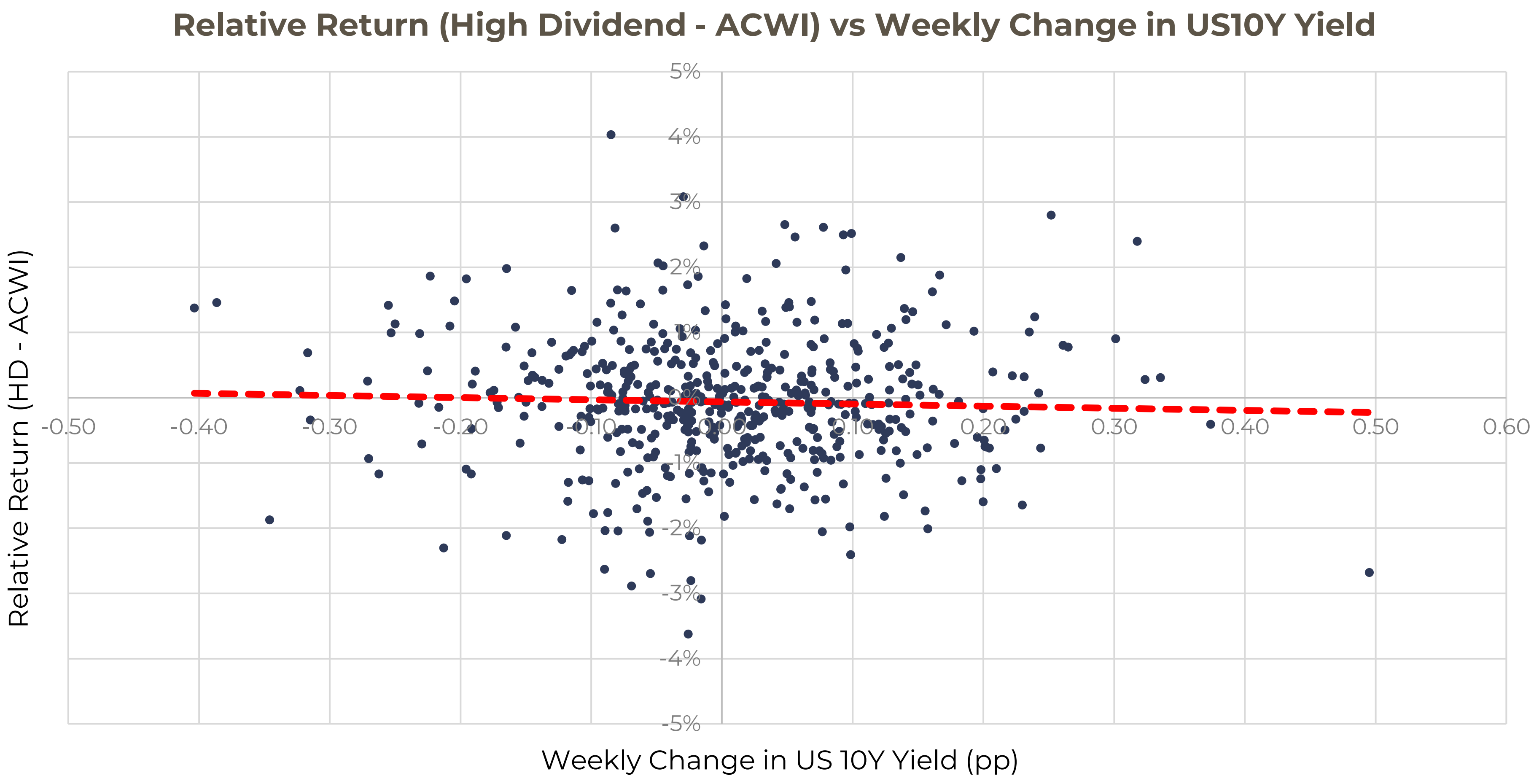
MSCI High Dividend Index & US 10-Y Yield



- Investors assume high dividend stocks lose their edge as yields rise because they act like bond proxies. In practice, that relationship doesn't hold.

Source: Bloomberg; data as of 4 September 2026

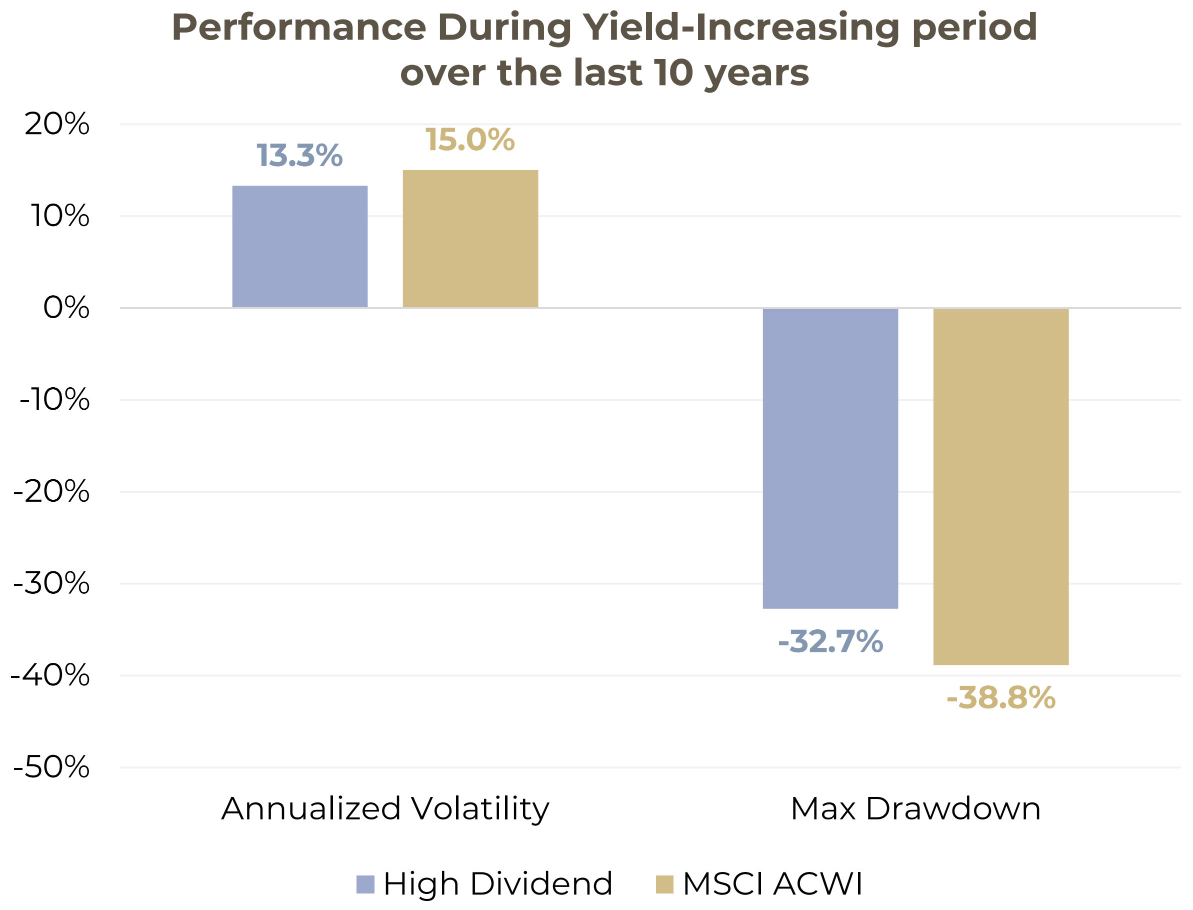
Dividend Stocks Hold Steadier Than The Broader Market



- High-dividend stocks show no greater sensitivity to rising yields than MSCI ACWI; if anything, ACWI moves more in both directions.

Source: KGI Private Wealth

High Dividend Stocks Shine When Yields Rise

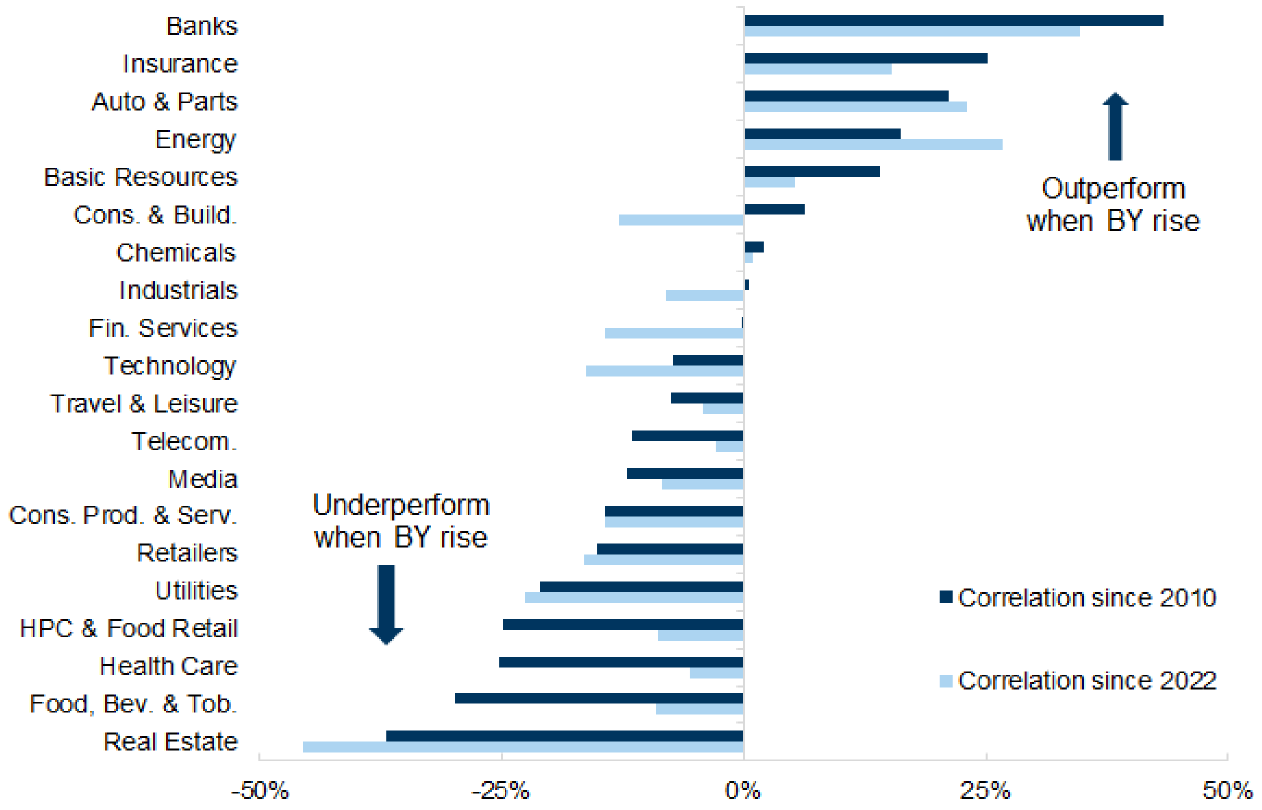


- High dividend stocks actually perform better in higher-yield cycles, with lower volatility and shallower drawdowns, cushioned by their value tilt and payout stream.

Source: KGI Private Wealth

Rising Yields Are A Tailwind For Banks

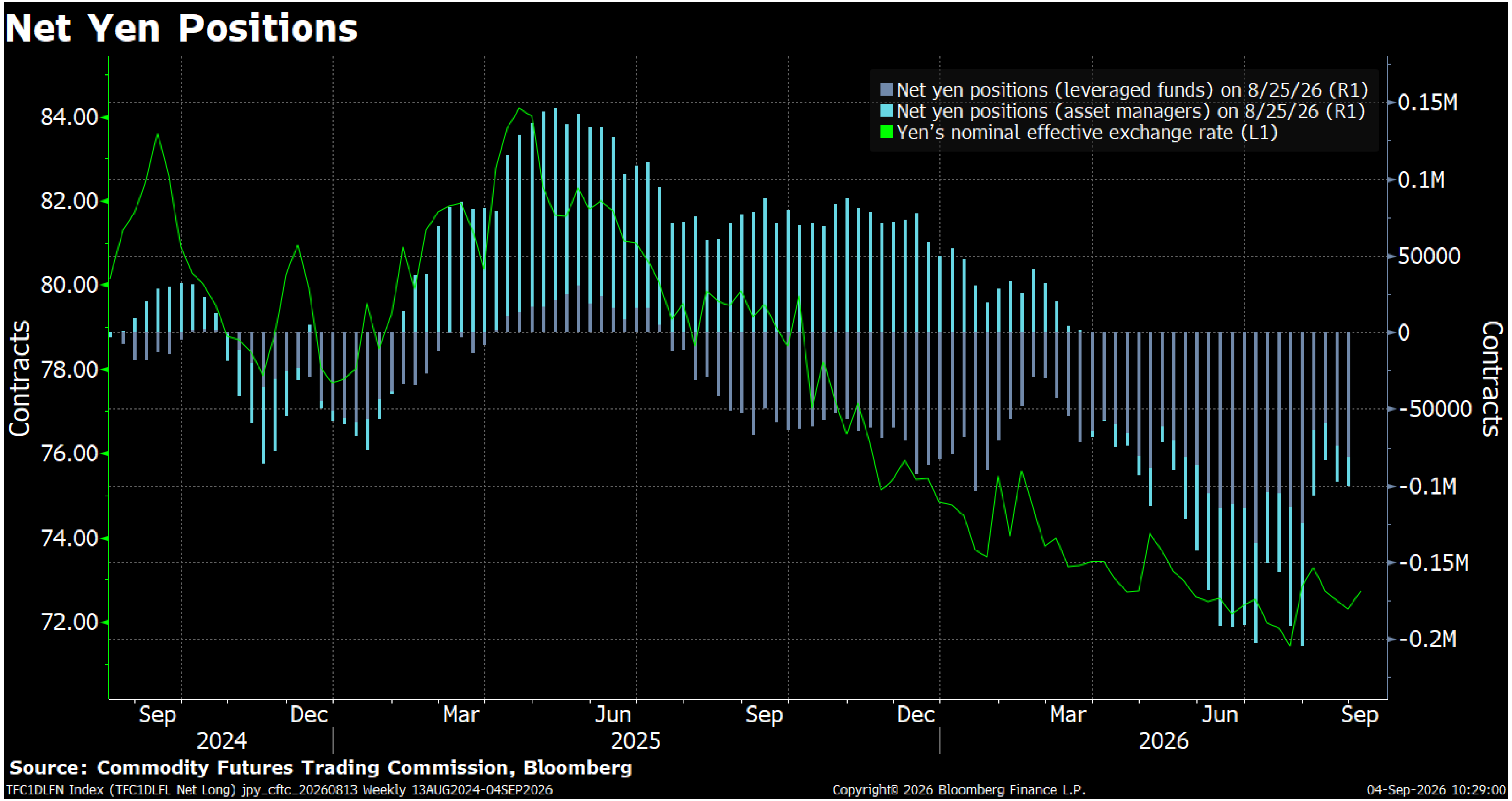
Correlation of Relative Performance of European Sectors with the German 10y Bund Yield (weekly changes)



- Banks tend to outperform when yields rise, driven by higher net interest margin and improved return on equity.

Source: Datastream, Goldman Sachs Global Investment Research

Appendix: CTFC CME Japanese Yen Net Non-Commercial



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