Why the ECB Is Raising Rates in the Face of an Energy Shock

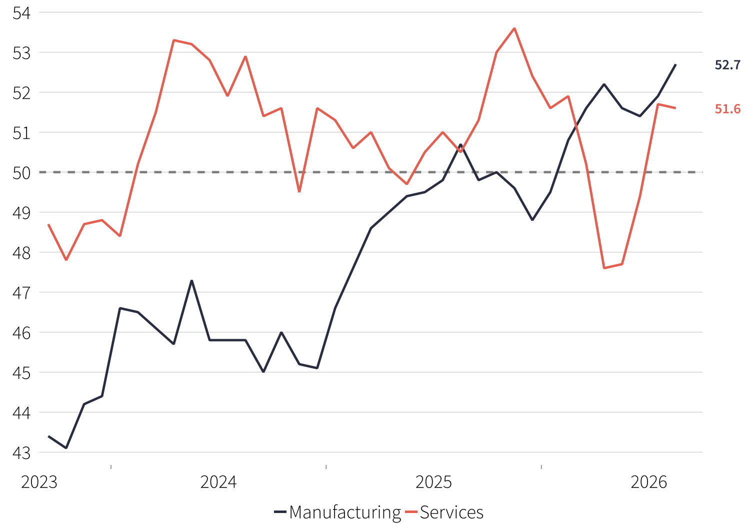
The European Central Bank's latest rate hike may appear counterintuitive. Today's inflation is largely driven by higher energy prices resulting from geopolitical tensions and supply constraints. Raising interest rates will neither increase the production of oil and gas nor directly lower their prices. Instead, the ECB aims to prevent this shock from spreading to wages, services prices and inflation expectations. From that perspective, the decision can be justified at the euro area level, even though the ongoing rise in long-term interest rates calls for caution. It may also appear difficult to reconcile with the specific circumstances of the French economy

The ECB cannot prevent the energy shock itself, but it must ensure that it does not become permanently embedded in the broader economy. In August, euro area inflation reached 3.3%, well above the 2% target, largely reflecting a 14.3% increase in energy prices. A temporary overshoot of the target does not automatically warrant tighter monetary policy, as the ECB operates with a medium-term horizon. However, the longer the energy shock persists, the greater the risk that it feeds into corporate pricing, wage negotiations and households' inflation expectations. By raising rates, the ECB is therefore not attempting to address the initial source of inflation. Rather, it seeks to moderate demand and prevent second-round effects that could transform a sector-specific price increase into more generalized inflation.

That said, the rate hike reflects more of an insurance strategy than a need to cool an overheating economy. So far, evidence of broader inflationary spillovers remains limited. Euro area core inflation, excluding energy and food, eased from 2.5% to 2.4% in August and therefore remains relatively close to the ECB's target. The European economy has proved more resilient than expected, but there are few signs of overheating at this stage. At the same time, the broad-based increase in long-term interest rates is already tightening financial conditions. This reflects the resilience of global growth, more persistent inflation risks and rising public and private financing needs. Higher borrowing costs are likely to weigh progressively on investment, real estate activity and consumption. In other words, part of the monetary tightening is already occurring through market channels, arguing for a gradual approach rather than an abrupt tightening cycle.

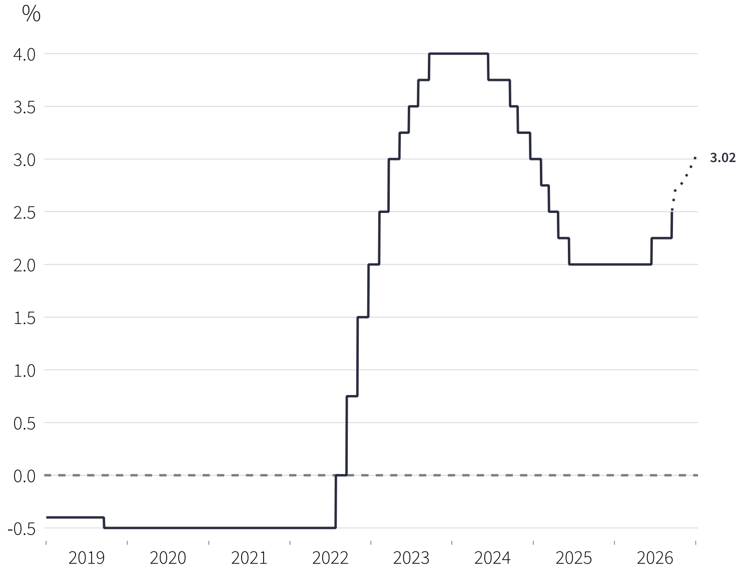
A decision that is coherent for the euro area as a whole may nevertheless appear overly restrictive from a French perspective. With headline inflation at 2.7% and core inflation limited to 1.2%, France remains among the countries experiencing the weakest inflationary pressures. Economic activity is also markedly softer than elsewhere in the euro area: growth is close to zero, wage growth is more moderate and credit expansion remains subdued. Domestic price pressures therefore appear less intense than in the rest of the monetary union. However, the ECB does not set policy according to French economic conditions alone. It conducts monetary policy for the euro area as a whole. A limited and gradual rate increase can therefore be appropriate on average, even if it places an additional burden on the least dynamic economies. The challenge is to preserve the credibility of the 2% inflation target without unnecessarily deepening the economic slowdown.

EURO AREA BUSINESS SENTIMENT INDICATORS



Sources: Société Générale Investment Solutions, Macrobond, S&P Global 08/2026

EVOLUTION OF KEY RATES AND EXPECTATIONS



Sources: Société Générale Investment Solutions, Macrobond, ECB, Eurex Exchange, New York Fed, CME Group, BoE, ICE, RBA, ASX, BOJ, JPX 21/09/2033

SOCIETE GENERALE
Private Banking

OUR MACRO COMMENTS

Events of the week

ENERGY TENSIONS WEIGH ON FINANCIAL MARKETS

Energy prices rose sharply again this week. Escalating geopolitical tensions in the Middle East and concerns over potential supply disruptions pushed Brent crude above $100 per barrel, reigniting inflation risks. Bond markets responded with a further increase in yields, with the US 10-year Treasury yield approaching 5% and its French equivalent rising towards 4.5%. The ECB, as widely expected, raised its key policy rates by 25 basis points, while investors are now increasingly pricing in potential rate hikes by the Federal Reserve, the Bank of England and the Bank of Japan, all of which meet next week. This combination of higher energy prices and rising interest rates weighed on global equity markets. US stock indices moved lower, with technology shares particularly affected, while the energy sector proved more resilient.

THE INTERVENTION OF THE AUTHORITIES ALLOWS THE YEN TO REGAIN ITS COLORS

The JPY has appreciated sharply against the main currencies since the summer. Indeed, the Japanese currency has reached a level of 154 yen per dollar, an appreciation of 4% compared to its level at the beginning of September and 6% since its level at the end of July. This appreciation reflects first and foremost the interventions of the Japanese and American authorities to revalue the Japanese currency. In this sense, the Japanese Treasury has sold nearly USD 100 billion of reserves since between April and August and it is likely that these interventions continued in September. In addition to the interventions of the Japanese Treasury, there are also interventions by the US Treasury but these are on a smaller scale. The Japanese Treasury still maintains significant foreign exchange reserves, to the tune of USD 1000 billion. Secondly, the appreciation of the yen also reflects the continued tightening of the Bank of Japan's cycle. The monetary authority is expected to raise its key rate to 1.25% and it is expected to continue this cycle in a context where core inflation is stabilising at around 2% and growth remains resilient.

EVENTS IN THE COMING MONTHS

- 16 September: Fed monetary policy meeting
- 18 September: BoJ monetary policy meeting

Source: Macrobond, September 11, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

EVENTS AND KEY FIGURES TO COME

Tuesday

China	Retail Sales AUGUST Industrial production AUGUST

Wednesday

United Kingdom	Inflation rate AUGUST
United States	Retail Sales AUGUST Export and import prices AUGUST Monetary Policy Meeting

Friday

United States	Industrial production AUGUST

SOCIETE GENERALE
Private Banking

MARKET PERFORMANCES

Interbank rates

%	09/09/2026	11/08/2026	11/06/2026	01/01/2024	11/09/2025
US SOFR	3,649	3,63	3,59	5,34	4,37
Euro area €ster	2,189	2,18	1,93	3,88	1,93
UK SONIA	3,730	3,73	3,73	5,19	3,97
Switzerland SARON	-0,038	-0,05	-0,04	1,70	-0,04
Japan TONAR	0,977	0,98	0,73	-0,04	0,48

10Y Government rates

%	10/09/2026	11/08/2026	11/06/2026	01/01/2024	11/09/2025
US Treasuries	4,95	4,70	4,45	3,88	4,01
France OAT	4,43	3,96	3,75	2,55	3,38
Germany Bund	3,50	3,15	3,03	2,02	2,64
Italy BTP	4,38	3,94	3,84	3,70	3,47
Spain Bonos	3,97	3,59	3,47	2,98	3,22
Switzerland	0,54	0,48	0,49	0,66	0,25
UK Gilts	5,37	5,03	4,98	3,60	4,62
Japan JGB	2,86	2,79	2,65	0,62	1,56

Credit

%	10/09/2026	11/08/2026	11/06/2026	01/01/2024	11/09/2025
United States IG	5,71	5,44	5,17	5,06	4,72
United States HY	7,63	7,26	7,13	7,59	6,60
Europe IG	4,30	3,85	3,77	3,72	3,30
Europe HY	6,28	5,89	5,73	6,80	5,28
Emerging FX	6,11	5,91	5,79	6,77	5,65

Equity indices

10/09/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-1,46	-1,50	2,904	63,09	20,61
United States	-1,74	-1,92	2,644	62,82	17,83
Euro area	-1,69	-3,60	2,404	52,18	19,78
France	-1,95	-6,64	-0,646	18,93	8,57
Germany	-2,66	-3,36	4,117	46,02	6,92
United Kingdom	-2,14	-1,99	3,866	48,76	18,12
Japan	-1,04	-1,03	5,193	82,42	33,69
Emerging	0,83	2,72	2,510	82,42	35,06
China USD	-2,48	-4,15	-0,139	40,16	-13,27
India USD	-2,17	-2,89	5,144	7,24	-6,45
Latin America USD	0,65	7,51	7,943	35,31	33,66

Foreign exchange rates

	10/09/2026	11/08/2026	11/06/2026	01/01/2024	11/09/2025
EUR/USD	1,16	1,15	1,15	1,11	1,17
GBP/USD	1,35	1,35	1,33	1,27	1,36
EUR/CHF	0,94	0,94	0,92	0,93	0,93
USD/JPY	153,86	159,21	160,50	141,03	147,26
USD/CNY	6,71	6,75	6,77	7,08	7,12

Commodity prices

	10/09/2026	11/08/2026	11/06/2026	01/01/2024	11/09/2025
Brent, USD/BL	106	88	89	77	66
Copper, USD/Metric ton	14 390	14 425	13 420	8 476	9 926
Gold, USD/Troy oz	4 317	4 368	4 211	2 063	3 634
Silver, USD/Troy oz	64	65	67	24	42
Palladium, USD/Troy oz	1 312	1 388	1 256	1 123	1 196
Platinium, USD/Troy oz	1 823	1 770	1 694	1 008	1 398

Source : Bloomberg on 11 September 2026, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..

SOCIETE GENERALE
Private Banking

IMPORTANT INFORMATION – PLEASE READ

General information

This document is a marketing communication issued by Société Générale Private Banking which is the business line of the Société Générale Group operating through its headquarters within Société Générale S.A. in France and its network (departments or separate legal entities (branches or subsidiaries) hereinafter the “Entities”),), located on the various below-mentioned territories, acting under the brand name "Societe Generale Private Banking" and distributors of the present document.

This material has been prepared solely for informational purposes and has no contractual value.

This material does not constitute an offer of purchase, sale, or subscription in any of the asset classes presented herein, nor a solicitation of such an offer, nor is it an offer of financial services, to participate in any investment strategy. Nothing in this document should be construed as constituting investment advice or personal recommendation to any investor or its agent. Information contained herein is not intended to provide a basis on which to make an investment decision.

Any investment may have tax consequences and Société Générale Private Banking and its Entities do not provide tax advice. The level of taxation depends on individual circumstances and tax levels and bases may change. In addition, this document is not intended to provide accounting, tax or legal advice and should not be relied upon for accounting, tax, or legal purposes. Independent advice should be sought where appropriate.

The accuracy, completeness or relevance of the information provided is not guaranteed although it has been drawn from sources believed to be reliable. The information and opinions expressed in this document were produced as at the date of writing and are subject to change without notice.

This material has not been prepared regarding specific investment objectives, financial situations, or the particular needs of any specific entity or person. Investors should make their own appraisal of the risks and should seek their own financial and legal advice regarding the appropriateness of investing in any asset classes or participating in any investment strategy.

The asset classes presented herein may be subject to restrictions regarding certain persons or in certain countries under national regulations applicable to said persons or in said countries. It is the responsibility of any person in possession of this document to inform themselves and to comply with the legal and regulatory provisions of the relevant jurisdiction. This document is not intended for distribution to any person or in any jurisdiction where such distribution would be restricted or illegal. In particular, it may not be distributed in the United States, nor may it be distributed, directly or indirectly, in the United States or to any US Person.

General risks

Some of the asset classes mentioned may present various risks, imply a potential loss of the entire amount invested or even an unlimited potential loss, and may therefore only be reserved for a certain category of investors, and/or only be suitable for well-informed investors who are eligible for these asset classes. In addition, these asset classes must comply with the Société Générale Group's Code of Tax Conduct.

The price and value of investments and the income derived from them may go down as well as up. Changes in inflation, interest rates and exchange rates may adversely affect the value, price and income of investments denominated in a currency other than that of the client. Any simulations and examples contained in this document are provided for illustrative purposes only. This information is subject to change because of market fluctuations, and the information and opinions contained herein may change. Société Générale Private Banking does not undertake to update or amend this document and will not assume any liability in this regard.

This document is for information purposes only and investors should make their investment decisions without relying on this document. Société Générale Private Banking and its Entities shall not be liable for any direct or indirect loss arising from any use of this document or its contents. Société Générale Private Banking and its Entities do not make any warranty, express or implied, as to the accuracy or completeness of this information or as to the profitability or performance of any asset class, country, or market.

Past performance does not predict future returns. The value of an investment is not guaranteed, and the valuation of investments may fluctuate.

Forecasts of future performance are based on assumptions which may not materialized. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

For a more complete definition and description of the risks, please refer to the prospectus of the product or other legal information document as the case may be (as applicable) before making any final investment decisions.

This document is confidential, intended exclusively for the person to whom it is addressed, and may not be communicated or made known to third parties (except for external advisers and provided that they themselves respect confidentiality), nor reproduced in whole or in part, without the prior written agreement of Société Générale Private Banking and its Entities.

Conflicts of interest

The Societe Generale Group maintains an effective administrative organization that takes all necessary measures to identify, control and manage conflicts of interest. To this end, Societe Generale Private Banking and its Entities have put in place a conflict of interest policy to prevent conflicts of interest, including information Chinese walls.

This document contains the views of SGPB teams. Société Générale trading desks may trade, or have traded, as principal on the basis of the teams’ views and reports. In addition, SGPB teams receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Société Générale group and competitive factors.

As a general matter, entities within the Société Générale group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Société Générale group may from time-to-time deal in, profit from trading on, hold on a principal basis, or act as advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

IMPORTANT INFORMATION – PLEASE READ

Entities within the Société Générale group may be represented on the supervisory board or on the executive board of such persons, firms or entities.

Employees of the Société Générale group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Société Générale may acquire or liquidate from time-to-time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Société Générale group are under no obligation to disclose or consider this document when advising or dealing with or on behalf of customers.

In addition, Société Générale may issue other reports that are inconsistent with and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Société Générale group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. Société Générale Private Banking has put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of its clients. For further information, please refer to the management of conflicts of interest's policy, which was provided.

Specific information per jurisdiction

FRANCE : Unless expressly stated otherwise, this document is published and distributed by Société Générale, a credit institution providing investment services authorised by and under the prudential supervision of the European Central Bank ("ECB") (located at ECB Tower, Sonnemannstraße 20, 60314 Frankfurt am Main, Germany) within the Single Supervisory Mechanism and supervised by the Autorité de Contrôle Prudentiel et de Résolution (located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09) and the Autorité des Marchés Financiers ("AMF") (located at 17 Pl. de la Bourse, 75002 Paris).

Société Générale is also registered with the ORIAS as an insurance intermediary under the number 07 022 493 orias.fr.

Société Générale is a French public limited company with a capital of EUR 1.000.395.971,25 as of September 23, 2024, whose registered office is located at 29 boulevard Haussmann, 75009 Paris, and whose unique identification number is 552 120 222 R.C.S. Paris. Further details are available on request or at www.privatebanking.societegenerale.com.

LUXEMBOURG : This document is distributed in Luxembourg by Societe Generale Luxembourg, a credit institution which is authorized and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") under the prudential supervision of the European Central Bank- ECB, and whose head office is located at 11, avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at https://www.societegenerale.lu/. No investment decision whatsoever may result from solely reading this document. Societe Generale Luxembourg accepts no responsibility for the accuracy or otherwise of information contained in this document. Societe Generale Luxembourg accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and Societe Generale Luxembourg does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or Societe Generale Luxembourg unless otherwise mentioned. Societe Generale Luxembourg has neither verified nor independently analyzed the information contained in this document. The Commission de Surveillance du Secteur Financier has neither verified nor independently analysed the information contained in this document

MONACO : The present document is distributed in Monaco by Societe Generale Private Banking (Monaco) S.A.M., located 11 avenue de Grande Bretagne, 98000 Monaco, Principality of Monaco, governed by the 'Autorité de Contrôle Prudentiel et de Résolution' and the 'Commission de Contrôle des Activités Financières'. The financial products marketed in Monaco can be reserved for qualified investors in accordance with the Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.com.

Réf. : (A) 733807. Crédits photos : Getty Images © Guillaume Chanson.
N° ADEME : FR231725_01YSGB 08/2024.