

MARKET COMMENTARY

September 2026

SNAPSHOT

- Equity market returns were generally positive, with the rally broadly based.
- Sovereign bonds sold off in response to a hawkish US Fed Chair speech.

All percentages below are monthly returns for Aug-26

EQUITIES



BOND MARKETS

BONDS

Yields climbed after US Fed Chair speech

	UK GILTS	0.2%
	US TREASURIES	0.3%
	GLOBAL CORPORATE BONDS	0.1%
	GLOBAL HIGH YIELD BONDS	0.5%



*Values represent bond index returns

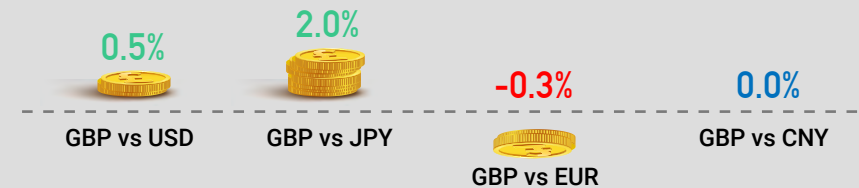
CURRENCIES

CURRENCIES

Sterling made modest gains



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

9.5%



OIL – BRENT CRUDE

0.4%



COMMODITIES

5.3%



INFLATION – UK CPI (YOY)

2.9%



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GLOBAL MARKETS

A strong earnings season, particularly from US technology, and robust US economic data, allowed markets to recover from July's losses.



US MARKETS

Equities rallied across the board

US equities saw a broad-based rally in August, led by the Nasdaq, which gained 3.9%. All the major market segments were positive, though small caps lagged somewhat. The earnings season continued to be impressive, with Nvidia easily beating market expectations. Economic data remained strong, with the second revision of 2Q26 GDP confirming a much stronger underlying performance than the 1.5% headline number would suggest. Inflation data was mixed: cooler than expected, but still above target. Fed Chair Warsh gave what was seen as a hawkish speech at Jackson Hole.

2.6%

US 500



UK MARKETS

October budget loomed over the markets

All eyes are now on the October Budget, with an increasing expectation of further tax rises. The PSBR numbers were poor, but not disastrous; however, the overall state of the public finances remains strained. Inflation rose, almost entirely due to the increase in gas and electricity prices, with further increases due in October. Winter gas supplies remain under pressure. The FTSE 100 was subdued, but the FTSE 250 had a much better month. The steady flow of bids for UK companies continued. Gilt yields rose, with the 10-year yield reaching an uncomfortable 5.2% at one point.

0.1%

UK All Share



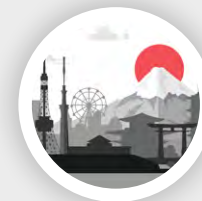
EUROPEAN MARKETS

Markets remained under stress

Eurozone equities ended August higher, supported by generally better economic data. Expectations had become so subdued that the Citi Europe Economic Surprise Index hit a three-year high. European power markets remain under stress, with the severe drought impacting nuclear and hydro output. As with the UK, winter gas supplies are under huge pressure, with the summer gas storage refill programme way behind schedule. French bond markets reacted badly to opinion polls suggesting a possible Le Pen/Mélenchon run-off for the April 2027 presidential election. 10-year yields hit an 18-year high, finishing the month at around 4.18%.

0.6%

Euro 600 Index ex UK



JAPAN MARKETS

Yen intervention impacted the markets

The markets were focused on the yen following the significant intervention by the Bank of Japan and the US Fed at the end of July. The rally in the yen proved short-lived, with the yen/US dollar rate, which fell to 156.6 on 3 August, steadily climbing thereafter, closing the month at 159.7. The long end of the Japanese bond market was unimpressed, with 10-year yields climbing from 2.79% to close the month at 2.94%. The TOPIX was able to shrug this off, taking its cue from the wider global equity rally and finishing the month 3.8% higher.

3.8%

Japan Index



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THE WORLD AT A GLANCE

	2021	2022	2023	2024	2025
UK CASH	0.0	1.4	4.7	5.2	4.3
US DOLLAR INDEX	6.4	8.2	-2.1	7.1	-9.4
UK GILTS	-5.2	-23.8	3.7	-3.3	5.0
US TREASURIES	-2.3	-12.5	4.1	0.6	6.3
GLOBAL CORPORATE BONDS	-1.9	-6.8	4.0	2.8	2.6
GLOBAL HIGH YIELD BONDS	2.0	-2.3	8.2	11.0	4.3
US 500	26.9	-19.4	24.2	23.3	16.4
UK ALL SHARE INDEX	14.5	-3.2	3.8	5.6	19.8
EURO 600 INDEX EX UK	22.5	-15.0	14.9	4.5	17.4
JAPAN INDEX	10.4	-5.1	25.1	17.7	22.4
ASIA EX JAPAN	-3.1	-15.4	6.4	16.2	31.6
EMERGING MARKETS	-4.6	-22.4	7.0	5.1	30.6
COMMODITIES	41.6	41.9	-9.7	11.2	-0.3
GOLD	-4.3	-0.7	12.8	26.6	62.5
HEDGE FUNDS	3.7	-4.4	3.1	5.3	7.1

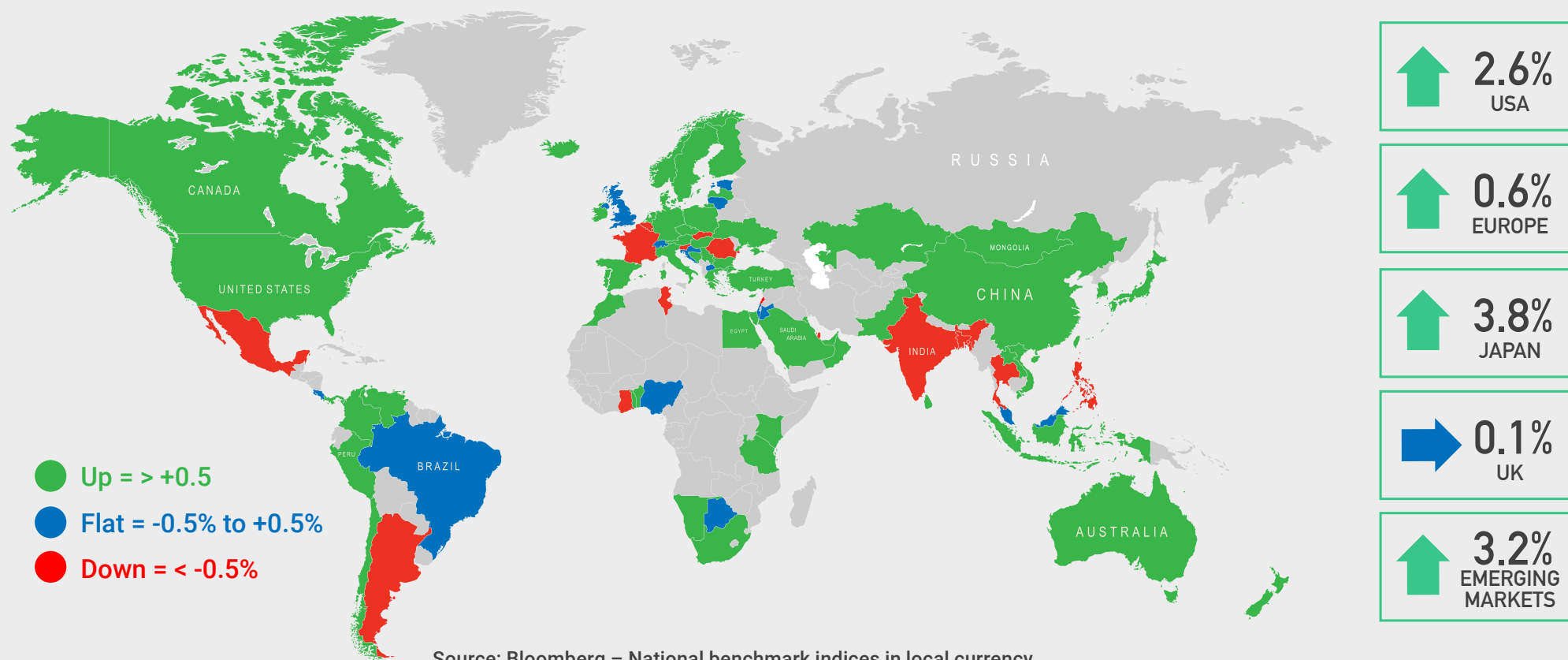
Aug 2026	Year To Date
0.3	2.5
-0.5	1.1
0.2	-1.3
0.3	-0.5
0.1	-1.1
0.5	2.2
2.6	12.3
0.1	9.2
0.6	9.7
3.8	21.9
1.6	26.2
3.2	22.4
5.3	47.0
9.5	2.0
0.9	4.6

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

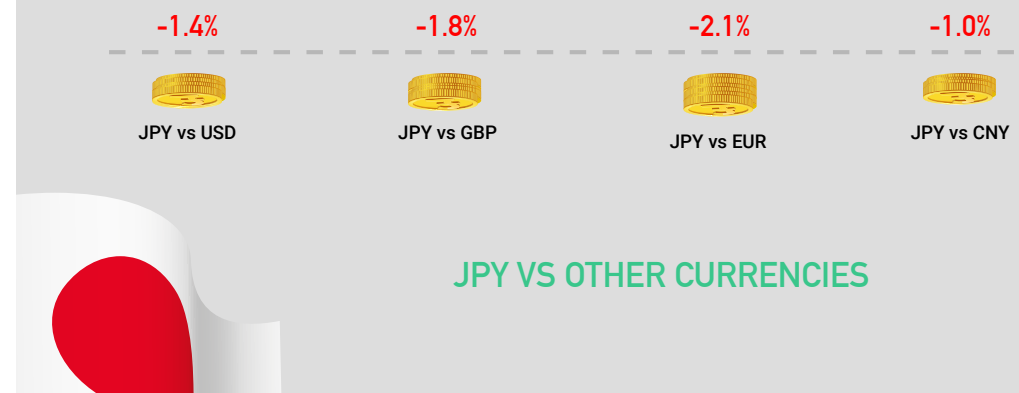
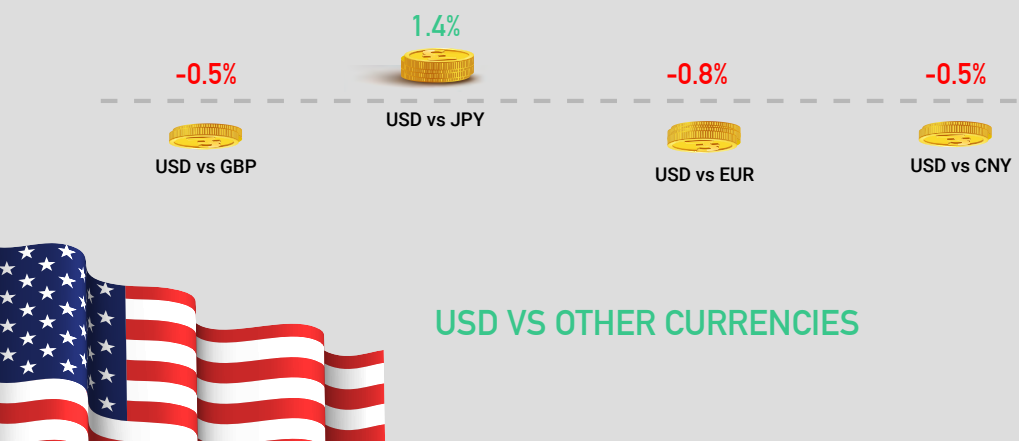
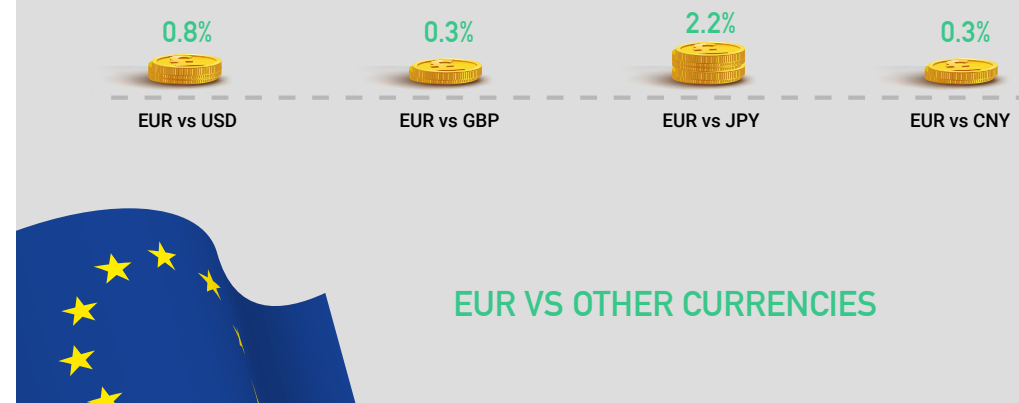
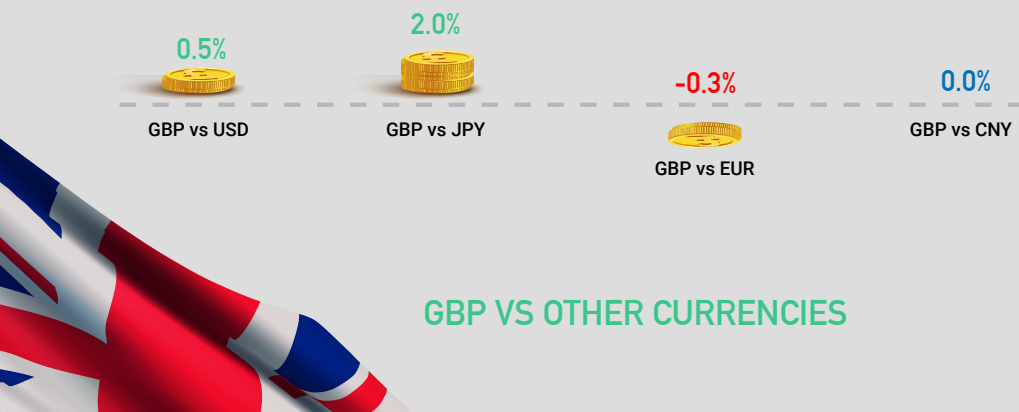


Key Points

- US equities rallied on the back of strong earnings growth and continued robust economic data. Technology led the way, but this rally was broad-based.
- Those emerging markets most affected by the July tech led sell-off, such as Taiwan and South Korea, were able to rally on the back of the strong technology earnings results.
- FTSE100 lagged somewhat, lacking the large allocations to technology, which performed so well in August. Mid-Caps did well as the steady stream of bids for UK companies continued.
- Gold rallied on the back of reduced expectations for US rate rises early in the month and the continued financial incontinence of governments. This allowed gold mining equities to stage a significant rally, after a period of sustained weakness.

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CURRENCIES



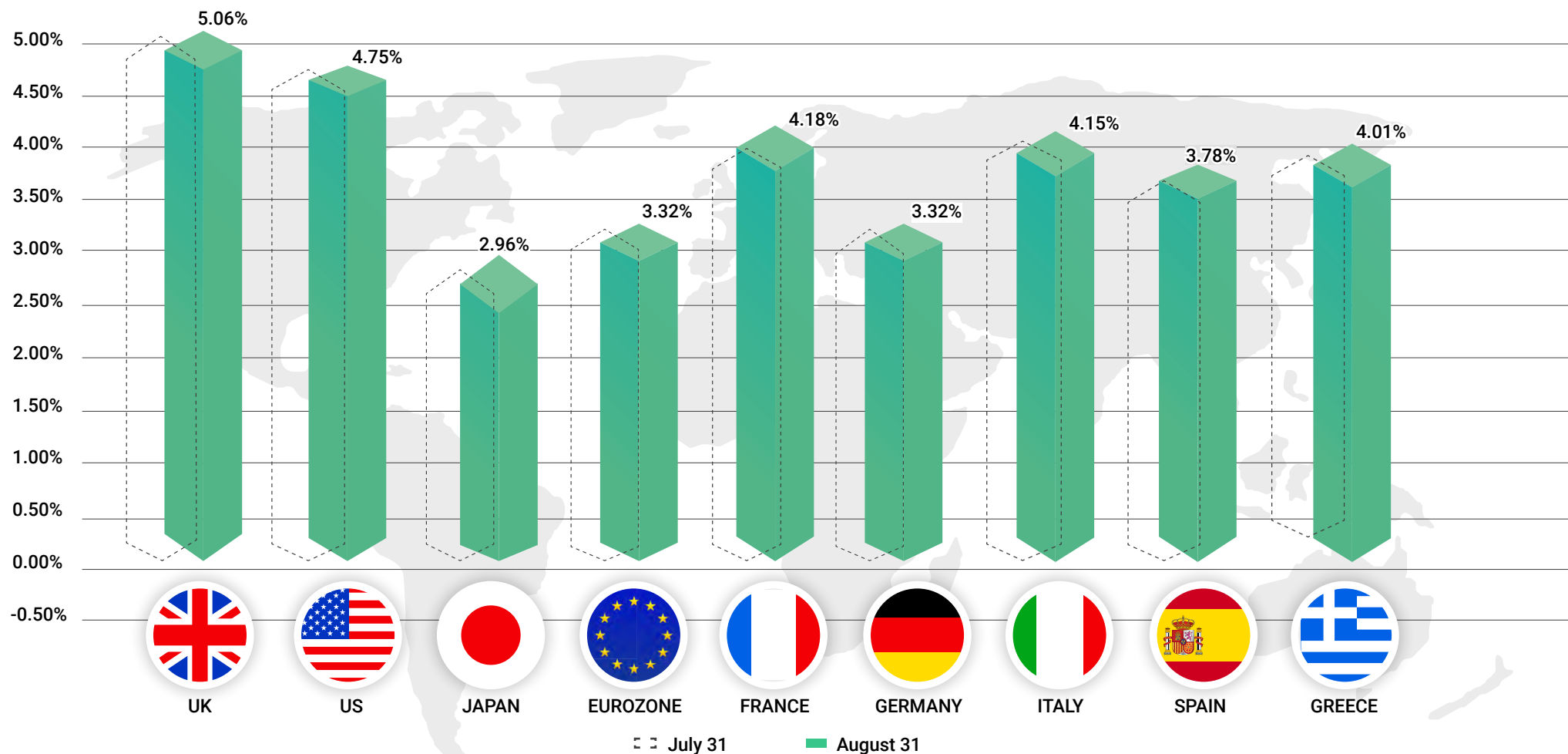
Key Points

- The US Dollar Index ended the month slightly lower, but this masked periods of elevated volatility, with a sharp rally in response to the Jackson Hole speech.
- The late July intervention by central banks failed to stem the weakness in the Japanese yen. The rally quickly faded and having hit a 3-month high vs the dollar on 3 August 2026, it closed the month having given up around half the intervention benefit.
- Sterling moved steadily higher against most major currencies and posted a modest rally against the US dollar, closing the month at U\$1.356.
- Over the last 15 months or so, sterling has been range bound against the US dollar, oscillating between U\$1.31 and U\$1.37.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- The Jackson Hole speech saw a repricing of US interest rate expectations, with short duration treasury yields surging – 1yr yields moved from 4.04% to 4.13%.
- Having fallen back at the start of the month, Gilt yields then continued to move higher, adding further pressure on public finances.

- The pattern of rising sovereign yields was repeated across all developed bond markets, with French yields also impacted by domestic political concerns.
- Credit markets were able to shrug off the sovereign bond market weakness and instead take comfort from the strength of equity markets. It was yet another strong month, with low volatility, for global high yield bonds.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Capex	Capital Expenditure is money a business spends to acquire, upgrade, or maintain long-term physical assets—such as property, buildings, equipment, or technology—that provide value for more than one year. It is considered an investment in the productive capacity and future growth of the company.
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks

GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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