



September 2026

Market Commentary

Global equity markets saw renewed if modest volatility and decent overall progress in the month of August, with the main positive factor of strong corporate profits offset by concerns over the oil price and the level of government debt. There were markedly higher yields in bond markets although these had in part stabilised by the end of the period helped to a limited extent by government intervention. Commodity prices were higher and the technology sector proved robust.

There was little to show on a tentative agreement between the US and Iran on allowing shipping to pass through the Strait of Hormuz, while the US president Donald Trump threatened to bomb Oman if it held up negotiations. The price of Brent crude futures, the usual benchmark, rose from a level below \$80 earlier in the month to close above \$90 per barrel after renewed military attacks. Disruption to the liquefied natural gas exports from Qatar contributed to European gas prices reaching their highest level in three years. The US announced tighter financial sanctions on Iran and in time on its trading partners, which risked complications in relations with China which took 90% of Iranian oil exports in 2026. The US and Canada came closer to a renewed trade war after negotiations faltered, if with a deferral of the deadline into September which might allow a resolution.

The level of US debt passed \$40trn, having doubled in less than a decade. Interest costs are forecast to rise to \$1.1trn in 2026 from \$970bn in 2025, when the average cost of the debt was 3.4%, and to account for about a fifth of tax revenues. The portion held by investors outside the government has risen to \$32.3trn from \$3.4trn in 2000, from the equivalent of a third to more than 100% of GDP. The yield on 30-year Treasuries rose to around 5.3% and the US Treasury stepped in with a plan to double at least its purchases of longer-dated bonds from \$2bn a year, which provided some short-lived relief while also raising concerns over conflicting policies with the US Federal Reserve. The rise in yields was notable in Japan too, with 10-year bonds touching 3% for the first time since 1996, and in Europe: in Germany the 30-year bund was at its highest level since the euro crisis in 2011 and in France the highest since 2008, above that in Italy reflecting concerns over French government spending ahead of the presidential elections in 2027, which might prove complex and contentious.

The US labour market remained subdued with a net loss of 23,000 jobs in July while the figures for the two prior months were revised down, making an average increase of just 20,000 over three months compared to 73,000 in the first quarter. The UK economy grew at a reassuring reported rate

of 0.4% in the second quarter making for an annual increase of 1.2%, although the pressure persisted on government finances ahead of the Budget. In addition to the impact of heatwaves in Europe, where the solar eclipse was another factor in energy supplies in Spain, there were warnings of the toll that the El Niño climate event will take. The Panama Canal Authority announced a reduction in the daily transits from 36 to 32 ships given a shortfall in rainfall; the canal takes 3% of global maritime trade and has already seen prices to traverse it reaching record highs of some \$1.1m, sixteen times higher than in August 2025.

In the US the consumer price index (CPI) dipped to 3.4% in July from 3.5% in June and from 4.2% in May, driven by lower petrol prices which averaged \$3.96 a gallon down from a peak of \$4.56 in May. The core rate declined to 2.5% from 2.6% while the core rate for the personal consumption expenditure index remained well above the central bank target at 3.7% for the year. The producer price index saw its smallest annual rise in fourteen months, however. In the UK the CPI rose from 2.6% in June to 2.9% in July, reflecting higher energy prices after a 13% increase in the regulator's price cap. In the eurozone the rate of inflation rose slightly to 2.9% in July from 2.8% in June and in Japan the rate increased from 1.6% to 1.9%. The Federal Reserve indicated that if inflation did not moderate it would raise interest rates from the range of 3.5-3.75%, while markets have been wary of the new policy of limited forward guidance under the chair Kevin Warsh along with his comments on securing price stability.

Corporate earnings have been robust still and have underpinned the market rises in the year to date. Nvidia's revenues and profits from semiconductor chips more than doubled in the latest quarter and it forecast a sales increase of 70% for the next year, which provided some reassurance to those betting on AI for which the rate of growth and the high capital expenditure over time will be key. The share price of Moderna rose 175% after positive news on a melanoma drug development with Merck. There remain concerns over the concentration in markets, with the ten largest US stocks representing 39% of the S&P 500 index if also accounting now for 36% of earnings, both materially higher than the trend in recent decades.

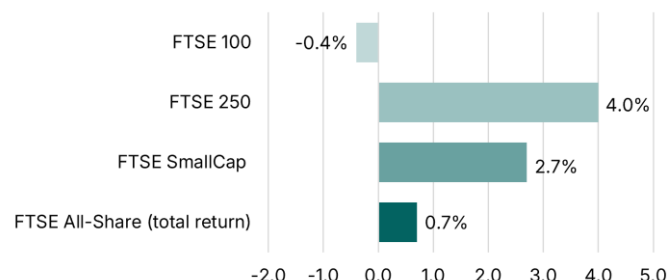
Russia intensified its missile and drone attacks on Ukraine and threatened the UK for providing support after Andy Burnham made his first overseas visit as prime minister to Kyiv. Pakistan, Saudi Arabia and Turkey signed a mutual defence agreement seen to be similar to that of NATO's Article 5. Taiwan announced a 16% increase in defence spending to counter China's threats. Ahead of the November mid-term elections in the US there were contests between the progressive and more centrist elements of the Democratic party.



United Kingdom

The FTSE 100 index was down by 0.4% over the month to 10,824 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index were up by 4.0% and 2.7% respectively.

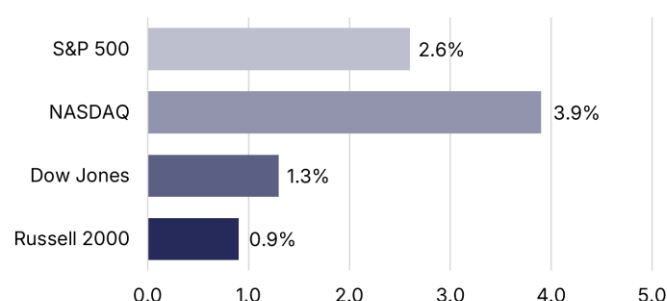
The total return for the FTSE All-Share index, including income, was 0.7% in the period.



United States

In the US the S&P 500 index was up by 2.6% in the month, while the equal-weighted version rose 1.9%; the technology-oriented NASDAQ index rose by 3.9% and the Dow Jones Industrials index returned 1.3%.

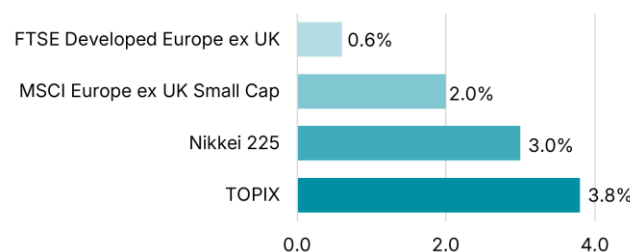
The Russell 2000 index of smaller companies was up by 0.9%.



Europe & Japan

The FTSE Developed Europe ex UK index was up by 0.6% over the month. The MSCI Europe ex UK Small Cap Index including income rose by 2.0%.

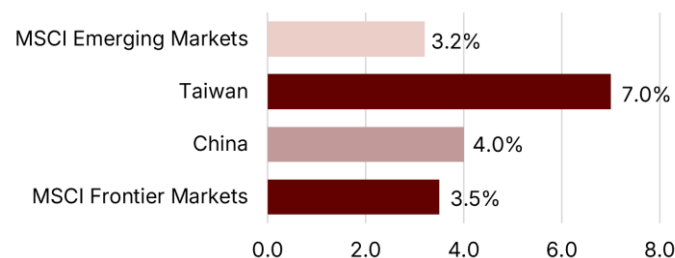
In Japan the Nikkei 225 index rose by 3.0% and the more representative TOPIX index rose by 3.8% in the period.



Emerging Markets

The MSCI Emerging Markets index in US\$ was up by 3.2% in the month; there was a gain of 7.0% in Taiwan, while India fell by 1.5% and the Brazilian market fell by 0.3%. The Korean market saw a gain of 3.4%. The Shanghai index was up by 4.0% and the Hang Seng index in Hong Kong was down by 1.2%.

The MSCI Frontier Markets index was up by 3.5% for the month while the Vietnamese market rose 5.6%.

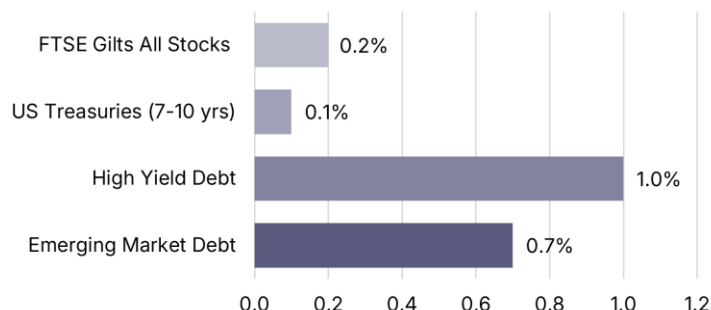




Bond Markets

The UK 10-year gilt yield increased from 5.05% to 5.06% and the total return for the FTSE Gilts All Stocks index in the month was a positive 0.2%. In Germany the 10-year bund yield moved from 3.21% to 3.32% and in the US the 10-year yield was higher at 4.75% from 4.73%.

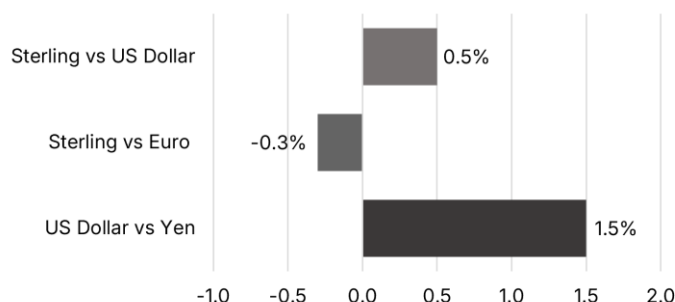
There were modest gains in most of the major bond markets, with the Emerging Market local debt index seeing a positive return of 0.7%.



Currencies

Sterling was up by 0.5% against the US\$ in the month, ending at a rate of \$1.35:£, while against the euro it was down 0.3% to end at a rate of €1.17:£.

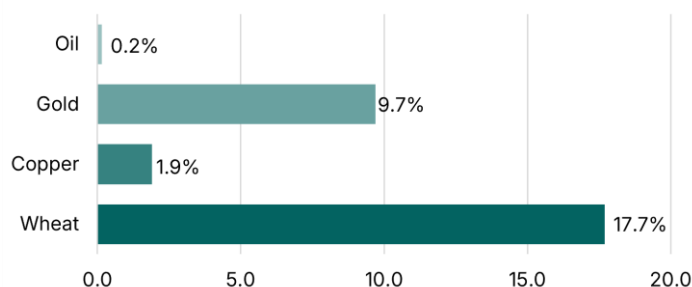
The US\$ was up by 1.5% at ¥159.74:\$ against the Japanese Yen.



Commodities

The price of Brent crude oil ended the month up by 0.2% at a level of \$90.6 per barrel. Gold was up by 9.7% to close at \$4,437 per troy ounce.

The main metals had positive returns in the month, with copper up by 1.9%, and the main agricultural commodities were also higher, with wheat rising by 17.7%.



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