

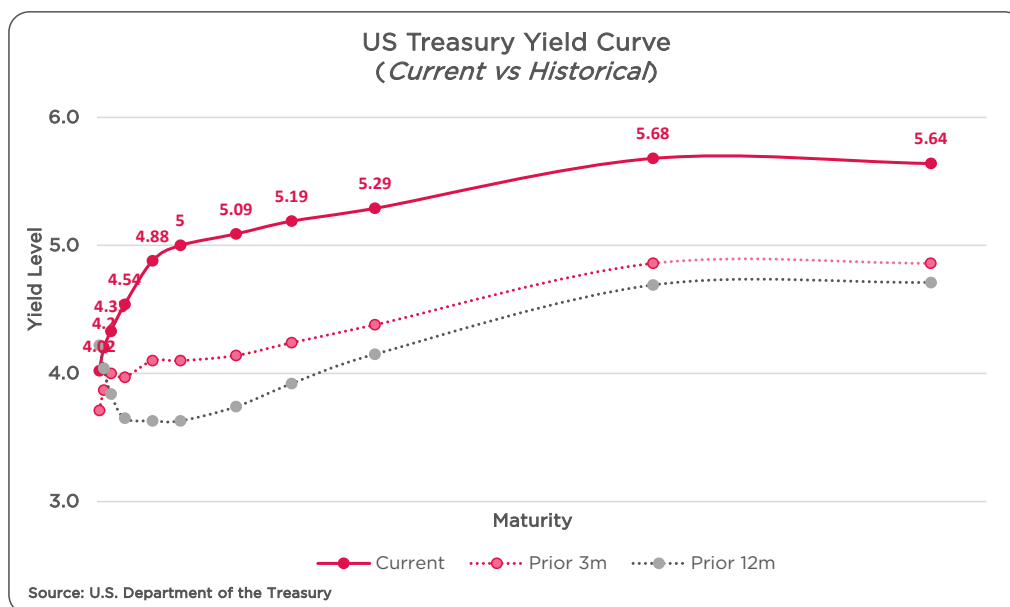
Market update

October 1, 2026

September was marked by a pronounced rise in global bond yields, as resilient economic growth, elevated fiscal deficits, AI-driven capital spending, and a more hawkish central-bank outlook combined to push longer-term rates higher. In the U.S., the 10-year Treasury yield reached levels last seen in 2007, while the 30-year yield approached levels not seen since 2004. The move was driven primarily by higher real yields rather than a sharp increase in inflation expectations, although renewed energy disruptions and geopolitical tensions added to inflation concerns.

	<u>SEPTEMBER</u>	<u>1 YEAR</u>
• U.S. Taxable Bonds	-2.6%	-1.8%
• U.S. Stocks	-0.9%	+15.1%
• Foreign Stocks	-2.3%	+20.5%

The Federal Reserve reinforced the shift toward a higher-for-longer rate environment by raising the federal funds rate 25 basis points to 3.75% - 4.00%, its first hike since July 2023, and signaling another potential increase within the year. Other central banks also remained restrictive, with the Bank of Japan raising rates while the Bank of England held rates but warned that prolonged energy disruptions could require further tightening.



Equity markets remained relatively resilient despite the pressure from higher discount rates. Strong global PMIs and continued AI investment supported the earnings backdrop, but rising yields created greater headwinds for rate-sensitive companies and smaller-cap stocks. Geopolitical tensions, particularly in the Middle East and disruptions around the Strait of Hormuz, further complicated the inflation outlook. For investors, September reinforced a central theme: resilient growth is supporting earnings, but it is simultaneously limiting central banks' ability to ease policy. Higher-for-longer interest rates and the resulting rise in bond yields are likely to remain a defining feature of the investment environment.