

SEPTEMBER 2026

Monthly Newsletter

MARKET REVIEW

Government bond markets underwent a further sharp repricing in September, as nominal and real yields moved higher, particularly in the United States. The US 10-year Treasury yield rose to new cycle highs, reflecting resilient economic activity, persistent inflation concerns, substantial Treasury issuance and a higher term premium. The rise in real rates was especially important, as it tightened financial conditions and challenged the valuation support for long-duration assets.

The shift in rates was driven by a reassessment of the monetary-policy outlook. Earlier in the year, markets had expected a relatively dovish path, with central banks gradually moving towards lower policy rates. That narrative has changed materially. Sticky inflation, firm labour markets and ongoing strength in activity have increased the probability that the Federal Reserve and other major central banks will need to retain a restrictive stance for longer, with further rate hikes now increasingly priced into market expectations.

Equity indices remained resilient at the headline level, but market internals weakened. In the US, the capitalisation-weighted index continued to benefit from the strong performance of a narrow group of large technology, semiconductor and AI-related companies. By contrast, the equal-weighted index, like the small cap index, lagged, highlighting the limited breadth of the advance and the growing divergence beneath the surface of the market.

The AI investment cycle remains a powerful support for selected areas of the equity market. Large technology companies continue to commit substantial capital to data centres, computing capacity and related energy infrastructure, sustaining earnings expectations for semiconductor, software and infrastructure beneficiaries. However, higher nominal and real yields have increased the discount-rate headwind for many other segments, especially long-duration growth, real estate and more economically sensitive companies.

Credit markets remained broadly resilient for most of the month, with spreads staying relatively contained despite higher nominal and real yields. However, the final days of trading saw a modest widening in both investment-grade and high-yield spreads, suggesting that investors have become somewhat more cautious as financial conditions tightened and equity-market breadth weakened. While this move remains limited relative to the wider spreads seen earlier in the year, it highlights the reduced compensation available for credit risk in a more uncertain macro environment.

Ex 1: Treasury 5-year and 10-year Real Yield



H15X10YR: Treasury 10Y Real Yield – H15X5YR: Treasury 5Y Real Yield
Source: Bloomberg

Ex 2: US Large Cap Equal Weight Index



Ex 3: Investment Grade Corporate Spread



Oil prices also moved higher during the month, amplified by a rising geopolitical risk premium. Renewed tensions around the Strait of Hormuz and disruptions to shipping through the Bab el-Mandeb Strait—the southern gateway to the Red Sea—heightened concerns over the security of key energy-export routes. Houthi threats to vessels and infrastructure in the Red Sea increased transit, insurance and rerouting costs, while risks around Hormuz remained particularly significant given its role as a critical conduit for global oil and LNG flows.

LUACOAS: US Aggregate Corporate OAS – LECPOAS: Euro Aggregate Corporate OAS
 Note: Mean calculated on data from: LUACOAS from 30/06/1989; LECPOAS from 30/11/1998
 Source: Bloomberg

These developments added to inflation uncertainty and reinforced the risk that central banks may need to maintain restrictive monetary policy for longer than previously anticipated.

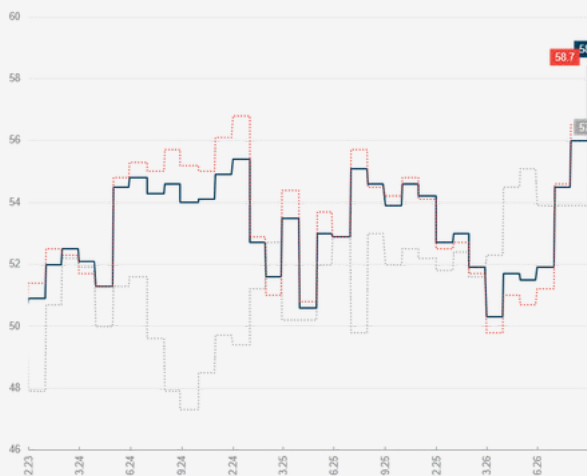
In summary, September combined still-resilient headline equity indices with rising real yields, narrower market breadth and a more challenging policy outlook. The month also defied its usual seasonal pattern: September has historically been the weakest month for US equities, with the primary index declining by roughly 1.1%–1.2% on average since 1928, yet the index delivered a positive return this year—as it did in September 2025.

Markets remain supported by strong earnings in selected sectors, but elevated valuations, concentrated leadership and restrictive financial conditions warrant a more cautious assessment of near-term risk. The resilience of headline indices should not obscure the more fragile underlying market dynamics, including the widening gap between a small group of index heavyweights and the broader equity universe.

INVESTMENT STRATEGY

The global economy continues to show resilient growth, led by the United States. Consumer demand, labour-market conditions and investment activity remain supportive, while spending related to technology, digital infrastructure and energy continues to underpin corporate earnings. Other regions are growing more modestly, but the overall global backdrop remains one of expansion rather than recession.

Ex 4: U.S. Purchasing Manager Index (PMI)



U.S. Composite PMI – Manufacturing PMI – Services PMI
 Source: Bloomberg

Inflation nevertheless remains the principal source of uncertainty. The latest US PCE data offered some near-term relief: August headline inflation rose 3.4% year on year, below the 3.7% consensus expectation, while core PCE was 3.0% year on year and increased by 0.2% month on month—also softer than anticipated. The release reduced market-implied expectations of a near-term Fed rate hike.

However, underlying price pressures remain above central-bank targets across many developed economies, with services inflation and wage growth proving persistent. Higher energy prices and geopolitical risks around key oil-export routes add a further complication, raising the risk that inflation expectations become more difficult to contain and that monetary policy remains restrictive for longer.

This has prompted a meaningful change in the perceived monetary-policy regime. At the beginning of the year, investors expected a dovish pivot and a gradual easing cycle. Markets now increasingly anticipate a higher-for-longer environment, with central banks retaining a hawkish bias and the possibility of additional policy tightening. This shift has pushed nominal and real yields higher and argues for continued discipline around duration exposure.

The equity-market backdrop is also becoming more selective. Headline indices remain close to their highs, but the divergence between capitalisation-weighted and equal-weighted performance signals a narrowing of market leadership. A small group of large-cap technology and AI beneficiaries continues to drive index returns, while a broader range of sectors and stocks has struggled to keep pace. This lower breadth, combined with elevated valuations and crowded positioning in popular themes, leaves markets more vulnerable to disappointments in earnings, inflation or interest-rate expectations.

Against this background, we have become more cautious in our positioning. We retain a constructive long-term view on equities, supported by resilient activity and structural investment trends, but place greater emphasis on diversification, valuation discipline and downside resilience. We favour companies with visible earnings growth, strong balance sheets and pricing power, while remaining attentive to the risks associated with higher real yields and increasingly concentrated market leadership.

Within fixed income, we remain cautious on duration and maintain an underweight allocation to bonds overall. Long-dated government bonds remain vulnerable to persistent inflation, elevated issuance requirements and higher term premia. We prefer limited, targeted exposure in shorter maturities, where yields provide more attractive carry relative to interest-rate risk.

Alternatives continue to play an important role in the portfolio. The growing dispersion across regions, sectors, individual securities and asset classes should create a broader opportunity set for active strategies, including global macro, trend-following, multi-strategy and equity long/short approaches. These exposures can provide diversification and reduce reliance on the traditional equity-bond relationship in an environment where both asset classes may face pressure from higher inflation and rising real rates.

PORTFOLIO ACTIVITY

Portfolio activity increased modestly during September as we adjusted the overall risk profile in response to weaker market dynamics beneath still-resilient headline indices. We marginally reduced our equity allocation, reflecting the narrowing breadth of the market, higher real yields and the increasingly restrictive policy outlook. This adjustment was measured rather than directional, as resilient economic activity and earnings trends continue to provide support for equities over the medium term.

At the same time, we reduced market sensitivity within our equity allocation through the inclusion of a global equity long/short strategy. This allocation is intended to preserve participation in a constructive, but more selective, equity environment while reducing dependence on broad market beta. The strategy should also benefit from greater dispersion between sectors and individual companies as higher rates, divergent earnings trends and more differentiated valuations create additional opportunities for security selection.

We also rotated part of our regional equity exposure towards the United States, funded by reductions in Europe and emerging markets. The US continues to offer the strongest combination of economic resilience, earnings quality and exposure to structural technology and AI-related investment themes. Nevertheless, emerging markets remain an overweight in our portfolios.

In fixed income, we maintained a highly cautious approach to duration, initiating a small position at the front end of the government-bond curve in the respective reference currencies, concentrated in the one- to three-year maturity segment. This offers more attractive carry with limited sensitivity to further increases in long-term yields. We remain underweight bonds overall, given sticky inflation, the risk of further policy tightening, heavy sovereign issuance and elevated real yields.

Alternatives remain overweight and are an increasingly important component of portfolio construction. We expect the wider dispersion across and within asset classes to support the opportunity set for active alternative strategies. Global macro, trend-following, multi-strategy and equity long/short allocations should be well positioned to navigate a market environment characterised by divergent regional growth, shifting monetary-policy expectations, higher rates and increasingly differentiated equity-market performance.

Overall, portfolios remain positioned to balance participation in resilient economic and earnings conditions with greater caution towards broad market exposure. We continue to focus on maintaining flexibility, controlling duration risk and favouring diversified sources of return as the market transitions from broad-based momentum towards a more selective and potentially more volatile phase.

	31/12/2024	31/12/2025	30/09/2026	Quarter-to-Date	Year-to-Date
Yields (%)				Δ In basis points	Δ In basis points
US 3-Month	4.31	3.63	4.11	30	48
German 3-Month	2.49	1.99	2.48	27	48
US 2-Year	4.24	3.47	4.89	71	141
German 2-Year	2.08	2.12	3.20	68	108
US 10-Year	4.57	4.17	5.28	82	112
German 10- Year	2.36	2.85	3.59	73	73
Currencies				Δ In %	Δ In %
EUR/USD	1.0354	1.1746	1.1330	(0.8)	(3.5)
USD/CHF	0.9074	0.7926	0.8358	3.4	5.5
EUR/CHF	0.9401	0.9307	0.9469	2.6	1.7
GBP/USD	1.2516	1.3475	1.3265	0.0	(1.6)
Commodities				Δ In %	Δ In %
Oil (WTI)	\$71.7	\$57.4	\$90.4	30.1	57.5
Copper	\$402.7	\$568.2	\$662.2	6.9	16.5
Gold	\$2,625	\$4,319	\$4'157	3.7	(3.7)

DISCLAIMER. The Forum Finance Group S.A. (Forum Finance) is authorised by FINMA as asset manager and registered with the SEC as investment adviser. Although every care has been taken by The Forum Finance Group S.A. to ensure the accuracy of the information published, no warranty can be given in respect of the accuracy, reliability, up-to-datedness, or completeness of this information. Forum Finance disclaims, without limitation, all liability for any loss or damage of any kind, including any direct, indirect, or consequential damages, which might be incurred through the use of this document. The entire content of this document is subject to copyright with all rights reserved. You may not reproduce (in whole or in part), transmit (by electronic means or otherwise), modify, or use for any public or commercial purpose this document without the prior written permission of Forum Finance. Please go to www.forum.finance for our full disclaimer.