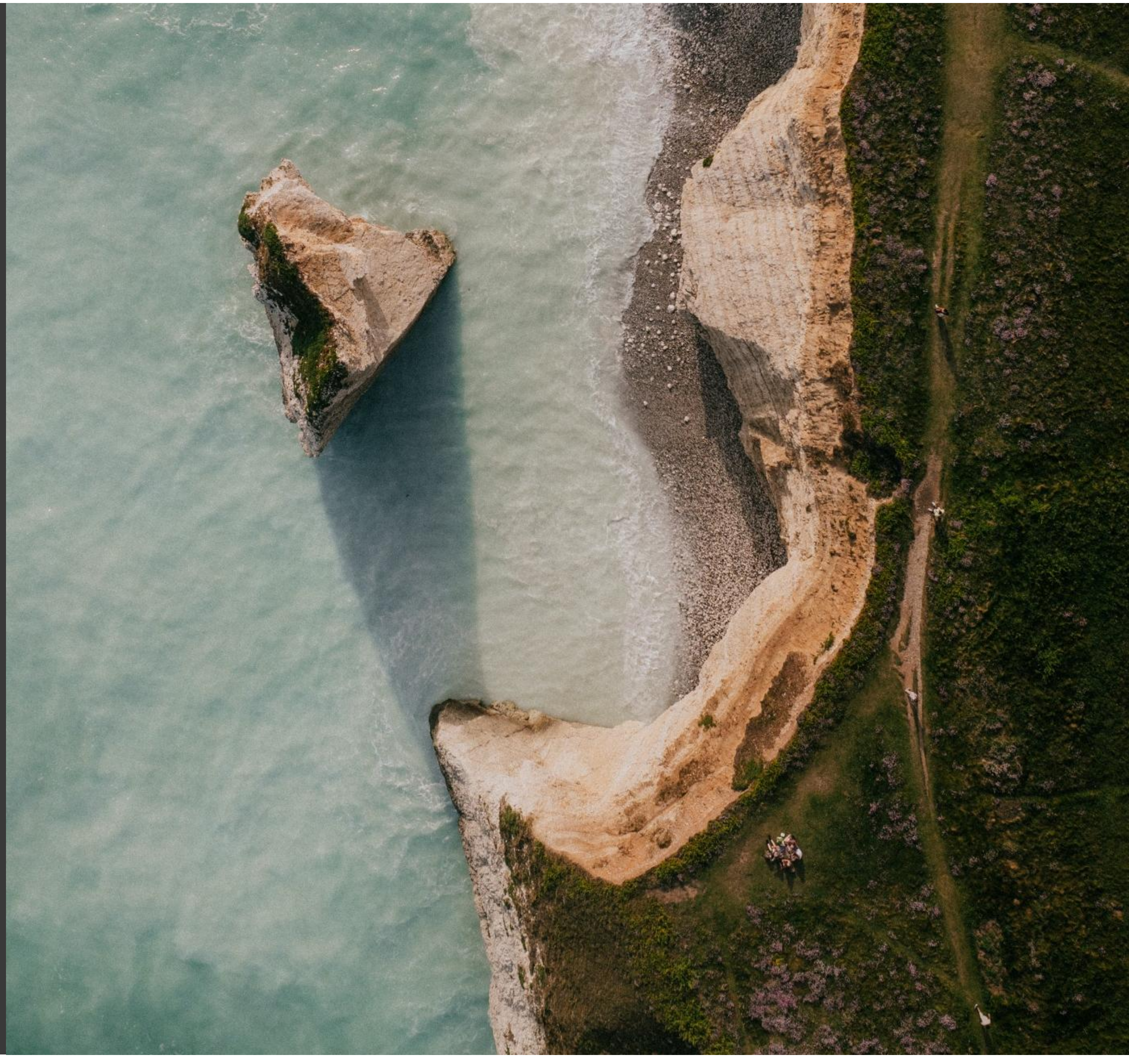
TELOMERE | Capital

Market **Update**

Big in the News, Small on the Chart

September 2026



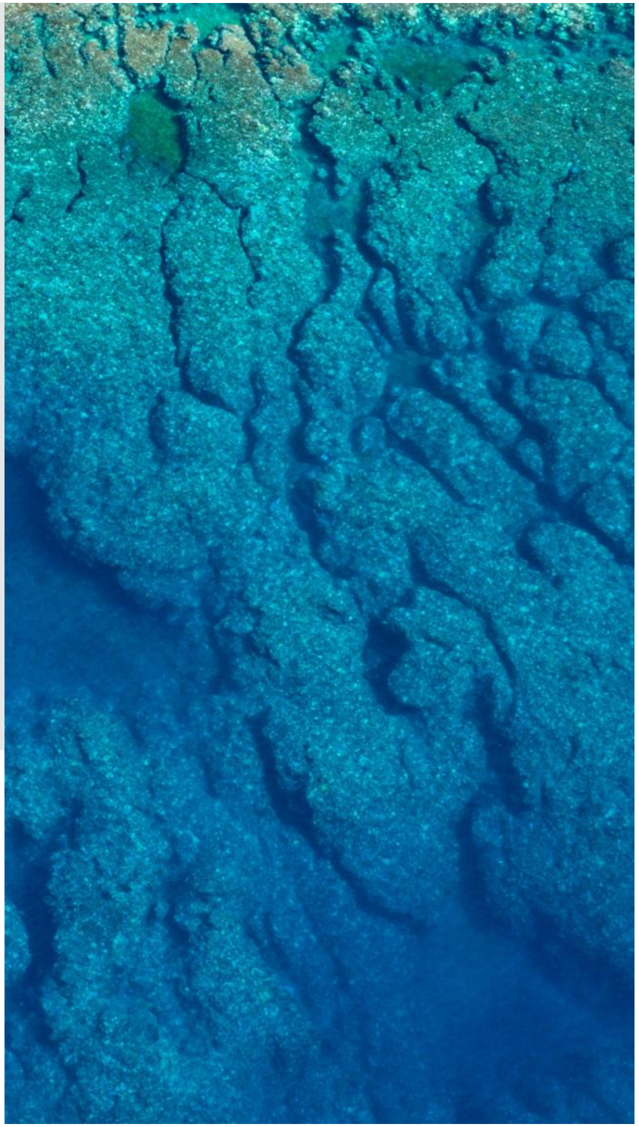
Editorial

August was a month of loud headlines and quiet markets. The Strait of Hormuz stayed at the center of the global risk equation, Brent held near USD 92, and the Fed, the ECB and the BoJ all maintained their positions. Yet equities ground higher, credit barely moved, and volatility stayed contained. Anyone reading the front page of a newspaper and then looking at a stock price screen would have found it hard to reconcile the two.

The gap between the two is largely explained by profits. Company results have been strong enough to carry the market on their own, which changes how the current valuation debate should be read.

Two things did move amid the calm. Gold and long-dated US yields rose together, an unusual pairing that says something about confidence in the borrower rather than the growth outlook. Expectations for interest rates have flipped from cuts to hikes on both sides of the Atlantic, which brings the question of where this inflation is actually coming from back to the center of the discussion.

We hope you enjoy the read.



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Global **Markets**

Global	Last	YTD	MTD
MSCI World	4,967.9	13.4%	2.6%
MSCI ACWI	1,149.2	14.6%	2.7%
MSCI Emerging Markets	1,719.3	24.3%	3.4%

United States			
Dow Jones Industrial	53,185.9	11.8%	1.5%
S&P 500	7,686.1	13.1%	2.7%
S&P 500 Equal Weight	8,872.3	15.6%	2.1%
NASDAQ 100	29,457.0	17.1%	4.2%
Russell 2000	2,956.5	20.2%	1.0%

Europe			
Euro STOXX 600	651.1	12.9%	0.5%
Euro STOXX 50	6,420.2	13.5%	1.0%
DAX	26,258.1	7.2%	2.5%
CAC 40	8,334.5	4.9%	-2.1%
FTSE 100	10,792.5	11.7%	0.2%
Swiss Market Index (SMI)	14,286.4	10.8%	-0.4%

Sectors (US)			
Communication Services		-2.0%	0.0%
Consumer Discretionary		-0.9%	0.0%
Consumer Staples		9.5%	-0.7%
Energy		43.2%	7.0%
Financials		5.4%	1.6%
Health Care		10.5%	4.9%
Industrials		16.4%	-2.8%
Materials		17.4%	5.8%
Real Estate		11.7%	-1.4%
Technology		24.4%	6.7%
Utilities		0.1%	-4.9%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,437.4	2.7%	9.7%
Silver (XAG)	66.6	-7.1%	15.6%
Copper	659.4	16.0%	2.0%

Currencies (vs USD)			
EUR	1.16	-1.1%	0.8%
CHF	0.81	-2.0%	-0.1%
GBP	1.35	0.5%	0.5%
JPY	159.7	-1.9%	-1.5%
BTC	78,854	-10.0%	25.4%

Fixed Income			
US Treasury	2,422	-0.5%	0.3%
EUR Treasury	245	-1.1%	-0.6%
Global Aggregate	500	-0.3%	0.5%
US Corporate	3,531	-0.4%	0.4%
Global EM USD	1,407	1.4%	0.7%
Global High Yield	1,916	2.9%	1.0%

Interest Rates (US)		Last month	End 2025
3 Months	3.83%	3.75%	3.63%
12 Months	4.14%	4.03%	3.47%
5 Year	4.50%	4.45%	3.73%
10 Year	4.75%	4.73%	4.17%

Price / Earnings Ratios		End 2025	End 2024
S&P 500	26.31	27.66	26.47
Euro STOXX 50	17.42	17.61	14.05
Swiss Market Index (SMI)	20.39	19.92	18.98

Data at close of 31/08/2026

Macroeconomic **Indicators**

Central Banks Targets Rates	Last	Q2 2026	Q1 2026	Q4 2025
United States	3.75%	3.75%	3.75%	3.75%
Eurozone	2.40%	2.40%	2.15%	2.15%
Switzerland	0.00%	0.00%	0.00%	0.00%
United Kingdom	3.75%	3.75%	3.75%	3.75%
Canada	2.25%	2.25%	2.25%	2.25%
Japan	1.00%	1.00%	0.75%	0.75%
China (3M SHIBOR)	1.43%	1.44%	1.51%	1.60%

Inflation (CPI - YoY)	Last	Q2 2026	Q1 2026	Q4 2025
United States	3.40%	3.50%	3.30%	2.70%
Eurozone	3.30%	2.80%	2.60%	2.00%
Switzerland	0.80%	0.50%	0.30%	0.10%
United Kingdom	2.90%	2.60%	3.30%	3.40%
Canada	3.00%	2.80%	2.40%	2.40%
Japan	1.90%	1.60%	1.50%	2.10%
China	0.50%	1.00%	1.00%	0.80%

Unemployment	Last	Q2 2026	Q1 2026	Q4 2025
United States	4.10%	4.20%	4.30%	4.40%
Eurozone	6.40%	6.40%	6.40%	6.30%
Switzerland	3.10%	3.10%	3.00%	3.00%
Canada	6.40%	6.50%	6.70%	6.80%
Japan	2.40%	2.50%	2.70%	2.60%
China	5.20%	5.00%	5.40%	5.10%

Gross Domestic Product (YoY)	Last	Q2 2026	Q1 2026	Q4 2025
United States	2.10%	2.10%	2.70%	2.00%
Eurozone	0.80%	N/A	0.80%	1.50%
Switzerland	2.80%	2.80%	0.50%	1.20%
Canada	2.00%	2.00%	0.40%	1.00%
Japan	3.20%	3.20%	3.80%	3.80%
China	4.30%	4.30%	5.00%	4.50%
India (Real GDP)	7.80%	7.80%	8.60%	7.70%

Producer Price Index (PPI - YoY)	Last	Q2 2026	Q1 2026	Q4 2025
United States	4.70%	5.50%	4.30%	3.10%
European Union	5.80%	5.10%	3.70%	0.30%
Switzerland	-2.10%	-2.10%	-2.70%	-1.80%
Canada	12.43%	12.43%	8.60%	4.05%
Japan	7.20%	7.30%	2.90%	2.40%
China	3.50%	4.10%	0.50%	-1.90%
India	9.78%	9.87%	3.98%	0.30%

Purchasing Managers' Index	Last	Q2 2026	Q1 2026	Q4 2025
United States	54.6	53.3	52.7	47.9
Eurozone	52	50	50.7	51.5
Switzerland	57.1	54.3	53.3	46.4
Canada	53	53	50	48.6
Japan	54.9	54.8	51.6	50
China	49.8	50.3	50.4	50.1
India	52.8	54.2	53.9	55

Core Inflation (Core CPI - YoY)	Last	Q2 2026	Q1 2026	Q4 2025
United States	2.50%	2.60%	2.60%	2.60%
Eurozone	2.40%	2.40%	2.30%	2.30%
Switzerland	0.40%	0.30%	0.40%	0.50%
Canada	1.90%	1.80%	1.90%	2.50%
Japan	1.40%	1.20%	1.60%	1.50%

Consumer Spending (PCE - YoY)	Last	Q2 2026	Q1 2026	Q4 2025
United States	3.34%	3.34%	3.25%	2.97%

Data as of 07/09/2026
N/A: Not yet reported or Public Holiday

August **Macro News**

- The Middle East energy shock remained the defining global risk, but its initial impact was less severe than anticipated. Alternative energy supplies, reserve releases, and weaker demand helped mitigate the effects of the disruption around the Strait of Hormuz. Nevertheless, the price of Brent crude remained around USD 92 per barrel, leaving energy as the main risk factor for inflation and global growth.

- In the US, the disinflation signal was incomplete. In July, the Fed's preferred PCE measure rose 0.2% month over month, with headline inflation at 3.4% year over year and core PCE at 3.3%. Consumption remained relatively unchanged in real terms, indicating an economy with moderating demand but inflation that remains well above the target rate.

- Major central banks remained cautious rather than pivoting toward easier policy. The Fed, ECB and BoJ had all held at their latest meetings, but persistent inflation, energy uncertainty and higher yields kept the policy bias restrictive.

Record profits, and a market that became **slightly cheaper as it rose**

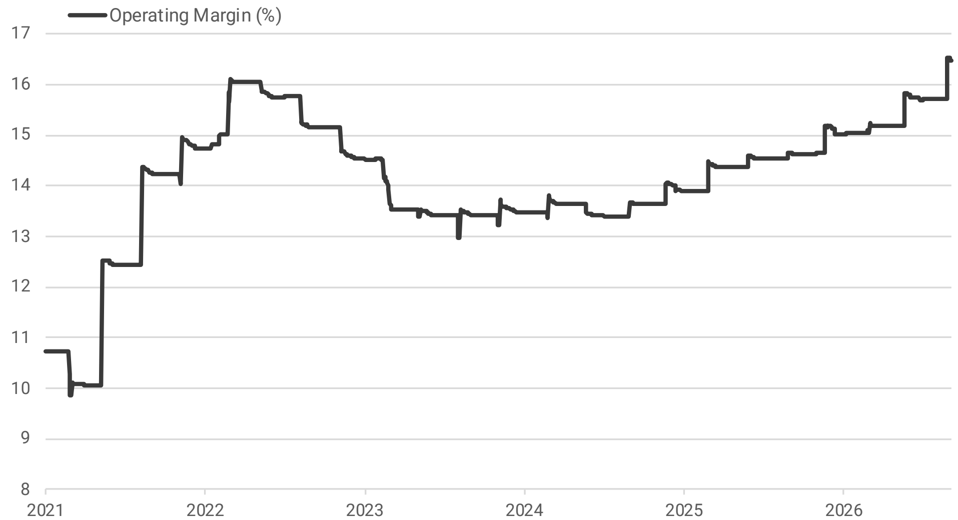
Although the headline growth figure is boosted by two accounting gains, the underlying performance remains the strongest since 2021.

The second quarter ended with S&P 500 earnings up 31% year over year, marking the highest growth rate since the second quarter of 2021. Revenues grew 9.8%; 88% of companies exceeded estimates; and profit margin reached 16.5%, a record high. Two companies account for much of that growth: Alphabet booked a 98B unrealized gain on its equity holdings, and Amazon booked a 53.4B gain on its Anthropic stake.

This answers the question of whether equities have run too far. Since June 30, the index has risen 2.5%, while forward earnings estimates have increased 5.3%. The forward price-to-earnings ratio has eased from 21.9 to 21.3, which is slightly below its five-year average of 21.6. Prices moved higher and the market became modestly cheaper on forward earnings, which tells us that profits are driving returns rather than investors paying more for them.

Periods that end badly tend to look the opposite, with expanding multiples into flat or declining profits. The breadth is also healthier than the Magnificent 7 headline suggests: the other 493 companies grew their earnings by 20.5%, also a high since 2021.

Therefore, we remain fully invested in equities. A turn in the earnings revision trend would change our view rather than the level of the P/E. It's worth noting that companies that reported positive earnings surprises for Q2 2026 saw basically no price change, below the usual +1%. This suggests that a significant amount of good news is already reflected in prices. This argues for maintaining exposure rather than adding to it.



Source: Bloomberg

Gold and long-term yields rose together in August, **which does not usually happen**

When both climb at the same time, the market is generally saying something about the borrower rather than about growth.

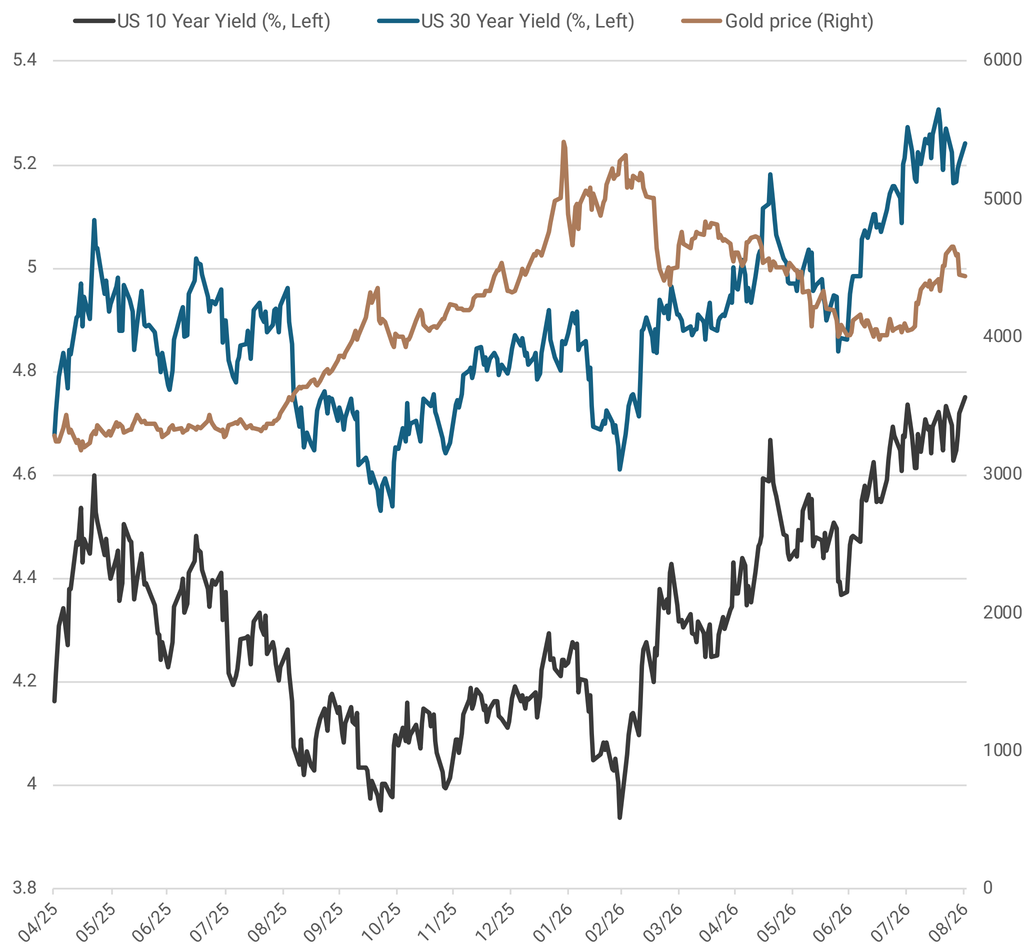
Over the month, gold gained roughly 10%, and it recovered most of the spring correction that had taken it below 4'000 in June. During the same period, the 30-year Treasury yield reached 5.31%, a level not seen since 2007. Meanwhile, the 10-year yield closed the month at 4.75%.

Typically, these two move in opposite directions since higher yields increase the cost of holding an asset that generates no income. The fact that they are moving together points to the deficit. Net interest on the federal debt reached 963B over the first ten months of the fiscal year, close to 15% of all federal spending. The long end is being asked to absorb more supply at a time when the cost of servicing the debt has become apparent.

The trigger came when the Treasury announced that it would at least double its buybacks of long-dated bonds to at least 4B per operation, starting September 9.

Scott Bessent described this strategy as a "Treasury Twist", meaning the purchase of long-term bonds is largely funded by issuing short-term bills. Yields fell for a day and then resumed their climb. Shortening the average maturity of the debt reduces today's long-term borrowing costs, but it also increases how often the debt must be refinanced and makes the interest bill more sensitive to future policy rates.

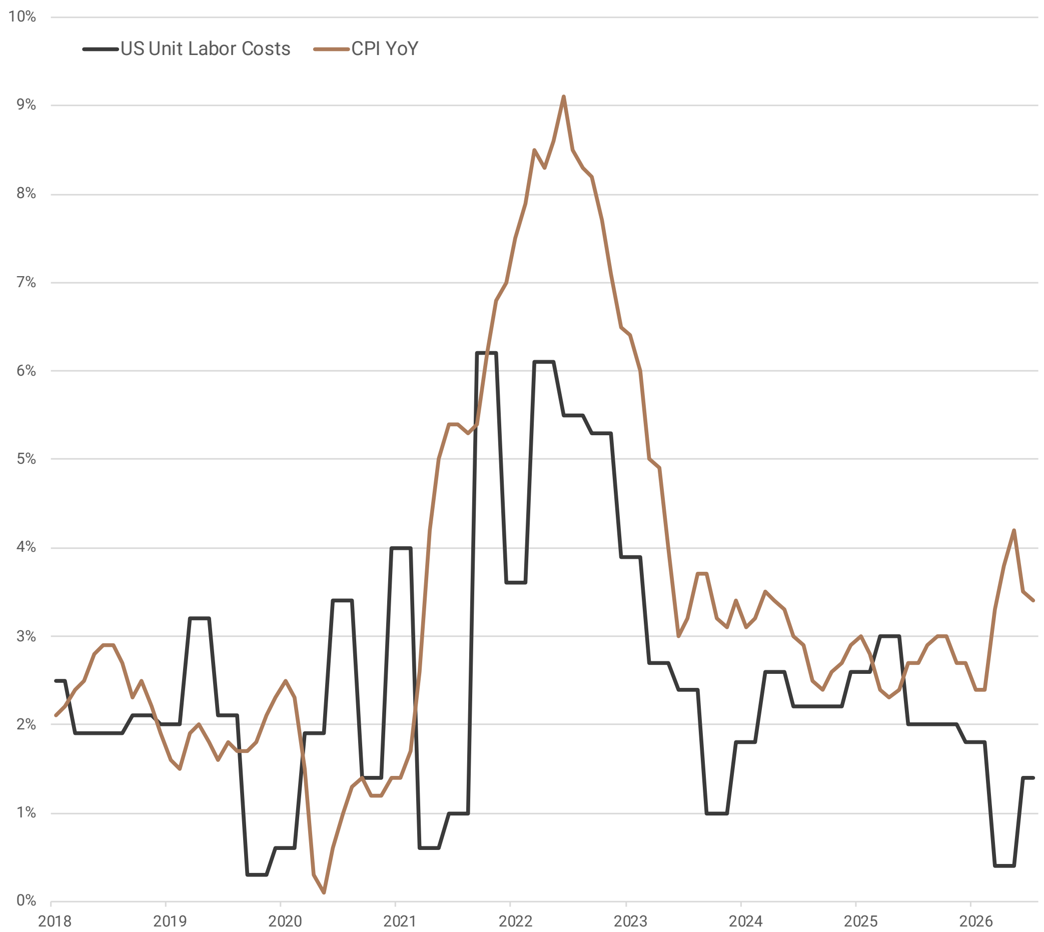
The signal is clearer because gold rose despite Kevin Warsh of the Fed indicating at Jackson Hole that more action on inflation may still be needed, a message that pushed the two-year yield up to 4.34%. We interpret this move as a repricing of fiscal credibility rather than of interest rates. This suggests maintaining a strategic gold allocation and holding duration in the short and intermediate parts of the yield curve rather than at the very long end.



Source: Bloomberg

This inflation is coming from margins and energy, **not from wages**

The condition that normally justifies further tightening, a labor market feeding on itself, does not show up anywhere in the data.



The headline CPI eased to 3.4% in July, down from a peak of 4.2% in May, while core inflation remained at 2.5%. The gap between the two is almost entirely due to energy prices, which are 14.7% higher than a year ago, with gasoline prices up 24.6%. Excluding energy, the underlying rate is close to where the Fed wants it.

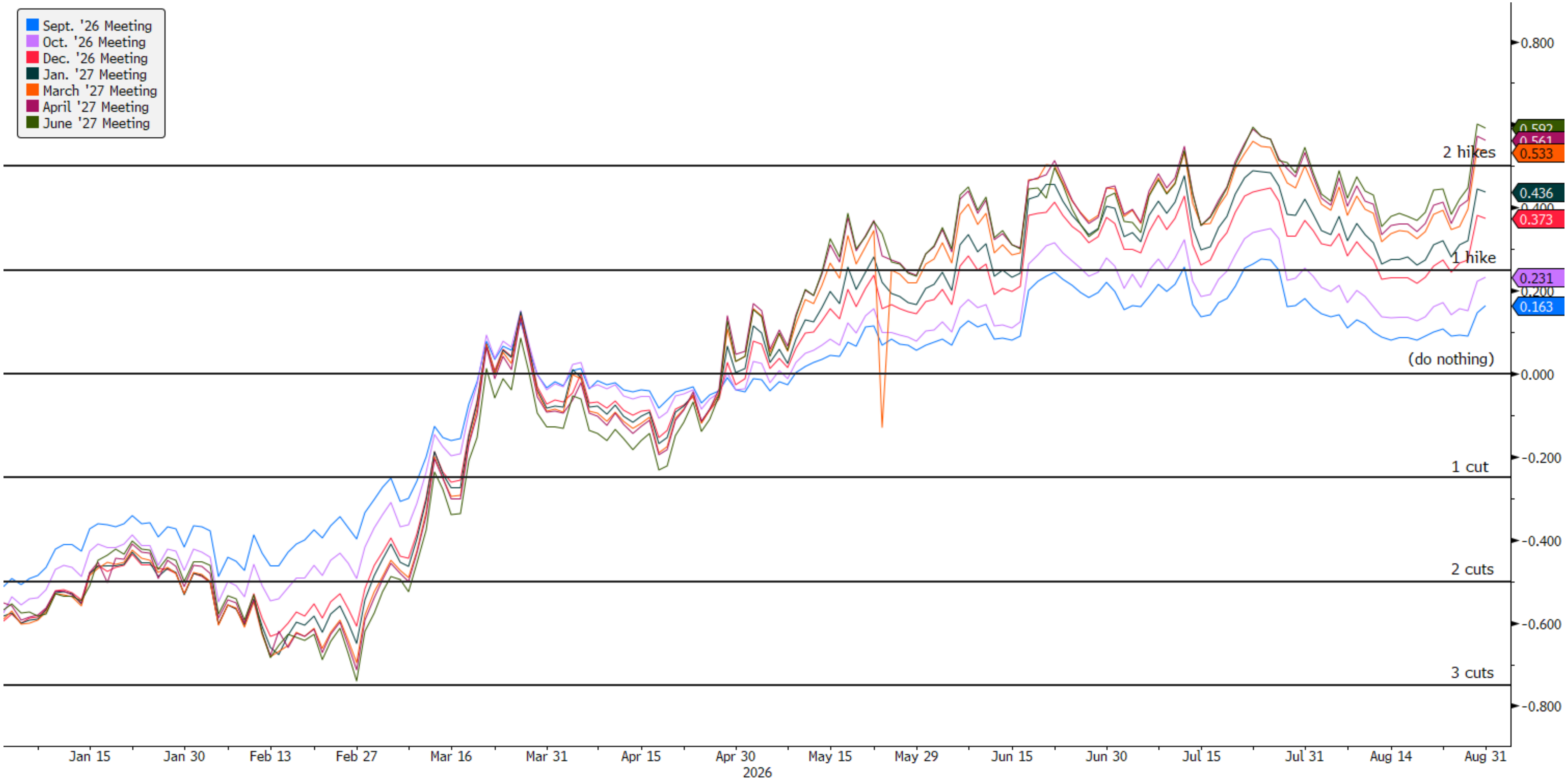
The labor side also offers no rationale for tightening. In the second quarter, unit labor costs rose 1.3% annually, as hourly compensation increased by 2.7%, but this was largely offset by a 1.4% increase in productivity. Employers paid more per hour and received more productivity. Then, in July, payrolls fell by 23k, contrary to expectations of an 80k increase, with unemployment at 4.1%. Workers in this situation have little leverage to trigger a wage-price spiral.

Instead, the profit share has risen. The S&P 500's profit margin reached a record 16.5% in the second quarter. Energy earnings grew 146% as oil averaged 92 per barrel over the quarter, up from 64 a year earlier. Selling prices increased more quickly than input costs, and the difference was reflected in profits rather than pay.

This matters for what a rate rise can realistically achieve. Higher policy rates do not produce oil; they only reduce margins by weakening demand. This means working through a labor market that has already softened. However, at Jackson Hole, Kevin Warsh suggested that the Fed might still have work to do, and markets have shifted toward anticipating a rate increase in September.

US Short Term Rates **Expectations**

Hawkish signaling from Fed Chair Warsh has flipped market pricing from cuts to hikes. The ECB is now seen as almost certain to raise its deposit rate 25bp to 2.50%, and Fed funds futures put roughly a 60 - 65% probability on a 25bp Fed hike at the September 16 FOMC.



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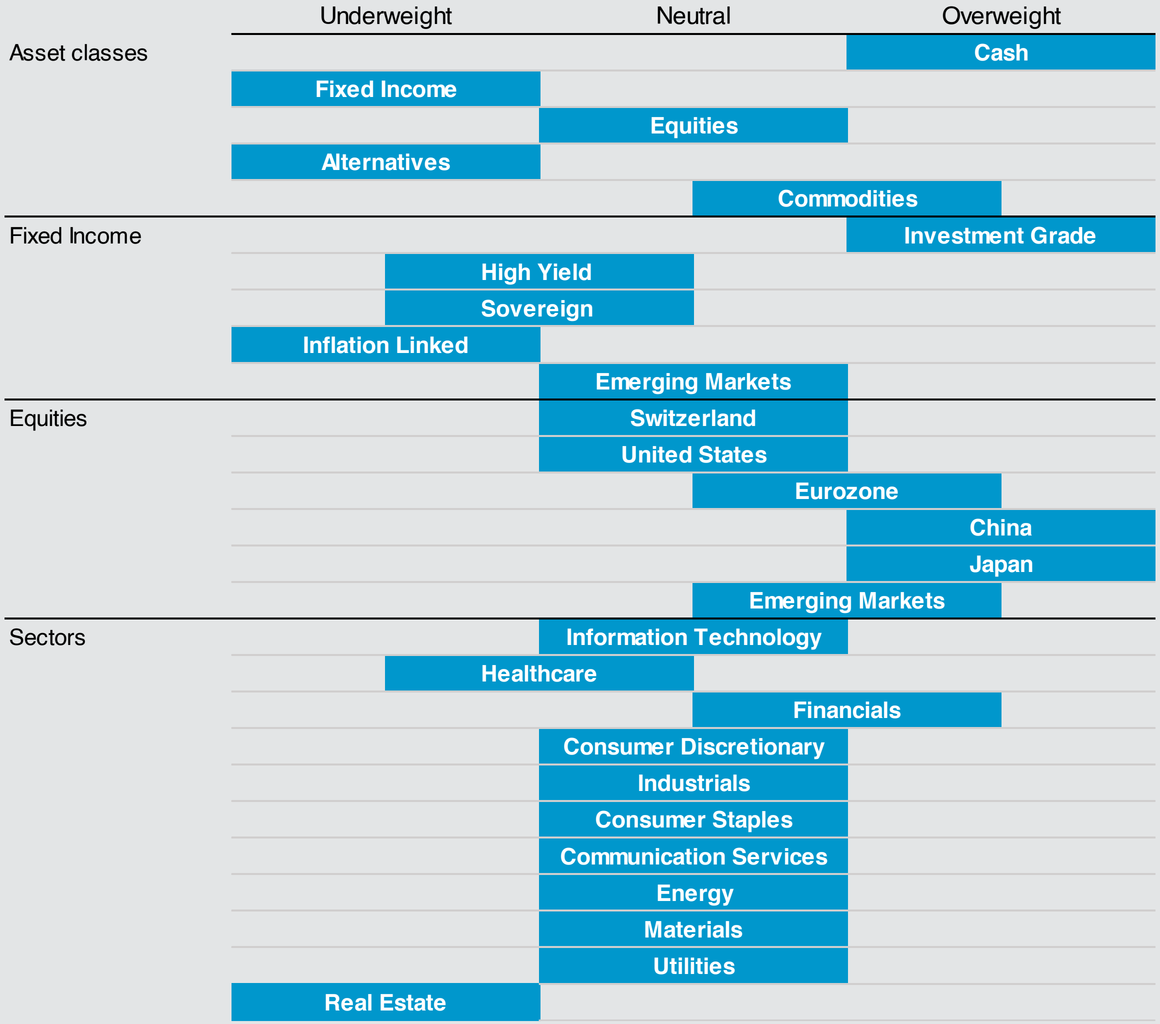
Asset **Allocation**



Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

Equities

This context leads us to a more prudent approach to equities, where sector and regional diversification is more important than ever. We reduced our allocation to the United States following the ongoing turbulence caused by the new administration.

Alternative investments

In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments.

Commodities

In response to heightening geopolitical fragmentation and the escalating risk of currency debasement, we have established a commodities allocation, beginning with precious and strategic metals.

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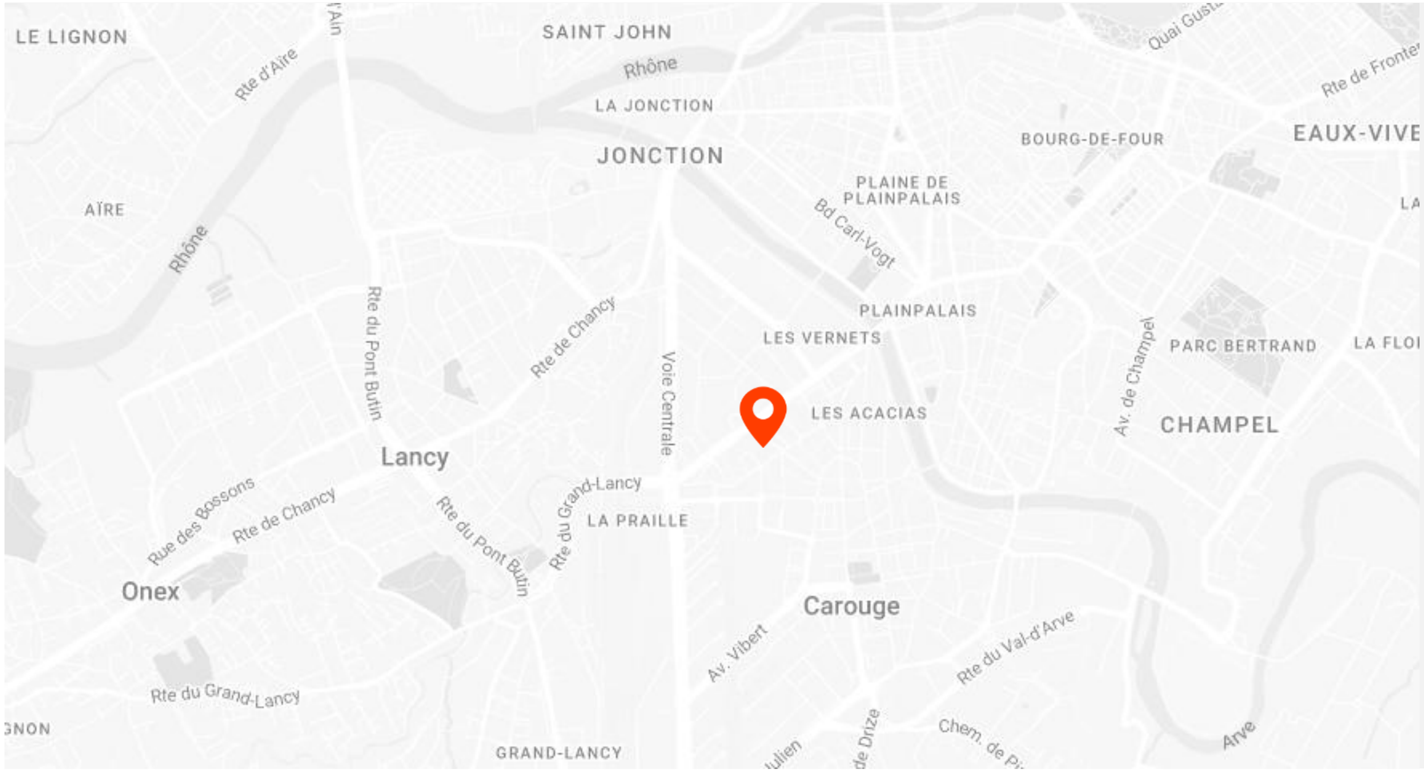
A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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