

Market Update

One economy, two markets

October 2026



Editorial

A year ago, investors were asking how quickly interest rates would come down. September answered a different question. Inflation, which was supposed to keep fading, proved stubborn, and oil climbing back above 100 dollars a barrel made it harder still to bring down. With the US economy accelerating on top of that, the central banks that had been cutting rates found themselves raising them again.

The bond market drew the logical conclusion. Persistent inflation erodes the value of fixed payments, and yields returned to levels last seen two decades ago. Equity investors looked at the same economy and chose to focus on growth, particularly the investment boom in artificial intelligence. As a result, the main indices ended the month close to where they started. This is the one economy and two markets of our title.

The calm in equities deserves a closer look, though, because a handful of technology companies tied to that theme carried the indices while most other stocks fell. Whether inflation or growth ends up setting the tone is the question we take with us into the last quarter of the year.

We wish you a pleasant read.



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Investment Specialist



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Global Markets

Global	Last	YTD	MTD
MSCI World	4,902.7	12.1%	-1.2%
MSCI ACWI	1,134.8	13.4%	-1.1%
MSCI Emerging Markets	1,704.9	23.5%	-0.7%

United States

Dow Jones Industrial	50,906.1	7.2%	-4.1%
S&P 500	7,651.5	12.7%	-0.3%
S&P 500 Equal Weight	8,429.4	10.0%	-4.8%
NASDAQ 100	30,408.5	21.0%	3.3%
Russell 2000	2,796.9	13.9%	-5.3%

Europe

STOXX Europe 600	634.9	10.2%	-2.4%
Euro STOXX 50	6,269.0	11.0%	-2.2%
DAX	25,199.2	2.9%	-4.0%
CAC 40	7,964.5	0.6%	-4.2%
FTSE 100	10,606.0	9.5%	-2.0%
Swiss Market Index (SMI)	13,830.3	7.5%	-3.1%

Sectors (US)

Communication Services	0.7%	2.8%
Consumer Discretionary	-6.1%	-5.2%
Consumer Staples	6.2%	-3.0%
Energy	39.0%	-3.0%
Financials	-2.6%	-7.7%
Health Care	9.7%	-0.7%
Industrials	12.6%	-3.2%
Materials	9.7%	-6.6%
Real Estate	4.6%	-6.3%
Technology	29.9%	4.4%
Utilities	-5.9%	-6.0%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,157.4	-3.7%	-6.3%
Silver (XAG)	60.4	-15.7%	-9.2%
Copper	662.2	16.5%	0.4%

Currencies (vs USD)

EUR	1.13	-3.5%	-2.5%
CHF	0.84	-5.5%	-3.4%
GBP	1.33	-1.6%	-2.1%
JPY	157.4	-0.4%	1.5%
BTC	83,621	-4.6%	6.0%

Fixed Income

US Treasury	2,368	-2.8%	-2.2%
EUR Treasury	239	-3.2%	-2.2%
Global Aggregate	488	-2.7%	-2.4%
US Corporate	3,435	-3.1%	-2.7%
Global EM USD	1,366	-1.5%	-2.9%
Global High Yield	1,860	-0.1%	-3.0%

Interest Rates (US)

		Last month	End 2025
3 Months	4.11%	3.83%	3.63%
12 Months	4.54%	4.14%	3.47%
5 Year	5.09%	4.50%	3.73%
10 Year	5.28%	4.75%	4.17%

Price / Earnings Ratios

		End 2025	End 2024
S&P 500	26.24	27.68	26.47
Euro STOXX 50	17.01	17.61	14.05
Swiss Market Index (SMI)	19.76	19.92	18.98

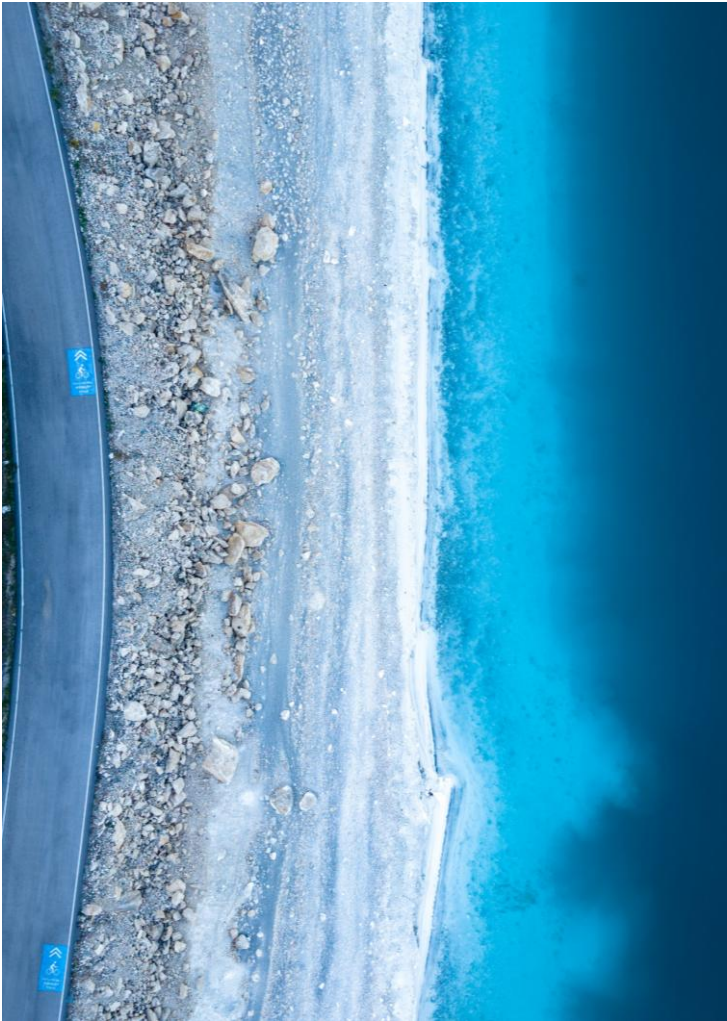
Green: top 25%, red: bottom 25%. Data at close of 30/09/2026

Macroeconomic Indicators

Central Bank Target Rates	Last	Q3 2026	Q2 2026	Q1 2026	Inflation (CPI - YoY)	Last	Q3 2026	Q2 2026	Q1 2026
United States	4.00%	4.00%	3.75%	3.75%	United States	3.4%	N/A	3.5%	3.3%
Eurozone	2.65%	2.65%	2.40%	2.15%	Eurozone	3.8%	3.8%	2.8%	2.6%
Switzerland	0.00%	0.00%	0.00%	0.00%	Switzerland	1.0%	1.0%	0.5%	0.3%
United Kingdom	3.75%	3.75%	3.75%	3.75%	United Kingdom	3.1%	N/A	2.6%	3.3%
Canada	2.25%	2.25%	2.25%	2.25%	Canada	3.0%	N/A	2.8%	2.4%
Japan	1.25%	1.25%	1.00%	0.75%	Japan	1.9%	N/A	1.6%	1.5%
China (3M SHIBOR)	1.43%	1.43%	1.44%	1.51%	China	0.8%	N/A	1.0%	1.0%
Unemployment	Last	Q3 2026	Q2 2026	Q1 2026	Gross Domestic Product (YoY)	Last	Q3 2026	Q2 2026	Q1 2026
United States	4.2%	4.2%	4.2%	4.3%	United States	2.2%	N/A	2.2%	2.6%
Eurozone	6.4%	N/A	6.4%	6.4%	Eurozone	1.5%	N/A	1.5%	0.8%
Switzerland	3.1%	3.1%	3.1%	3.0%	Switzerland	2.8%	N/A	2.8%	0.5%
Canada	6.4%	N/A	6.5%	6.7%	Canada	1.4%	N/A	2.1%	0.4%
Japan	2.5%	N/A	2.5%	2.7%	Japan	3.5%	N/A	3.5%	3.8%
China	5.3%	N/A	5.0%	5.4%	China	4.3%	N/A	4.3%	5.0%
					India (Real GDP)	7.8%	N/A	7.8%	8.6%
Producer Price Index (PPI - YoY)	Last	Q3 2026	Q2 2026	Q1 2026	Purchasing Managers' Index	Last	Q3 2026	Q2 2026	Q1 2026
United States	5.4%	N/A	5.6%	4.3%	United States	54.5	54.5	53.3	52.7
European Union	7.0%	N/A	5.1%	3.7%	Eurozone	53.1	53.1	50	50.7
Switzerland	-0.7%	N/A	-2.1%	-2.7%	Switzerland	55.3	55.3	54.3	53.3
Canada	13.5%	N/A	12.6%	8.6%	Canada	51.5	51.5	53	50
Japan	7.6%	N/A	7.4%	3.0%	Japan	54.1	54.1	54.8	51.6
China	3.8%	N/A	4.1%	0.5%	China	50.1	50.1	50.3	50.4
India	9.9%	N/A	10.0%	4.0%	India	55.1	55.1	54.2	53.9
Core Inflation (Core CPI - YoY)	Last	Q3 2026	Q2 2026	Q1 2026	Core PCE inflation (YoY)	Last	Q3 2026	Q2 2026	Q1 2026
United States	2.4%	N/A	2.6%	2.6%	United States	3.0%	N/A	3.0%	3.1%
Eurozone	2.5%	2.5%	2.4%	2.3%					
Switzerland	0.5%	0.5%	0.3%	0.4%					
Canada	2.1%	N/A	1.8%	1.9%					
Japan	1.6%	N/A	1.2%	1.6%					

Data as of 06/10/2026
N/A: Not yet reported or Public Holiday

September Macro News



- The price of oil climbed about 20% in September and moved above USD 100 per barrel. The oil shock revived concerns that disinflation would stall, which damaged duration-sensitive bonds, consumer-exposed sectors, and perhaps most importantly rate expectations.
- In the US, the FOMC unanimously raised the fed funds target range by 25 bps to 3.75% - 4.00%. The central message was not only the hike itself but also the prospect of further tightening. Markets later priced in a roughly two-thirds probability of another rate increase in October, though this probability decreased after the release of softer inflation data (PCE) at the end of the month. The ECB raised its rates by 25 bps to 2.65%, and the Bank of Japan increased its overnight policy rate to 1.25%.
- US inflation remained at 3.4%, and at 3.0% excluding food and energy (PCE), below forecasts and still well above the 2% target. While this moderated the late-September rise in rate-hike expectations, it did not solve the broader problems of rising energy prices and higher term premiums.

Strong growth and sticky inflation have brought back rate hikes

The Fed, the ECB and the BOJ all tightened in September, and the Fed signaled that it may not be finished.

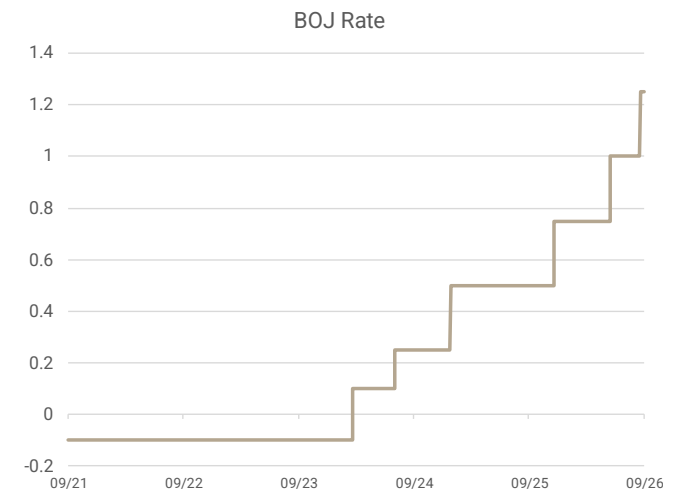
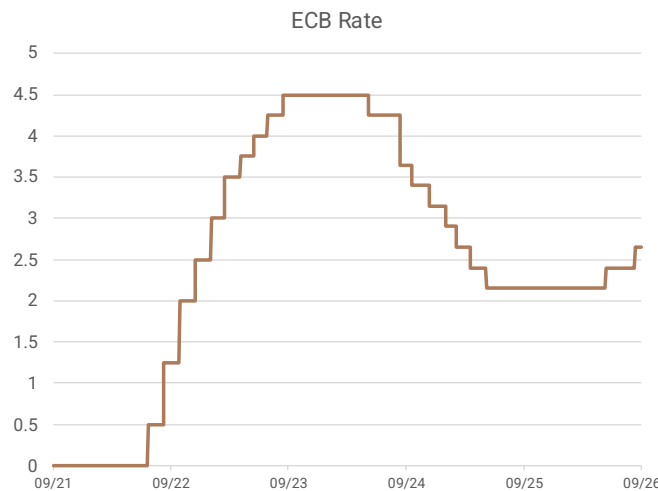
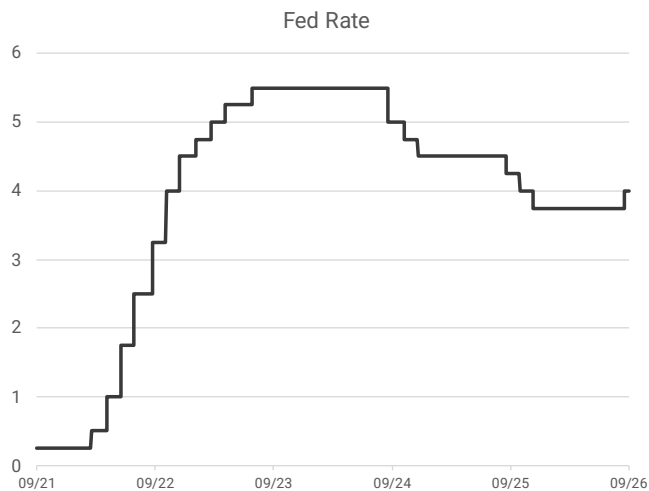
Three major central banks raised rates within nine days. The ECB moved first on 10 September, lifting its main refinancing rate to 2.65%, its second hike this year. The Fed followed with a unanimous quarter-point increase to 3.75% - 4.00%, its first since July 2023. Lastly, the BOJ raised its rate to 1.25%, a level not seen since 1995.

The Fed's message was more important than the rate increase. Its projections show a median year-end rate of 4.1%, which implies one more increase in 2026, no change in 2027 and cuts only from 2028. Most officials expect at least one more rate hike this year. Twelve months ago, the same committee was cutting rates.

What has changed is how growth is perceived. The flash US composite PMI, a

monthly survey of business activity, rose from 56 to 58.4 in September, its strongest reading since July 2021 and consistent with roughly 5% annualized growth. With the Fed projecting core inflation at 3.4% this year, an economy running this fast adds to price pressure, so good data now pushes yields higher (good news is bad news). The 10-year Treasury yield passed 5% for the first time since 2007.

We find this backdrop more comfortable than it looks, because tightening into strong demand is usually easier on corporate earnings than tightening into a slowdown. Europe is the weaker case, since the ECB is responding to an energy shock, and the two oil-driven hikes of 2011 are now widely seen as a mistake.



Government bonds had **their worst month** in years

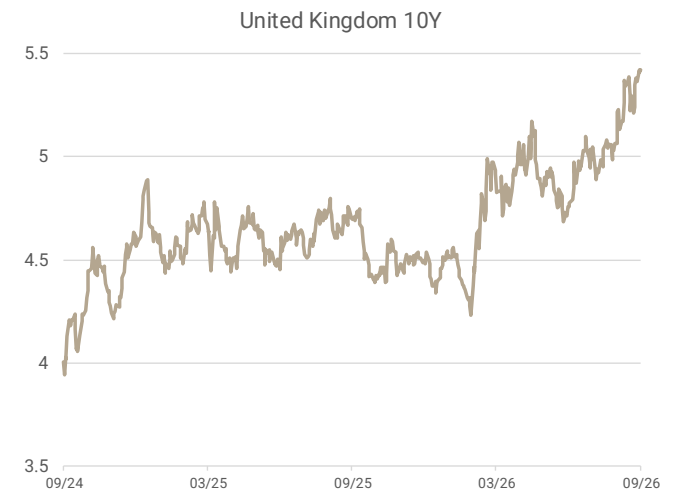
Long-dated bonds fell on both sides of the Atlantic, pushing yields back to levels not seen since the 2000s.

The largest losses in September came from the part of portfolios usually considered safe. The US 10-year yield rose by more than half a percentage point to about 5.3%, its biggest monthly increase since 2022. The 30-year yield passed 5.6%, a level not seen since 2002. The 10-year yield increased by 87 basis points over the third quarter, marking the sharpest quarterly rise since 1994.

Europe followed. The German 10-year yield reached 3.65%, a 17-year high. French yields rose nearly 65 basis points over the month, and the gap with Germany widened to 117 basis points, the widest since 2012, as investors demanded higher compensation due to France's fiscal and political situation.

The losses come from duration, which measures how much a bond's price falls when yields rise. The longer the maturity, the greater the loss: a half-point increase in yields costs a 10-year bond nearly 4% of its value and a 30-year bond considerably more. Higher energy prices, strong growth, central banks raising rates, and heavy debt issuance all pushed in the same direction.

One reassuring point of comparison with 2022 is that yields started near 1.5% then, so there was almost no income to offset losses. Today, the 10-year yield would need to rise by about 65 more basis points over the next year before the losses cancel out the income.



Equities: A calm index hid a **difficult month** for most stocks

Technology offset broad losses elsewhere, while financials were hit hardest by higher yields.

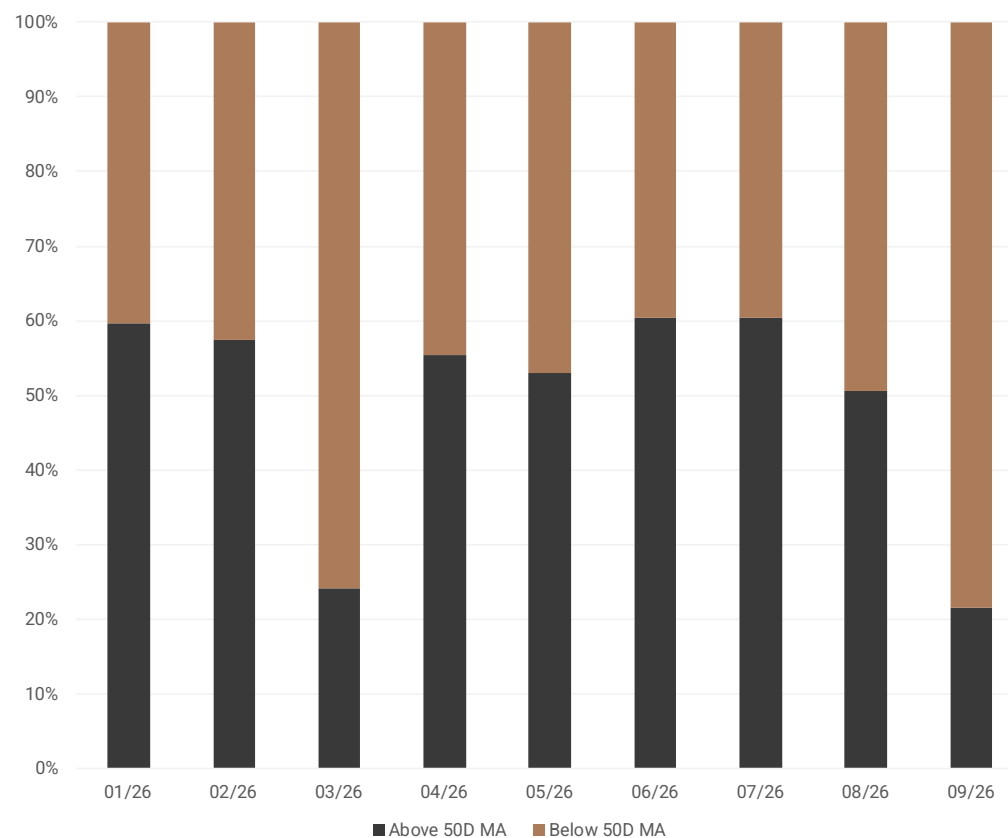
US equity indices held up far better than bonds. The S&P 500 lost 0.3% in September and ended about 2% below its August record. The Nasdaq gained 3.3% and set a new high on 22 September. Over the third quarter the S&P 500 still rose 2%.

The underlying picture was less comforting. Technology and communication services were the only sectors to make clear gains, with semiconductors rising more than 11%. By month end only about one in five S&P 500 companies traded above its 50-day average, and the average stock lost nearly 5%.

Financials were the weakest sector, down more than 7%, their worst month since March 2023. Higher rates are often assumed to help banks, but a rise this fast lifts funding costs, weighs on loan demand and reduces the value of the bonds and private assets these firms hold.

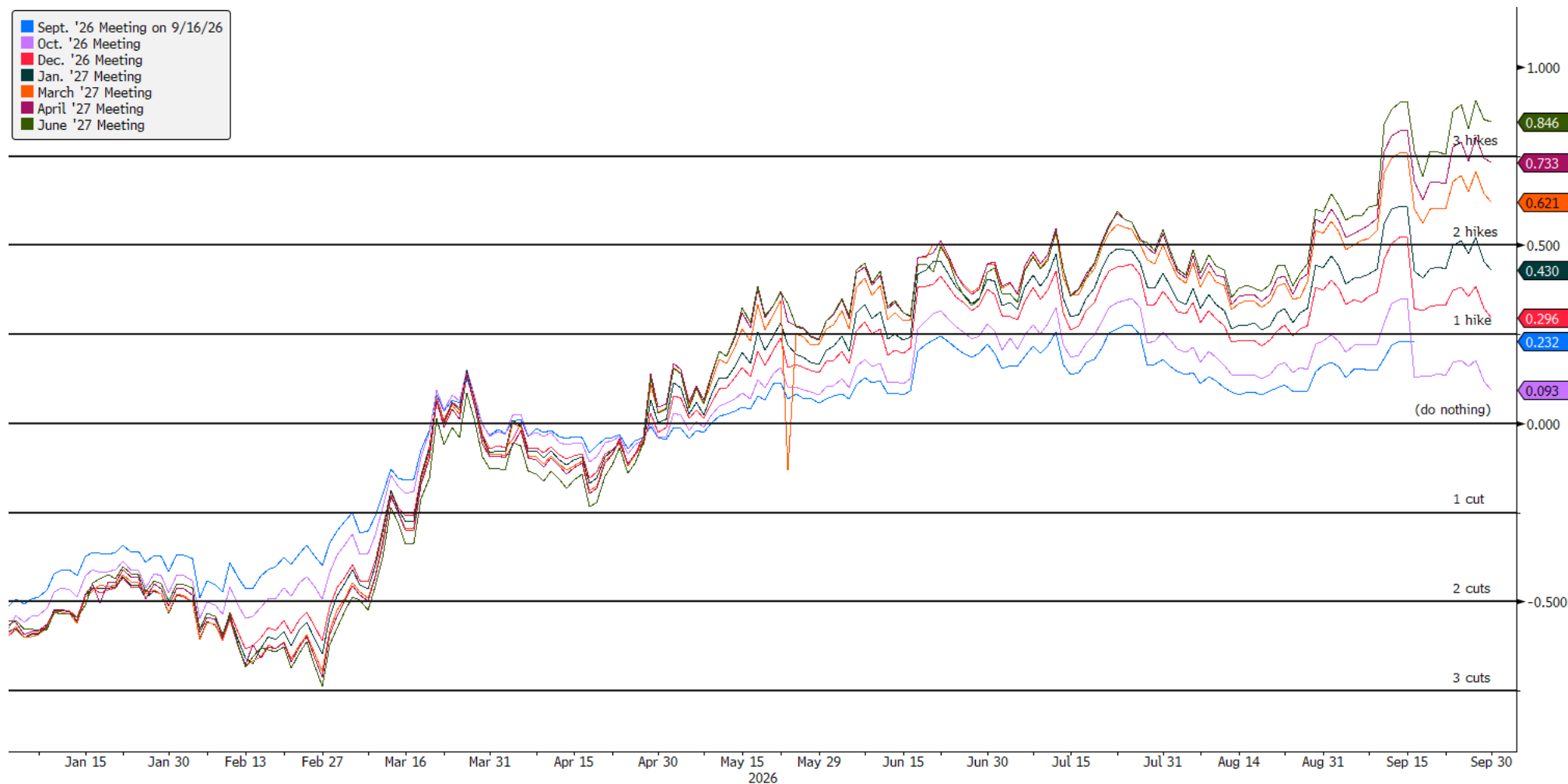
In 2022, equities and bonds fell together. This time, strong earnings in technology offset the rise in yields, which is encouraging. However, it also means the index depends on a small group of companies.

S&P 500 Index: Companies trading above or below their 50 day moving average



US Short Term Rates **Expectations**

Short-term rate expectations turned markedly more hawkish in September: markets priced and received a Fed hike, briefly anticipated another as soon as October, then pared that expectation after softer inflation data.



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Asset Allocation

	Underweight	Neutral	Overweight
Asset classes			Cash
	Fixed Income		
		Equities	
	Alternatives		
		Commodities	
Fixed Income			Investment Grade
	High Yield		
	Sovereign		
	Inflation Linked		
		Emerging Markets	
Equities		Switzerland	
		United States	
		Eurozone	
			China
			Japan
		Emerging Markets	
Sectors		Information Technology	
	Healthcare		
		Financials	
		Consumer Discretionary	
		Industrials	
		Consumer Staples	
		Communication Services	
		Energy	
		Materials	
		Utilities	
	Real Estate		

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 US policy uncertainty.

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.

Contact

A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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