

Market Commentary 02nd of October 2026

Global Equities

Global equity markets delivered mixed performance in September as investors balanced resilient economic growth against rising bond yields and a strengthening US dollar. While technology stocks continued to perform well, European markets faced increased pressure and broader global indices edged lower.

The S&P 500 (SPX) declined 0.45% during the month while the Nasdaq Composite gained 1.86%, as investors continued to favour large-cap technology companies and growth-oriented sectors.

European equities experienced a more challenging month. The MSCI Euro Index fell 2.03%, and Germany's DAX Index was among the weakest major markets, falling 4.03%. The FTSE 100 also moved lower, declining 3.28%.

In Japan, the Nikkei 225 continued to outperform, gaining 0.67%. Emerging markets were slightly weaker, with the MSCI Emerging Markets Index declining 0.66%, while the broader MSCI AC World Index slipped 0.88% during the month.

Fixed Income: Aggregate Bonds

September was a particularly difficult month for fixed-income markets as rising yields weighed on both government and corporate bonds globally. Strong economic data and inflation concerns led investors to reassess expectations for future interest rate movements.

The iBoxx USD Treasury Index declined (a massive) 2.27%, while US Corporate Bonds fell 2.72%. European fixed-income markets posted similar losses, with the Euro Sovereign Bond Index falling 2.16% and Euro Corporate Bonds declining 1.33%. UK bonds also weakened, with the iBoxx GBP Gilt Index falling 1.30% and UK Corporate Bonds declining 1.20%. As a result, the Global Aggregate Bond Index dropped 2.38% during the month, leaving it -2.67% YTD, reflecting the continued challenges facing bond investors in a higher-yield environment.

Commodities: Oil, Gold and Silver

Commodity markets delivered mixed results in September. Energy prices continued to rise, while precious metals experienced a significant pullback.



Crude Oil gained 5.43% to close at \$90.42 per barrel, supported by ongoing supply constraints and resilient global demand.

In contrast, precious metals came under pressure. Gold fell 6.31% to \$4,157.41/oz, turning negative for the year at -3.75% YTD. Silver declined 9.24%, extending its YTD loss to 15.68%. The broader CRB Commodity Index was largely unchanged, slipping just 0.08%, though it remains up an impressive 37.31% YTD.

Currencies & Digital Assets: US Dollar and Bitcoin

Currency markets were dominated by renewed strength in the US dollar. The Dollar Index (DXY) rose 2.03% to 101.451, extending its YTD gain to 3.18%.

The stronger dollar weighed on major currencies. The Euro fell 2.48% against the US dollar, while Sterling declined 2.10%.

Digital assets continued their recovery. Bitcoin gained 6.05% during September, rising to \$83,621. While still slightly negative for the year at -4.59% YTD, the cryptocurrency has recovered substantially from its mid-year lows and has benefited from improving investor risk appetite.

More global worries. Should we worry?

This is not the first time we have asked a similar question. It just seems to us that in September we heard from an increasing number of clients who are really concerned that their investments have only one way to go from here – down. Not a day goes by without a client sending us a YouTube video, a Financial Times article or a Bloomberg interview that predicts a massive pullback in equities. Many of these articles sound so logical that clients understandably want to head for the exits. Eventually, some of these Cassandras will be proven right. In many ways, it is hard not to feel anxiety.

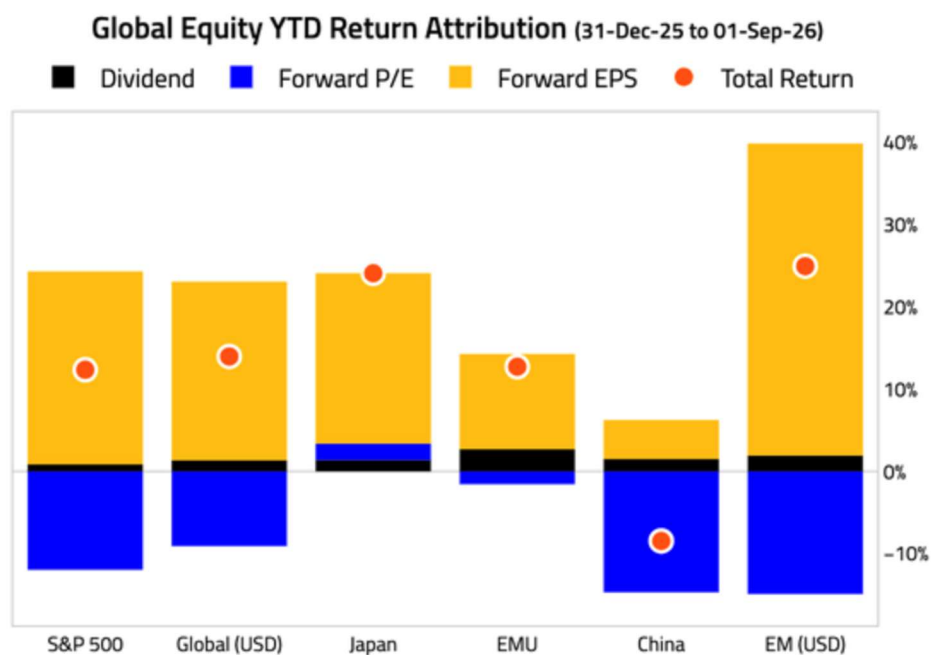
Here are some of the concerns: Frightening geopolitics, highest bond yields in 20 years, rising inflation, fiscal recklessness, high debts, unknown ROI on AI investments, AI "ending the world", AI destroying jobs, high valuations (as per CAPE - Cyclically-Adjusted Price Earnings ratios), narrow market breadth, consumers caving in etc etc.

And yet there is also a positive story: We are undergoing massive technological changes and breakthroughs that, in our opinion, will inflate this bubble much, much longer than most expect. A virtuous cycle of rising productivity and increasing profit margins should continue to drive earnings growth. The demand for compute will not just stop. In the recent past, the 8 billion people on earth had circa 6 billion mobile phones and 2 billion personal computers. Add to those computers used for governments, research and companies, and it was still a sub-20 billion use of compute power. Today,



billions of AI agents have created the need for far more compute. This means that there will be huge demand for power generation, semiconductors, servers, networking, transmission lines, cooling systems, connectivity, materials etc. At the same time, every single sector and industry in the world will be using AI in a revenue-increasing and cost-decreasing way, creating a virtuous cycle. We are not going back to riding horses.

And there will be nerve-wracking pullbacks along the way. Bear in mind that this year, as the market has been marching up, many companies have already corrected a lot. More than 40% of all companies in the S&P 500 have fallen more than 20% from their peaks this year. These rolling corrections in many sectors from healthcare to semiconductors to software have taken the air out of the market and prevented excesses. As a result, valuations have compressed at a time when earnings growth has risen. It is earnings growth, and not multiple expansion that is driving the markets today, which is healthy. As you can see, forward P/E ratios (price-to-earnings) have come down while forward earnings per share (EPS) remain strong.



Source: JP Morgan Asset Management

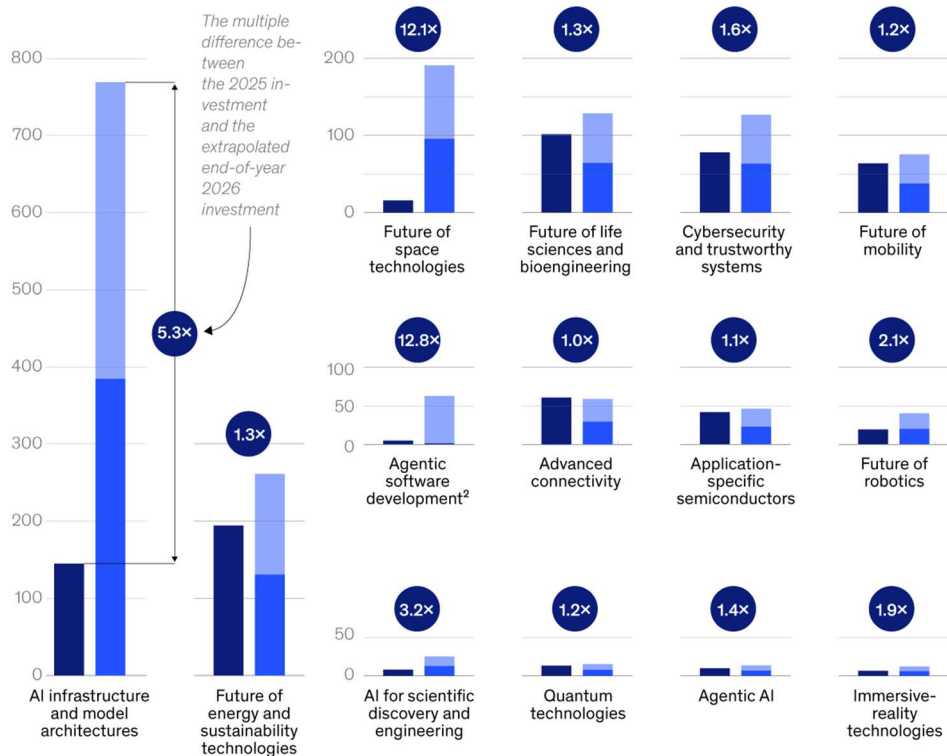
Below are a few more anecdotal pieces of evidence that all is not doom and gloom:

The first (busy) graphic on the next page from McKinsey shows how spending on technology is accelerating at a massive scale from last year to this. Critics will say that this massive spending will not be rewarded by meaningful extra revenue, but Bank of America thinks it will (see next graphic) on cloud revenue vs capital expenditures.



Five technology trends are on pace to at least double their investment in 2026 compared with 2025.

Extrapolated change in investment, 2025–26, \$ billion



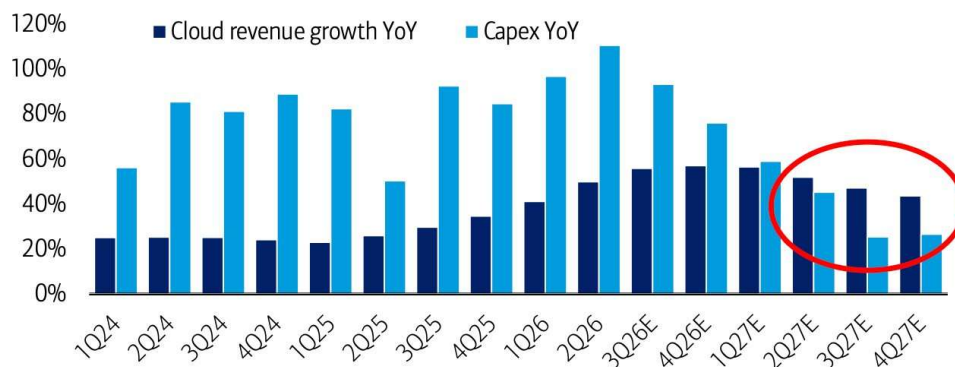
Note: Data includes private-market and public-market capital raises across venture capital and corporate and strategic M&A (including joint ventures), private equity investments (including buyouts and private investment in public equity), and public investments (including IPOs). Excludes corporate capital and operational expenditures.

¹Investment trends in the first half of 2026 were extrapolated by applying a linear monthly run rate to deal activity through June 30, 2026. Projections may be skewed by megadeal concentration and calendar seasonality and are directional estimates rather than precise forecasts.

²Includes \$60 billion Cursor acquisition by SpaceX (announced, pending close).
Source: PitchBook; McKinsey analysis

Positive for Hyperscalers: narrowing gap between cloud revenue growth and capex

MSFT, AMZN, GOOGL, ORCL - quarterly cloud* revenue growth YoY vs. capex growth YoY (1Q24-4Q27E); future periods are consensus, as of 9/16/2026



Source: Visible Alpha, BofA US Equity & Quant Strategy. *Includes the following revenue segments: AMZN - AWS, GOOGL - Google Cloud, MSFT - Azure & Other Cloud Svcs, ORCL - Cloud Infrastructure. Excludes META (not a public cloud provider).

BofA GLOBAL RESEARCH

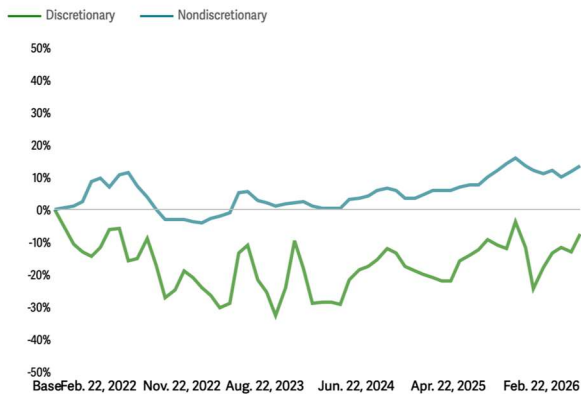
Another tailwind, which is the big elephant in the room is the US consumer, who has consistently defied expectations and keeps spending. The following graphics make this point. The first, by



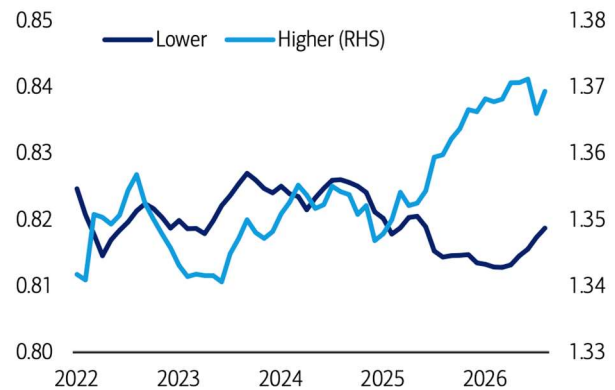
Deloitte, shows their spending intentions, which are rising. The second, by Bank of America shows the deviation from middle-income spending of high-end and low-end consumers. Surprisingly, and against the typical rhetoric, the low end is not as dour as much of the media portray it. Finally, the third shows overall household net assets, which paints a comforting picture and shows a 4x increase in the last 25 years, led by the US!

Respondents signaled higher spending intentions across both nondiscretionary and discretionary categories in August

Estimated monthly spending intentions (percentage change, exponential moving average: Oct/Nov/Dec 2021 as base)



Ratio of lower- and higher-income spending to middle-income discretionary spending (3m average of monthly levels, SA)

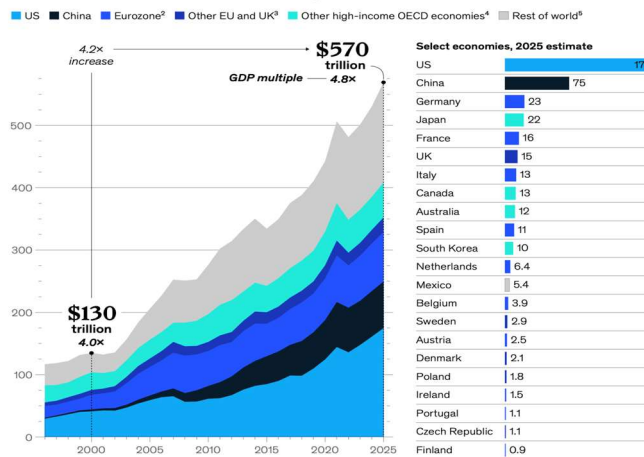


Source: BAC internal data. Discretionary spending is total spending excluding gas, groceries and utilities.

BofA GLOBAL RESEARCH

In 2025, household net worth hit a new high of \$570 trillion globally.

Household net worth,¹ \$ trillion (at market exchange rate, nominal values)



¹Implied based on US dollar-denominated GDP of economies shown and global US dollar-denominated GDP.
²Includes economies representing ~90% of total eurozone GDP (Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, and Spain).
³Select economies representing ~90% of total non-eurozone GDP.
⁴Includes Japan, Canada, Australia, and South Korea. Excludes Italy pre-2000, Mexico pre-2003, and South Korea pre-2008 due to data limitations.
⁵Source: CEIC; China National Bureau of Statistics; People's Bank of China; IHS Markit; Federal Reserve; OECD; Eurostat; European national agencies; McKinsey Global Institute analysis

McKinsey & Company

Disclaimer

The information in this article should neither be regarded as an offer nor a solicitation to buy, sell or otherwise deal with any investment referred to herein. As a regular rule, the value of any investment may rise or fall. Past performance is not an indicative of future results. Do not take unnecessary risk and always request advice from an investment professional before undertaking any investment.