



Atchíson

September 2026



Monthly Market Update

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the way forward



Key Events in September 2026

- Almost every market move in September traced back to the same force: a synchronised rise in global bond yields as the major central banks tightened policy and investors demanded more compensation for inflation and government borrowing. That lifted the US dollar, pushed the Australian dollar below 70 US cents, and pulled back rate-sensitive assets such as property, infrastructure and bonds.
- was a weak month for the Australian share market. The S&P/ASX 200 fell around 3 percent in price terms (2.4 percent lower including dividends), giving back recent gains to touch a three-month low late in the month before a small rebound into month-end.
- Global share markets were mixed in local currency terms but mostly positive for Australian investors once the falling Australian dollar is considered. International shares returned about +1.9 percent unhedged against -0.7 percent hedged, with the roughly 3 percent fall in the Australian dollar accounting for almost all that difference.
- The Reserve Bank of Australia raised the cash rate by 25 basis points to 4.60 percent on September 29, its fourth increase of 2026 and the highest level in around 15 years. The written statement was hawkish, though Governor Michele Bullock struck a more cautious tone at the press conference.
- Inflation remained the central concern. The monthly Consumer Price Index indicator for August, released on September 30, showed headline inflation rising to 4.0 percent, while the trimmed-mean (core) measure held around 3.6 percent, both above the Reserve Bank's 2 to 3 percent target band.
- Other domestic data was softer. The unemployment rate edged up to 4.6 percent, its highest since late 2021, and national home values fell around 1 percent in September, a sixth consecutive monthly decline, as higher interest rates continued to weigh on housing.
- The dominant global story in September was a wave of central bank tightening. The US Federal Reserve, under Chair Kevin Warsh, raised interest rates by 25 basis points to a target range of 3.75 to 4.00 percent at its September 15-16 meeting, its first increase in around three years, and signalled at least one further hike before year-end, warning that inflation had been too high for too long.
- US equities were broadly flat to lower. The S&P 500 eased around half a percent for the month and the Dow Jones fell more than 4 percent, while a technology-led Nasdaq gained close to 2 percent. The common thread was a sharp rise in bond yields, which hit rate-sensitive sectors such as financials, materials and real estate, while a small group of artificial intelligence (AI) names held the overall market up.
- European equities fell for the first time in around six months, with the pan-European Stoxx 600 down roughly 2 percent and Germany's DAX off around 4 percent, as rising government bond yields across the region weighed on share valuations.
- French political and fiscal instability deepened. A new government under Prime Minister Sebastien Lecornu set out large spending cuts amid protests, and the French 10-year bond yield rose above 4.5 percent for the first time since 2008 as investors focused on the budget deficit.
- The tightening in policy was global. The European Central Bank and the Bank of Japan also raised rates, the Bank of England held, and the Reserve Bank of Australia lifted its cash rate to a 15-year high, leaving government bond yields at multi-year highs across the United States, Germany, the United Kingdom, Japan and Australia.
- A meeting between President Trump and President Xi on September 24 produced only a modest agreement, lowering tariffs on around 30 billion US dollars of goods on each side and extending the trade truce by around two months, while leaving the harder issues of rare earths, technology and security unresolved.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 30th September 2026

	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	% pa	% pa	% pa
Australian Shares	-2.41	1.27	2.62	11.30	7.59	8.93
Australian Small Companies	-2.34	-1.35	-7.73	9.36	1.50	5.46
International Shares (unhedged)	1.86	1.45	9.89	18.58	12.87	14.06
International Shares (Hedged)	-0.71	1.99	16.26	20.66	11.63	12.55
Emerging Markets (Unhedged)	2.24	-0.89	22.35	20.46	8.95	9.20
Australian Property Securities	-1.85	-4.66	-11.64	10.08	2.87	5.57
Global Property Securities (Hedged)	-5.50	-5.97	4.47	8.78	0.07	
Global Listed Infrastructure (Hedged)	-5.47	-7.94	5.40	12.58		
Australian Bonds	-0.73	-1.48	-0.40	3.47	-0.09	1.36
Global Bonds (hedged)	-1.95	-2.95	-1.41	3.20	-1.28	
Cash	0.37	1.13	4.12	4.31	3.40	
AUD/USD	-3.12%	0.6989				

Past performance is not a reliable indicator of future performance.

Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian markets

The S&P/ASX 200 fell around 3 percent in price terms over September, about 2.4 percent on an accumulation basis including dividends, one of its weakest months of the year and consistent with September's reputation as the market's historically softest month. After opening the month near 9,067 and briefly touching an intramonth high above 9,070 on September 4, the index fell steadily to a three-month low in the 8,650 to 8,670 region around September 23, as rising bond yields and a renewed spike in the oil price unsettled investors, before a late rebound lifted it back to close the month near 8,789.

The pullback left the Australian share market broadly flat for the 2026 calendar year to date, a marked contrast with the stronger returns delivered earlier in the year and with the unhedged return from global shares, which continued to benefit from a weaker Australian dollar.

The Reserve Bank's September 29 decision to raise the cash rate to 4.60 percent, alongside a jump in longer-term bond yields, weighed most heavily on rate-sensitive parts of the market. Utilities, listed property, infrastructure and gold miners were among the weakest areas, while energy was relatively resilient as oil prices rose. A softer-than-feared August inflation reading, released on September 30, eased some fears of further rate rises and sparked a sharp rebound in property and other interest-rate-sensitive sectors on the final day of the month.

Unlike August, September falls outside the Australian corporate reporting season, so the month's moves were driven far more by the macroeconomic backdrop, interest rates, bond yields, the oil price and the currency, than by company-specific earnings news.

The clearest sector theme was the unwinding of the earlier run in resources and gold. Gold and lithium-related miners gave back ground as the gold price fell and real bond yields rose, while energy names were supported by firmer crude prices through the middle of the month.

Global markets

September 2026 was dominated by a synchronised tightening of monetary policy across the major economies and a sharp global rise in bond yields, set against an ongoing conflict in the Middle East that kept oil and inflation risk in focus even as shipping disruptions eased into month-end.

In the United States, the S&P 500 was little changed, easing around half a percent for the month, while the Dow Jones Industrial Average fell more than 4 percent and the technology-heavy Nasdaq Composite rose close to 2 percent. The decisive event was the Federal Reserve's decision to raise interest rates on September 16, which lifted bond yields and pressured rate-sensitive sectors. Information technology was the only major sector to post a clear gain, as investors crowded into a narrow group of AI-related companies, while financials, materials and real estate fell sharply.

In the United Kingdom, equities were mixed and long-dated government bonds were the main story, with 30-year gilt yields touching their highest since 1998 on concerns about the government's fiscal position. The Bank of England held its policy rate steady, though three of its nine committee members voted for a further increase.

Chinese equities were weak, with the Shanghai Composite down around 3.6 percent as fresh data pointed to continued softness in domestic demand, and sentiment was further unsettled late in the month by regulatory scrutiny of the technology sector.

Emerging markets were more resilient and, helped by the weaker Australian dollar, delivered a positive return for Australian investors. Taiwan was the standout, rising almost 4 percent to record highs on continued demand for semiconductors and AI hardware, while Japan's Nikkei also gained despite the Bank of Japan raising interest rates to a 31-year high and 10-year Japanese government bond yields rising above 3 percent for the first time since 1996.

Interest rates and bonds

September was another weak month for Australian bonds. Yields rose across the curve, which means bond prices, and therefore returns for bondholders, fell, extending what has been a difficult year for fixed income.

The 10-year Australian government bond yield rose over the month, climbing from around 5.09 percent at the end of August to a peak near 5.40 percent in mid-September, its highest in around 15 years, before easing slightly into month-end after the softer August inflation reading. Shorter-dated yields also rose as the market moved to fully price the Reserve Bank's rate increase. Because bond prices move inversely to yields, this translated into negative returns for Australian bond indices over the month.

Inflation remained the dominant force. The August Consumer Price Index indicator, released on September 30, showed headline inflation rising to 4.0 percent, with the trimmed-mean measure around 3.6 percent, both above the Reserve Bank's 2 to 3 percent target band, which kept upward pressure on yields through most of the month.

It was a weak month for global government bonds as well. In what was described as a synchronised global sell-off, yields rose to multi-year highs across the major markets as central banks tightened policy and investors focused on inflation and rising government debt.

US Treasuries sold off, with the benchmark 10-year yield rising from around 4.8 percent at the start of the month to near 5 percent by month-end, having briefly peaked just above that level, its highest in several years.

- The rise was driven by the Federal Reserve's rate increase on September 16, persistent inflation, concerns about the US budget deficit, and heavy corporate bond issuance, much of it tied to financing the build-out of AI infrastructure.
- Shorter-dated US yields also rose as the market repriced for a less accommodative Federal Reserve, while longer-dated yields reflected growing investor concern about the sustainability of government debt.
- A similar pattern played out around the world, with long-dated bonds in particular selling off as investors demanded greater compensation for holding government debt over longer horizons.

Rising energy prices, linked to the conflict in the Middle East, reinforced the view that inflation would stay higher for longer and added to the upward pressure on yields.

Currencies and commodity markets AUS/USD

The Australian dollar was a key story for local investors, falling around 3.1 percent over September to close near 0.6989 US dollars, below the 70 US cent level and around a nine-week low. The fall came even though the Reserve Bank's 29 September rate rise, which markets have already priced in. The US Dollar Index up around 2 percent, in its best month since June, on the back of the Federal Reserve's rate rise and a sharp climb in US bond yields. Weaker iron ore prices added to the pressure on the currency.

Crude oil rose over the month and was highly volatile. Brent crude spiked above 100 US dollars a barrel in mid-September, its highest since May, as the conflict between the United States and Iran extended to attacks on oil tankers around the Strait of Hormuz. By month-end, naval escorts and alternative shipping arrangements had restored Gulf crude flows to close to pre-conflict levels, easing some of the pressure, even as refined fuel supplies remained tighter.

Gold fell sharply in September, dropping around 8 to 9 percent to near 4,200 US dollars an ounce, and silver fell further still. The reversal was driven by the sharp rise in real bond yields and the stronger US dollar following the Federal Reserve's rate rise, which reduced the appeal of holding non-yielding assets, even as central bank buying continued in the background.

Among the industrial and bulk commodities most important to Australia, iron ore fell back below 100 US dollars a tonne, pressured by weak Chinese steel demand and ample supply. This weakness in the iron ore price was an additional headwind for the Australian dollar and for the large mining companies that dominate the local share market.

More broadly, the combination of higher real yields and a firmer US dollar weighed on precious metals and other commodities priced in US dollars, a reversal of the pattern seen earlier in the year when a weaker dollar had helped support commodity prices.

In summary, the common thread across September was the global rise in bond yields as central banks tightened policy. That lifted the US dollar, pushed the Australian dollar below 70 US cents, weighed on gold and on rate-sensitive assets, and left the oil price as the main wildcard, tied closely to events in the Middle East.



Outlook for Investment Markets

The picture heading into the final quarter of 2026 is one of markets adjusting to a world of higher interest rates and higher bond yields. Corporate earnings and enthusiasm for artificial intelligence continue to provide support, but they are now sitting on top of a demanding set of macroeconomic and geopolitical risks.

The dominant driver is the shift to tighter monetary policy across the major central banks. The US Federal Reserve, European Central Bank, Bank of Japan and Reserve Bank of Australia all raised rates in September, and government bond yields are now at multi-year highs around the world, including a Japanese 10-year yield back above 3 percent for the first time since 1996. Persistent inflation, kept elevated in part by higher energy prices, is the common cause.

Events in the Middle East remain a key near-term swing factor. The conflict involving the United States and Iran, and the periodic disruption to shipping through the Strait of Hormuz, continued to drive the oil price during the month, although flows had largely been restored by month-end. A renewed escalation remains the main risk that could push inflation and interest rates higher across every major economy at once.

On trade, the meeting between President Trump and President Xi on September 24 produced only a modest agreement, lowering tariffs on around 30 billion US dollars of goods on each side and extending the trade truce by around two months, while leaving the harder questions of rare earths, technology and security unresolved. Alongside this, the debate over a possible AI investment bubble intensified, with growing attention on the heavy, and increasingly debt-funded, spending on data centres and the concentration of equity gains in a small number of technology companies.

What does all this mean for asset classes in the short term? Our broad positioning is little changed, but September reinforced several of the themes we have been highlighting.

- **Equities:** company earnings and AI-related investment remain the main supports, but valuations are vulnerable to further rises in bond yields. We expect continued volatility, with market direction heavily influenced by the path of interest rates and events in the Middle East.
- **Bonds:** the global backdrop remains challenging, with a synchronised sell-off driven by inflation and concerns about government debt. Duration risk is elevated across the major markets, and we continue to favour shorter-duration positioning. The silver lining is that higher starting yields improve the outlook for future returns from bonds.
- **Currencies:** the Australian dollar fell below 70 US cents as the US dollar strengthened on rising US yields. Its direction from here is likely to remain highly sensitive to the relative paths of the Federal Reserve and the Reserve Bank, as well as to commodity prices.
- **Commodities:** oil remains closely tied to events in the Middle East and is likely to stay volatile. Gold gave back ground in September as real yields rose, a reminder that even long-term structural supports can be outweighed in the short term by higher interest rates and a stronger US dollar.
- **Private markets:** private credit continues to attract strong investor interest, though the same pressures affecting public markets, persistent inflation, higher-for-longer interest rates and geopolitical uncertainty, are also relevant for private-market investments and reinforce the importance of careful manager selection.

In short, markets are being pulled in two directions: strong corporate earnings and ongoing investment in artificial intelligence on one side, against tighter monetary policy, higher bond yields, a live conflict in the Middle East, and concerns about stretched valuations in parts of the technology sector on the other.

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