

Market Commentary

October 2026



Key Points:

- Long-term global government bond yields continue to rise, while central banks keep increasing interest rates.
- Credit spreads have also started to widen, and risk premiums on French government debt are increasing.
- The Trump-Xi summit proceeded largely as expected, with no major announcements, but the truce was extended.

Market Outlook

Stock Market – Neutral Weight →

Global equity markets declined in September but remain close to all-time highs. We are reducing equity exposure further, partly as a result of rising interest rates, although growth prospects remain solid. Overall, we are therefore moving from an overweight to a neutral position in equities.

Bonds – Underweight ↘

Global government bonds declined in September. Long-term yields continue to rise globally, while central banks keep raising policy rates. In addition to inflation, strong economic growth is contributing to the increase. We have reduced duration across all markets and are moving to an underweight position in duration.

Money Market – Overweight ↗

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The Asset Allocation Group notes that Treasury Secretary Scott Bessent has stated that he is “the House” and is supporting government bond purchases.

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The House is Tested

Long-term US Treasury yields continued to rise throughout September and reached their highest level since 2002 when measured by the yield on a 30-year Treasury bond. The yield stood just above 5.6% at the end of September. The rise accelerated after US Treasury Secretary Scott Bessent made a strong statement, saying, “I am the House”, referencing the casino phrase “The House Always Wins”. Through support purchases, warnings against betting against the market and claims of asymmetric information, the intervention instead appeared to attract speculators keen to test where the limits lie. None of the structural drivers, either short- or long-term, were addressed beyond claims that the US economy would grow its way out of the problem. In September, the US Federal Reserve (Fed) also raised interest rates again for the first time in three years and for the first time since July 2023. Following the meeting, markets are now pricing in a further 86 basis points (bps) of rate increases over the next twelve months.

Credit Spreads Widen

Although equity markets have so far coped well with rising interest rates and focused on the growth-related drivers behind the move, credit markets have started to react more negatively. Risk premiums and credit spreads widened noticeably towards the end of September and reached their widest levels since the market turbulence in late March. It is not only corporate bond spreads that have widened, but also those of many highly indebted sovereign issuers, such as France. Although short-term rates in the eurozone remain below those in the US, the yield on a 30-year French

government bond has risen sharply to around US levels of 5.5%. Spreads on Spanish and Italian government bonds have also widened significantly. Germany continues to be viewed as the safest borrower in the eurozone, although long-term German government bond yields have also moved higher. This comes as the European Central Bank (ECB) raised rates again in September, for the second time this year, in an effort to bring inflation down. Markets are currently pricing in a further 76 basis points of rate increases over the next twelve months.

Trade Truce Extended

The September summit between Trump and Xi in the United States resulted in a further extension of the economic truce between the two powers. There were no major breakthroughs, although an agreement was reached on reciprocal tariff reductions on selected goods. However, there was no broad removal of the substantial general tariffs or strategic technology restrictions. The cuts apply only to a limited list of goods intended to provide relief for consumers and farmers in both countries. Ahead of the meeting, there was also focus on artificial intelligence and establishing common rules of the road, but little concrete emerged from this technological race. In many respects, no major news is good news for markets. Trump and Xi are expected to meet twice more in 2026, at the APEC summit in China in November and the G20 summit in the United States in December.

Market Outlook

Global Equities – Neutral Weight →

Global equities, as measured by the MSCI World Index in local currency terms, declined by almost 1% in September but remain close to all-time highs. Year to date, gains still stand at a healthy 13%. Equity markets have so far taken rising yields in their stride and focused on the growth component behind the move, which earnings growth over the past two quarters has broadly supported. A new reporting season is also about to begin. We remain somewhat concerned about the rise in yields and have therefore reduced exposure, moving from an overweight to a neutral position in global equities.

Emerging Markets (EM) – Overweight ↗

Emerging market equities, measured in local currencies, were broadly unchanged in September and therefore performed somewhat better than developed markets. As a result, EM equities remain around 10 percentage points ahead in performance terms year to date. Taiwanese equities have recovered somewhat, while South Korean markets have stabilised. Equity markets in China and India have continued to perform weakly. Overall, we remain overweight emerging markets.

Global Bonds – Underweight ↘

Global government bonds, as measured by the JPM GBI Index, fell by as much as 2% in September. Long-term yields continue to rise despite support purchases by the US Treasury aimed at lowering borrowing costs. The lack of structural measures to reduce government debt and fiscal deficits remains a concern, although other factors such as high inflation and hyperscalers competing for financing are also contributing. The widening is affecting both corporate issuers and sovereign borrowers. We have shortened duration further and are moving to an underweight position in global government bonds.

Key Figures as of 30.09.2026

(measured in local currencies)

Global Stocks (MSCI)	September	2026
All Countries	-0.7 %	13.6 %
Developed Markets	-0.8 %	12.4 %
Emerging Markets	-0.4 %	23.1 %

Regions (MSCI)

North America	-0.5 %	12.4 %
Europe	-2.3 %	9.5 %
Asia and Oceania	-0.8 %	18.4 %
Nordic	-3.2 %	8.0 %

Countries

USA (S&P 500)	-0.4 %	12.5 %
Japan (Nikkei 225)	0.7 %	32.6 %
United Kingdom (FTSE 100)	-2.0 %	6.8 %
Germany (GDAX)	-4.0 %	2.9 %
France (CAC)	-4.4 %	-2.3 %
Finland (HEX25)	-0.2 %	12.7 %
Denmark (OMXC25GI)	-4.6 %	2.3 %
Sweden (OMXS30GI)	-1.2 %	16.0 %
Norway (OSEBX)	-2.0 %	23.0 %

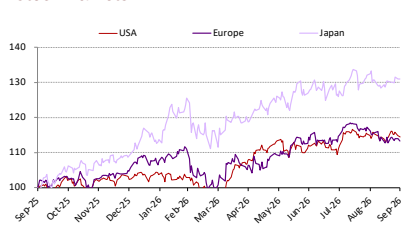
Currency (increase equals EUR appreciation)

EUR pr USD	-2.2 %	-3.3 %
EUR pr GBP	-0.2 %	-2.1 %
EUR pr JPY	-3.8 %	-3.0 %

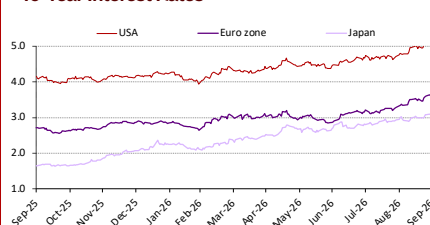
Currency (increase equals USD appreciation)

USD pr EUR	2.3 %	3.4 %
USD pr GBP	2.0 %	1.1 %
USD pr JPY	-1.7 %	0.1 %

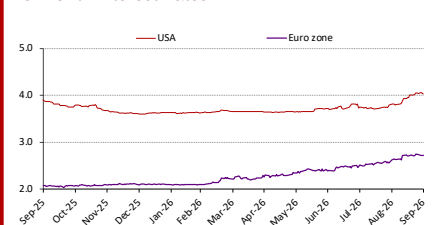
Stock Markets



10-Year Interest Rates



3-Month Interest Rates



Central Bank Rates

