Market Commentary

September 2026

Key Points:

- **Long-term US government bond yields continue to rise and have reached their highest level since 2007.**
- **Central banks are expected to continue raising interest rates, with the new Federal Reserve Chair adopting a surprisingly hawkish stance.**
- **Companies, particularly in the United States, continue to report strong earnings despite higher energy prices and interest rates.**

Market Outlook

Stock Market – Overweight ↗
Global equity markets continued to rise in August, reaching new all-time highs. This has occurred despite renewed increases in oil prices and higher interest rates. Another strong earnings season, demonstrating that companies continue to generate solid profits, has supported markets. Overall, we remain overweight equities.

Bonds – Neutral Weight →
Global government bonds were broadly unchanged in August but have declined since June. According to market pricing, central banks in Japan and the eurozone are expected to raise policy rates twice during the autumn. Expectations for the Federal Reserve are not far behind. We remain neutral on duration across all markets and overweight credit exposure.

Money Market –Underweight ↘

The Asset Allocation Group notes that manufacturing sentiment indicators remain strong.

The allocation group in Storebrand Asset Management:
Søren Kærgaard Slipsager, *Senior Portfolio Manager*, **Olav Chen**, *Head of Allocation and Global Fixed Income*, **Tore Jørgen Rye**, *Senior Portfolio Manager*, **Dagfinn Norum**, *CIO*, **Lasse Theimann**, *Senior Portfolio Manager*, **Sigve Dagsønn Stabrun**, *Senior Portfolio Manager*

Long-term yields continue to rise

Over the summer, long-term US Treasury yields climbed to their highest level since 2007, as measured by the yield on 30-year government bonds. The yield briefly exceeded 5.3% before easing somewhat towards the end of the month. The trend of rising long-term rates has persisted for some time, with peaks occurring now, in May this year, and during the sharp increase seen in autumn 2023. Although short-term interest rates are lower and are often regarded as more important, long-term yields provide an indication of future interest rate expectations. For example, US mortgage borrowers typically focus on 30-year rates when refinancing, even though most currently enjoy lower borrowing costs than today's levels. The yield on 10-year Treasuries has also increased and remains towards the upper end of the range seen since 2023. Several factors likely explain the increase, both structural and cyclical. The conflict involving Iran has contributed to higher commodity prices and rising inflation expectations. Persistent budget deficits and growing public debt in the United States, driven in part by war-related spending and tax cuts, have also played a role. Increased competition for capital and greater issuance activity from technology companies raising funds for AI-related investments have further affected supply and demand dynamics. On top of this, uncertainty surrounding the reaction function of the Federal Reserve and its new Chair, Kevin Warsh, has likely contributed to the rise in yields.

A hawkish Warsh

At the annual Jackson Hole Symposium, Federal Reserve Chair Kevin Warsh delivered his first major policy speech, which was widely interpreted as hawkish. His particular emphasis on inflation, and his view that it remains far too high, led markets to believe an interest rate increase could already come at the 16 September meeting. Markets are currently pricing in 17 basis points (bp) of tightening for that meeting, implying a better than 50% probability of a 25 bp rate hike. By year-end, 38 bp of tightening is priced in, rising to 62 bp over the next twelve months. Warsh also settled the debate regarding which inflation measure should be used to guide policy, reaffirming the importance of the PCE inflation index. He continued his criticism of so-called "forward guidance", a communication approach widely used by modern central banks to influence market expectations. Although Warsh was appointed by President Trump and many expected this to lead to rate cuts over time, his stance has so far been surprisingly hawkish.

Strong reporting season

If the second-quarter earnings reports of listed US companies are any guide to the strength of the US economy and the need for higher interest rates, the answer would likely be yes. The second quarter was exceptionally strong. This suggests that companies have largely managed to maintain profit margins despite higher energy prices, increased living costs and tariff increases, while also successfully passing many of these costs on to consumers. On the macroeconomic front, both private consumption and the labour market have shown some signs of weakness, partly due to a reversal of the temporary positive effects associated with the FIFA World Cup. However, manufacturing sentiment indicators remain strong, not least because of large-scale AI investments.

Market Outlook

Global Equities – Overweight ↗

Global equities, as measured by the MSCI World Index in local currency terms, rose by more than 2% in August and reached another new all-time high. Year-to-date returns now stand at 13%, with the energy and information technology sectors delivering the strongest performance globally. The second-quarter reporting season once again demonstrated exceptionally strong corporate earnings, particularly in the United States. Higher interest rates, geopolitical risks and concentration risks linked to AI remain concerns, but the cyclical backdrop remains solid. We therefore maintain our overweight position in global equities.

Emerging Markets (EM) – Overweight ↗

Emerging market equities in local currency terms rose broadly in line with developed markets during August but remain around 10 percentage points ahead year-to-date. Over the past three months, the South Korean stock market has retreated somewhat following a prolonged period of strong gains. However, South Korea and Taiwan remain the largest positive contributors to performance this year. Chinese equities, by contrast, have made a negative contribution. Overall, we remain overweight emerging market equities.

Global Bonds – Neutral Weight →

Global government bonds, as measured by the JPM GBI Index, declined marginally in August, marking a second consecutive monthly decline. Returns are therefore negative year-to-date. The key theme over the summer has been the rise in long-term interest rates. Expectations for short-term rates have also increased, with markets pricing in two rate hikes in both Japan and the eurozone this autumn. The inflation outlook has deteriorated due to higher commodity prices. Natural gas prices have also risen again, reflecting low inventories and developments around the Strait of Hormuz. We therefore maintain a neutral duration position in global government bonds.

Key Figures as of 31.08.2026

(measured in local currencies)

Global Stocks (MSCI)	August	2026
North America	2.7 %	12.9 %
Europe	0.7 %	12.1 %
Asia and Oceania	2.8 %	19.4 %
Nordic	2.8 %	11.7 %
Regions (MSCI)		
North America	2.7 %	12.9 %
Europe	0.7 %	12.1 %
Asia and Oceania	2.8 %	19.4 %
Nordic	2.8 %	11.7 %
Countries		
USA (S&P 500)	2.7 %	12.9 %
Japan (Nikkei 225)	3.0 %	31.7 %
United Kingdom (FTSE 100)	-0.4 %	9.0 %
Germany (GDAX)	2.5 %	7.2 %
France (CAC)	-2.1 %	2.3 %
Finland (HEX25)	3.6 %	12.9 %
Denmark (OMXC25GI)	4.1 %	7.2 %
Sweden (OMXS30GI)	2.0 %	17.3 %
Norway (OSEBX)	5.0 %	25.5 %
Currency (increase equals EUR appreciation)		
EUR pr USD	1.0 %	-1.1 %
EUR pr GBP	0.2 %	-1.9 %
EUR pr JPY	1.3 %	0.8 %
Currency (increase equals USD appreciation)		
USD pr EUR	-1.0 %	1.1 %
USD pr GBP	-0.7 %	-0.8 %
USD pr JPY	0.3 %	1.9 %