

The Monthly Edit

September 2026

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



Market headlines

Renewed energy shock put inflation back in focus

Middle East tensions and uncertainty around the Strait of Hormuz pushed oil price higher, reviving concerns over inflation persistence and knock-on effects for monetary policy.

The Fed resumed tightening as US growth remained resilient

Strong September business activity reinforced the view that the US economy could withstand tighter policy, while persistent inflation left further increases on the table.

Global bond yields surged on a higher-for-longer repricing

Stronger growth, inflation concerns, further central-bank tightening and fiscal borrowing all contributed to the sell-off.

Equities proved surprisingly resilient despite higher rates

Robust corporate earnings and continued enthusiasm around AI investment helped offset the drag from rising bond yields and geopolitical uncertainty, creating an unusual combination of strong equities and sharply higher yields.



The big topics

Energy shock revives inflation concerns

Energy markets dominated September as escalating tensions in the Middle East disrupted supply routes and pushed oil and European natural gas prices sharply higher.

Brent crude moved above \$100 per barrel during the month, at one point approaching \$110, as uncertainty around the Strait of Hormuz and Red Sea raised concerns over global energy supplies. Hopes of diplomatic progress between the US and Iran provided periods of relief, but proved short-lived as negotiations remained uncertain. The resulting volatility revived inflation concerns, particularly in energy-importing economies, and pushed government bond yields higher as investors reassessed the outlook for interest rates.

Central banks shift towards tighter policy

Renewed inflation pressures prompted a notable shift in the monetary policy outlook.

The Federal Reserve raised interest rates by 25 bps, its first increase since 2023, and signalled that further tightening could follow as resilient growth and higher energy costs complicated the inflation outlook. The European Central Bank also raised rates by 25 bps and maintained a hawkish stance, while the Bank of Japan lifted rates to their highest level in decades. The Bank of England took a more cautious approach, leaving rates unchanged following relatively reassuring UK inflation data. Collectively, these decisions reinforced expectations that global borrowing costs could remain elevated for longer.

Global growth proves surprisingly resilient

Despite higher energy costs and tighter financial conditions, economic activity remained surprisingly robust.

US employment data pointed to continued strength in the labour market, while September business surveys showed activity accelerating, with the US composite Purchasing Managers' Index reaching a five-year high. Eurozone activity also improved and German business sentiment strengthened. The resilience of the global economy provided support for the corporate earnings outlook, but also created a dilemma for policymakers. With inflation still elevated, stronger growth reduced the urgency for monetary policy to become more supportive and increased concerns that demand could keep underlying price pressures persistent.

Rising bond yields test equity market resilience

Government bonds came under sustained pressure as investors adjusted to the prospect of higher interest rates.

The 10-year US Treasury yield moved above 5% during the month, reaching levels not seen since before the global financial crisis, while European yields also rose sharply. Higher yields initially weighed on equity markets as investors reassessed valuations and the attractiveness of risk assets. However, equities subsequently proved relatively resilient, supported by continued economic strength and a constructive corporate earnings backdrop. September therefore highlighted an increasingly important tension for markets: stronger growth remains supportive for companies, but may become less welcome if it prolongs inflation and requires further monetary tightening.



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