

Market & Strategy update – Q4 2026

30.09.2026

Executive summary



Economy

Global growth has remained resilient, but divergences among major economies are likely to keep widening if energy prices and yields stay elevated. The US economy stands out as the strongest, largely due to the ongoing AI capex boom supporting manufacturing activity, but also indirectly consumption. The EU economy has been resilient, but its energy dependence and political instability increase the odds of weakness going forward. China's economy has been underwhelming, as consumption and investment growth have slowed, and the economy needs supportive measures. The Japanese economy continues to benefit from a combination of loose monetary and fiscal policy. Central banks have raised rates in response to the recent uptick in inflationary pressure, which is largely energy-related. Aggressive further hikes have been priced in, but their materialization mostly depends on the direction of energy prices.



Currencies

The USD is torn between the hawkish Fed stance and relative US economic strength on one side, and the Treasury's increasingly interventionist stance on the other. We expect a downside resolution, but it will require the dovish shift from the Fed to materialize. In the meantime, sideways action is most likely. The JPY stands out among DM currencies as having bottomed out, with considerable upside.



Equities

Equities are benefiting from an elevated nominal growth environment, and a sharp upward revision in profit expectations. The recent surge in energy prices and yields has however seen diverging performances among major markets, with European and many emerging Asian markets under pressure. At first glance, US equities have been particularly resilient, but under the surface, most sectors have recently retraced. This has resulted in negative investor sentiment, just as we enter into a positive seasonal period of the year. This points to an upward resolution of the current consolidation in the coming weeks. While cyclical sectors are likely to recover, technology should be the main driver of the next leg up. Within international equities, favor Japanese over European equities, while patience may still be required before Chinese and Indian markets resume their uptrend.



Commodities

Persisting tensions in the Middle East have seen another leg up in energy prices. While a resolution of the conflict would inevitably see oil prices retrace, the combination of resilient growth, renewed Chinese buying and depleted inventories point to supported energy prices in the coming months. Moreover, a continued rise in energy prices remains the key risk to the constructive growth environment, making energy exposure an important diversifier. Other key commodities remain compelling, given idiosyncratic structural tailwinds.



Bonds

The combination of re-emerging inflationary pressures, solid growth and rising tightening expectations have pushed bond yields higher across the curve. Developed market bonds have demonstrated again that they have lost their role as a key portfolio diversifier, being positively correlated to equities. Going forward, a continued rise in yields would require even more hikes being priced in, which is unlikely barring a sharp acceleration in energy prices. Despite our view that long-term yields are getting close to "fair-value" in the US and EU, we are not willing to take on duration risk above 3-4 years. In the US, TIPS look much more attractive than nominal bonds. Credit spreads remain historically tight, but have started widening for the riskiest segments. Contrary to DM bonds, emerging market local currency debt have delivered positive returns in 2026, reflecting a global shift in trade flow and reserve accumulation that we expect to continue.



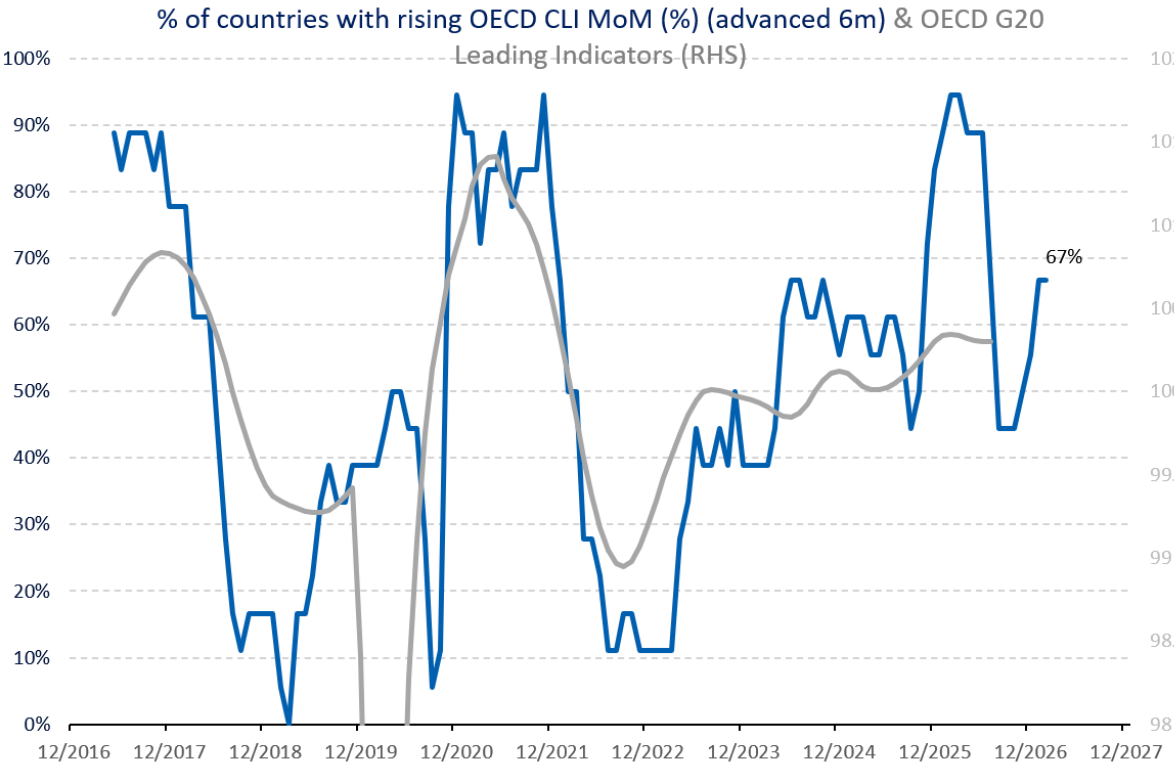
Precious metals

While the Treasury's announcement has solidified our view that gold's bull market isn't over, the sharp rise in tightening expectations of the past quarter has kept bullion under pressure. The persisting hawkish stance of the Fed could extend this consolidation a while longer, but we suspect that we are getting close to the uptrend reasserting itself.

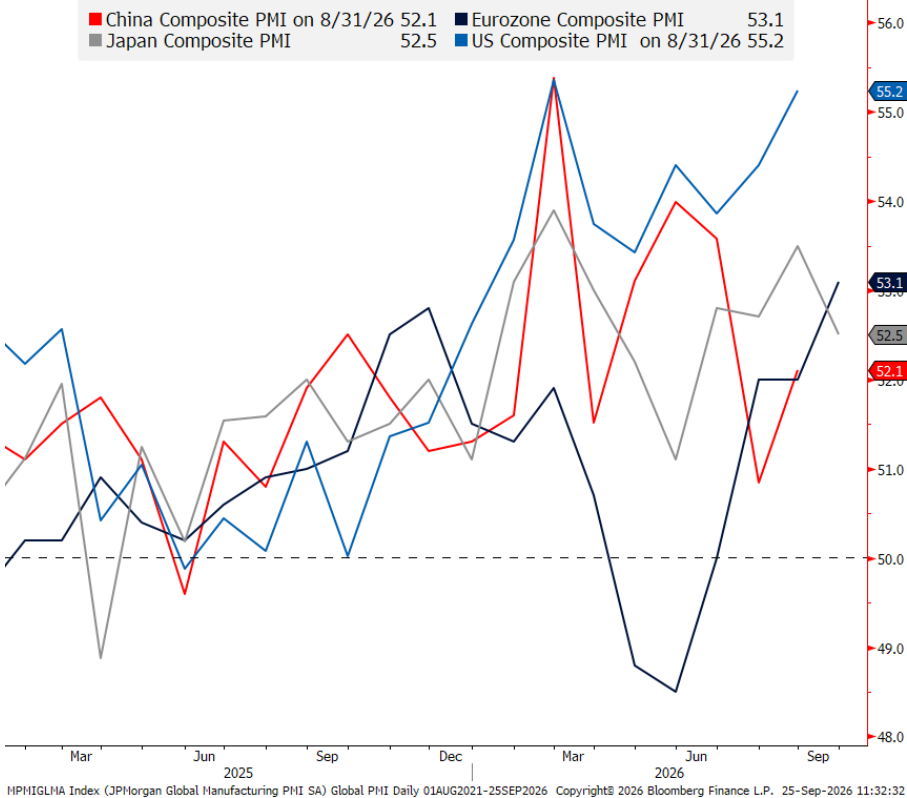
Market update

Global growth has been resilient, but divergences among major economies are set to keep widening.

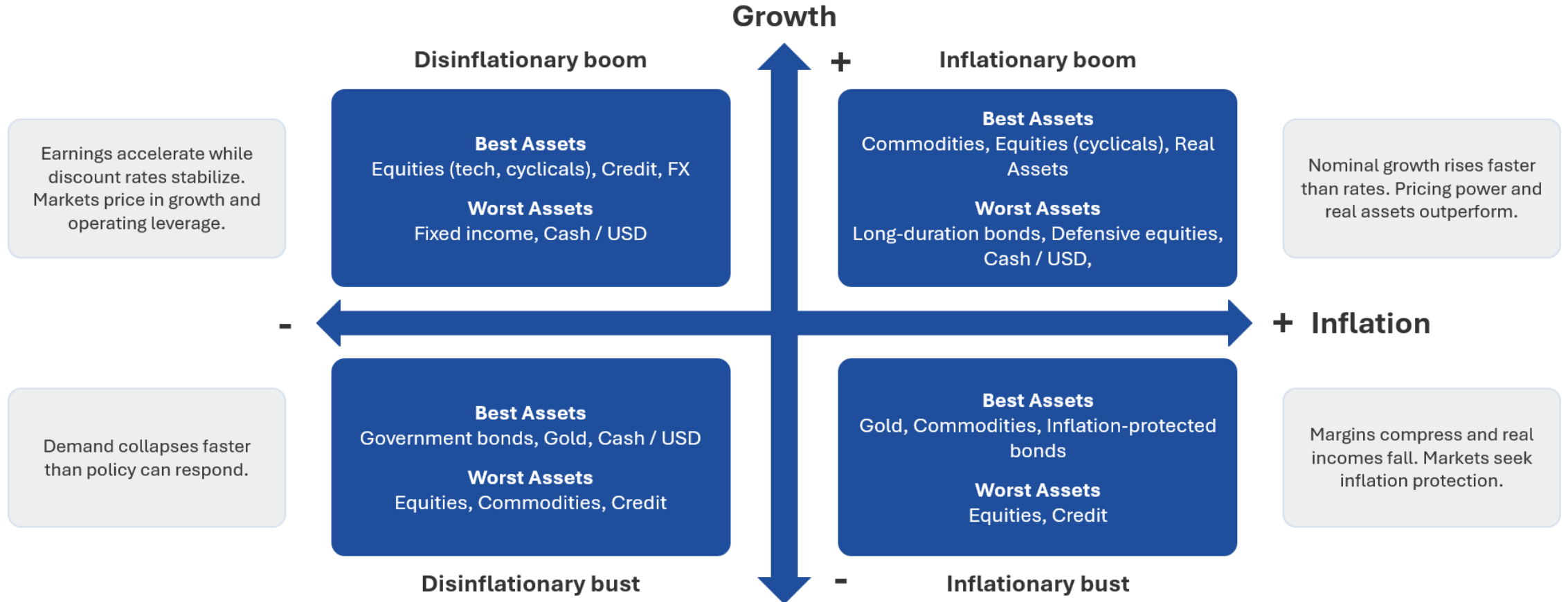
67% of G20 economies are seeing accelerating growth



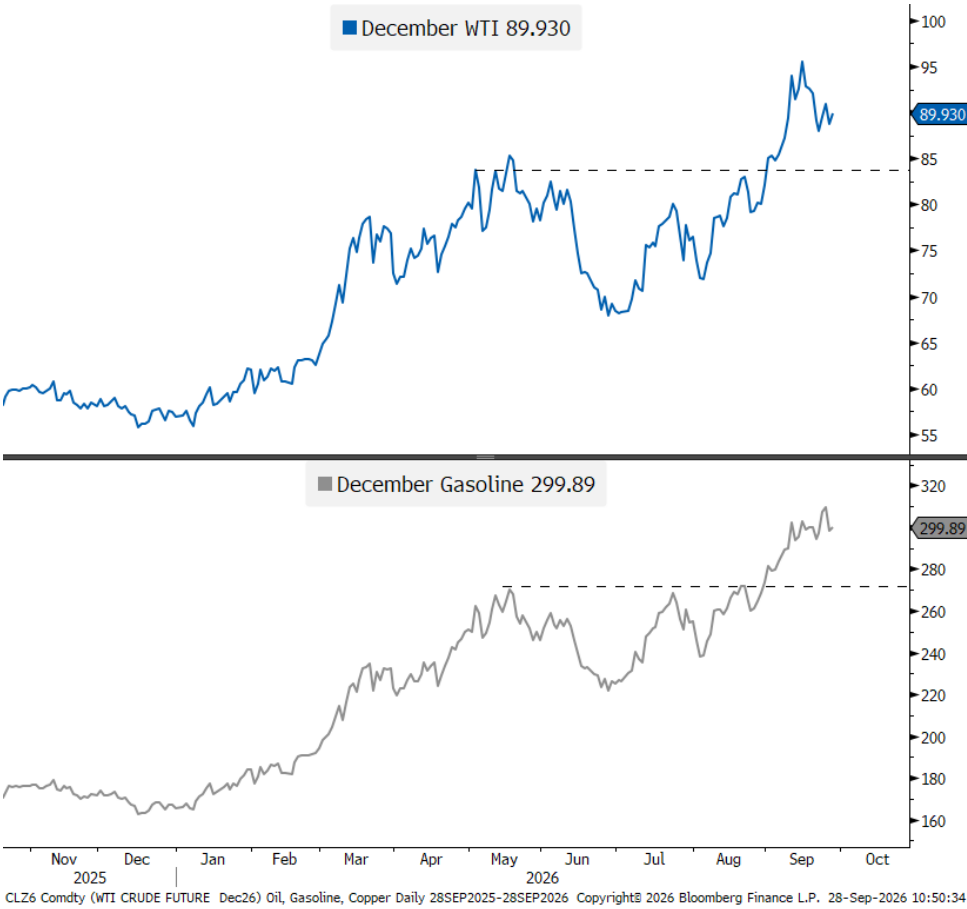
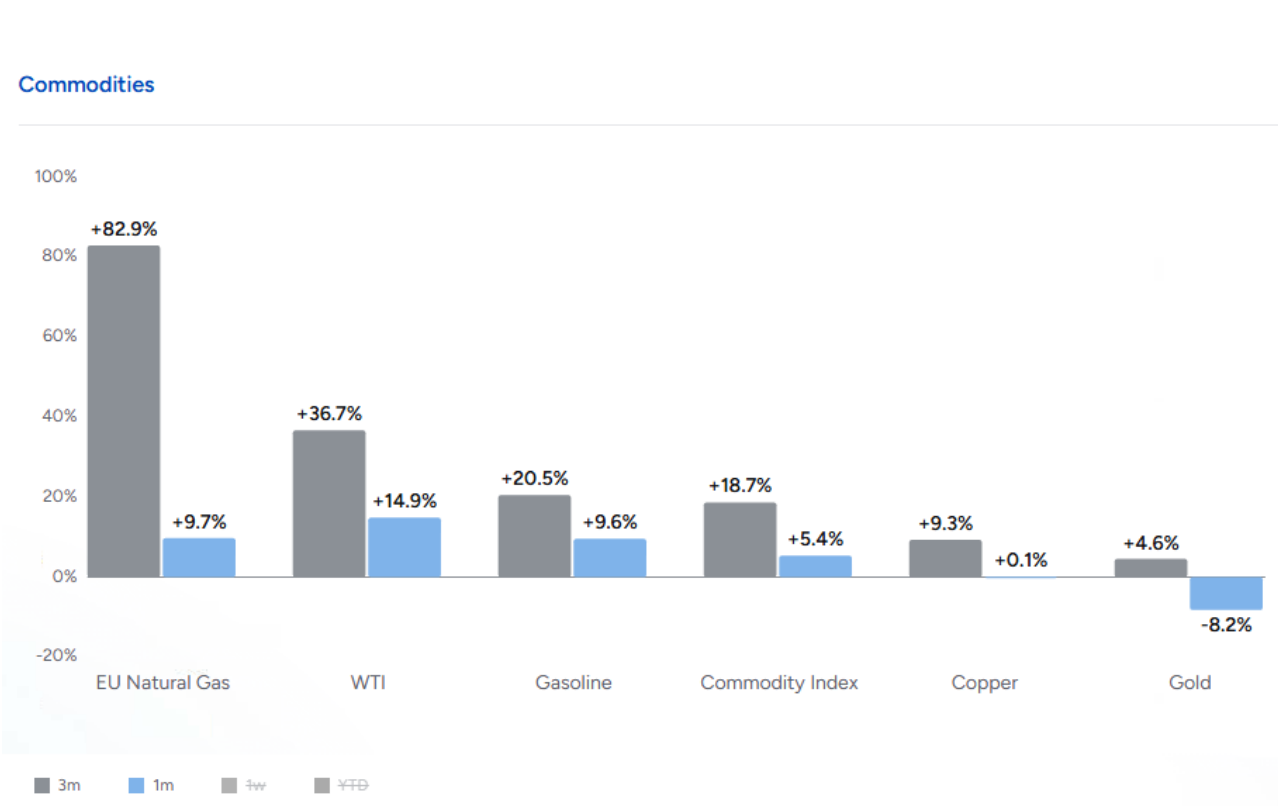
PMI point to solid activity – but disparities have emerged



The macro regime defines the relative performances of asset classes

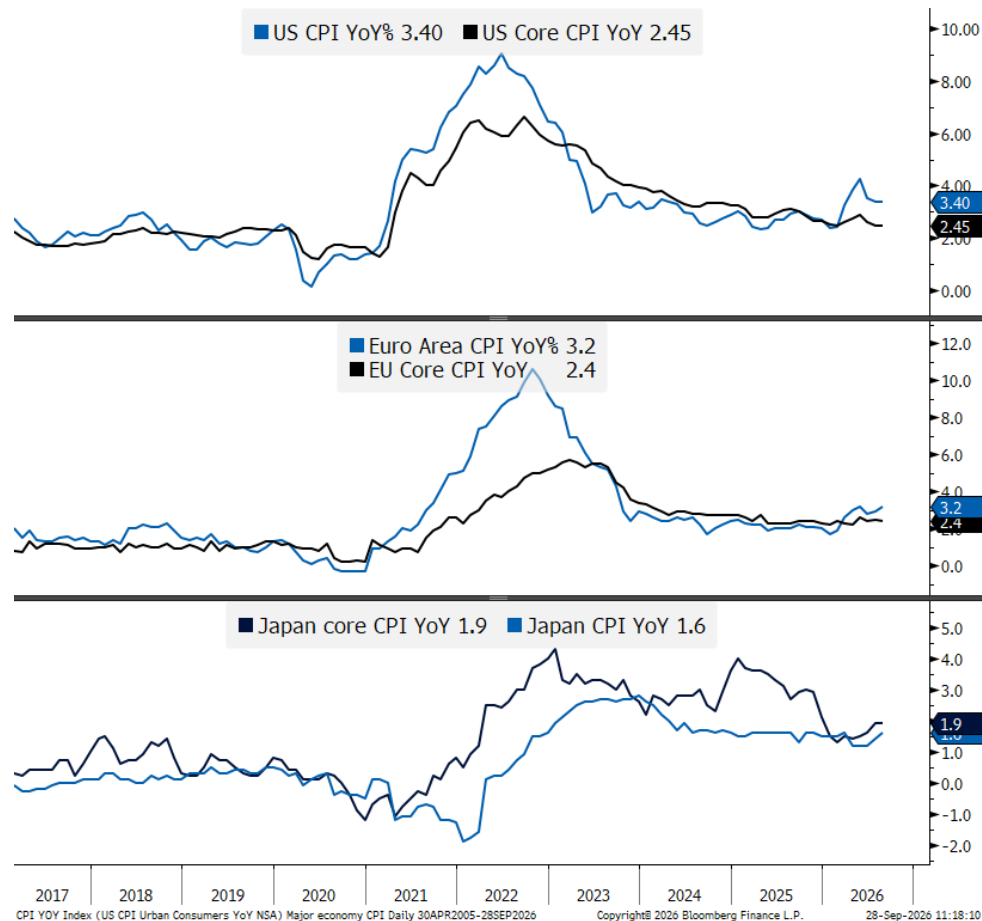


The commodity resurgence is at the center of the potential growth divergences

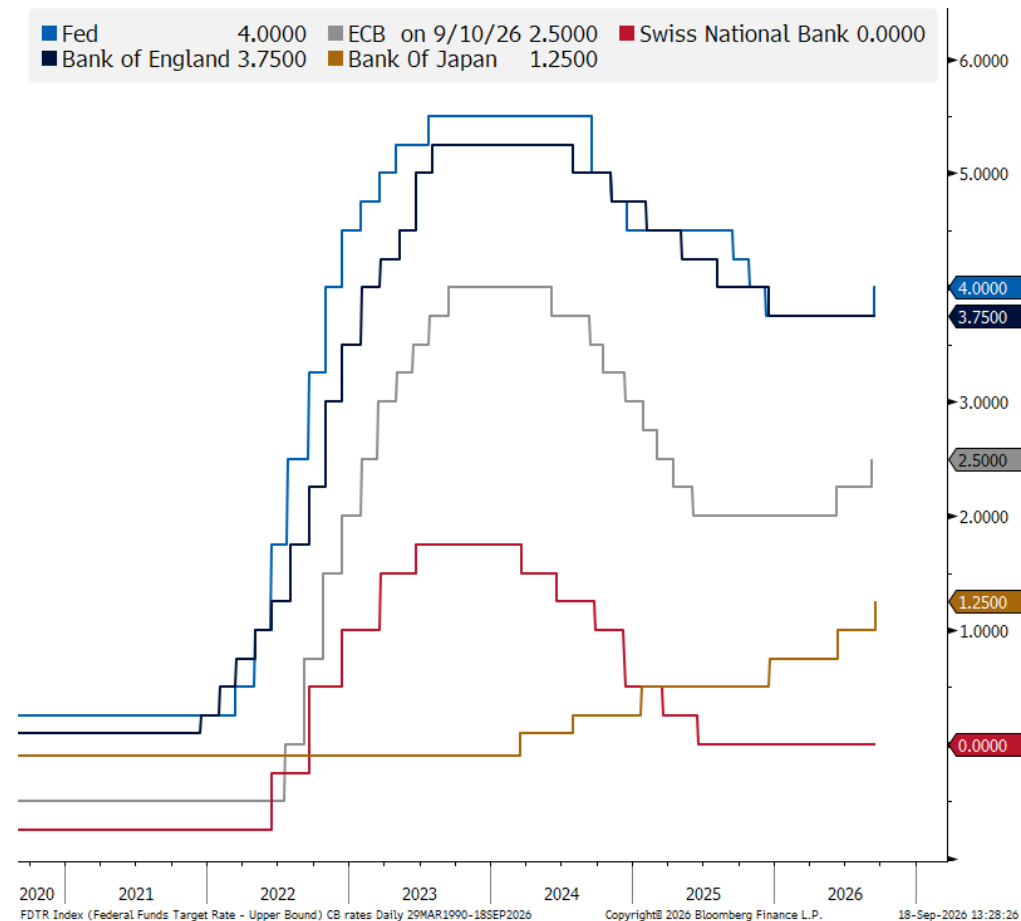


Energy-driven inflation risks have risen, forcing central banks to hike...

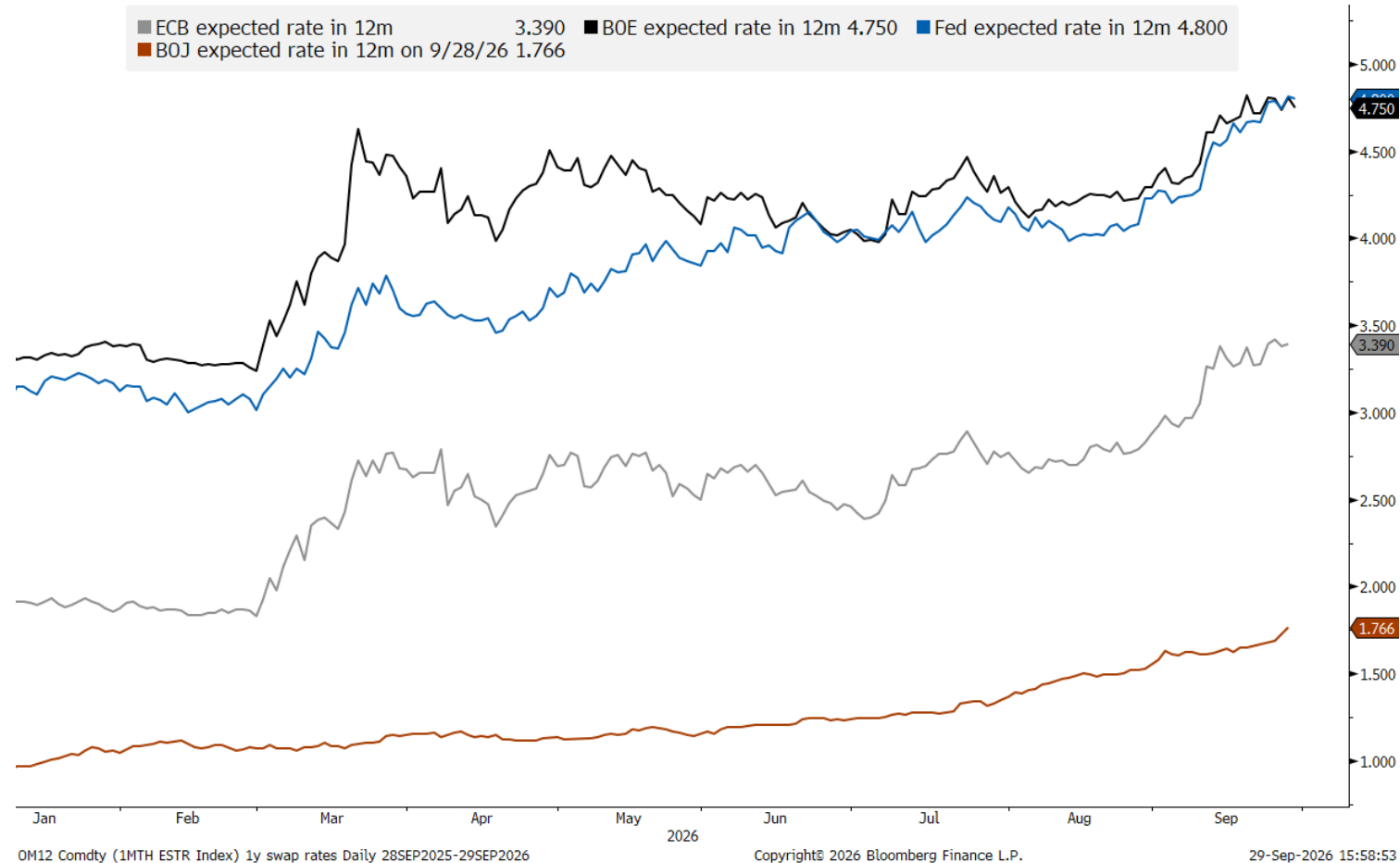
The rise of headline CPI vs core CPI reflects energy price pressures.



The last quarter has seen several central banks raise rates.

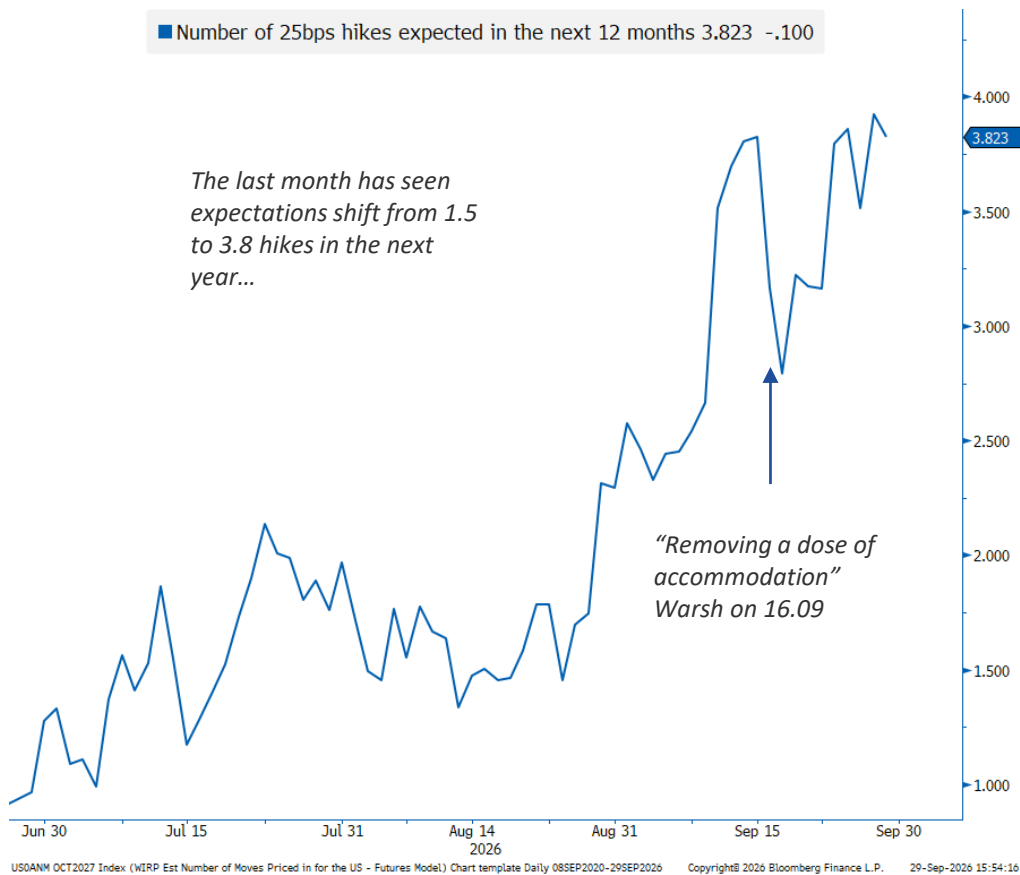


Markets have aggressively repriced the forward path of interest rates, with more hikes in play...



The Fed is on a mission to regain its credibility. More hikes are likely in the short-term, delaying the (inevitable) dovish shift.

Very unlikely the Fed hikes as much as what is priced in...



The Fed’s updated optimistic economic projections lay the ground for an eventual dovish shift in the coming months.

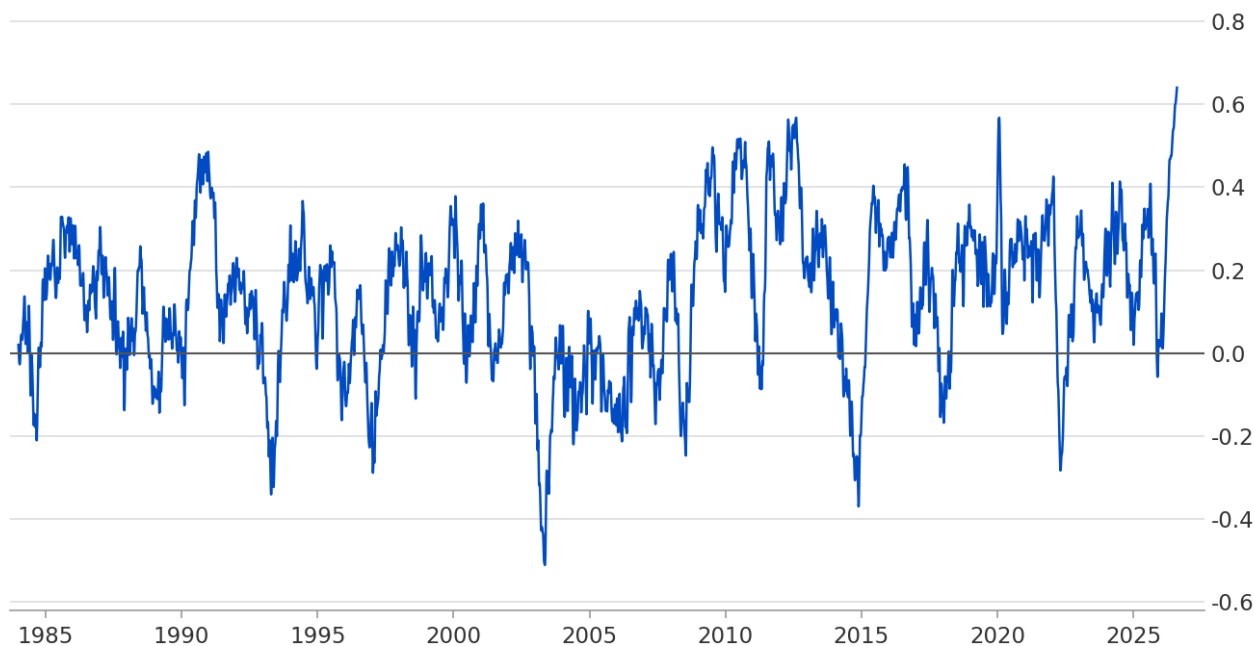
Variable	Median ¹					Central Tendency ²			
	2026	2027	2028	2029	Longer run	2026	2027	2028	2029
Change in real GDP	2.3	2.4	2.2	2.1	2.0	2.2-2.4	2.2-2.6	2.1-2.3	2.0-2.2
June projection	2.2	2.3	2.2		2.0	2.0-2.3	2.0-2.4	2.0-2.3	
Unemployment rate	4.1	4.1	4.1	4.1	4.2	4.1-4.2	4.0-4.2	4.0-4.2	4.0-4.3
June projection	4.3	4.3	4.2		4.2	4.3-4.4	4.2-4.5	4.1-4.3	
PCE inflation	3.7	2.3	2.1	2.0	2.0	3.5-3.7	2.2-2.5	2.0-2.2	2.0
June projection	3.6	2.3	2.0		2.0	3.5-3.7	2.2-2.5	2.0-2.1	
Core PCE inflation ⁴	3.4	2.5	2.2	2.0		3.3-3.4	2.3-2.6	2.0-2.2	2.0
June projection	3.3	2.5	2.1			3.2-3.5	2.3-2.6	2.0-2.2	
Memo: Projected appropriate policy path									
Federal funds rate	4.1	4.1	3.9	3.6	3.2	4.1-4.4	3.6-4.4	3.1-4.1	3.1-3.6
June projection	3.8	3.6	3.4		3.1	3.6-4.1	3.1-3.9	3.1-3.6	

Oil has been the main driver of yields and tightening expectations. A retracement in energy prices would allow yields to fall across the curve.

Record High

The correlation of bond yields is at a record high since data begins

100-day correlation of crude oil and US 10y yield

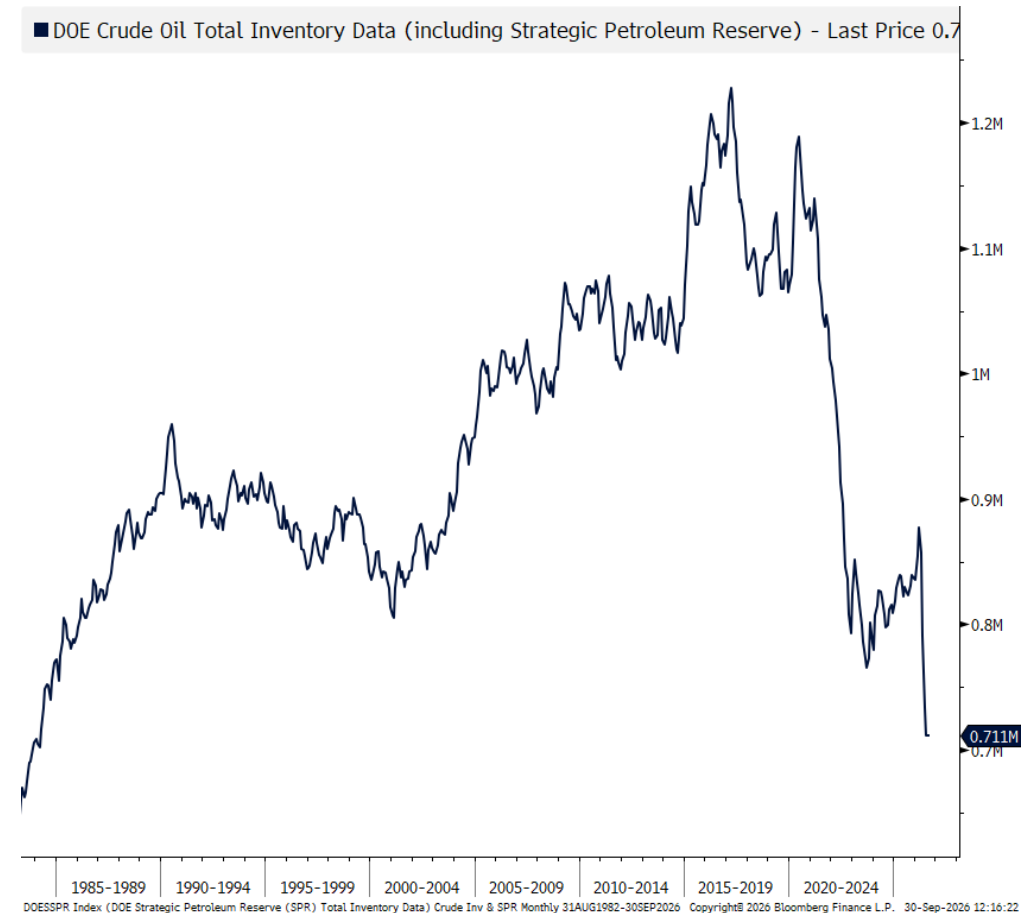
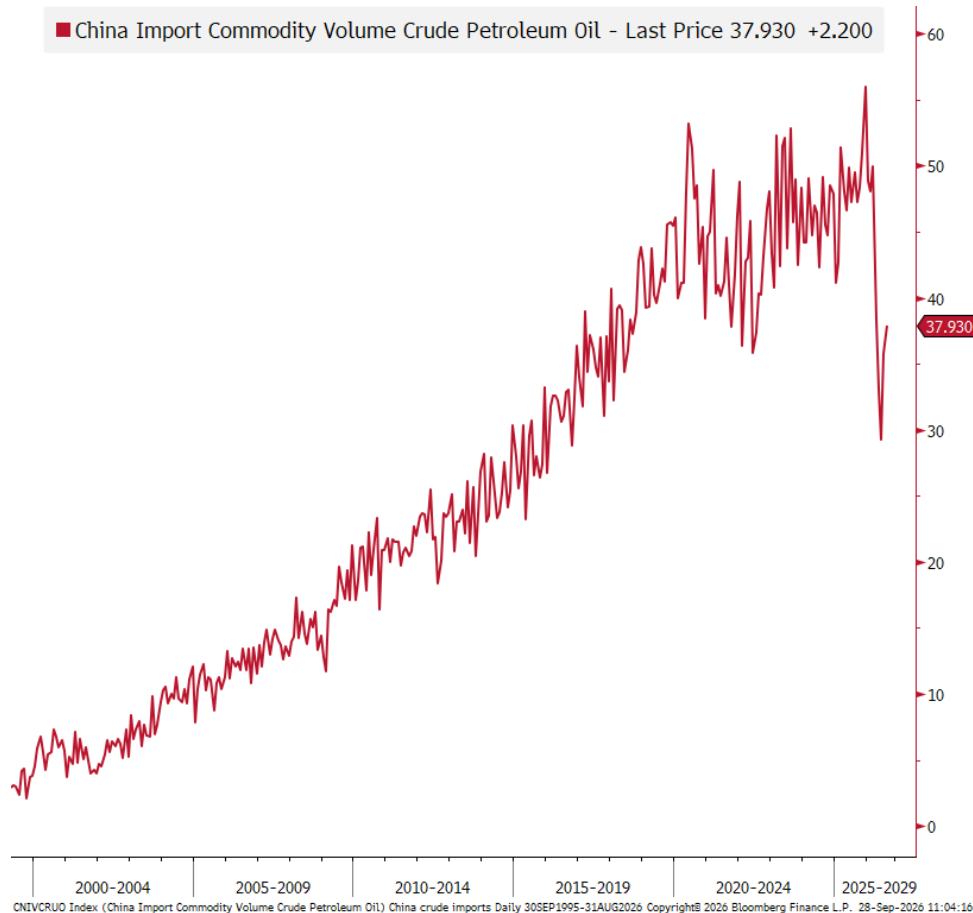


Note: 100-day correlation of daily returns of BCOMCL and daily changes in 10-year Treasury yield

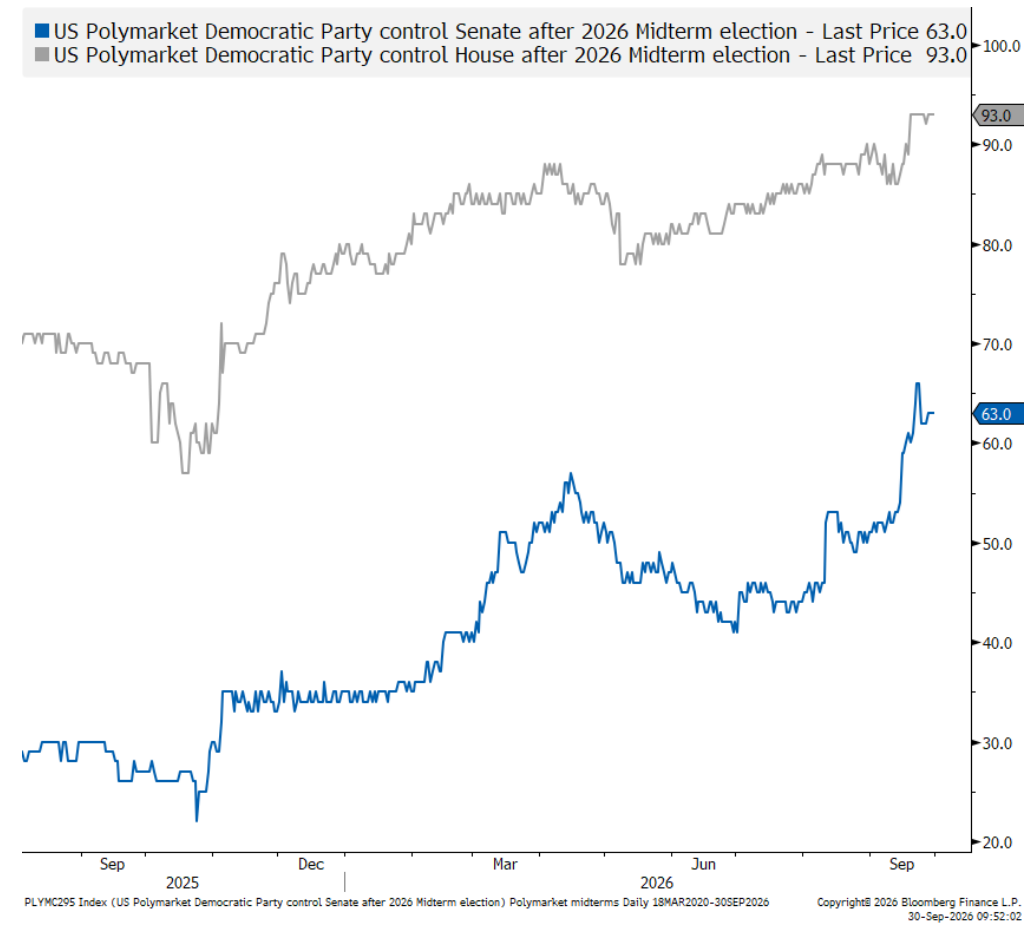
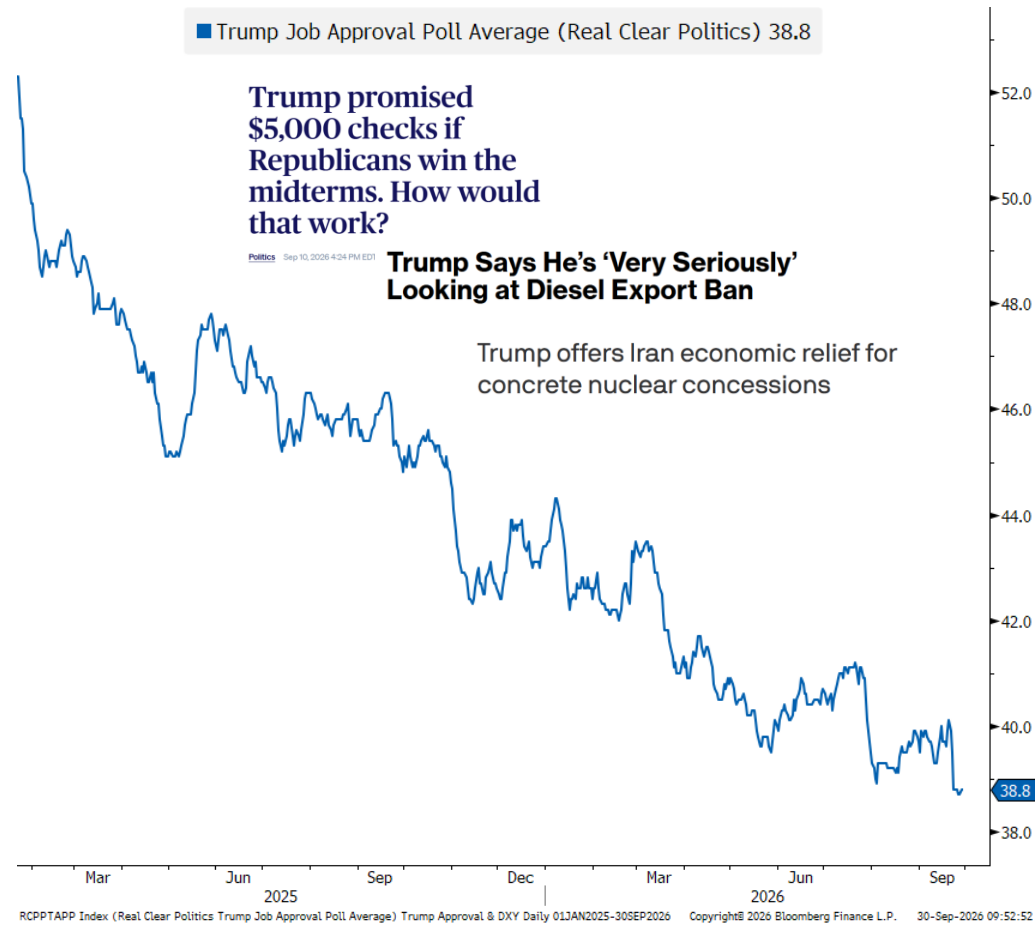
Source: Bloomberg

Bloomberg

Oil prices likely to remain supported as Iran has an incentive to keep uncertainty elevated, inventories are low, and China is buying again...

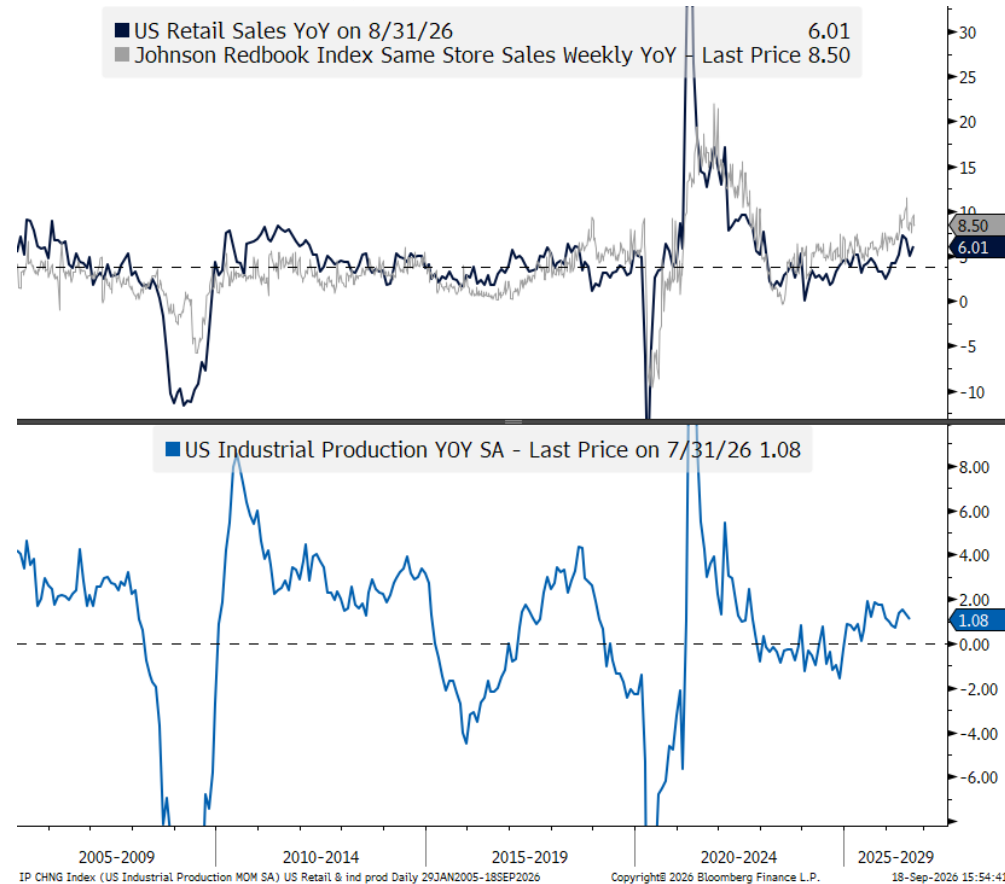


Trump could certainly make some big announcements in the run up to the midterms given rising odds of a Democratic sweep...

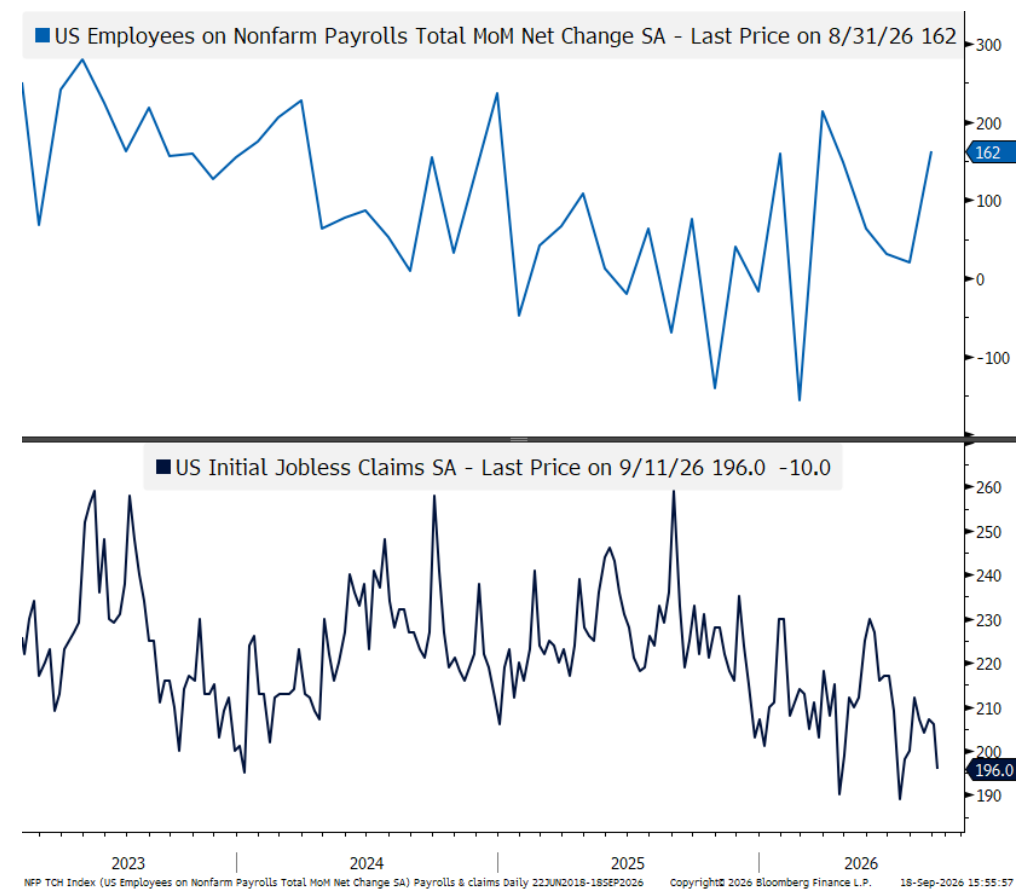


The US economy continues to show strength across industry, consumption and labor market...

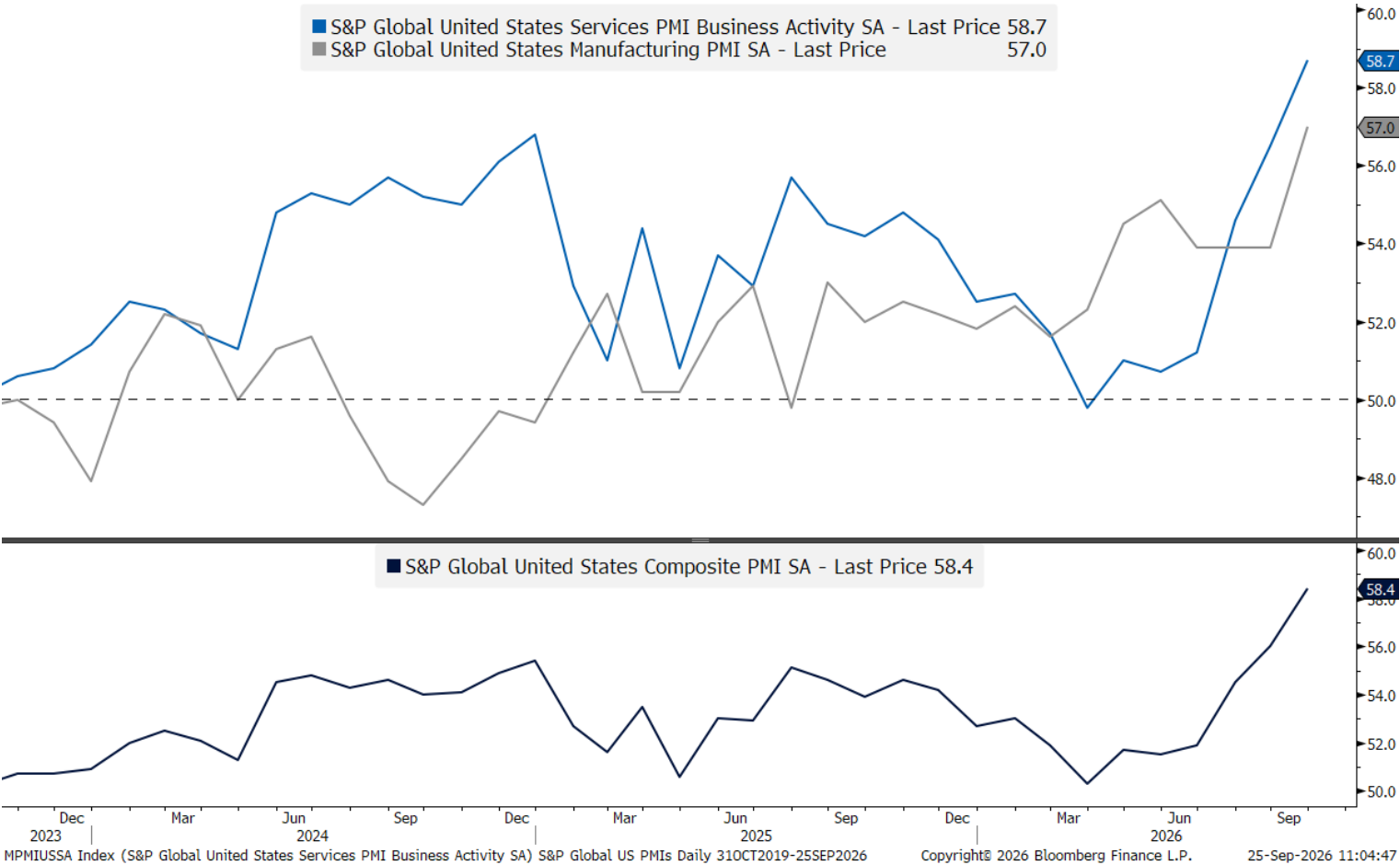
Retail sales and industrial production show resilient growth.



Both payrolls and jobless claims point to a resilient labor market.

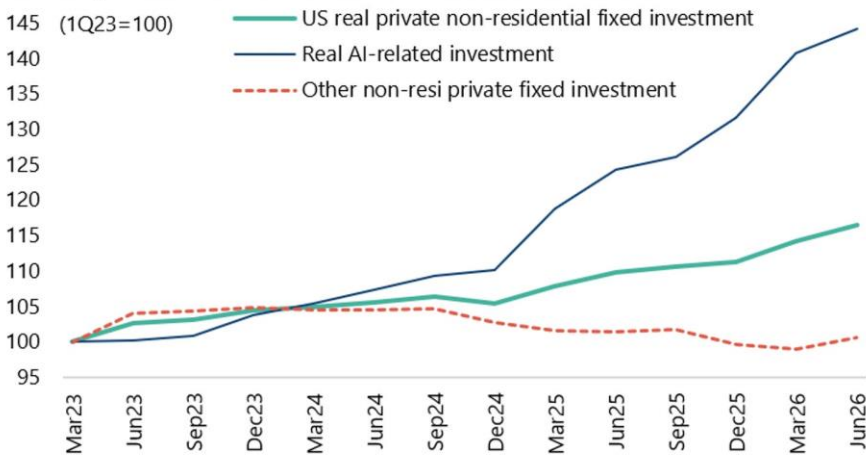


Both manufacturing and services activity are running hot



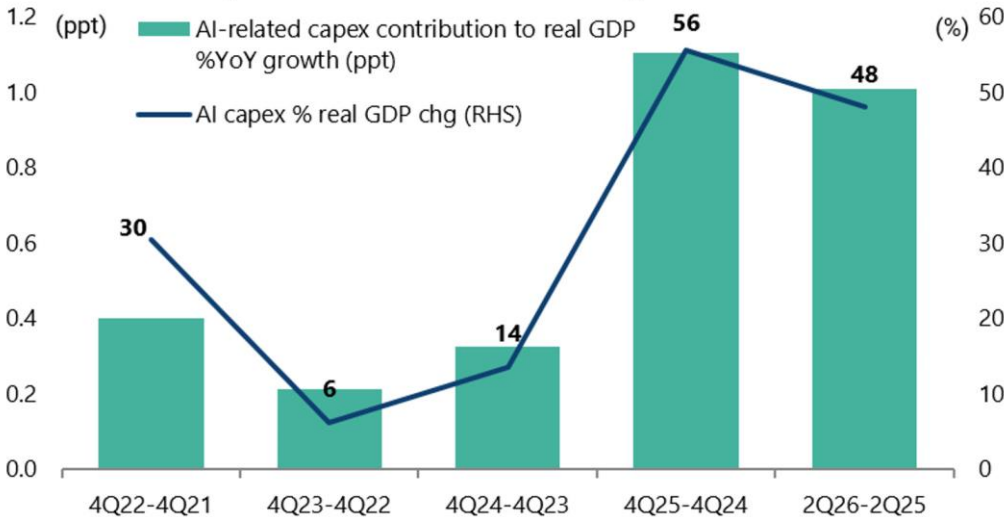
The AI boom remains the main driver of the manufacturing and economic strength

US real private nonresidential fixed investment trend



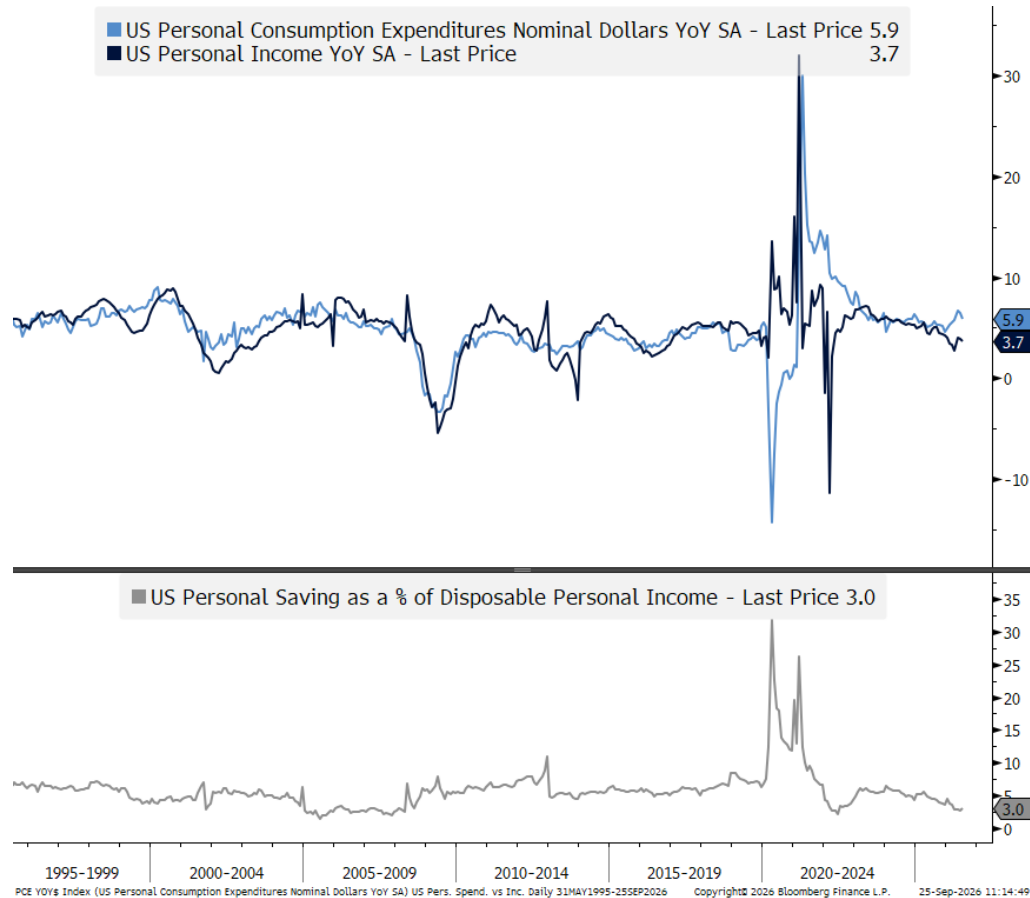
Note: AI-related capex = Nonresidential private fixed investment in information processing equipment, software and data center construction. Source: US Bureau of Economic Analysis

US AI-related capex contribution to real GDP growth

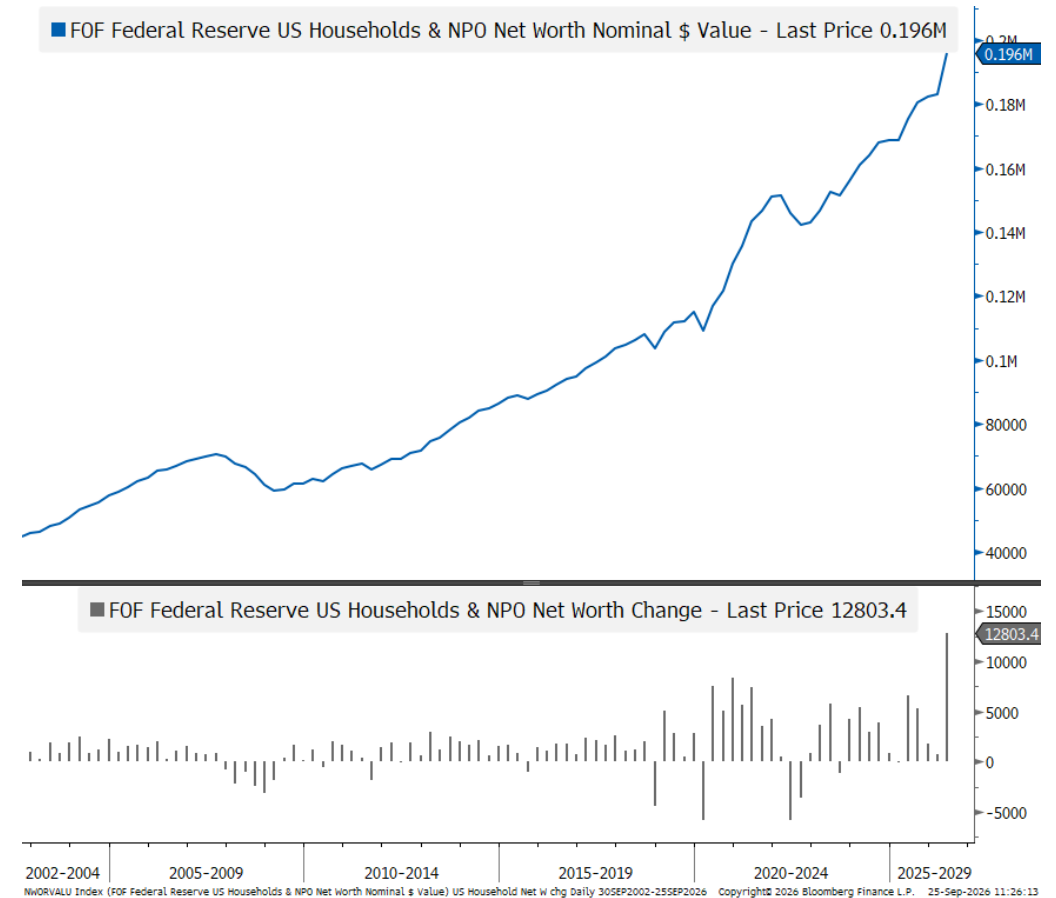


Consumption is largely supported by large capital gains, as is shown by the falling savings rate...

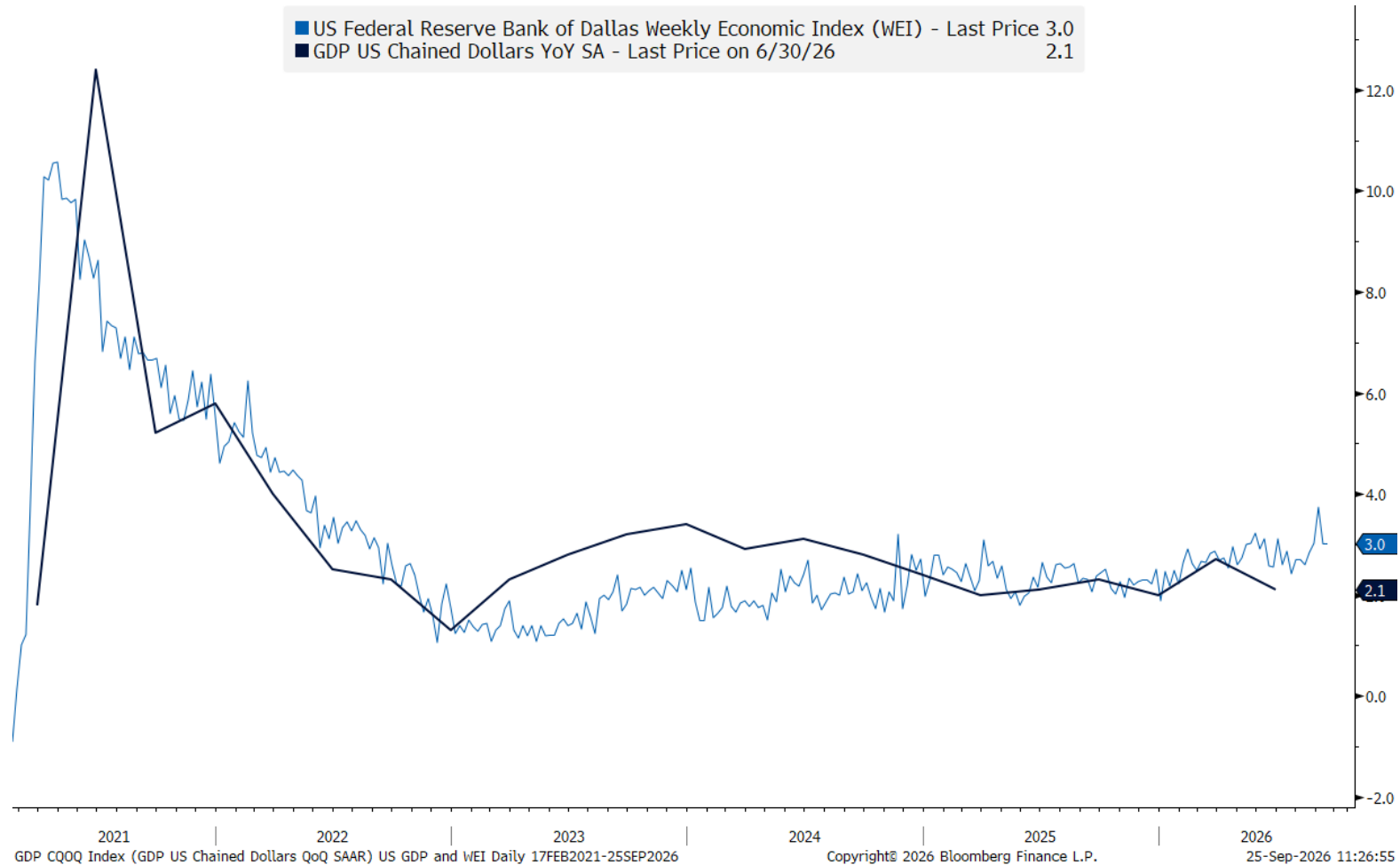
Consumption and income growth are diverging; the savings rate falls.



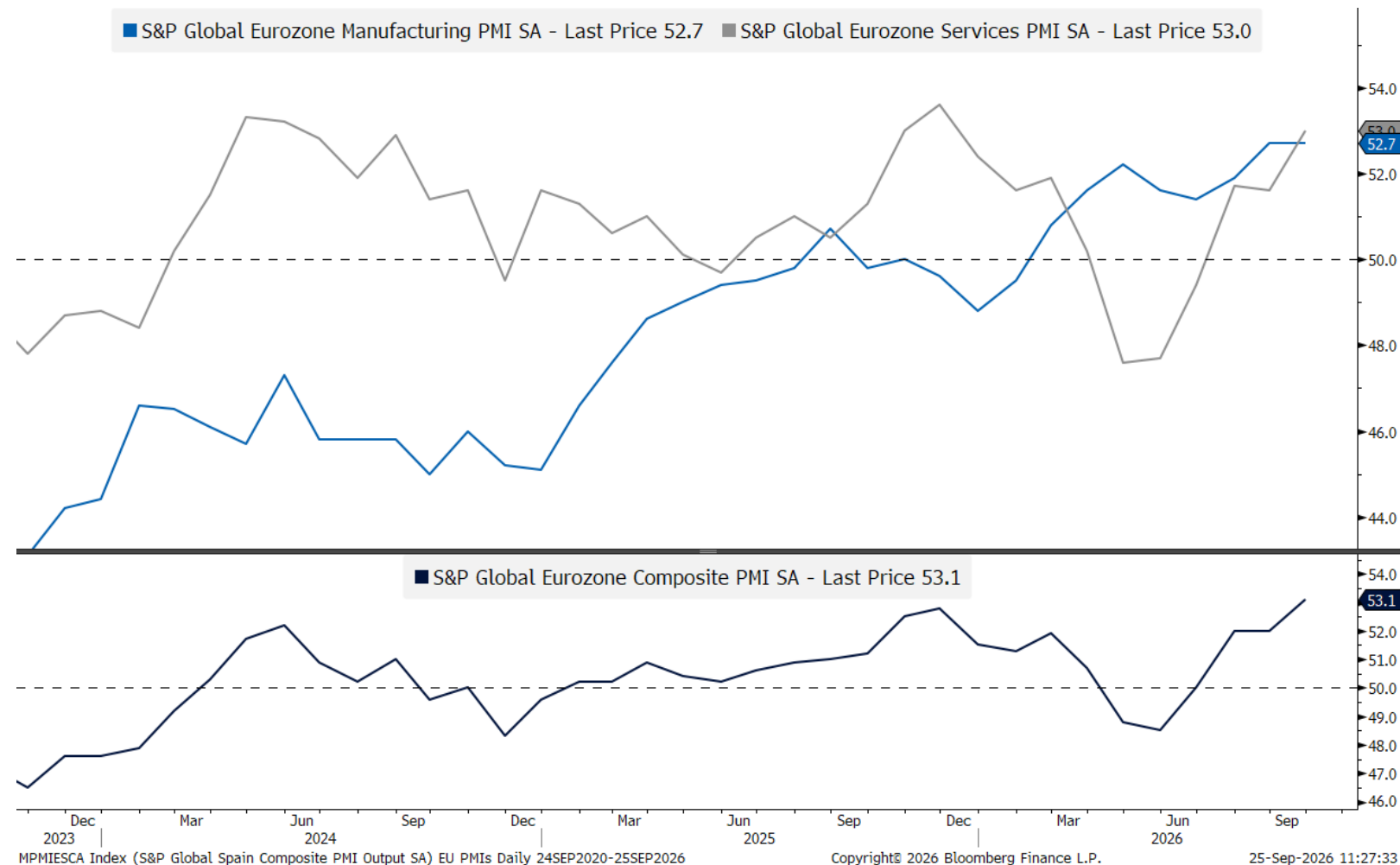
The major wealth effect from rising asset prices supports consumption.



A strong (but fragile) growth environment remains the base case in the US

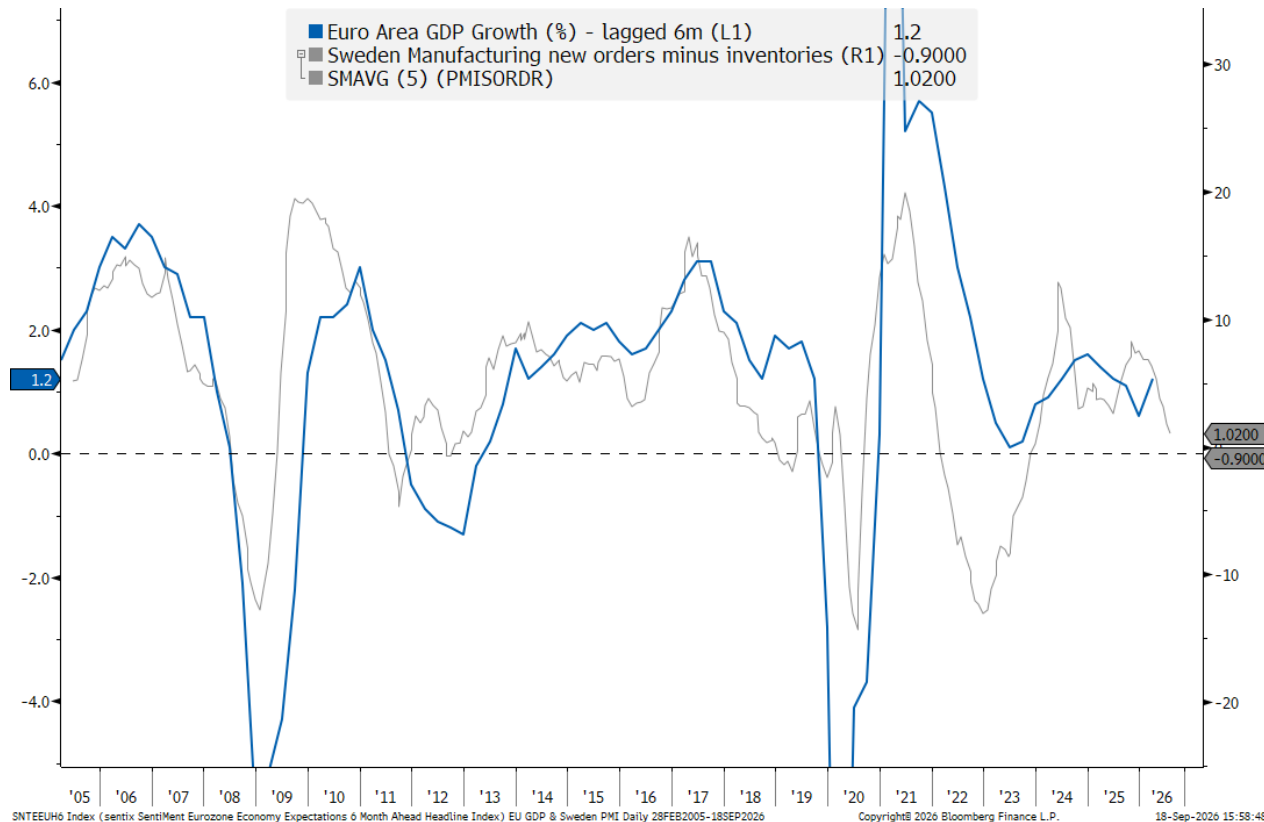


The EU economy remains on a firm footing for now...

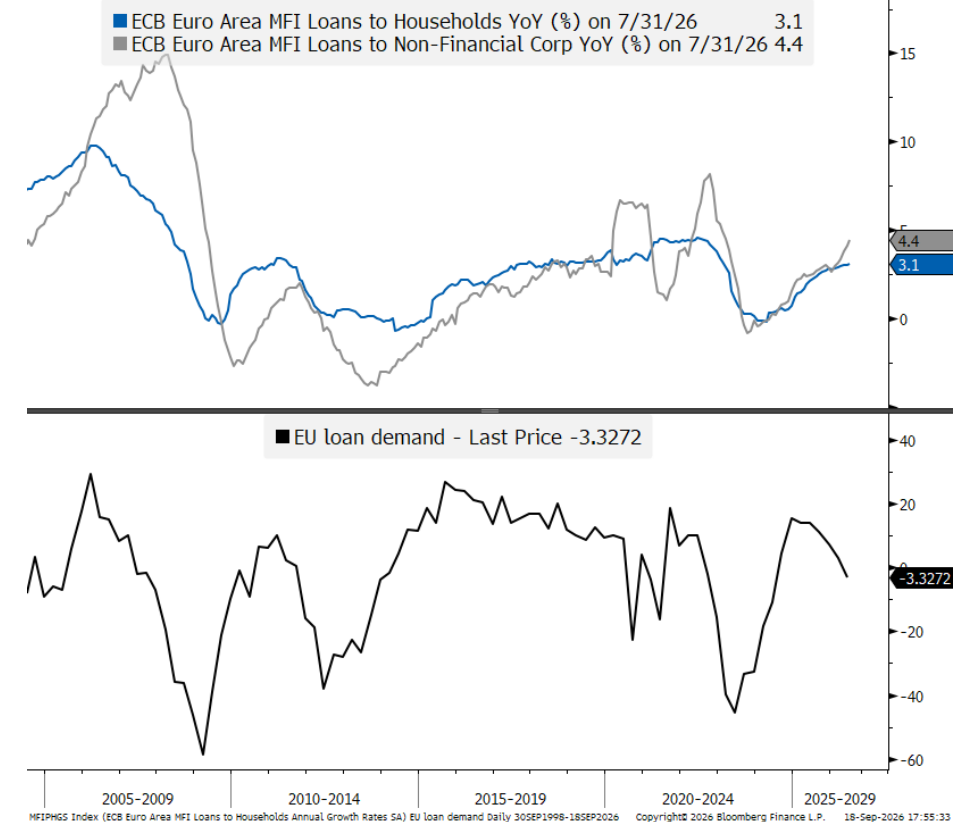


But leading indicator are stating to point to a weakening picture, particularly if energy prices and yields remain elevated...

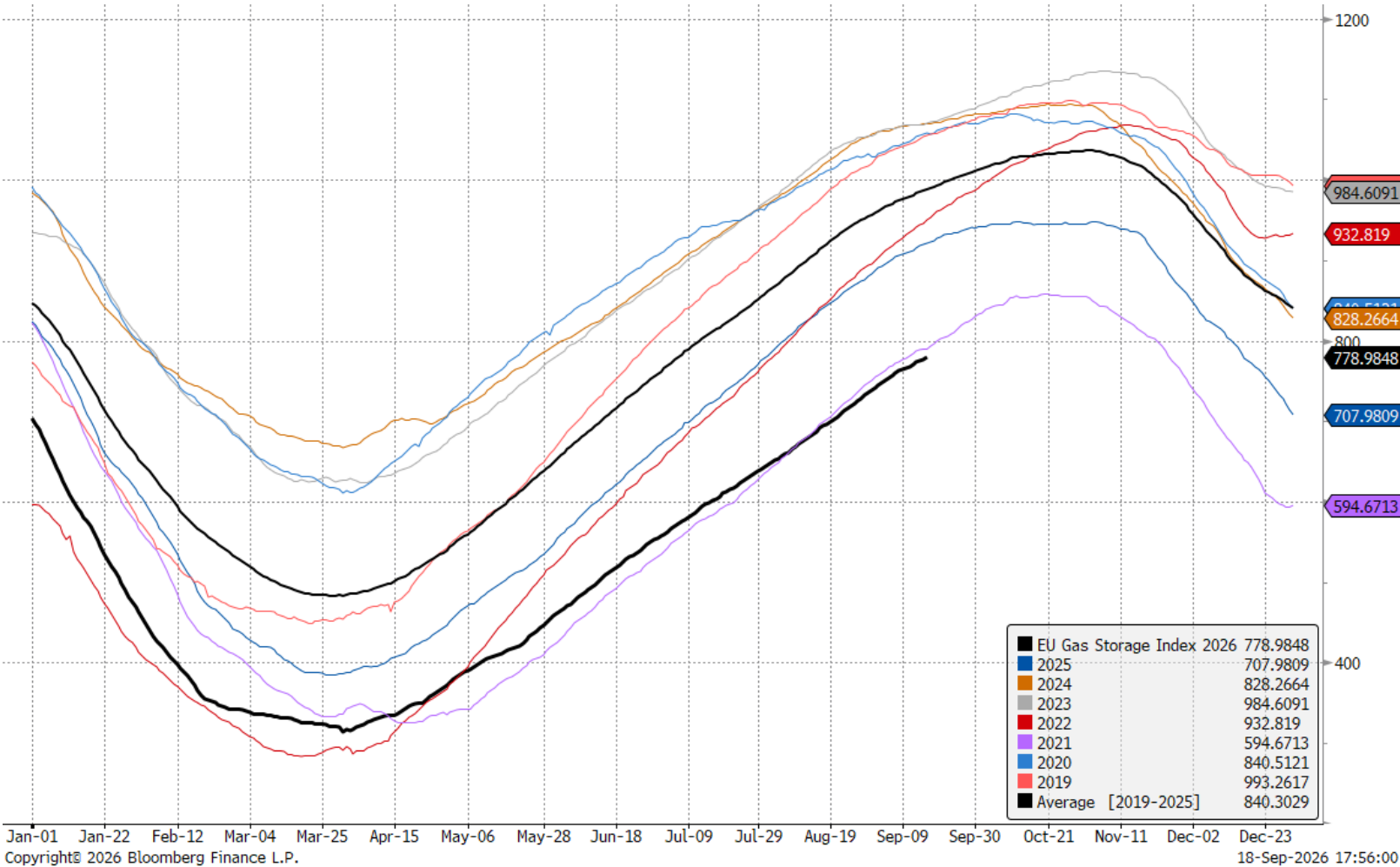
Sweden's manufacturing new orders have historically provided a lead on EU growth



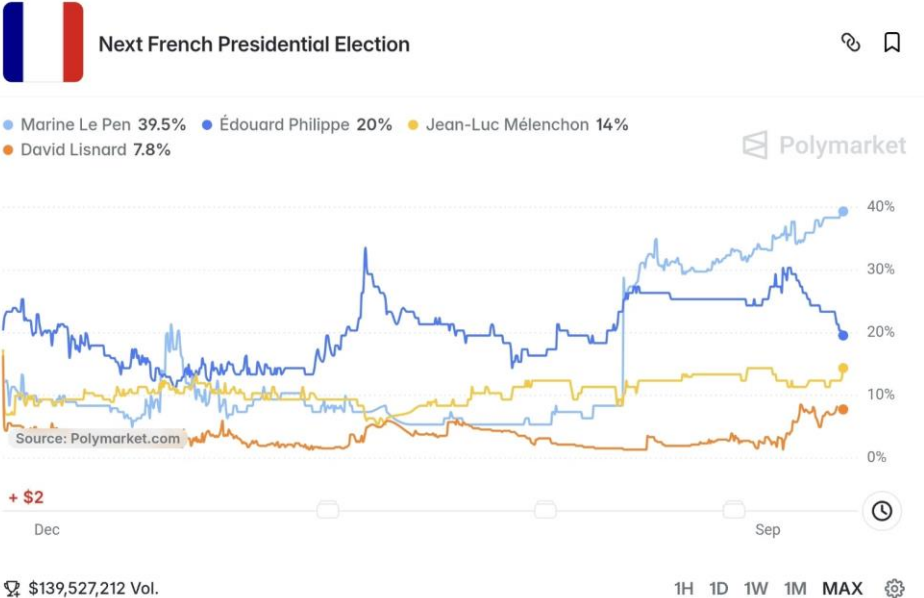
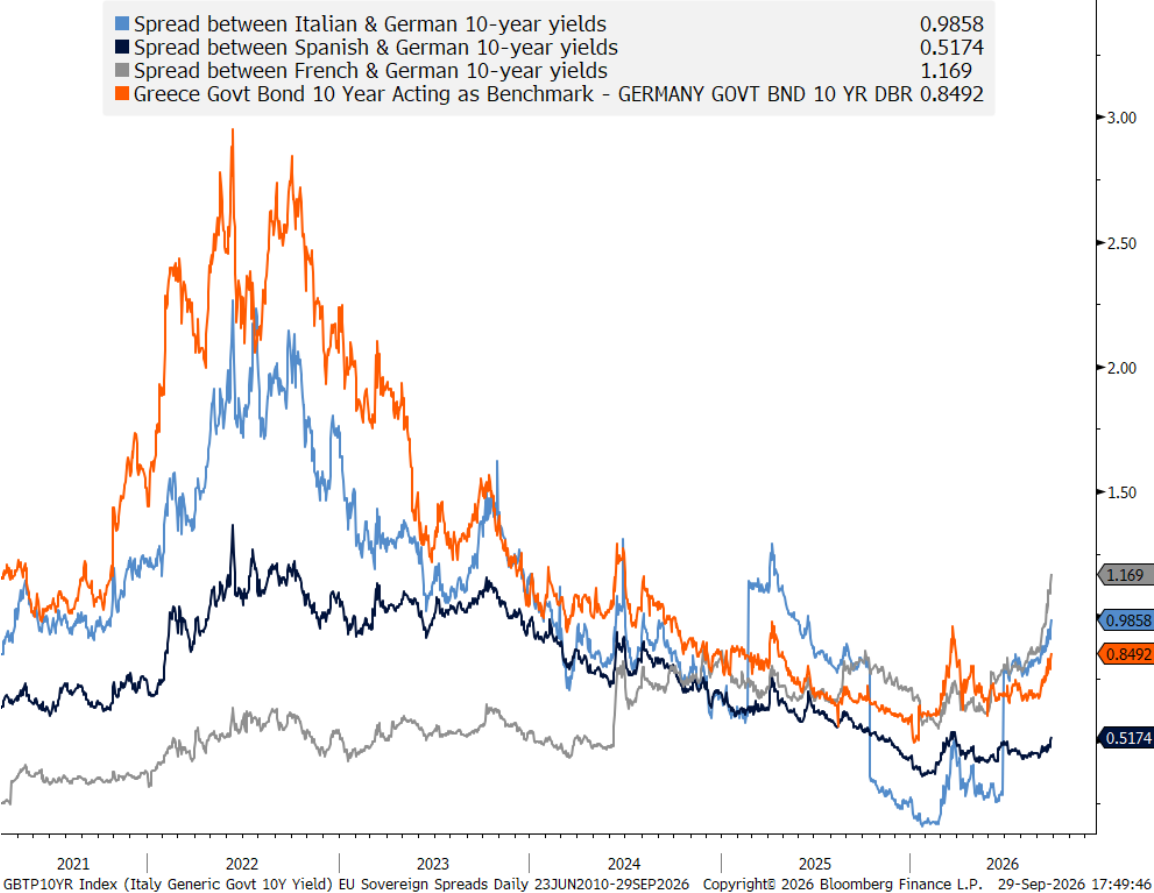
With loan demand rolling over, watch for loan growth...



EU gas inventories are very low...

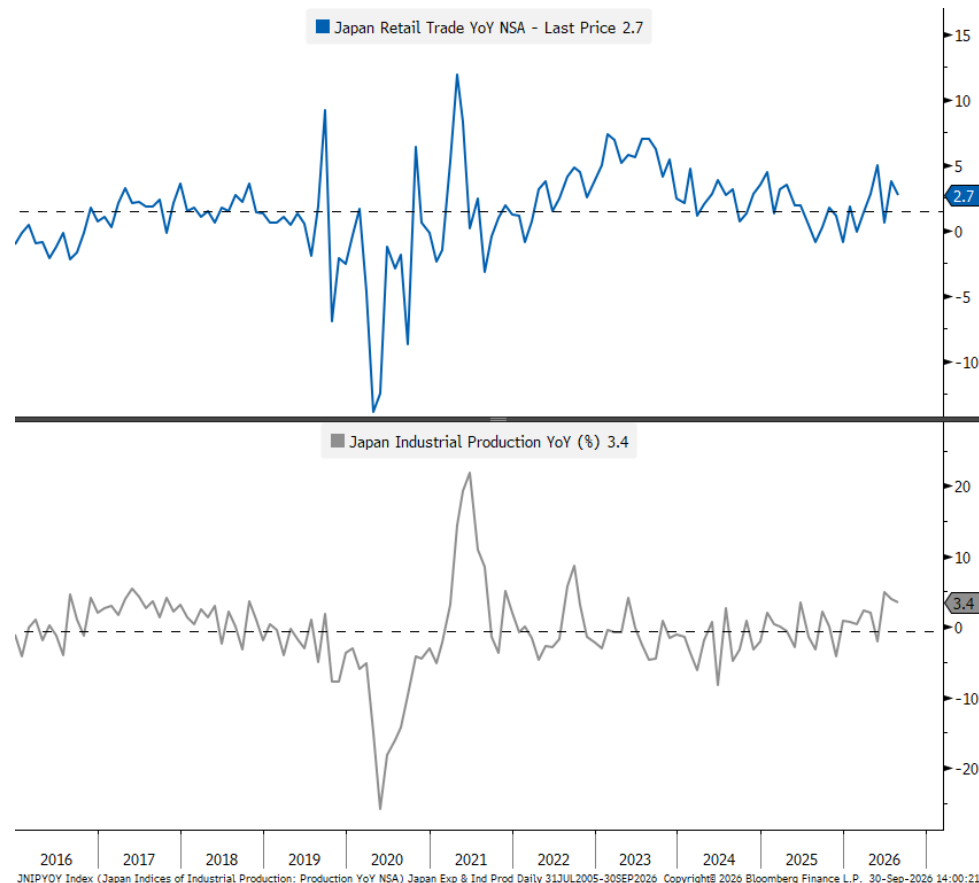


French political uncertainty could rise given upcoming elections. Further spread widening could be problematic given France’s poor fiscal position.

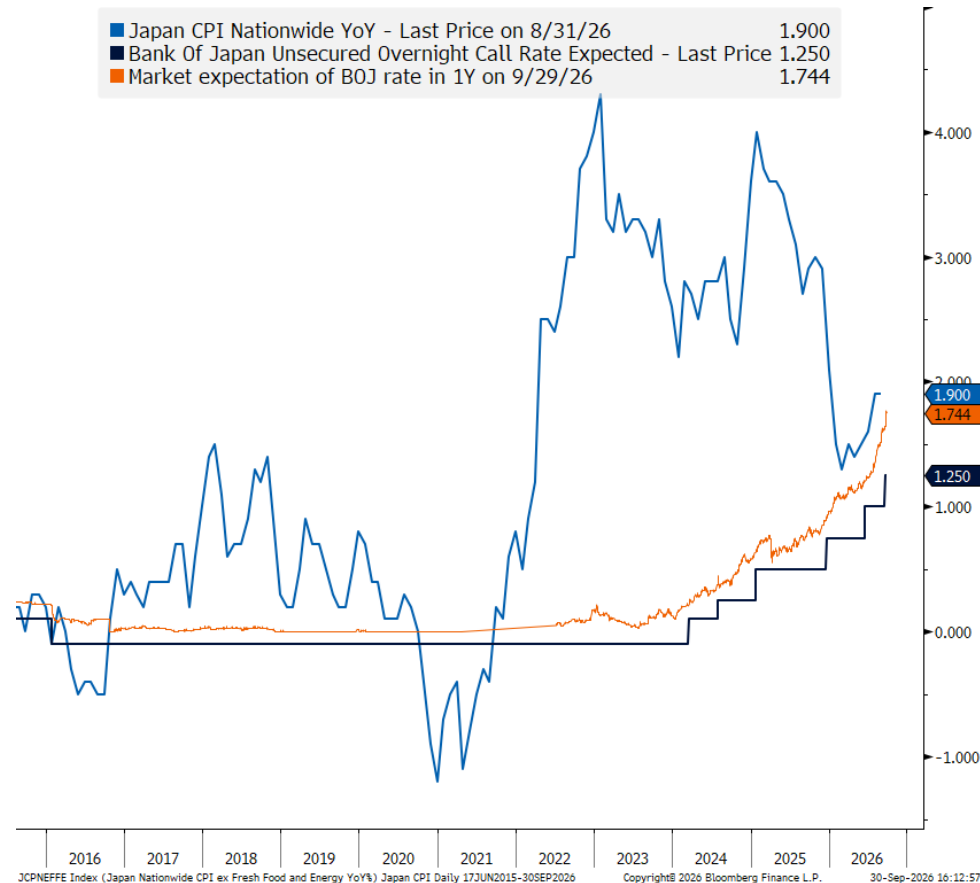


The Japanese economy continues to benefit from a strong domestic economy and strong exports, while monetary and fiscal policy remain accommodative.

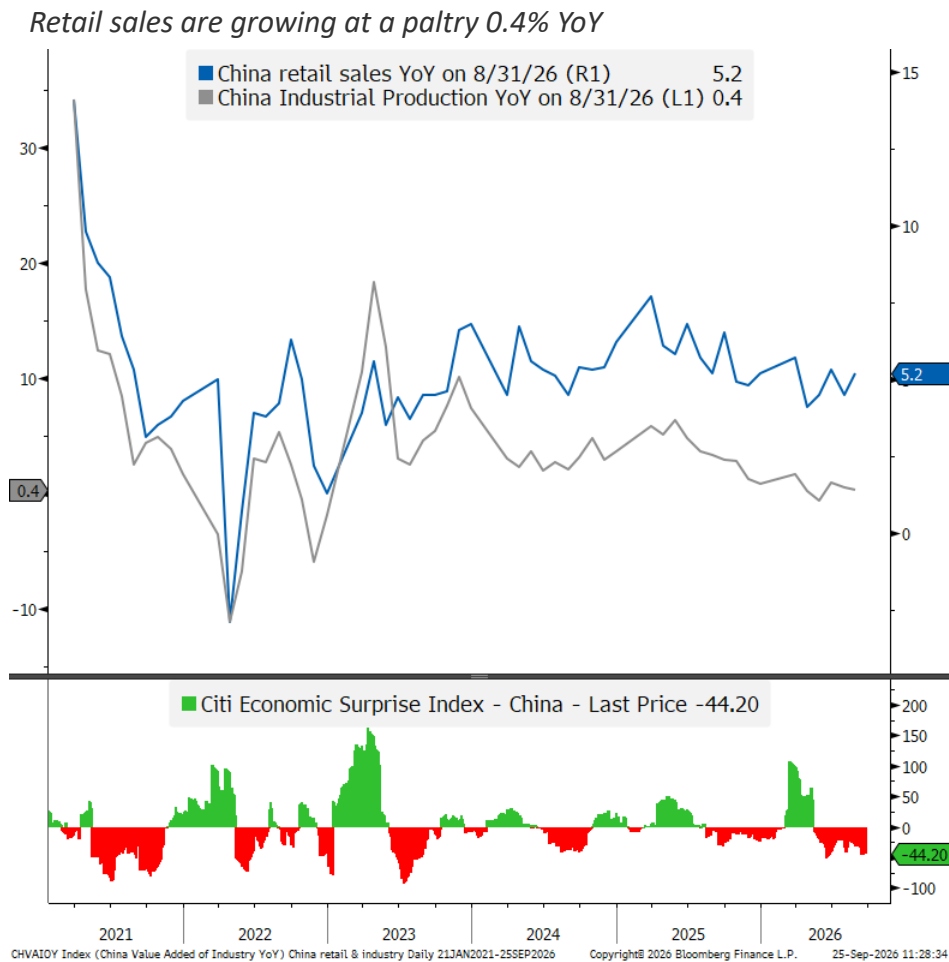
Retail sales & industrial production growth is above 10-year averages.



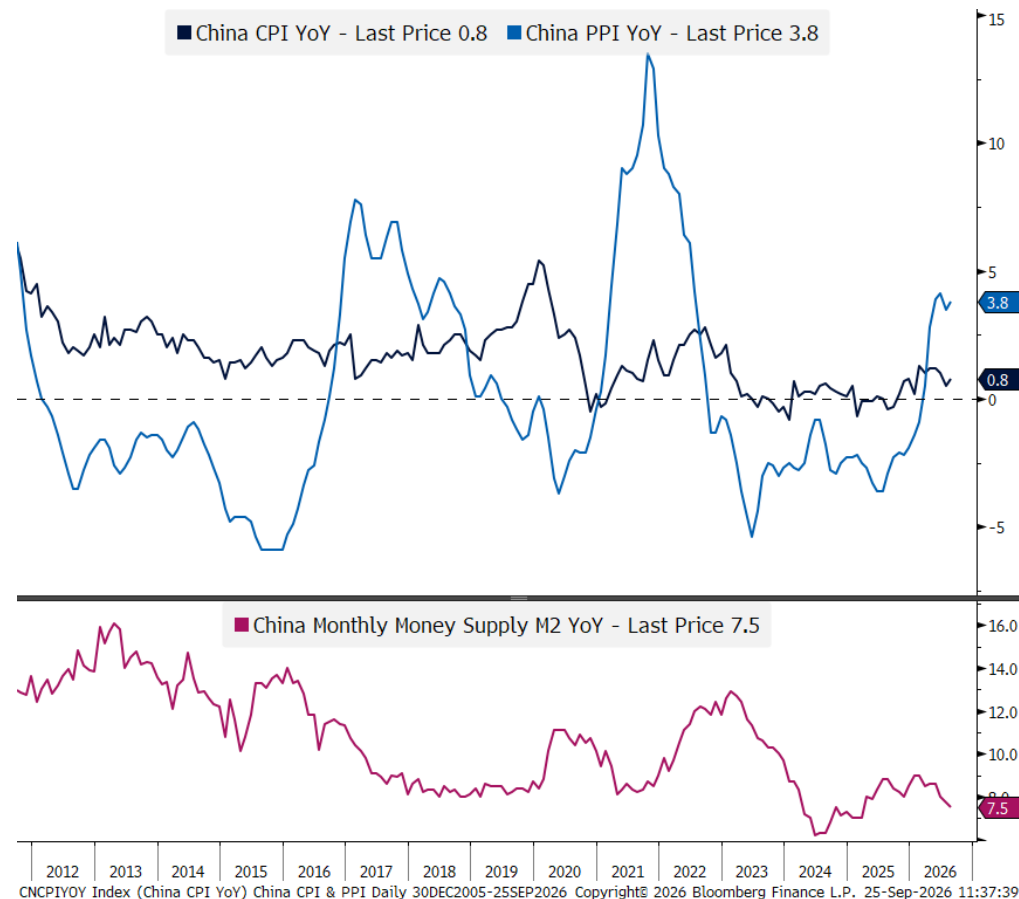
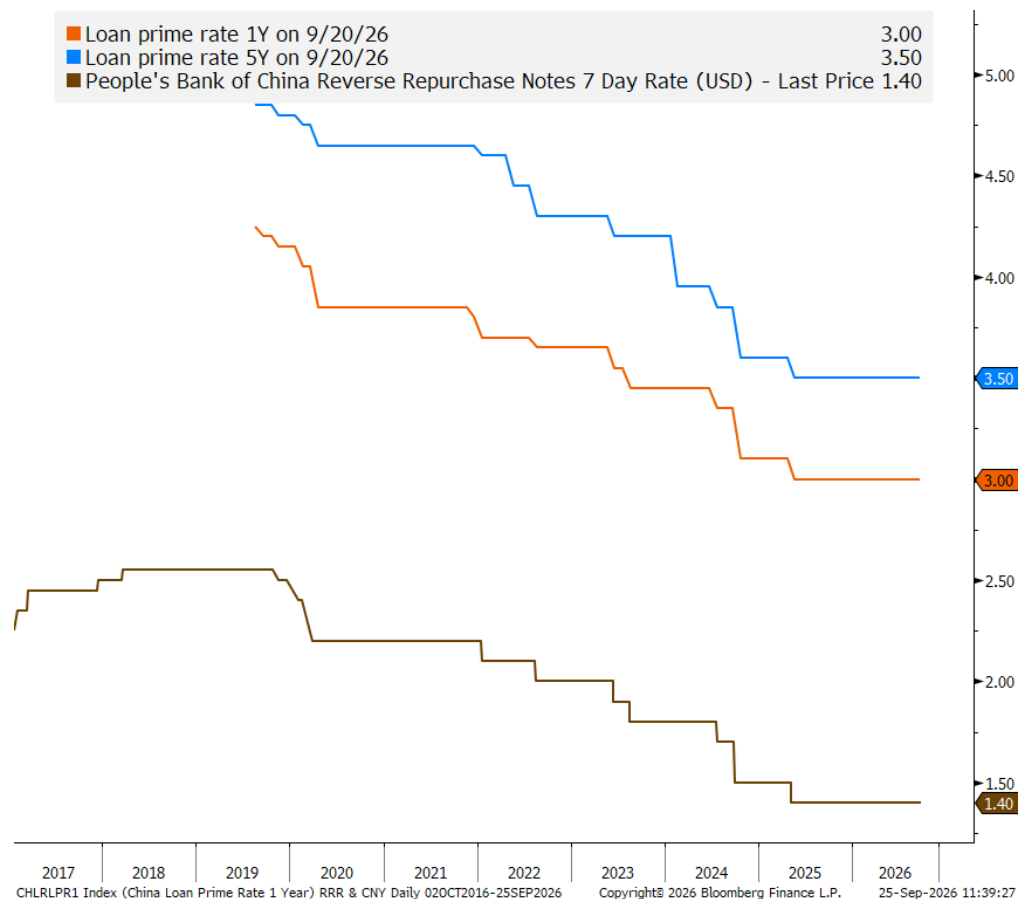
Monetary policy is tightening but remains behind the curve.



China's economic data have been underwhelming.

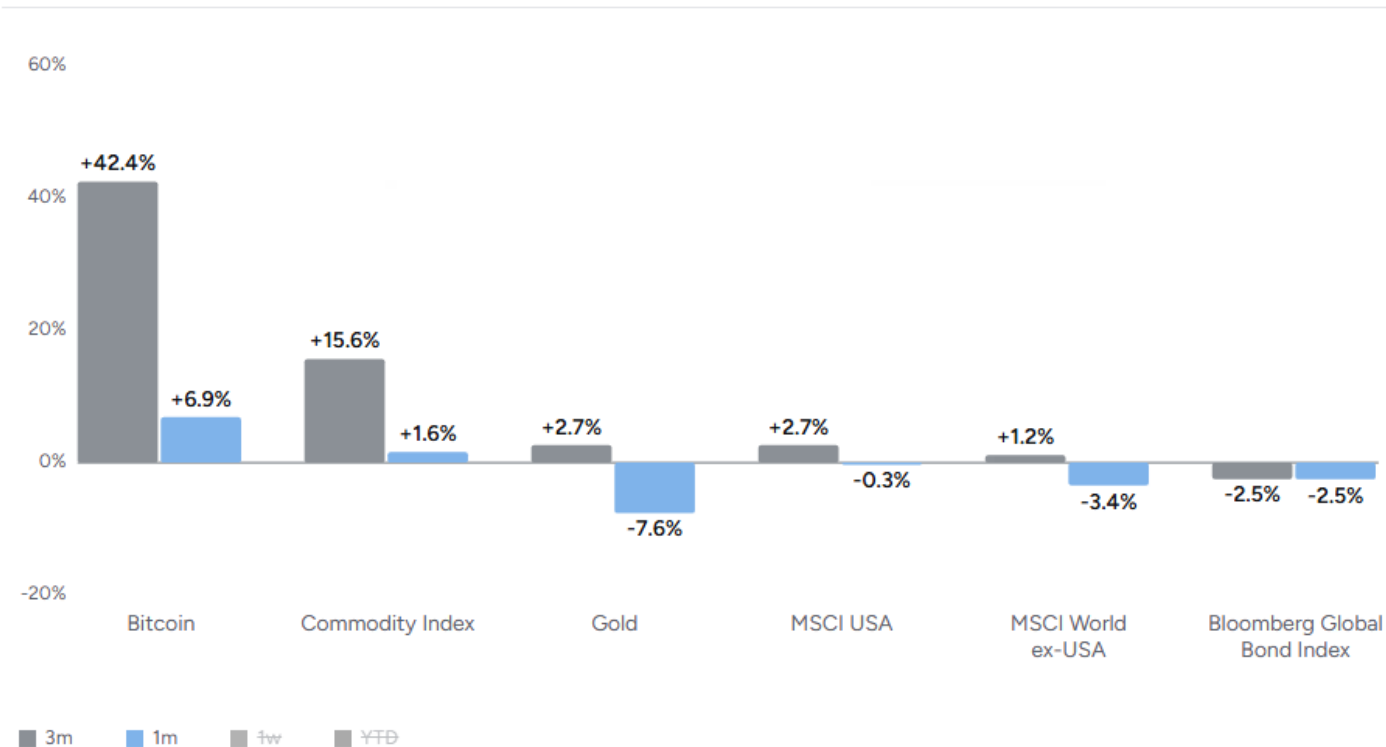


The October Plenum could see incremental measures aimed at reviving the economy...inflation is certainly less of an obstacle in China.

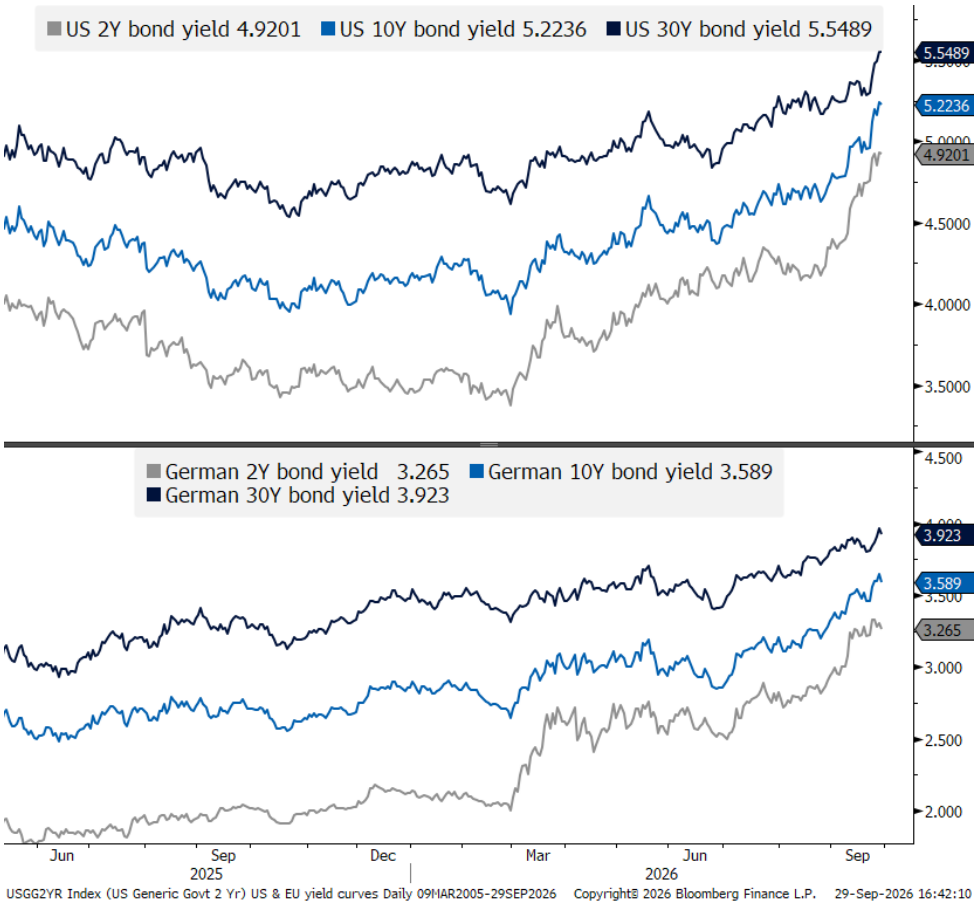


The inflationary boom regime persists, which favors equities and commodities over commodities over bonds. Risks to growth are concentrated outside of the US.

Major asset class USD performance

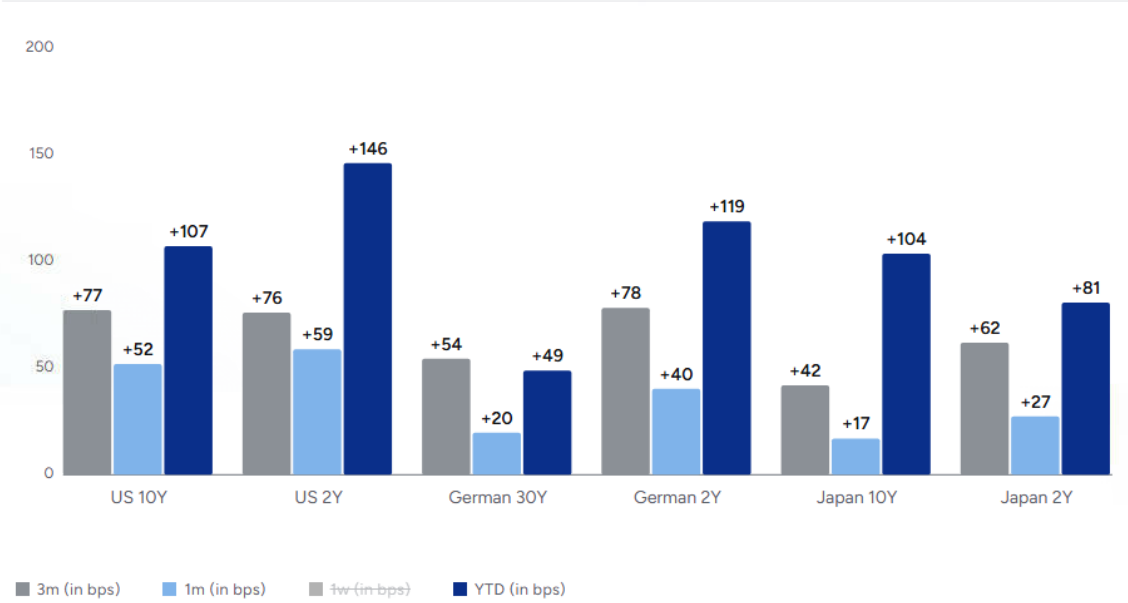


Inflationary pressures, solid growth and rate hike expectations have pushed yields sharply higher. Short-term yields are likely to top in Q4.

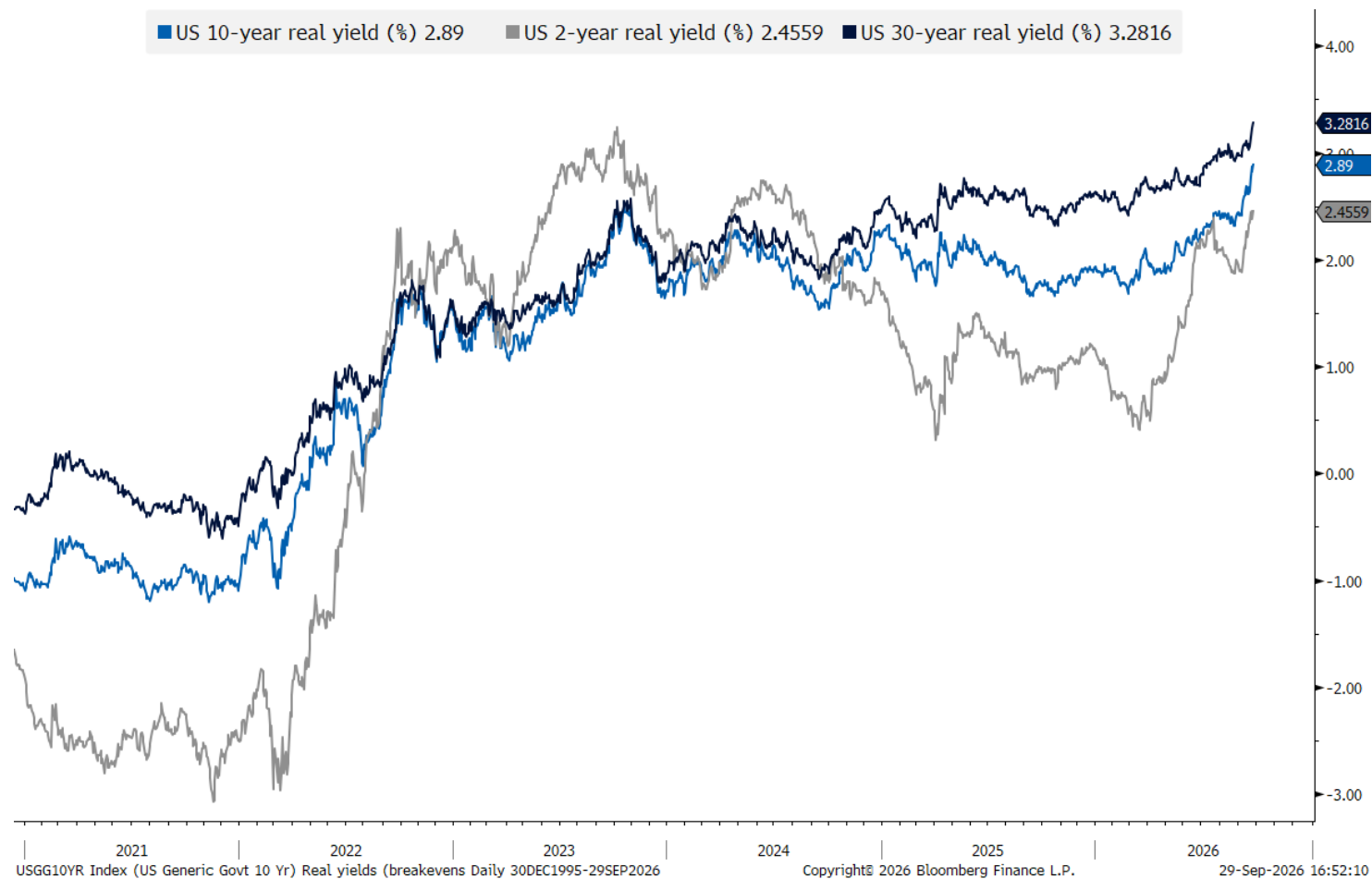


A further rise in yields at the short-end would require even more hikes being priced in for the upcoming year, which we find unlikely except in Japan.

Bond markets yield changes (in bps)



As inflation expectations have remained anchored, real yields have risen...TIPS are more attractive than nominal bonds.



The rise in US yields has prompted the Treasury to intervene by increasing long-term bond buybacks. Expect additional measures in Q4.

PRESS RELEASES

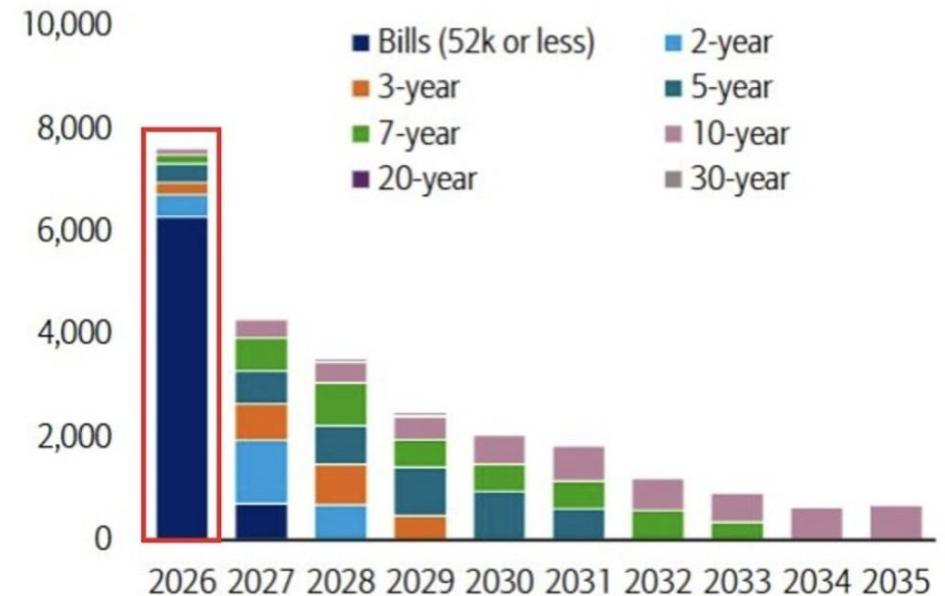
Treasury Announces Increased Sizes of Nominal Long-End Liquidity Support Buybacks Beginning September 9

August 19, 2026

Perhaps the amount of debt maturing has something to do with it...

Exhibit 3: Maturing debt will likely face higher refinancing costs

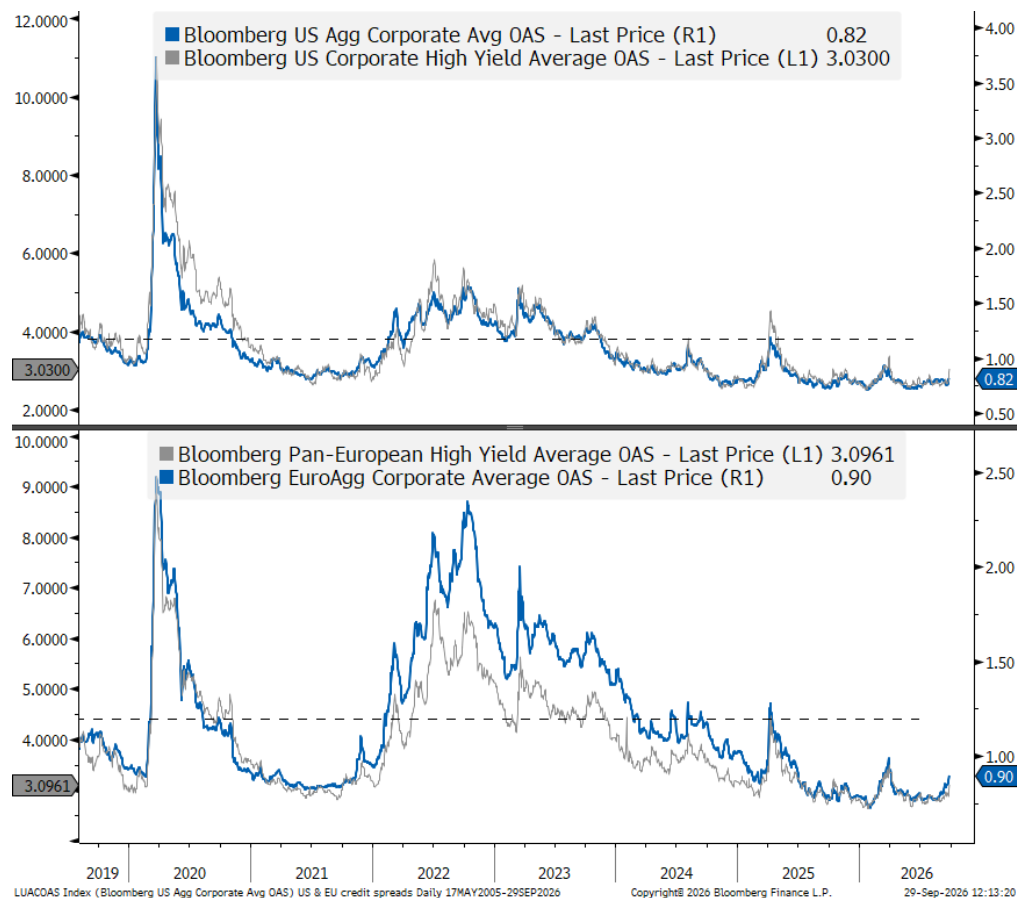
Maturity profile of marketable treasury debt (\$bn)



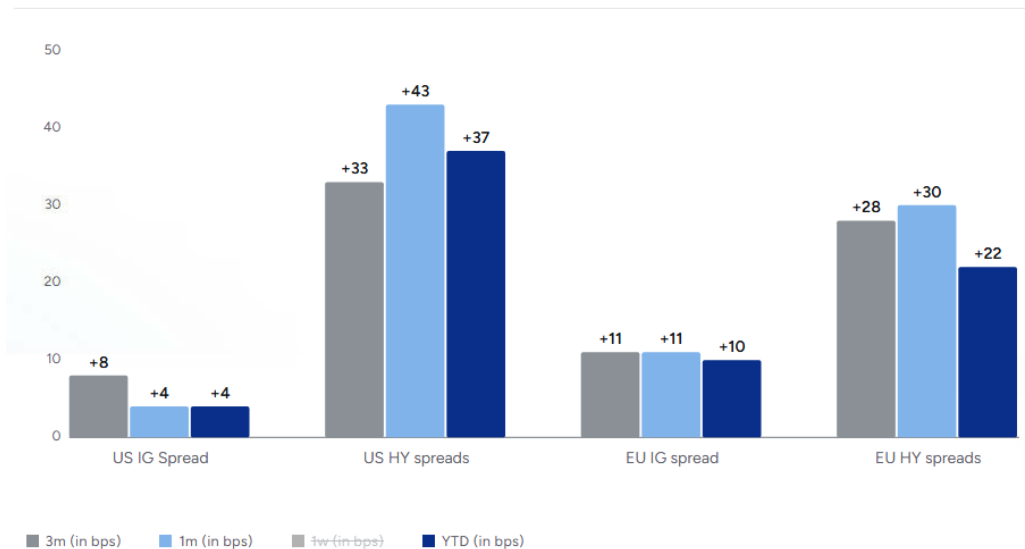
Source: US Treasury, BofA Global Research

BofA GLOBAL RESEARCH

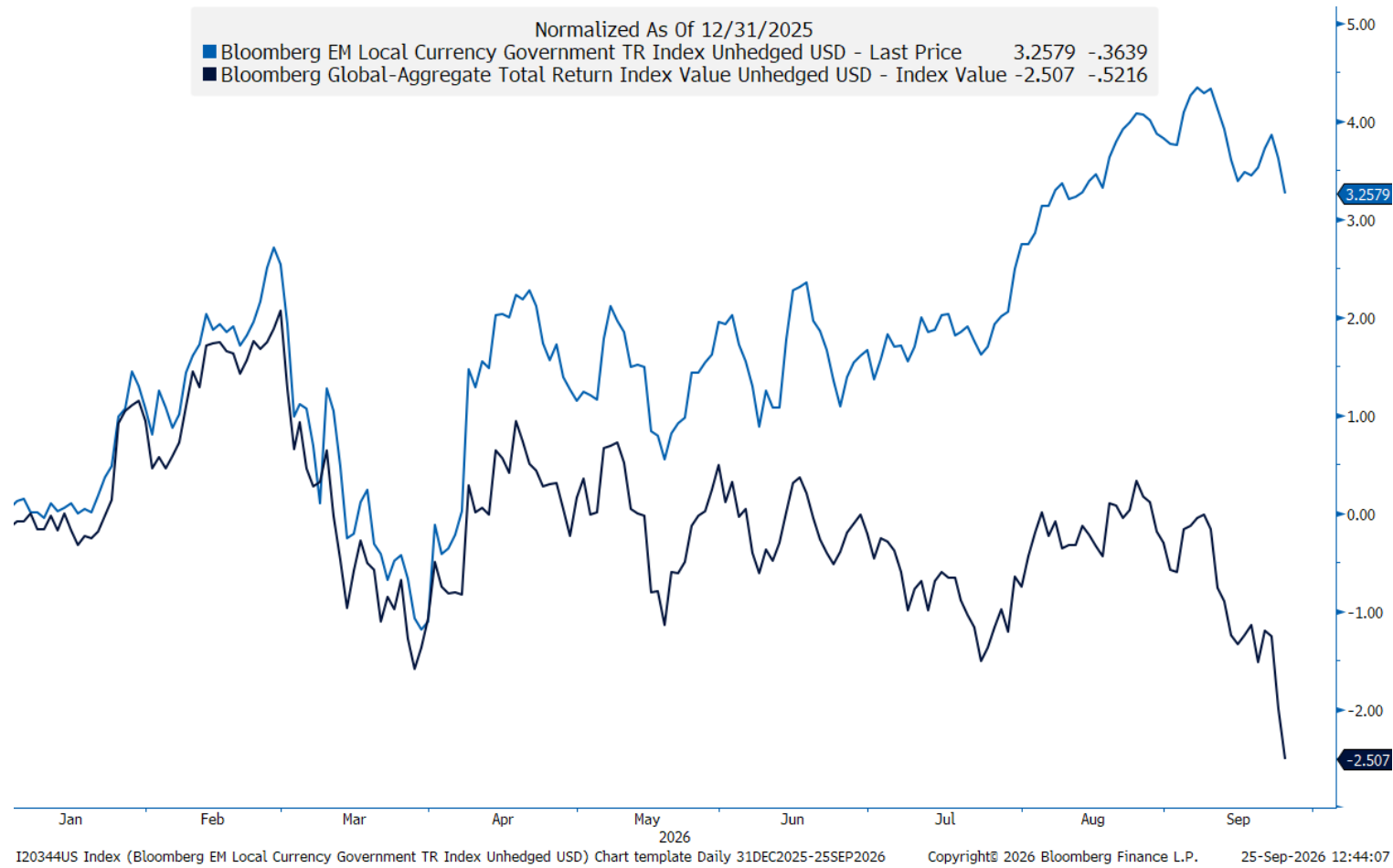
Credit spreads remain extremely tight, but they have begun widening in the riskiest segments. This aligns with rising growth risks.



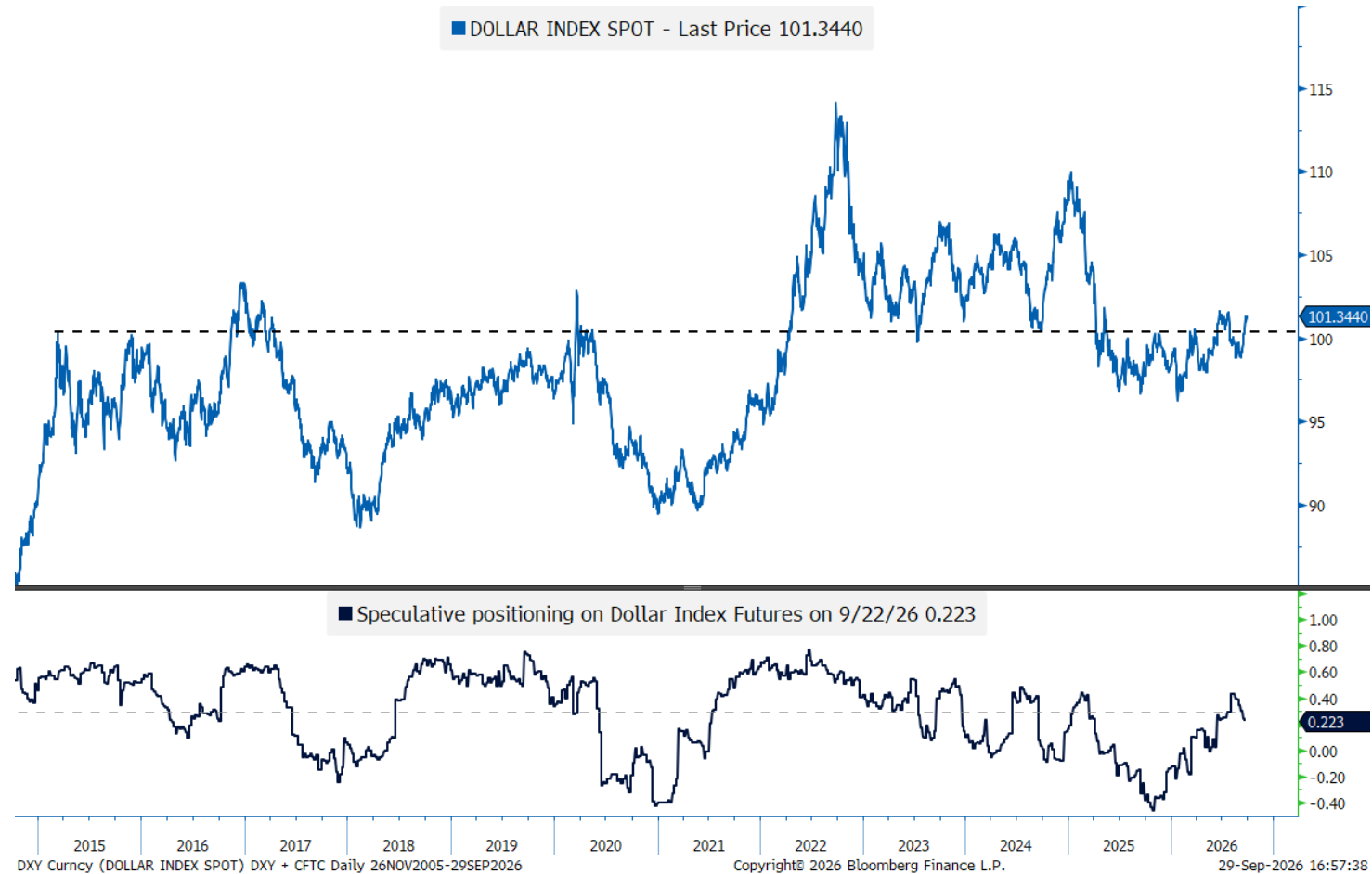
Bond markets yield changes (in bps)



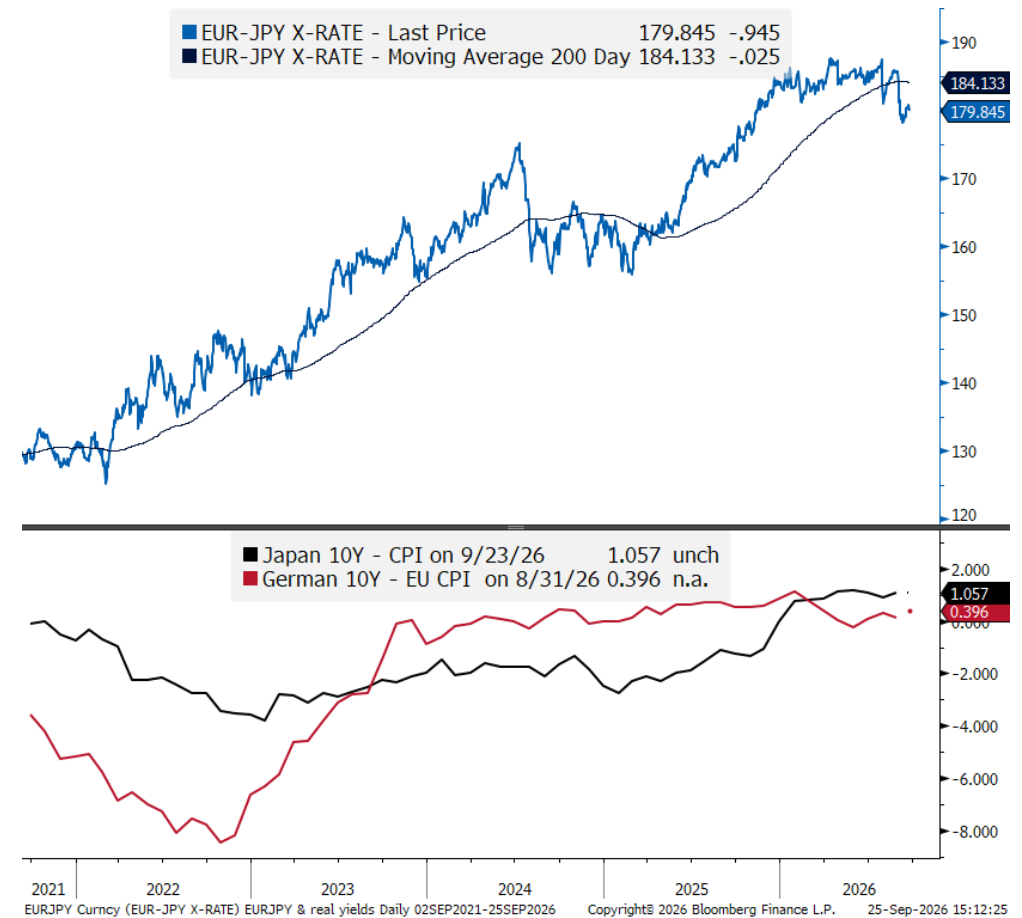
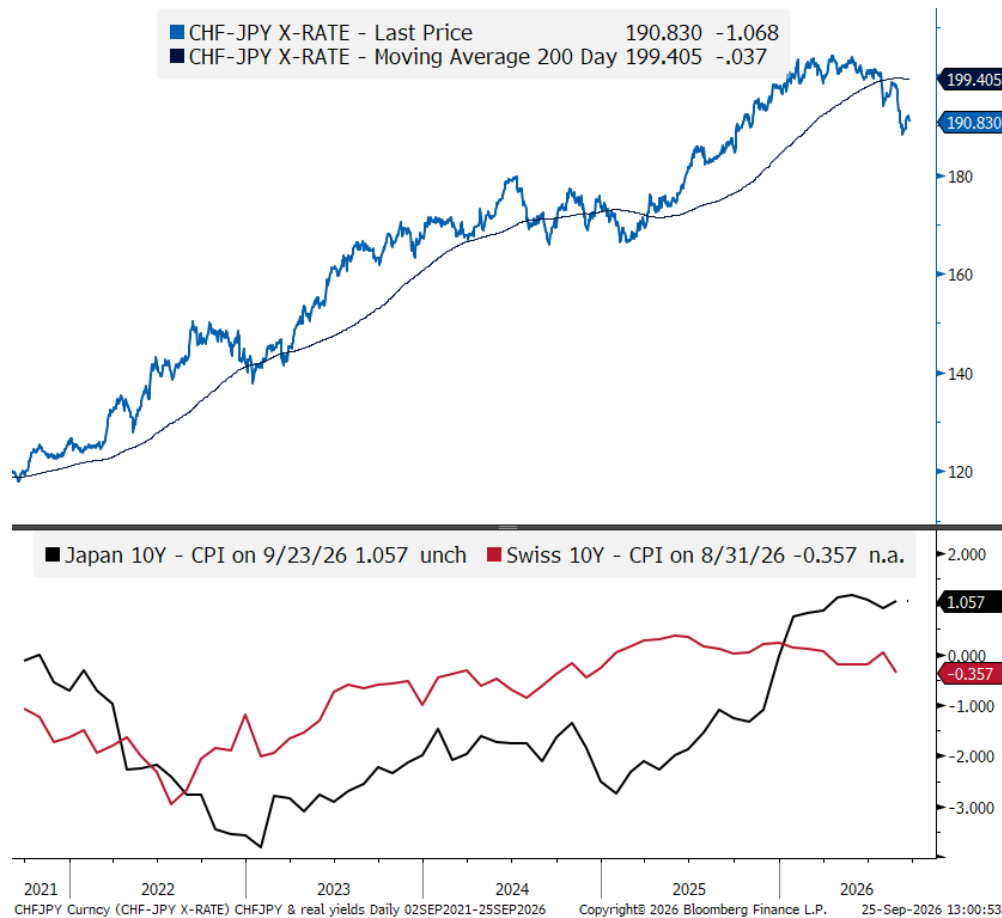
Emerging market local currency debt continues to outperform global DM bonds...



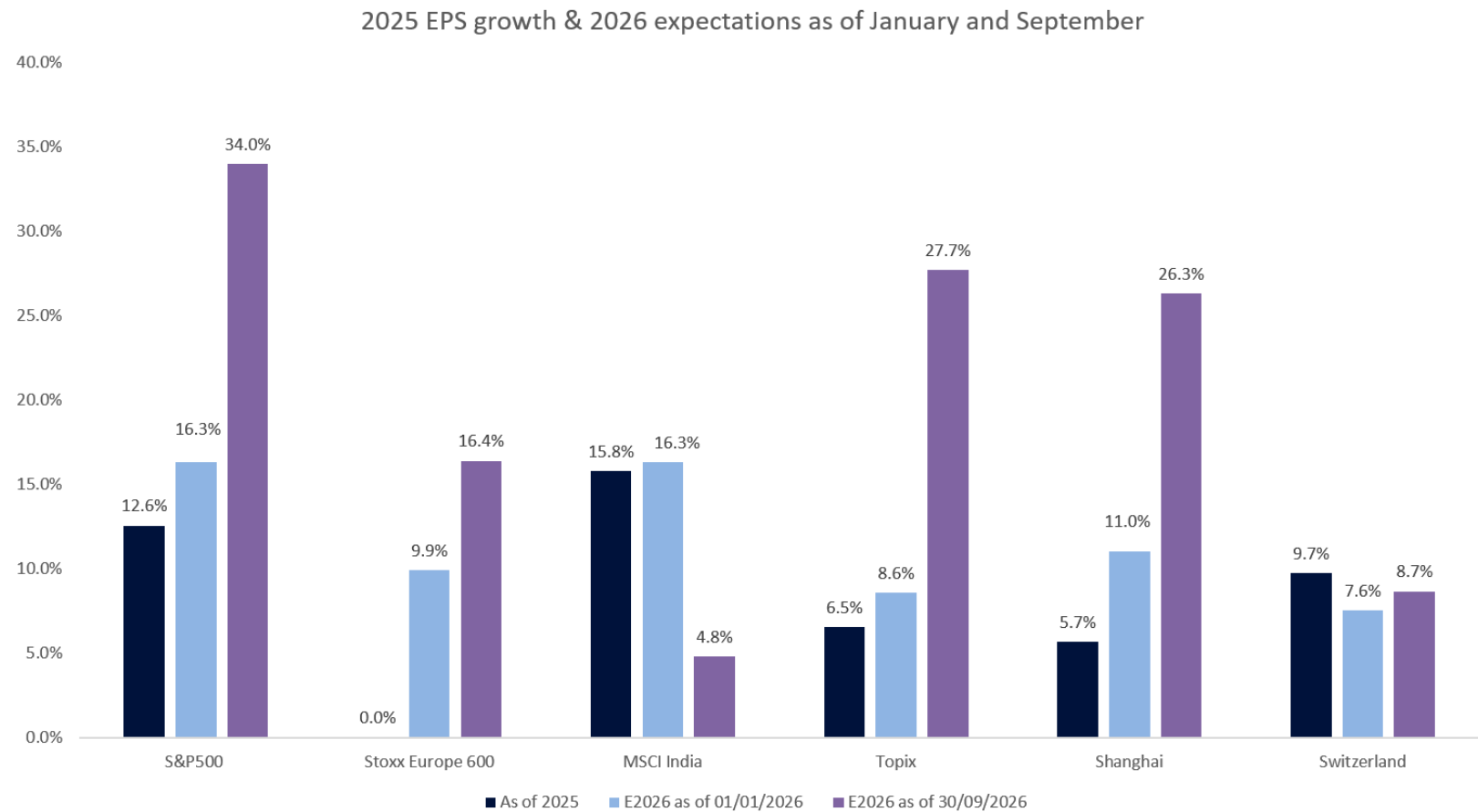
The Treasury's interventionist stance is a negative for the USD, but the Fed's hawkishness supports it in the short term. Sideways action likely.



The JPY has bottomed and should rise against DM currencies. This is particularly true against EUR and CHF given real yield differentials.

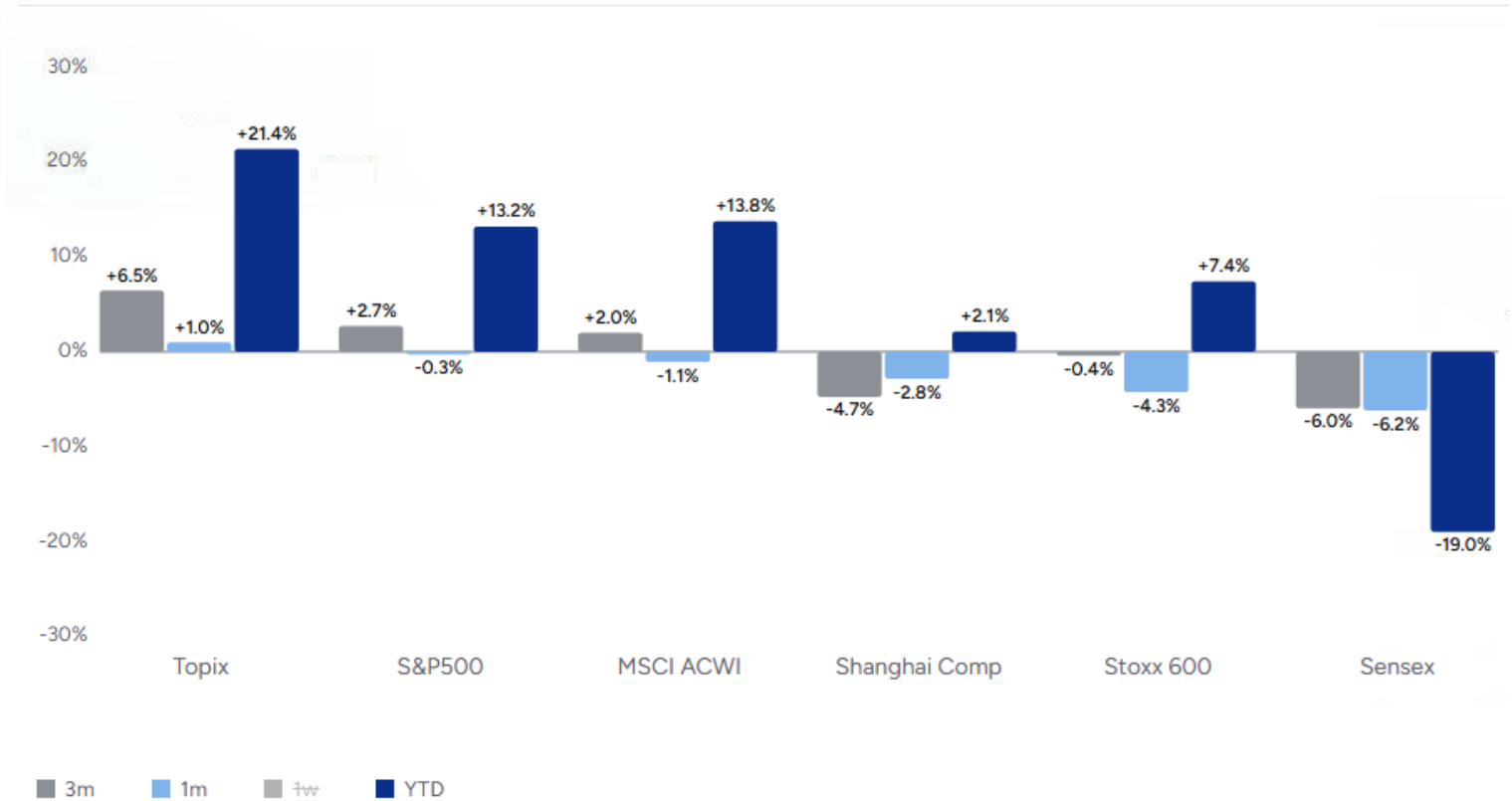


The sharp acceleration in EPS growth expectations has been supportive.

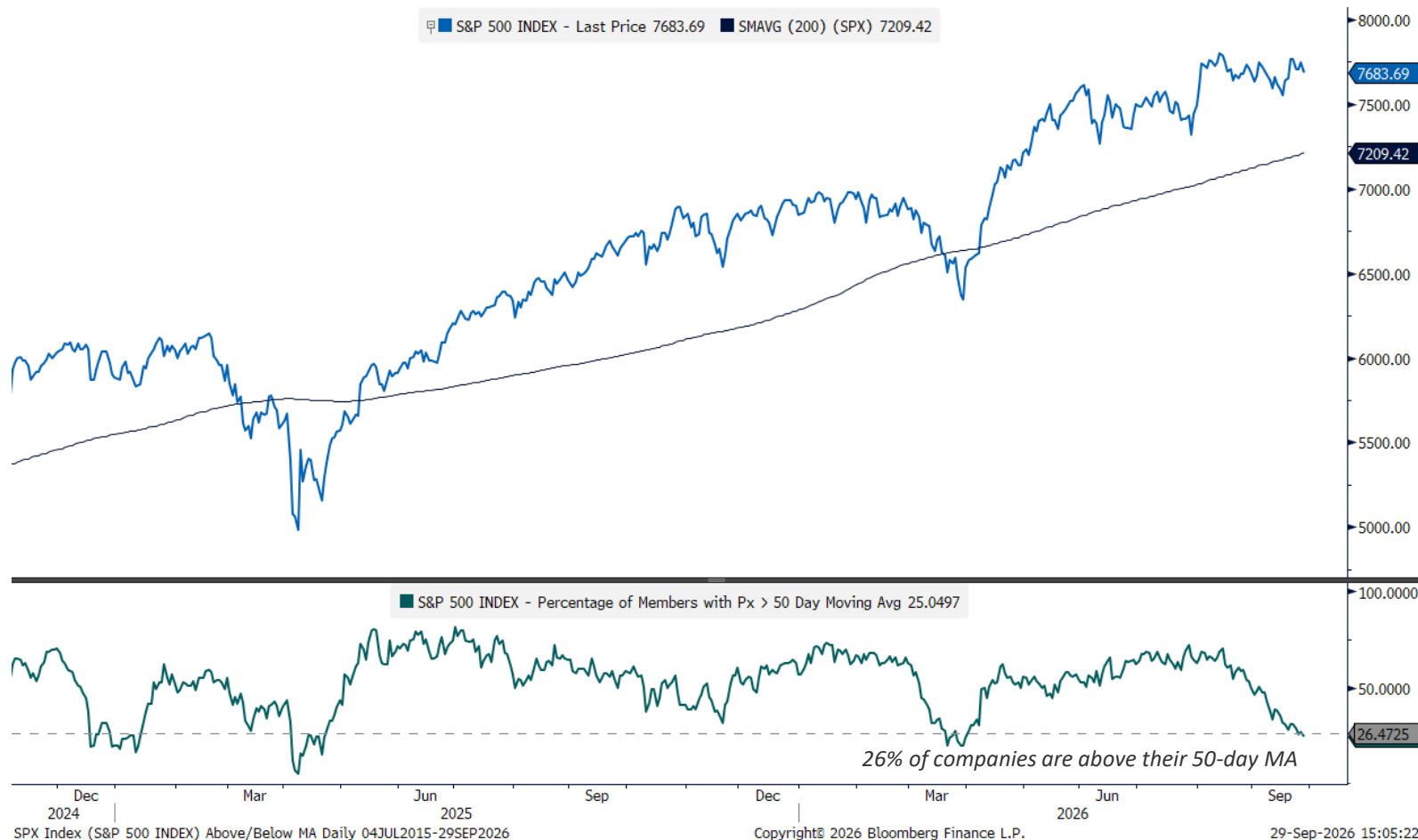


The US and Japan have led equity markets over the past 3 months, while Europe and Asian Ems have been under pressure.

Major Indices performance (in USD)



US equities have been consolidating. Breadth has reached oversold conditions and is likely to improve from here given the growth environment.

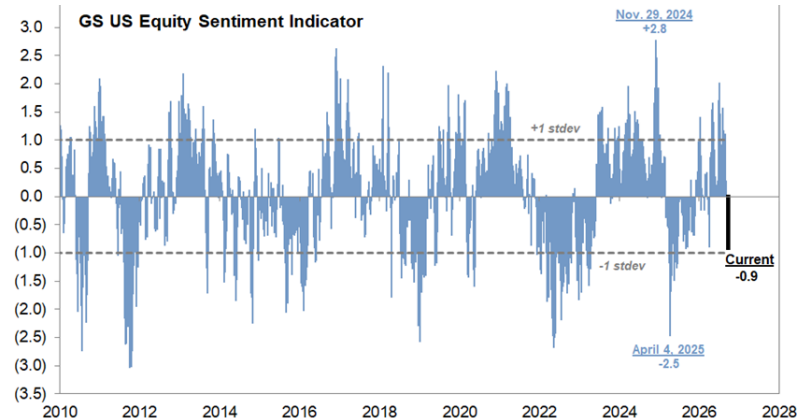


Short-term sentiment is quite bearish, which suggests that the pain trade remains higher as we are about to enter into a strong seasonal period.

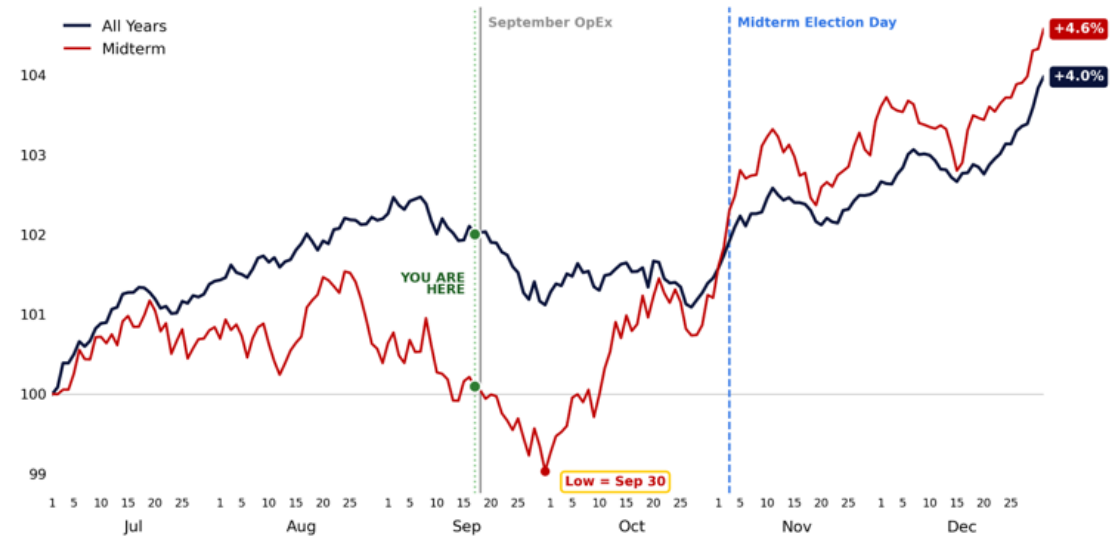
Flows into cash equivalents have risen...



Sentiment has turned bearish.



Seasonality turns positive into October...



Longer-term indicators are however flashing warning signs. As market rally into Q4, increased cautiousness will be warranted.

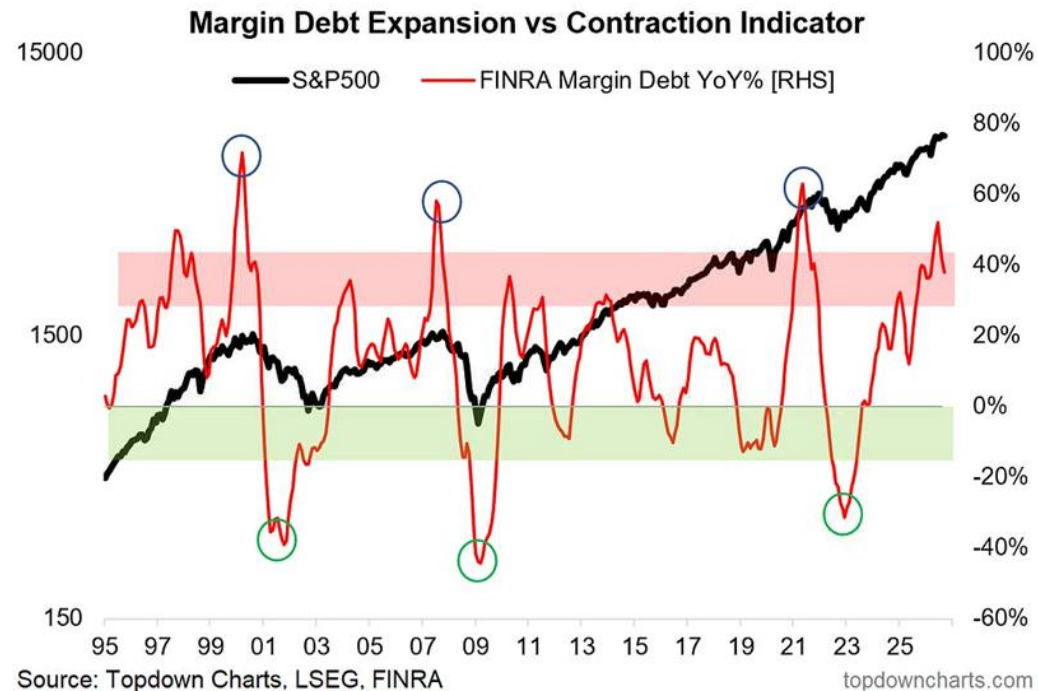
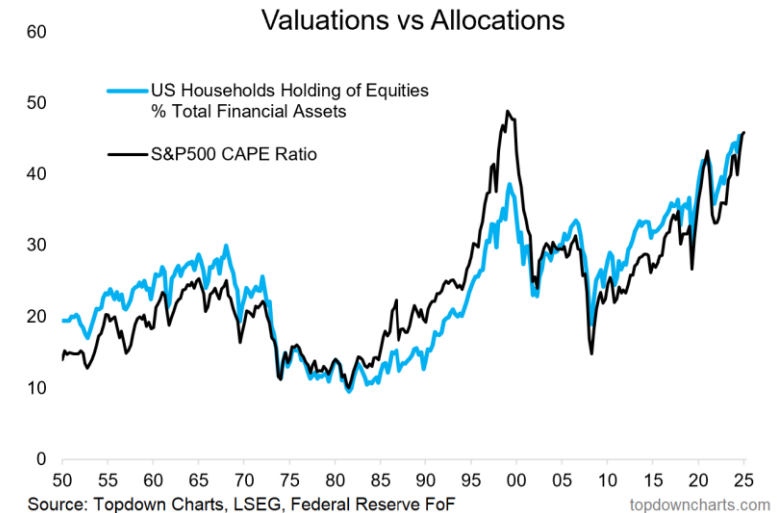


Chart 1: BofA Bull & Bear Indicator

Stays at 9.5

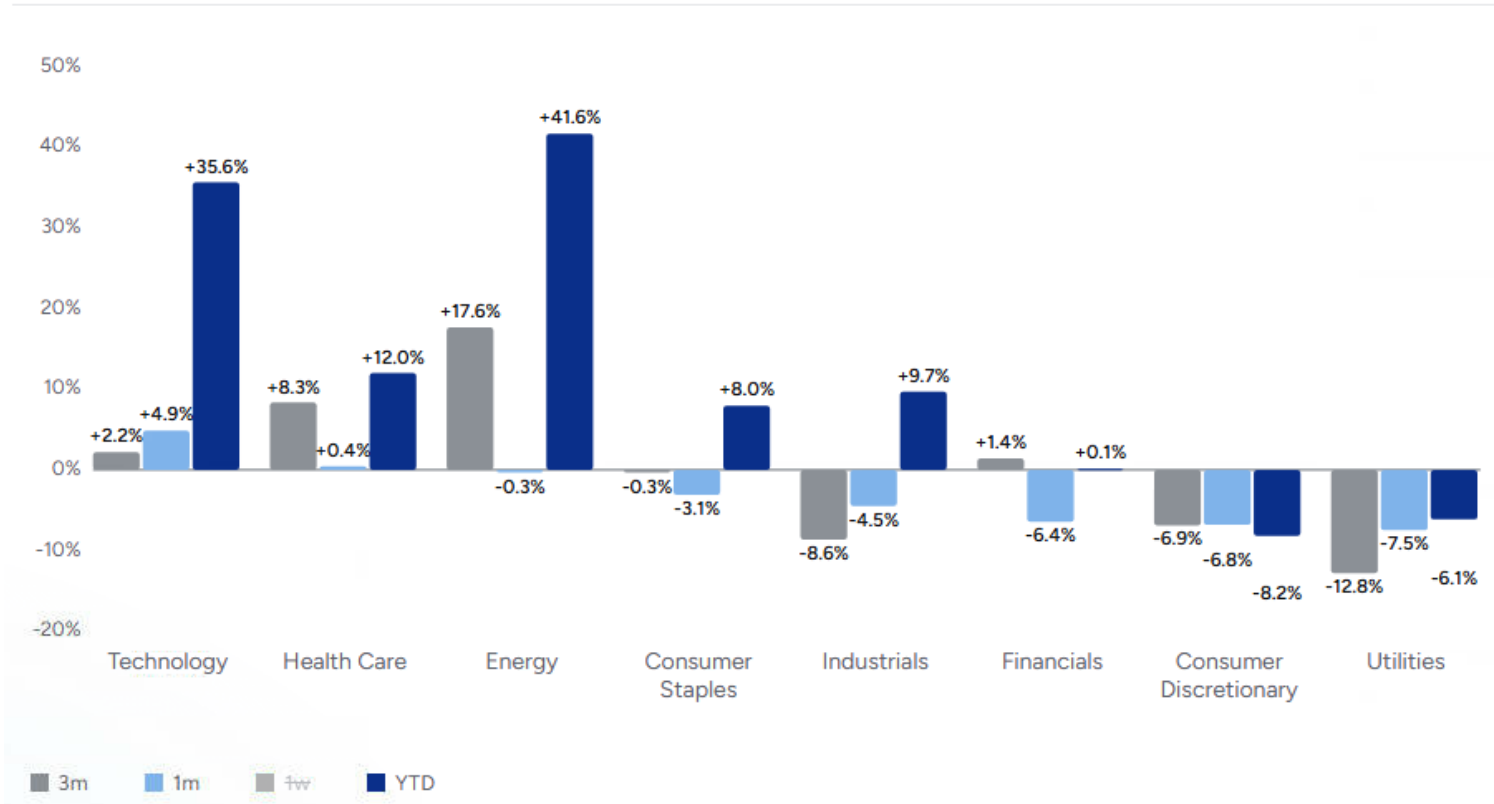


Source: BofA Global Investment Strategy. The indicator



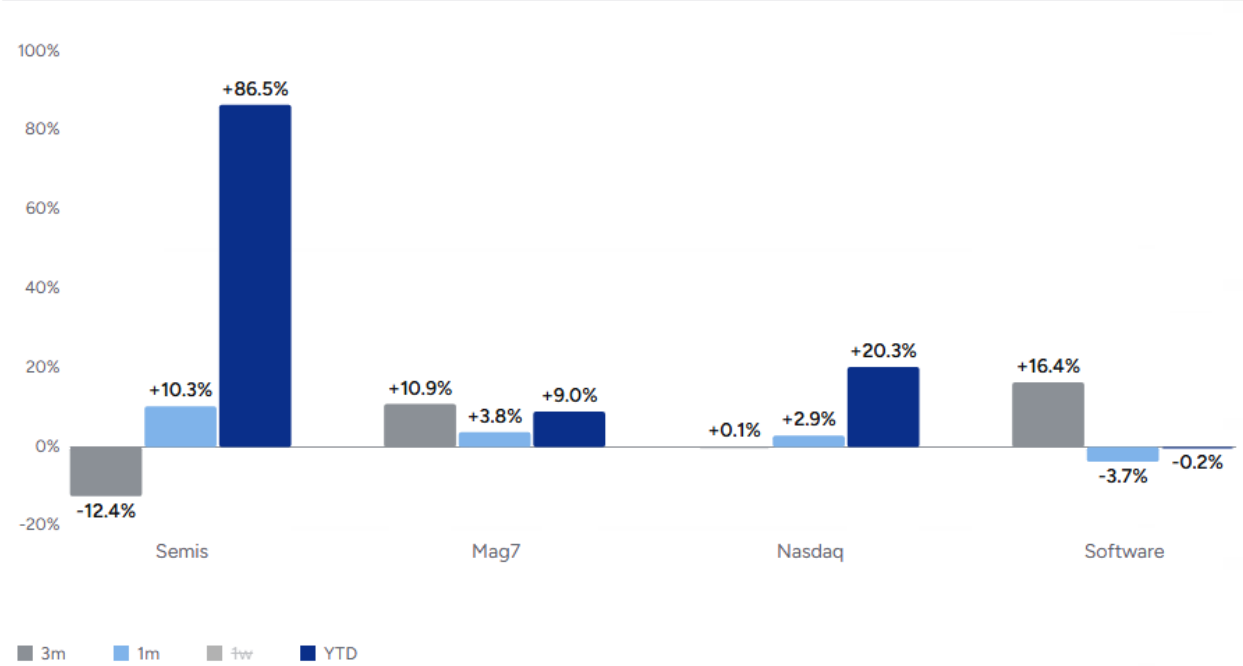
Sector performance reflects the weak breadth. Tech has re-emerged as the market leader and we expect it to continue, although cyclicals will stabilise.

US Sector Performance (in USD)



After 3 months of consolidation, semiconductor stocks are likely to resume their rally, while MAG7 should keep doing well.

US technology



Nebius hikes AI cloud prices again as demand for computing power soars

By Reuters

September 17, 2026 8:12 PM GMT+4 · Updated September 17, 2026



AWS

AMAZON / REPORTED JUL 30

Revenue	\$42.2B
YoY growth	+36.8%
Op margin	39% (+650bps)
Run rate	~\$169B
Trend	5th qtr accel

Google Cloud

ALPHABET / REPORTED JUL 22

Revenue	\$24.8B
YoY growth	+82%
Op margin	35.6%
Op income	\$8.8B
Trend	Sharp accel

Azure

MICROSOFT / REPORTED JUL 29

Azure growth	+43%
Prior qtr	+40%
FY Azure	>\$100B (~+41%)
Intelligent Cloud	\$39.3B (+32%)
Trend	Accel

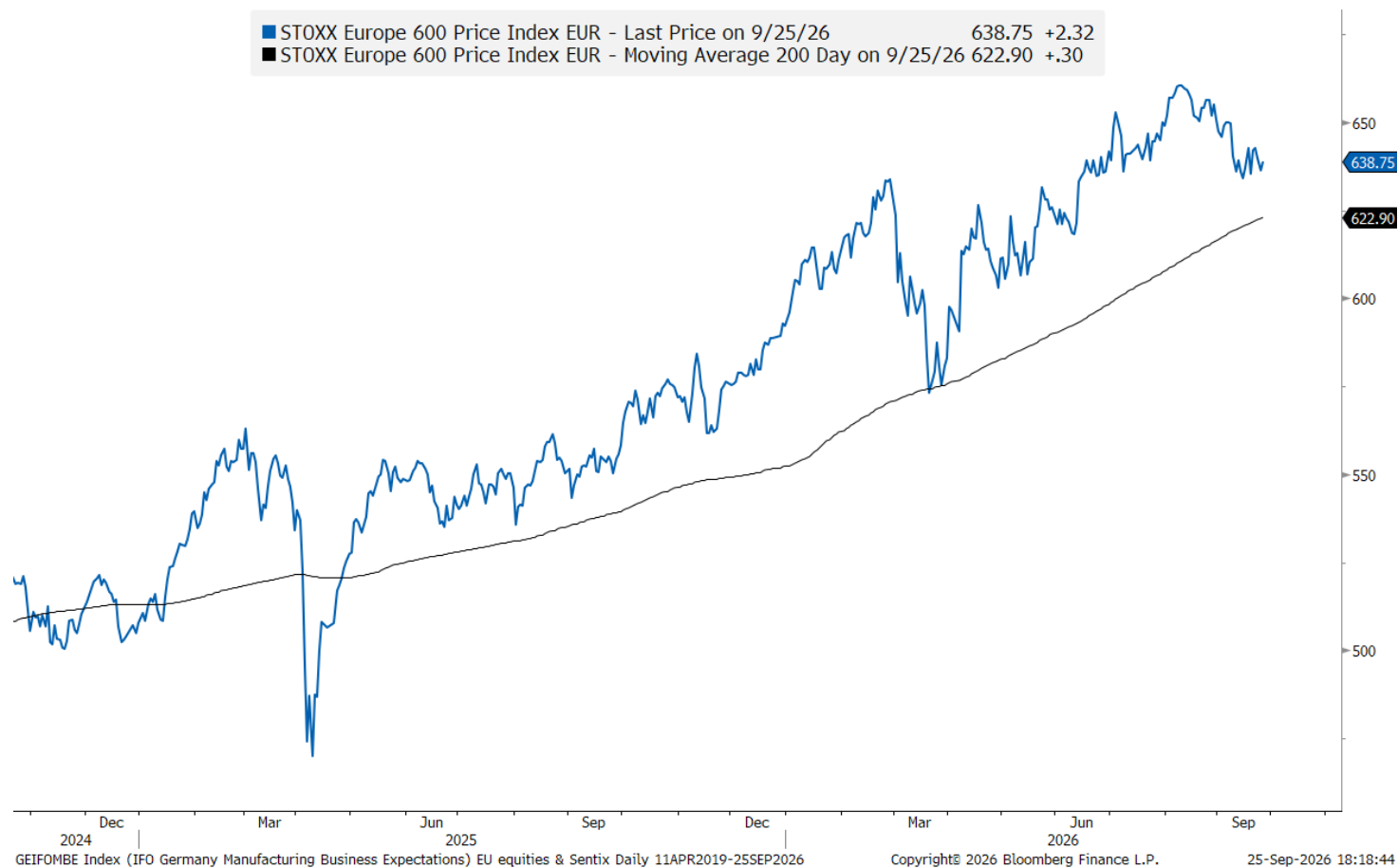
Meta

NO CLOUD / REPORTED JUL 29

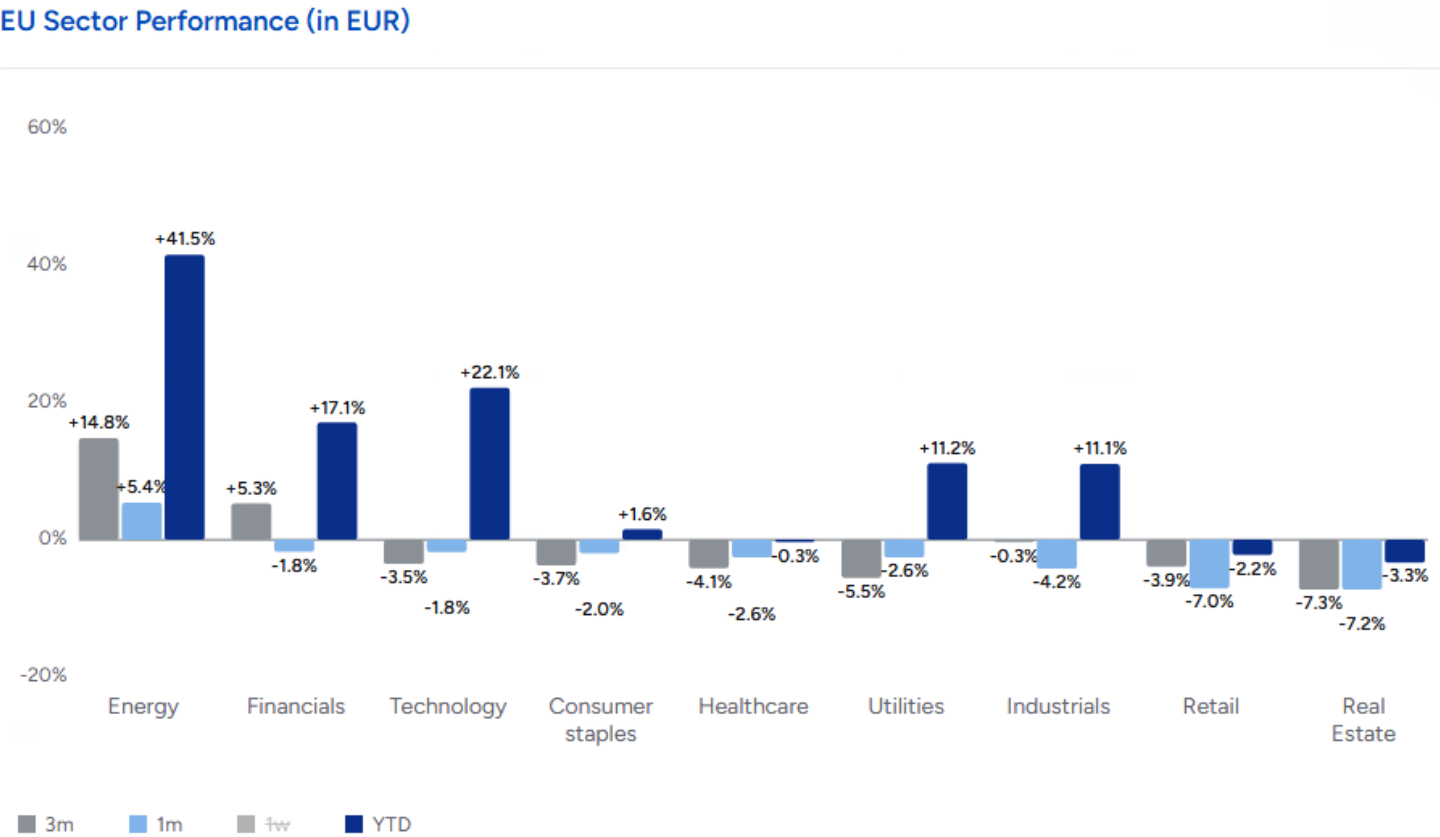
Total revenue	\$60.8B
YoY growth	+28%
Op margin	31%
Reality Labs	-\$4.62B op
Trend	Ad AI gains

Source: LongYield substack

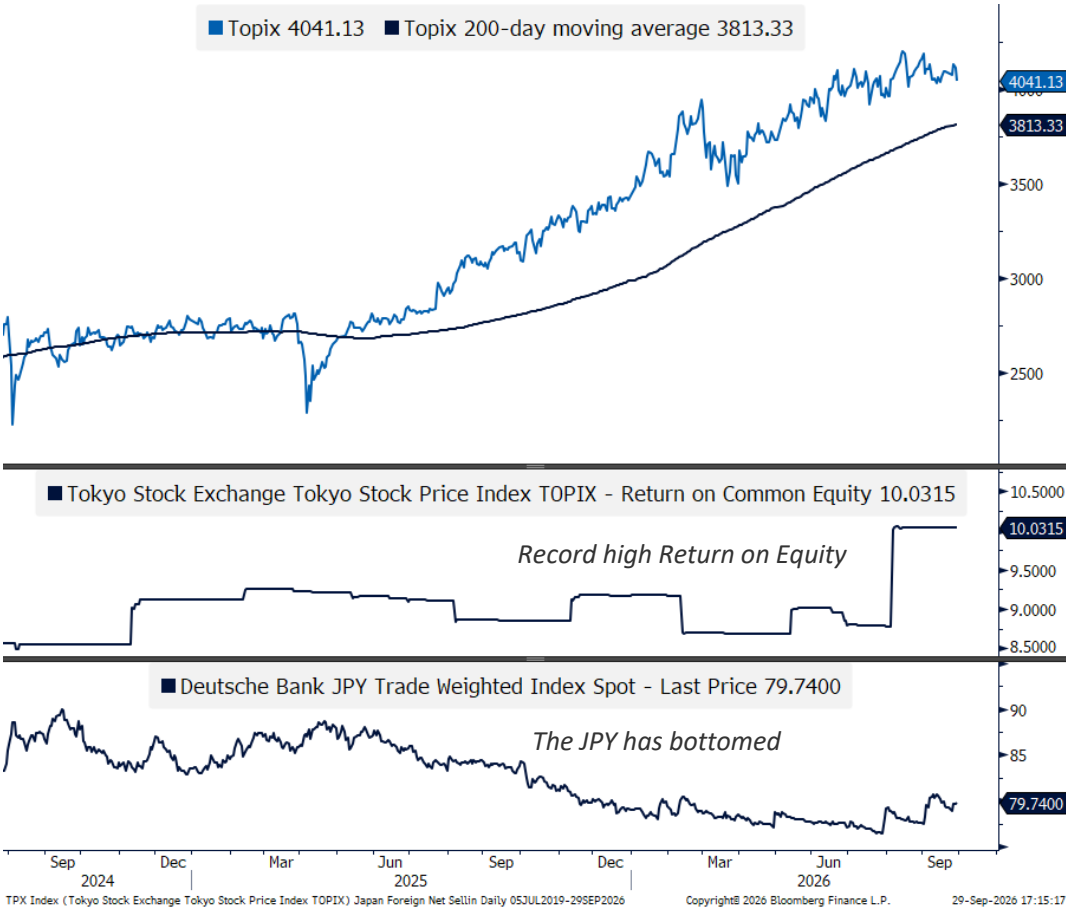
EU equities have remained resilient, but are vulnerable if energy and rates remain elevated. The tail risk of political instability is also to be monitored.



Cyclicals with significant domestic exposure are most at risk. Industrials remain attractive combined with energy exposure. Technology should lead.



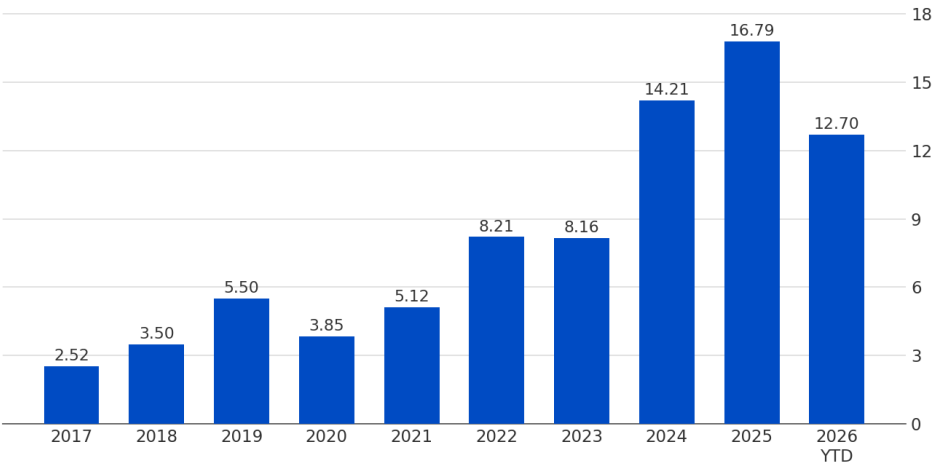
Japanese equities remain attractive given the combination of easy monetary and fiscal policy. JPY strength could lead to buyable dips in Q4.



Record Buybacks

Japanese companies are returning more cash to shareholders than ever

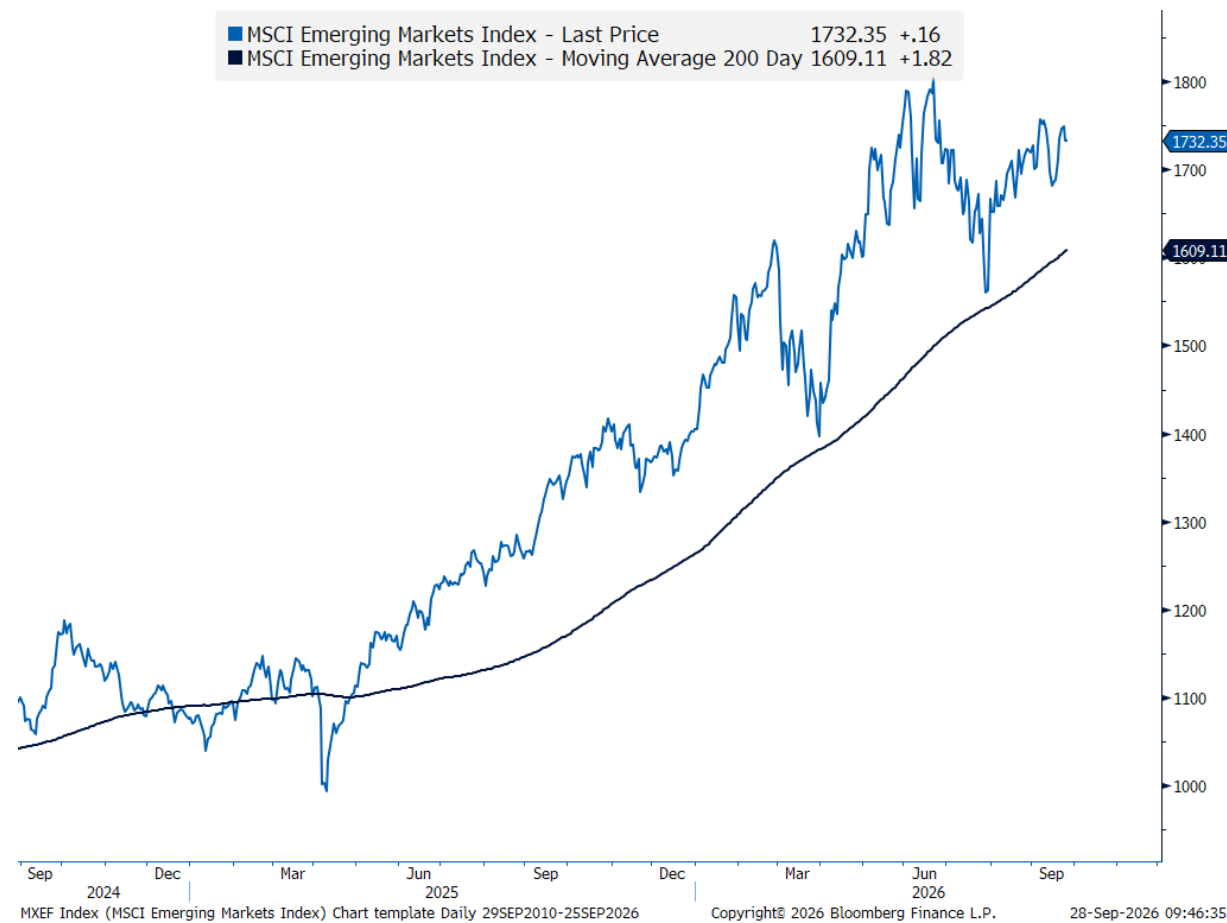
■ Aggregate share buybacks (JPY trillion)



Note: 2026 figure is year-to-date
Source: Bloomberg

Bloomberg

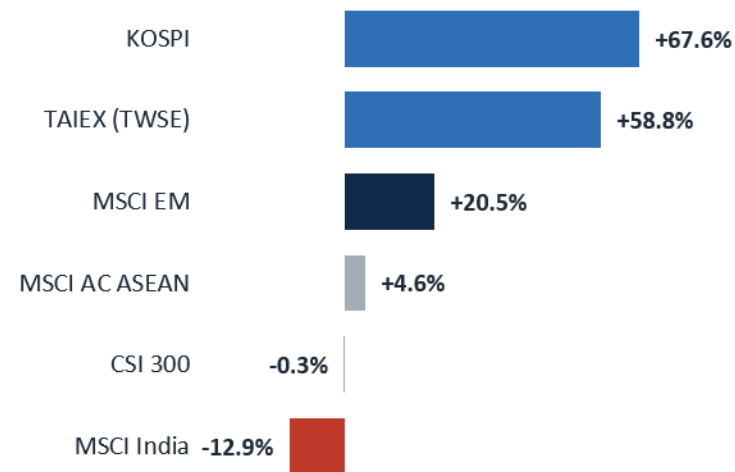
The emerging market rally that really isn't one... it is all about AI.



+20% vs -4%

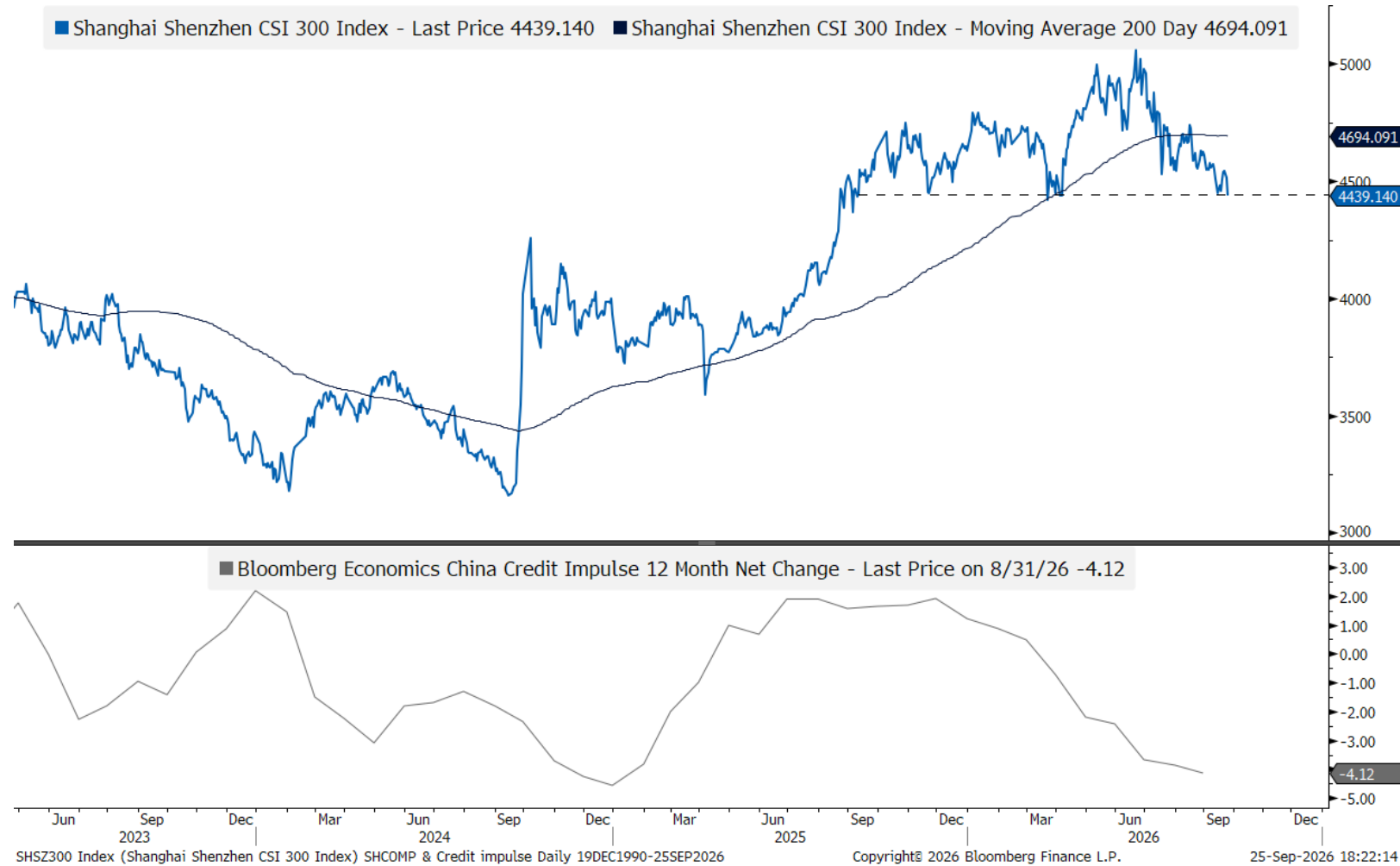
MSCI Emerging Market YTD, with vs without Korea & Taiwan

YTD in USD, 5 Jan – 23 Sep 2026

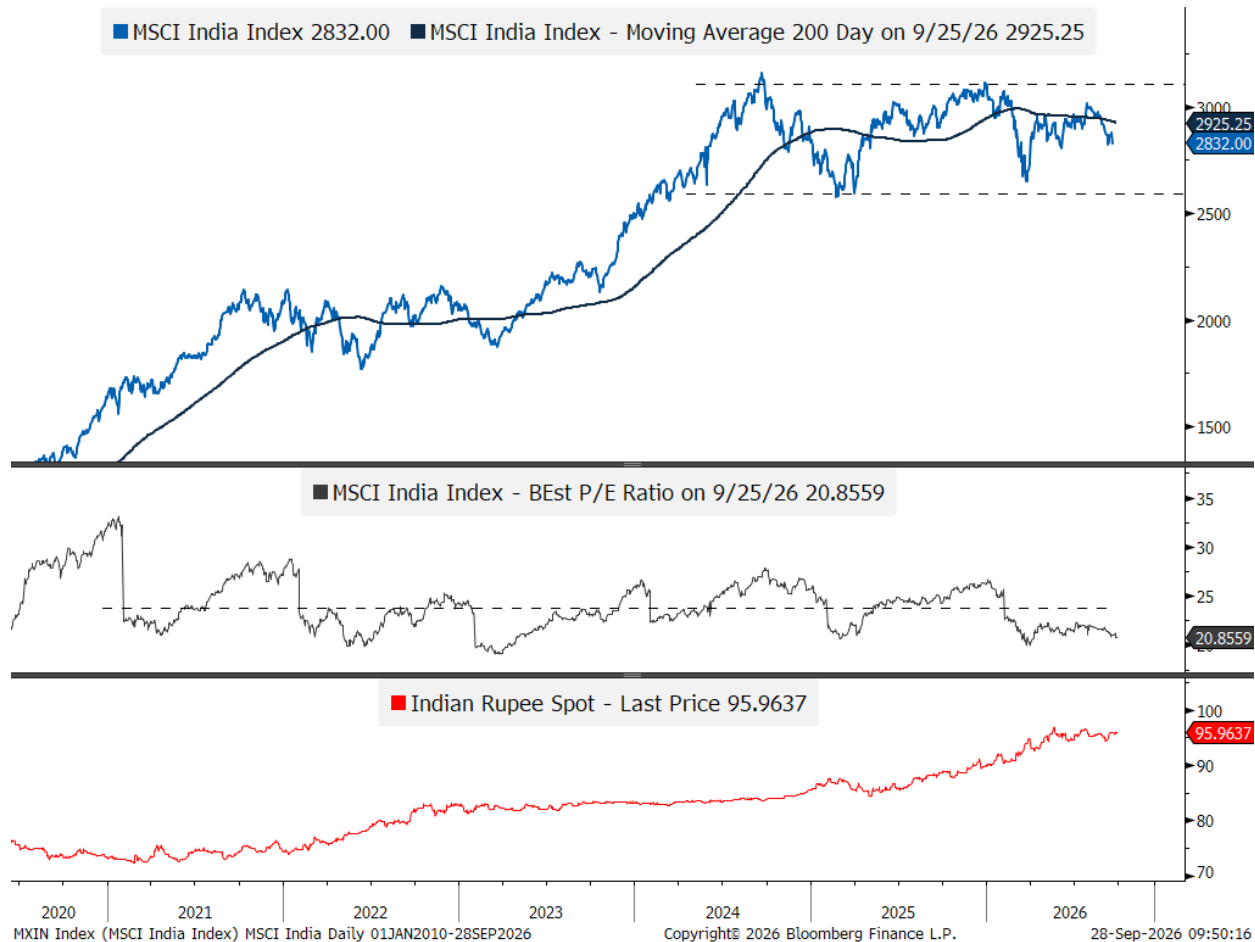


Korea and Taiwan carried EM (+20.5%); ASEAN rose 4.6%, China was flat and India fell 12.9% in dollar terms.

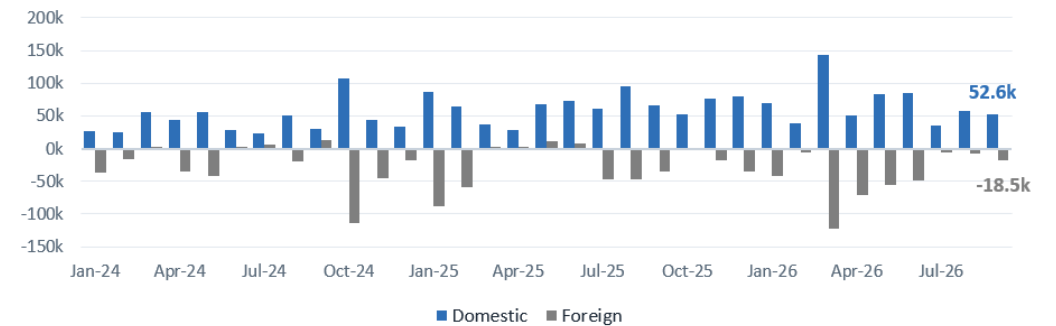
Chinese equities are rolling over...waiting for government action.



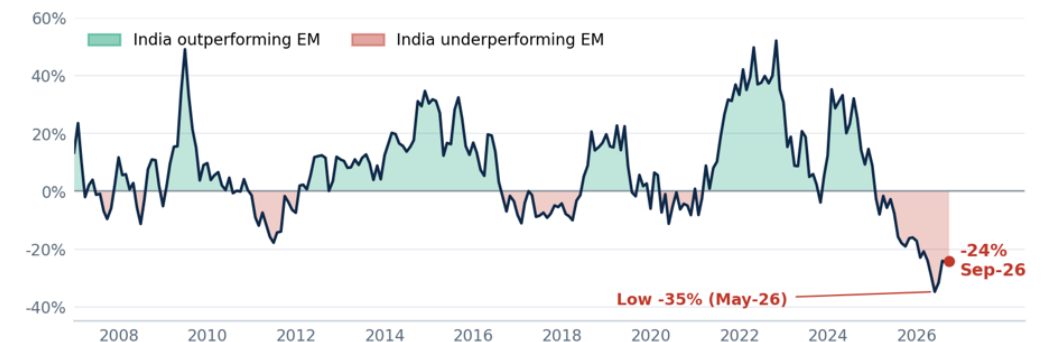
Patience still required for Indian equities, despite attractive valuations.



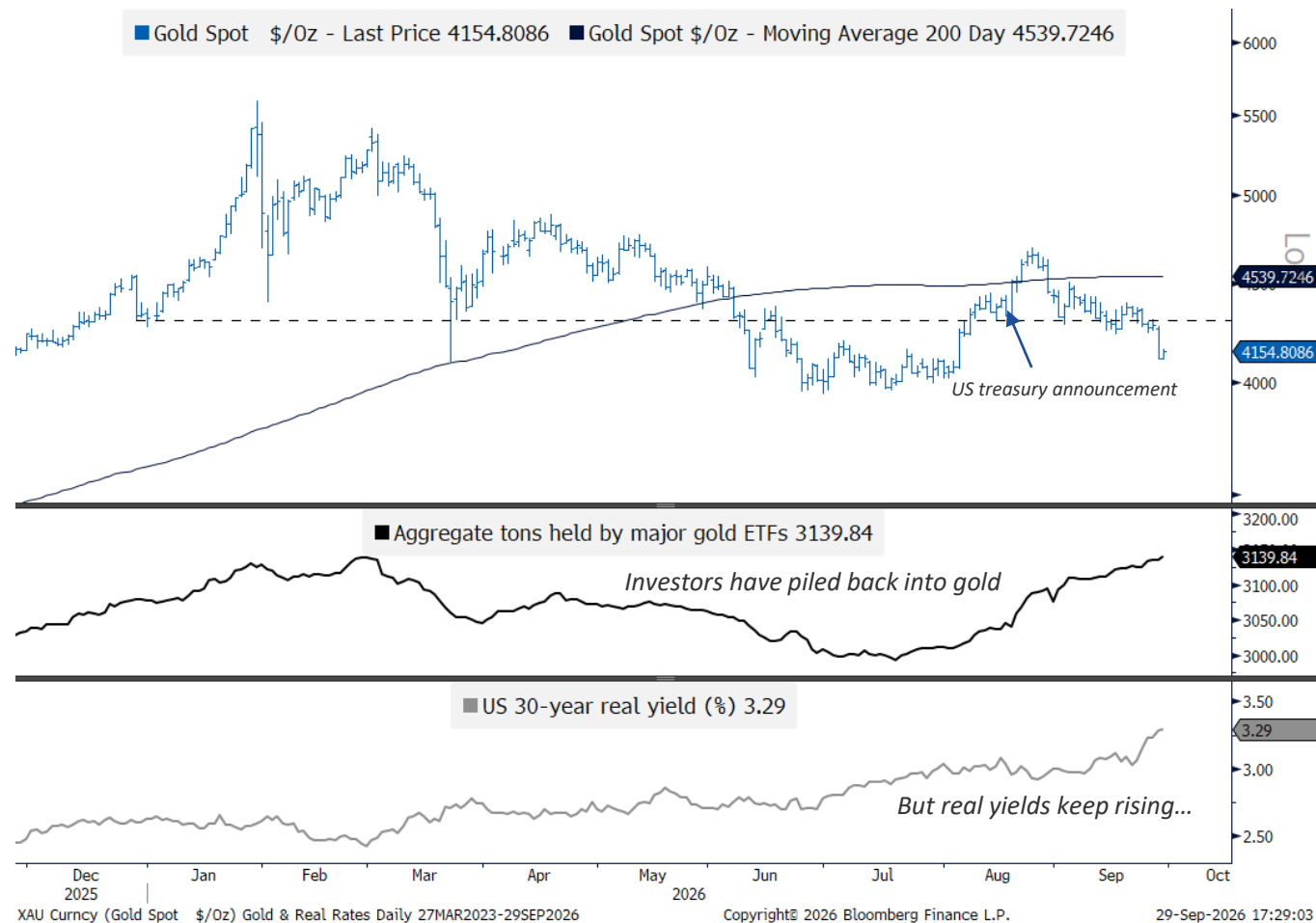
◆ Foreigners still not returning



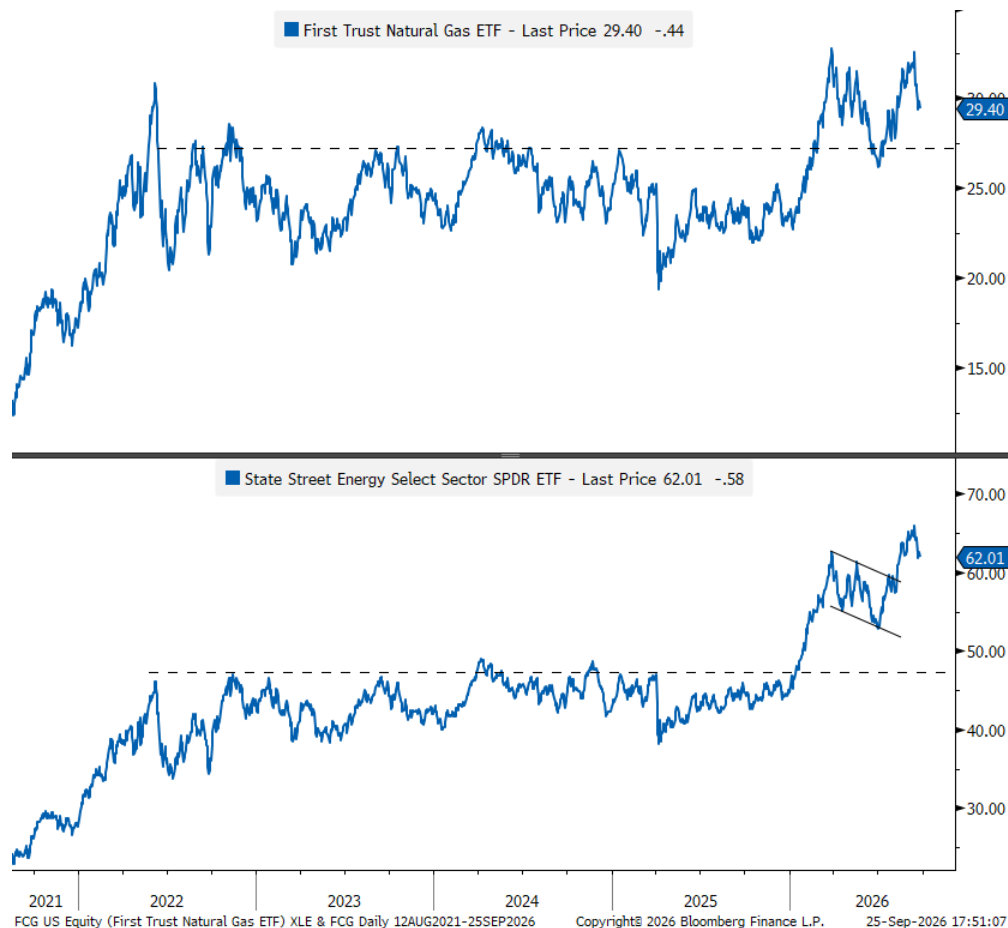
◆ And worst relative run vs EM in 20 years



Gold is torn between the Treasury actions and the Fed's crusade to regain credibility. Real yields need to top out. Short-term sideways at best.



Owning oil & gas remains the best hedge for an equity exposure, as a continued rise in energy prices is the biggest risk to growth and inflation.

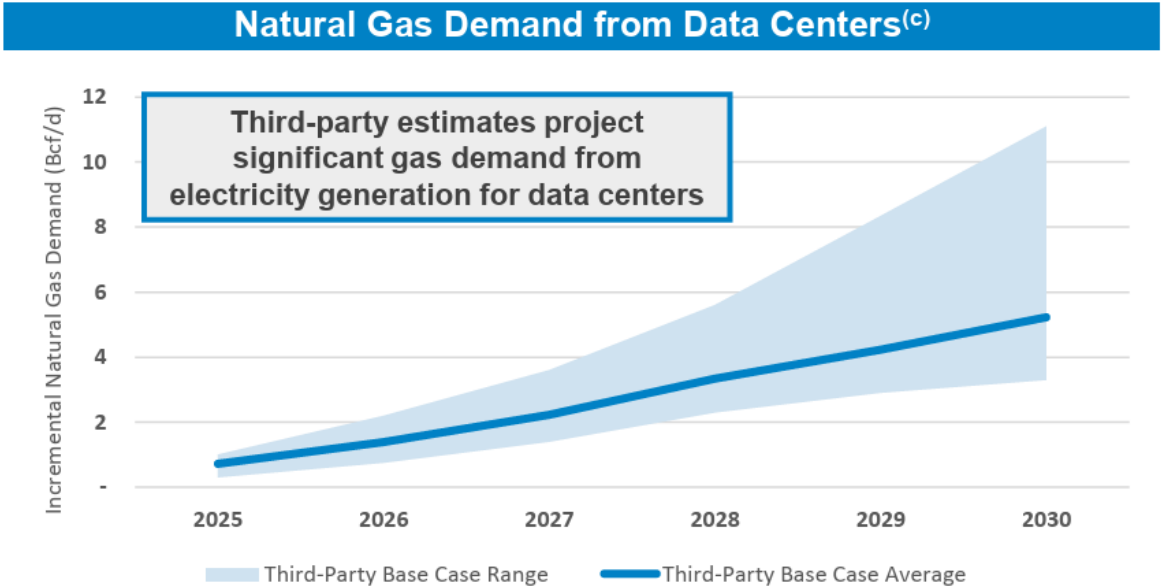
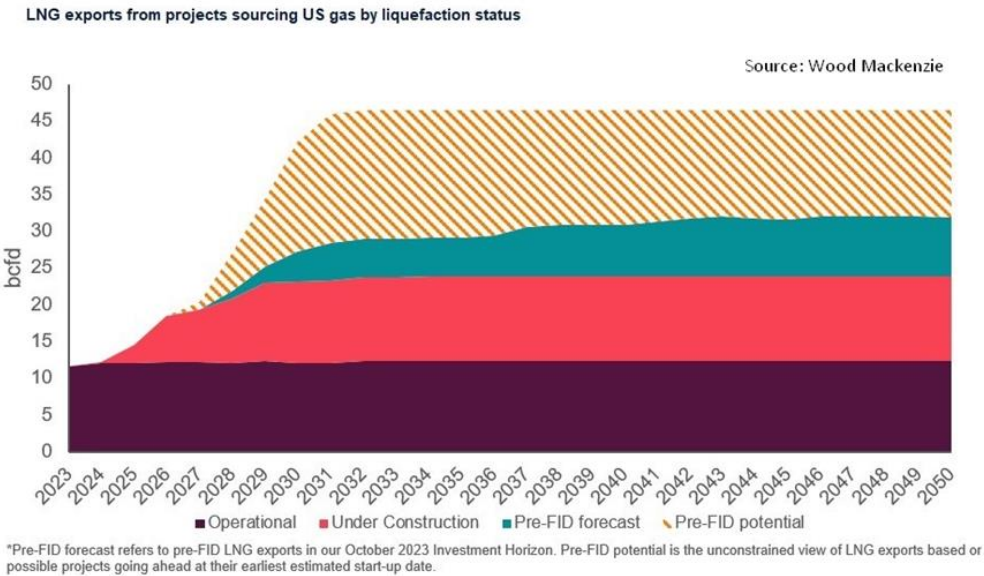


Indices are significantly under allocated to energy...

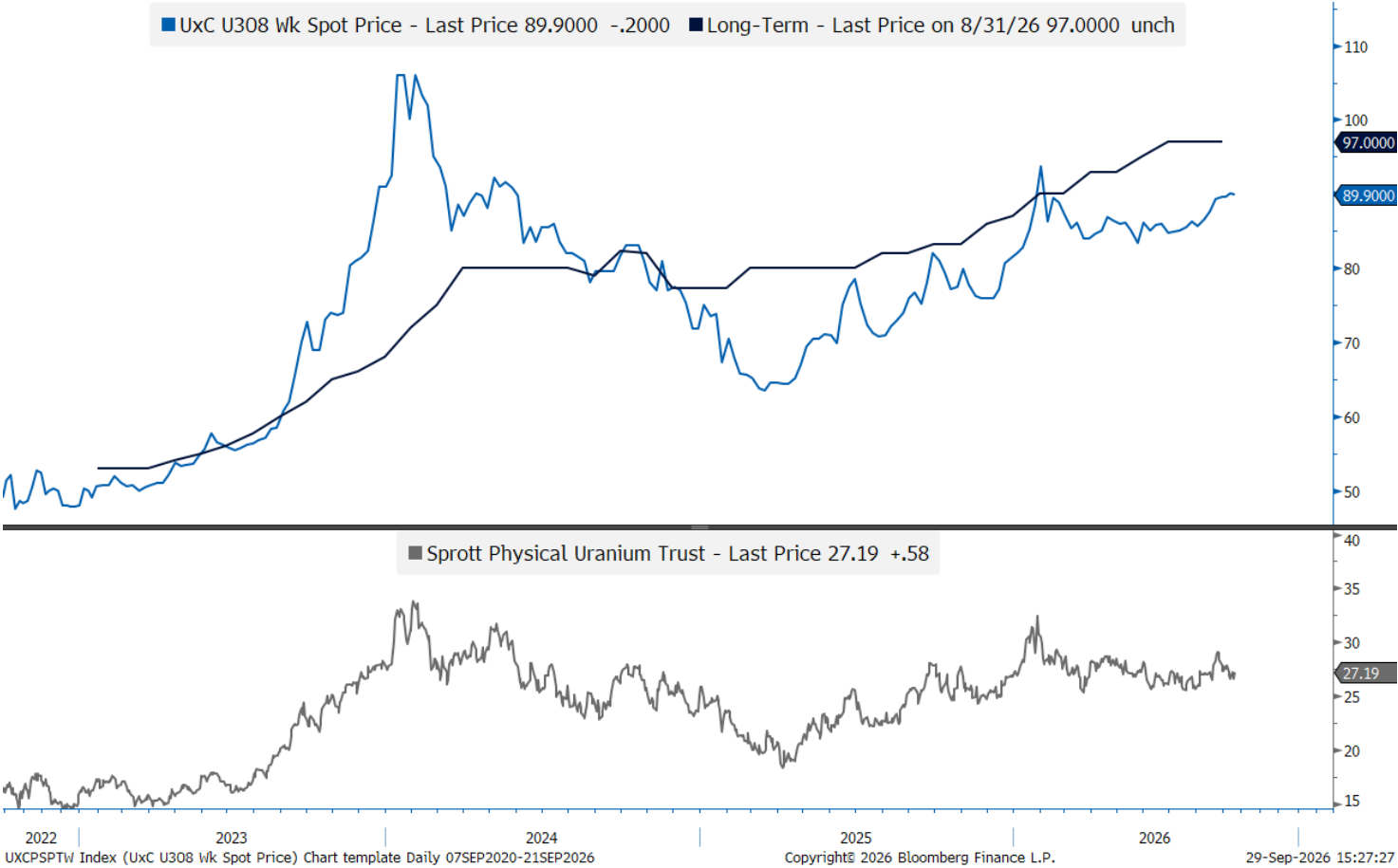
S&P Tech and S&P Energy market cap relative to S&P 500 market cap



The combination of rising LNG export capacity and significant data center demand growth makes a strong case for US natural gas producers.



The uranium bull case keeps getting stronger, as is reflected in long-term contract pricing. Markets are likely to catch up soon.

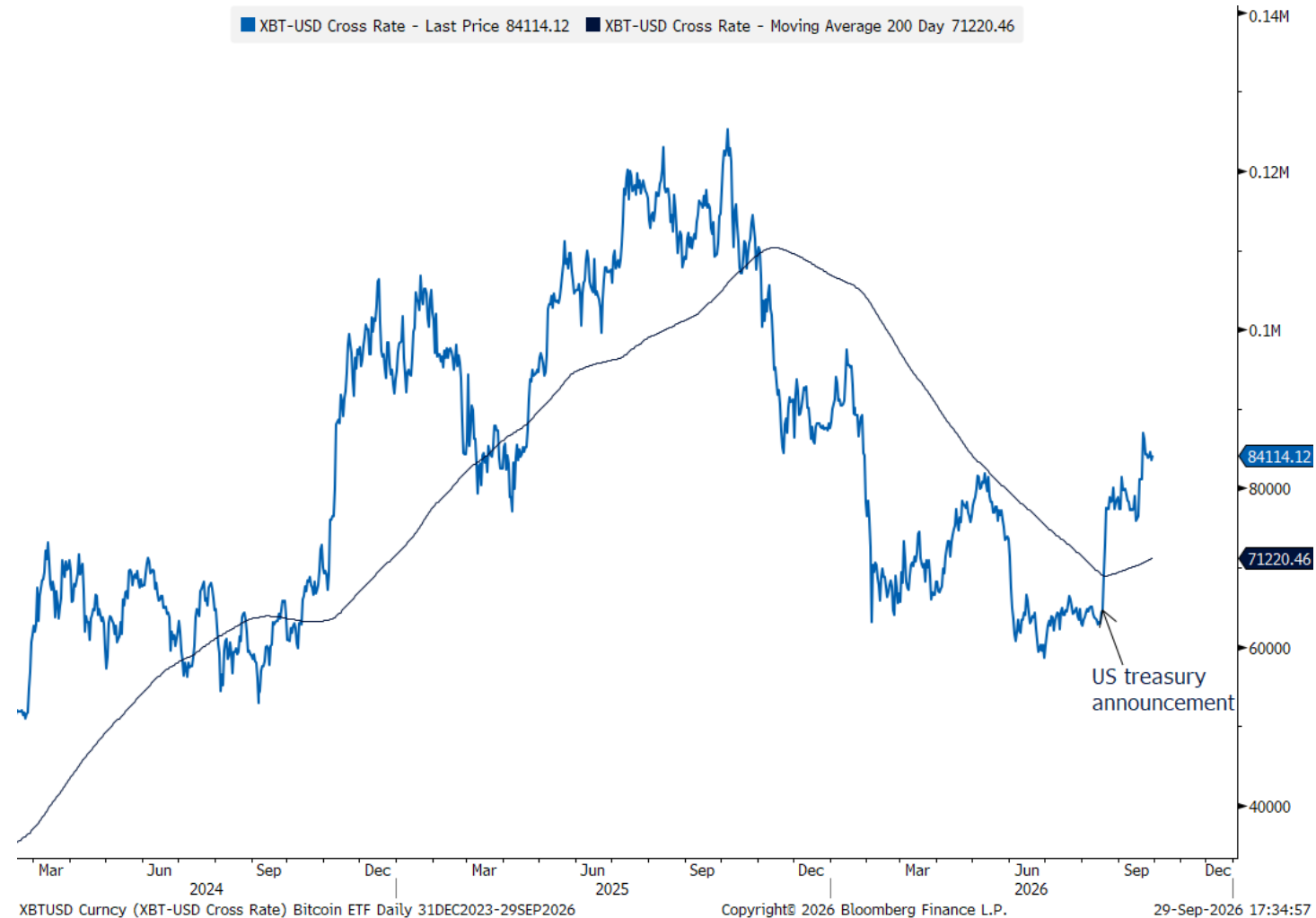


**No Price Is High Enough:
Kazatomprom’s Uranium Supply
Stance**

Kazatomprom has confirmed no uranium spot price will trigger a production ramp, slashed 2026 nominal capacity by roughly 3,000 tU, and withdrawn multi-year forward guidance, driving long-term contract prices to a nominal all-time high of US\$96.50/lb and forcing investors to rethink every supply model built on the assumption that higher prices pull more Kazakh uranium into the market.

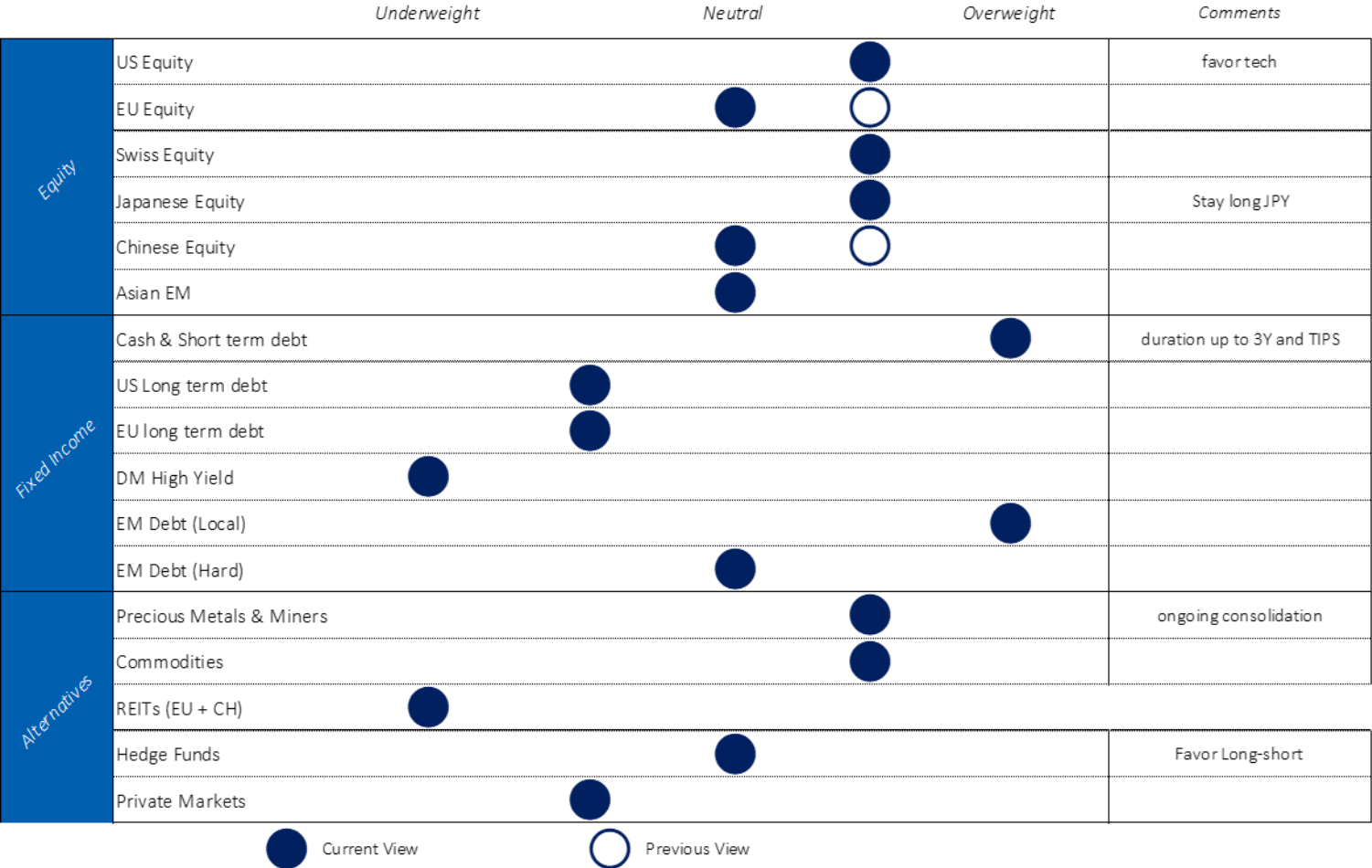
By Muflih Hidayat - 18 September 2026

Bitcoin has bottomed and dips should be bought.



Views at a glance

VIEWS AT A GLANCE



Forex					
EURUSD	EURCHF	EURGBP	USDCHF	USDJPY	GBPUSD
➡	➡	➡	⬆	⬇	➡

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