

# MONTHLY MARKET REPORT SUMMARY: SEPTEMBER 2026

September 2026 was a difficult month for global markets, as a global bond sell-off, firmer oil prices and the first US rate hike since 2023 weighed on sentiment. The Middle East conflict again drove energy markets, with Brent crude rising 14.0% as US-Iran talks stalled and the Strait of Hormuz remained a key risk. Long-dated bond yields surged as eight major central banks lifted rates during the month. Strong corporate earnings helped keep share markets not far from record highs, although they lost ground over the month.

Australian shares lagged global peers as inflation reaccelerated and the RBA raised the cash rate for the fourth time in 2026. Rate-sensitive assets were among the weakest parts of the market, with listed property, infrastructure and bonds all falling as y ields rose. Emerging markets posted a modest gain, while the Australian dollar weakened against the US dollar as interest rate differentials narrowed in favour of the US.

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# KEY SECTOR TAKEAWAYS

## GLOBAL DEVELOPED SHARES

Unhedged global shares rose 1.9% in AUD terms in September, bringing 12-month returns to 9.9%, while hedged global shares fell 0.7% in September and returned 16.3% over the past 12 months. Higher bond yields, firmer oil prices and the Federal Reserve's fir st rate hike since 2023 weighed on markets, although strong corporate earnings kept indices at elevated levels. A 3.1% fall in the Australian dollar against the US dollar lifted returns for unhedged investors. Information technology and telecommunications were the only sectors to rise, while materials and consumer discretionary were the weakest.

## AUSTRALIAN SHARES

Australian shares fell 2.4% in September, bringing 12-month returns to 2.7%. The prospect of further rate hikes, recent tax policy changes, housing market weakness and poor productivity trends have weighed on the earnings outlook for Australian companies. Banks and miners fell despite strong full-year results, with information technology and materials the weakest sectors. Health care was the standout sector, led by CSL after it outlined a return to growth.

# KEY SECTOR TAKEAWAYS

## EMERGING MARKETS



Emerging market shares rose 2.4% in AUD terms in September, bringing 12-month returns to 23.1%. A lower Australian dollar lifted returns, with the index down 0.6% in USD terms. Higher US yields and a firmer US dollar added pressure to emerging market curre ncies, while performance across regions diverged, with Brazil rising and India and China falling.

## PROPERTY AND INFRASTRUCTURE



Hedged global listed property fell 5.3% in September, bringing 12-month returns to 2.9%. Hedged global listed infrastructure fell 4.7%, bringing 12-month returns to 4.8%. Australian listed property fell 1.8%, bringing 12-month returns to-14.3%. Rate-sensi tive sectors were among the weakest parts of the market as long-dated bond yields reached their highest levels in more than two decades. Despite their inflation-hedging attributes, these long-duration assets were pressured by the rise in real yields.

# KEY SECTOR TAKEAWAYS

## GLOBAL FIXED INTEREST

Hedged global bonds fell 1.7% over September and returned-0.6% over the past 12 months. Bond markets sold off as eight major central banks lifted rates, with the US 10-year Treasury yield rising 0.54 % to 5.29%, its highest level since 2007. Firmer energy prices, heavy corporate bond issuance and concerns over government debt saw investors demand a higher risk premium to hold longer-dated bonds.

## AUSTRALIAN FIXED INTEREST

Australian bonds fell 0.9% over September and returned-0.4% for the past 12 months. The 10-year yield rose 0.28% over the month to finish at 5.37%, as domestic yields followed global markets higher and the RBA lifted the cash rate. As a result, floating rate credit outperformed fixed rate bonds.

## COMMODITIES

Brent crude rose 14.0% to US$103.50 a barrel, reaching about US$108 on 24 September, as US-Iran talks stalled, the US renewed its blockade of Iranian oil exports and Houthi forces fired missiles at Saudi Arabia. Gold fell 6.5% to US$4,157 an ounce as bond yields and the US dollar rose.

# KEY SECTOR TAKEAWAYS

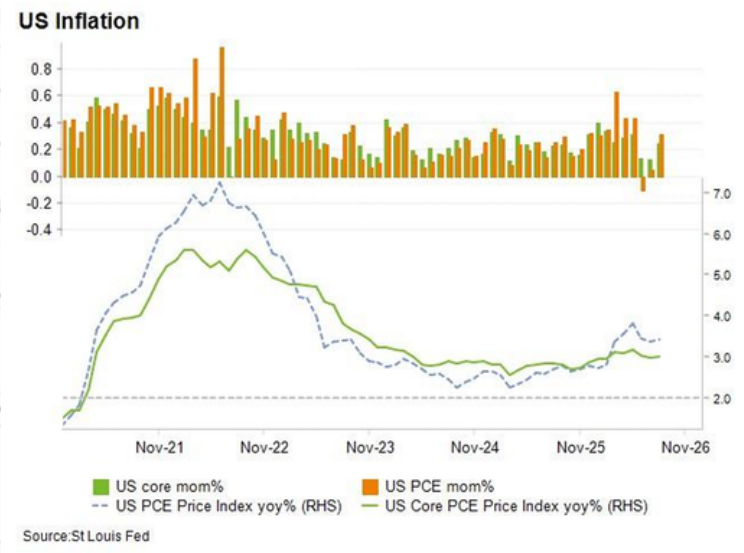
## CURRENCIES



The Australian dollar fell 3.1% against the US dollar in September to finish near US$0.70. A narrowing in interest rate differentials favouring the US saw the US dollar strengthen against most currencies, with the Australian dollar softening as US yields r ose and slipping again after the RBA decision.

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# ECONOMIC HIGHLIGHTS

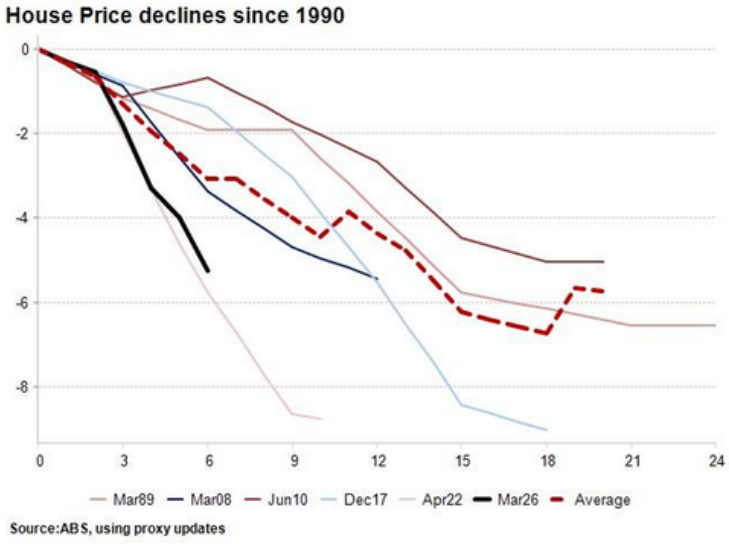


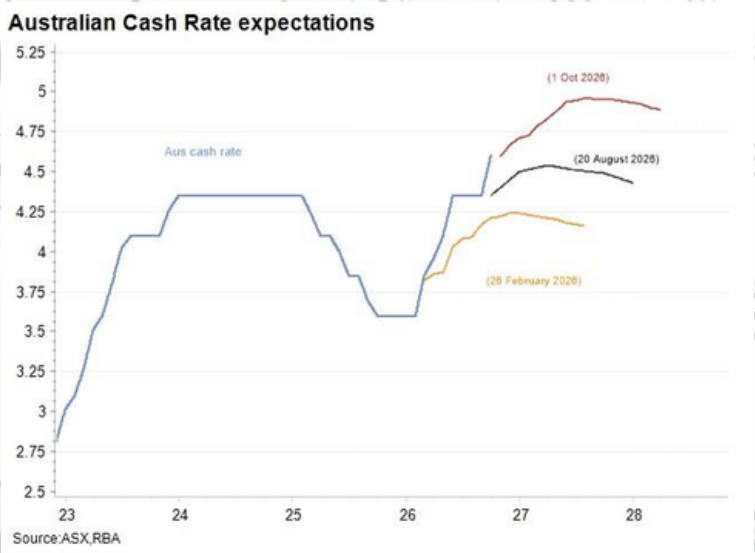
Source:St Louis Fed

## UNITED STATES: A FIRST RATE HIKE AND A SUBDUED LABOUR MARKET

The Federal Reserve raised the federal funds rate by 25 basis points to the 3.75%-4.00% range on 16 September in a unanimous vote, its first increase since 2023, with projections pointing to one more increase this year. Headline CPI was unchanged at 3.4% in August, while core PCE inflation, the Fed's preferred measure, remained at 3.0%, still too h igh for the Fed. September payrolls fell 29,000 against expectations of a 100,000 lift, the unemployment rate inched up to 4.2% and wages growth slowed to 3.0%. Activity nonetheless remained firm, with the ISM manufacturing index at 54.5, close to its high est level since 2022, although consumer confidence fell to its weakest level in more than a decade following the rate hike.

# ECONOMIC HIGHLIGHTS




## AUSTRALIA: REACCELERATING INFLATION AND A FOURTH RATE HIKE

The August monthly CPI showed inflation rising to 4.0% from 3.5% in July, while the RBA's preferred trimmed mean measure held at 3.6%, more than one percentage point above target. The RBA raised the cash rate by 0.25% to 4.60% on 29 September, its fourth increase of 2026 and the highest level since late 2011, and said it would lift rates further if needed. The unemployment rate rose to 4.6%, a post-Covid high, and house prices are now more than 5.0% below their March p eak. Following Governor Michele Bullock's comments that policy is now restrictive, markets are factoring in one more hike in 2026 and steady policy thereafter.

# ASSET CLASS RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|---|---|---|---|---|
| Australian Cash | 0.4 | 4.1 | 4.2 | 3.3 |
| Australian Bonds | -0.9 | -0.4 | 3.6 | 0.0 |
| Global Bonds (Hedged) | -1.7 | -0.6 | 3.6 | -0.5 |
| Australian Shares | -2.4 | 2.7 | 11.4 | 7.7 |
| Global Shares (Unhedged) | 1.9 | 9.9 | 18.5 | 12.8 |
| Global Shares (Hedged) | -0.7 | 16.3 | 20.7 | 11.6 |
| Emerging Markets | 2.4 | 23.1 | 21.0 | 9.8 |
| Global Infrastructure (Hedged) | -4.7 | 4.8 | 12.1 | 5.8 |
| Australian Listed Property | -1.8 | -14.3 | 9.4 | 3.0 |
| Global Listed Property (Hedged) | -5.3 | 2.9 | 8.7 | 0.5 |
| AUD / USD | -2.6 | 5.7 | 2.6 | -0.7 |

# GLOBAL SECTOR RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|---|---|---|---|---|
| Consumer Staples | -3.8 | 4.5 | 7.6 | 4.5 |
| Consumer Discretionary | -6.0 | -6.3 | 10.8 | 3.6 |
| Energy | -2.2 | 39.3 | 15.1 | 20.0 |
| Financials | -5.5 | 10.9 | 25.0 | 13.3 |
| Health Care | -1.8 | 16.4 | 9.0 | 5.3 |
| Industrials | -4.0 | 10.2 | 20.4 | 11.7 |
| Information Tech | 4.4 | 30.9 | 35.6 | 20.6 |
| Materials | -7.3 | 16.7 | 14.1 | 8.2 |
| Telecom | 3.5 | 8.4 | 26.5 | 10.5 |
| Utilities | -5.1 | 0.7 | 15.3 | 8.1 |

# AUSTRALIAN SECTOR RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|---|---|---|---|---|
| Consumer Staples | -1.0 | 13.6 | 5.2 | 2.1 |
| Consumer Discretionary | -3.2 | -19.4 | 7.1 | 2.1 |
| Energy | 0.5 | 34.2 | 2.6 | 11.1 |
| Financials | -1.0 | -0.6 | 18.0 | 10.8 |
| Health Care | 3.9 | -11.3 | -3.0 | -4.9 |
| Industrials | -0.7 | -0.6 | 12.2 | 8.3 |
| Information Tech | -9.8 | -40.9 | -0.4 | -5.5 |
| Materials | -5.9 | 31.5 | 16.0 | 14.9 |
| Telecom | -3.0 | -14.2 | 5.0 | 3.3 |
| Utilities | -3.1 | 3.5 | 11.4 | 16.1 |

# CONCLUSION

- Global share markets weakened as a global bond sell-off, firmer oil prices and the first US rate hike since 2023 weighed on sentiment.
- Strong corporate earnings kept markets near record highs, while a weaker Australian dollar lifted returns for unhedged investors.
- Australian shares underperformed global peers as inflation reaccelerated and the RBA lifted the cash rate to 4.60%.
- Bonds sold off as eight major central banks raised rates, with the US 10-year Treasury yield reaching its highest level since 2007.
- Rate-sensitive sectors lagged, with global listed property and infrastructure the weakest asset classes for the month.
- Brent crude rose 14.0% as US-Iran talks stalled, while gold fell and the Australian dollar weakened against the US dollar.

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