

Global Macro Strategy

A Split Screen: Rates Surge, Risk Assets Diverge

September 2026

York University – Finance Student Association (FSA)

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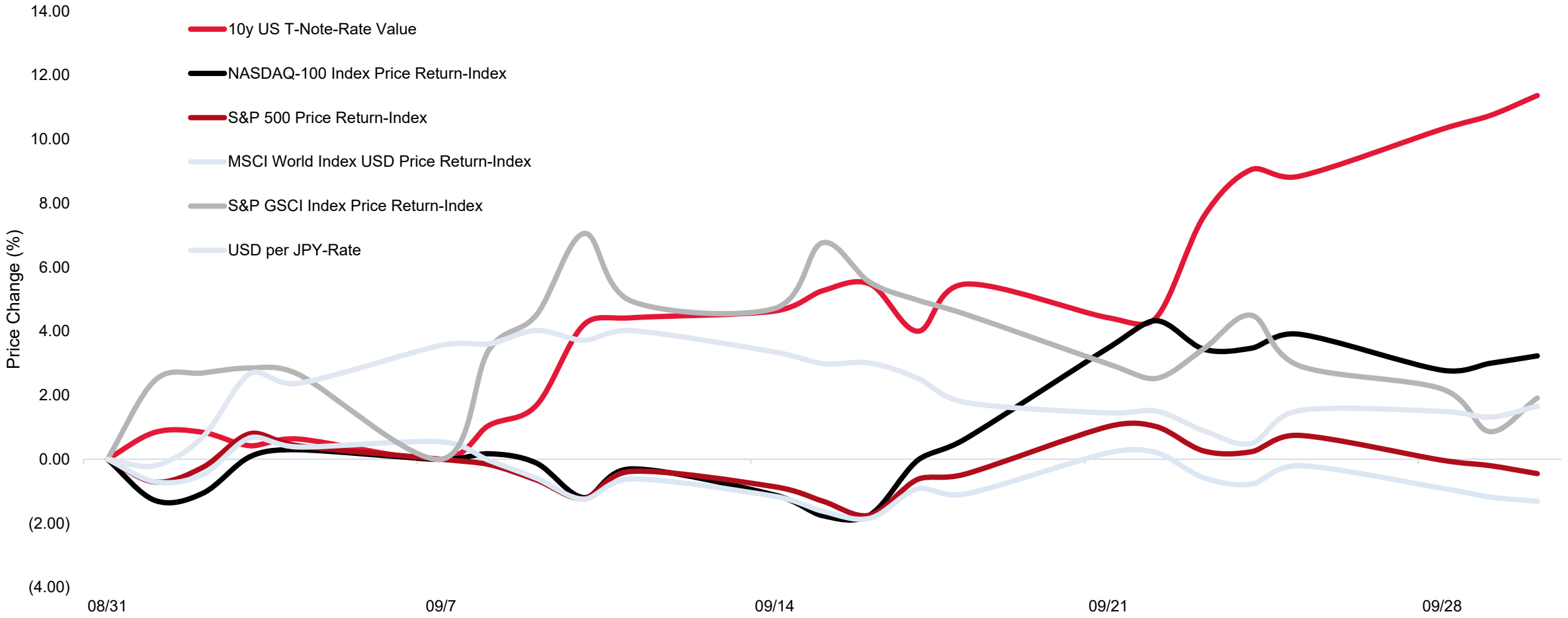
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Executive Summary

- **Economics: The Path Runs Through Inflation** Global growth remained resilient despite trade and geopolitical risks, but labour markets softened. Energy-driven inflation stayed elevated, leading the Fed and ECB to raise rates while the BoC held.
- **Equities: Risks Rose, Leadership Narrowed** Global equities edged lower in September, but sharply higher volatility showed a market less tolerant of disappointment. Losses were uneven, and US resilience masked weak breadth, favouring Japan, Emerging Markets, and growth leadership over Europe and weaker sectors.
- **Fixed Income: Energy, Supply, and the Rising Cost of Capital** Energy-driven inflation, tighter policy and heavy supply lifted global yields, with the US 10-year at its highest since 2022. Credit repriced with stress concentrated in lower-quality and AI-related borrowers, whose risk premiums remained elevated.
- **Commodities: Supply Shock Meets the Rate Hike** Energy is the only major sector left higher as real rates weigh down commodity prices, led by precious metals and agriculture.
- **FX: Selective Dollar Strength Amid Diverging Policy Paths** The dollar sees a recovery against other G10 currencies despite broad rate hikes as US yield spreads widen, signalling a higher rate path.
- **Alternatives: Portfolio Allocation Implications of a Higher Risk-Free Rate** Cash became the reference asset as yields rose to multi-decade highs, raising the bar for every alternative allocation. Infrastructure and hedge funds held the stronger relative case, while private equity, private credit and real estate had to justify their premiums.

September: Rates Surge, Assets Diverge



Source: S&P Capital IQ | As of: 09/30/2026



Economics

The Rate Path Runs Through Inflation

Abishek Daryanani & Linda Abd-Alqader

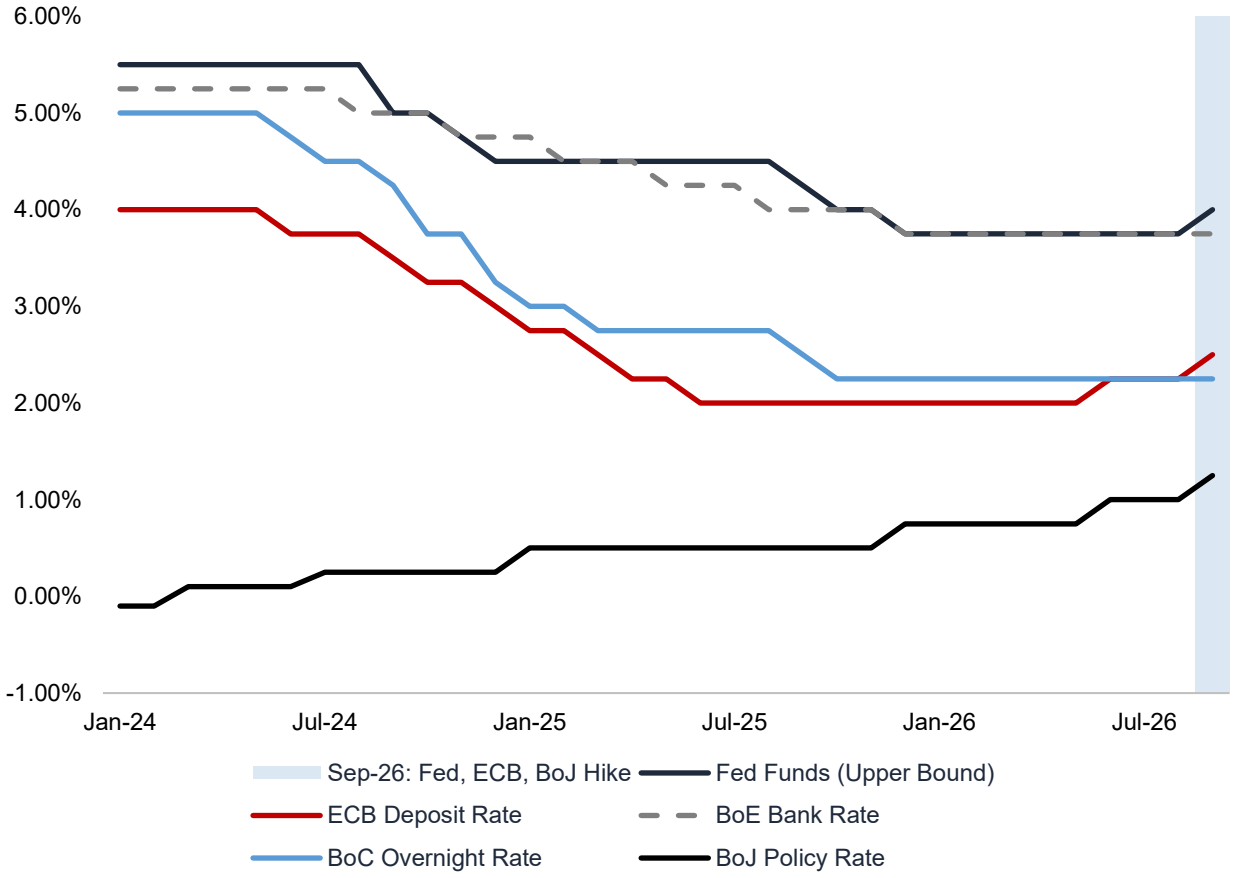
The Rate Path Runs Through Inflation

- **Energy Reignites Inflation:** Euro area inflation jumped to 3.8% in September, its highest since 2023, as energy prices climbed 18.8% year-over-year due to the Middle East conflict. US CPI held at 3.4% and Canada at 3.0% in August, while UK CPI rose to 3.1%, keeping headline inflation above target across most major economies. Pressure is also spreading beyond fuel, with euro area services inflation firming to 3.2%, though core measures remain more contained at 2.5%.
- **Labour Markets Cool as Trade Risks Build:** US payrolls rose just 29K in September after 60K of downward revisions, lifting unemployment to 4.2%, while Canada shed 42K jobs in August as wage growth slowed to its weakest pace since 2017 outside the pandemic. Canada's 3.3% annualized Q2 rebound now faces 50% US tariffs in force since August 22 and Canadian counter-tariffs from September 8. With labour markets softening and inflation still elevated, policymakers face a narrowing path between supporting growth and restoring price stability.
- **Growth Holds Up, but Risks Remain Uneven:** Global economic activity remained resilient in September despite geopolitical and trade uncertainty. US growth continued to be supported by consumer spending and AI-related investment, while euro-area growth proved stronger than expected in the second quarter. China’s economy, however, continued to slow, while Canada faced greater uncertainty following the breakdown of trade negotiations with the United States. Global growth remains bifurcated, with economies more exposed to trade, energy and geopolitical pressures remaining the most vulnerable to growth headwinds.
- **Central Banks Turn More Hawkish as Inflation Risks Persist:** Major central banks took different policy paths in September as inflation remained elevated. The Federal Reserve raised its target range by 25 basis points to 3.75%–4.00%, while the ECB also raised its three key policy rates by 25 basis points, bringing the deposit facility rate to 2.50%. In contrast, the Bank of Canada held its policy rate at 2.25%, reflecting increased uncertainty around both growth and inflation. Overall, differences in central bank decisions reflected varying inflation and economic conditions across major economies.

Source: S&P Capital IQ, BLS, Statistics Canada, Eurostat, ONS | As of: 09/30/2026

Hikes Land, Then Momentum Stalls

Major Central Bank Policy Rates (%)

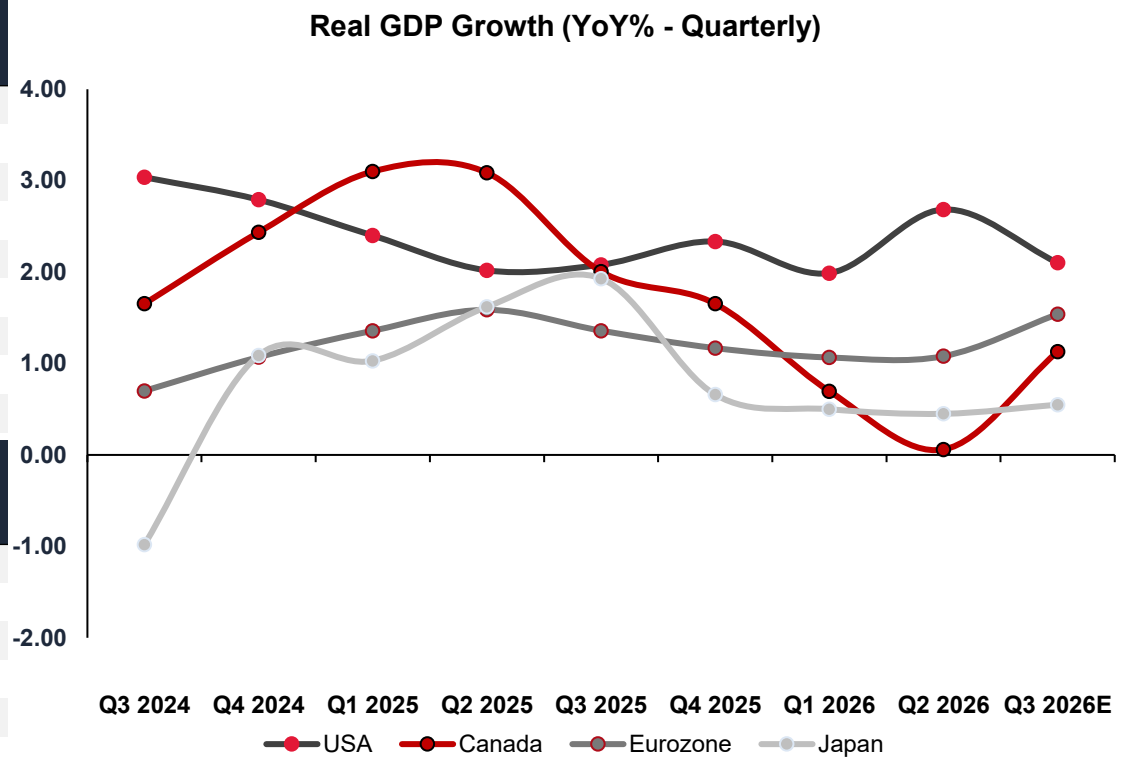


- **A Synchronized September, Then a Pause:** During the first eight days of September, the ECB lifted its deposit rate to 2.50%, the Fed raised it to 3.75%-4.00% in its first hike since 2023, and the BoJ moved to 1.25%, a 31-year high. Energy-driven inflation forced all three.
- **Hike Bets Unwind Fast:** Odds of an October Fed hike fell from about 71% on September 29 to 17% by October 2, after payrolls rose just 29K with 60K of downward revisions. Softer data has cooled expectations for further tightening.
- **Holding, Not Pivoting:** The BoE held at 3.75% on a 6-3 vote and the BoC held at 2.25% for a seventh meeting, both flagging upside inflation risk rather than cuts. With growth cooling and inflation, the BoE and BoC appear to be in a holding pattern for now.

Source: Federal Reserve, ECB, BoE, BoC, BoJ, CME FedWatch | As of: 09/30/2026

Macro Scorecard (%)						
	Last	YoY % Chg.	1 Week Prior	1 Month Prior	6 Months Prior	1 Year Prior
US CPI (YoY)	3.40	0.50	3.40	3.36	2.40	2.90
US Unemployment Rate	4.20	-0.10	4.20	4.10	4.40	4.30
Canada CPI YoY	3.00	1.10	3.00	3.03	1.78	1.90
Canada Unemployment Rate (%)	6.40	-0.70	6.40	6.50	6.80	7.10
Eurozone CPI	3.76	1.52	3.76	2.94	1.89	2.24
Eurozone Unemployment Rate (%)	6.20	-0.20	6.20	6.30	6.20	6.40
China CPI YoY	0.80	1.20	0.80	1.00	0.80	-0.40
Japan CPI Nationwide YoY	1.90	-0.80	1.90	1.90	1.30	2.70
UK CPI (YoY)	3.09	-0.71	3.09	2.86	2.99	3.80

Major Interest Rates (%)						
Rate	Last	YoY % Chg.	1 Week Prior	1 Month Prior	6 Months Prior	1 Year Prior
Canada Prime Rate	4.45	-0.5	4.45	4.45	4.45	4.95
US Prime Rate	7.00	-0.25	7.00	6.75	6.75	7.25
Fed Funds Target Rate	4.00	-0.25	4.00	3.75	3.75	4.25
UK Prime Rate	3.75	-0.25	3.75	3.75	3.75	4.00
ECB Benchmark Rate	2.65	0.50	2.50	2.65	2.00	2.15
Japan Prime Rate	2.38	0.50	2.38	2.38	1.88	1.88



Key Upcoming Events – October 2026						
Country	Date	Time	Report Name	Period	Previous	Unit
Canada	Friday, October 9, 2026	8:30:00 AM	Employment Change	Sep	-42.00	K
United States of America	Friday, October 2, 2026	8:30:00 AM	Non-farm Payrolls	Sep	162.00	K
Eurozone	Thursday, October 29, 2026	9:30:00 PM	ECB Interest Rate Decision	Sep	2.50	%
United States of America	Wednesday, October 28, 2026	2:00:00 PM	Federal Reserve Rate Decision	Sep	4.00	%
Canada	Monday, October 19, 2026	8:30:00 AM	CPI	Sep	3.00	%
United Kingdom	Wednesday, October 21, 2026	2:00:00 AM	CPI	Sep	3.10	%
Japan	Friday, October 30, 2026	7:30:00 PM	BoJ Interest Rate Decision	Sep	1.25	%
United States of America	Wednesday, October 14, 2026	8:30:00 AM	CPI	Sep	3.40	%

Source: S&P Capital IQ, BLS, BEA, Statistics Canada, Eurostat, ONS, ECB, BoE, BoC, BoJ, NBS | As of: 09/30/2026



Equities

Risks Rose, Leadership Narrowed

Davidson Ajay & Hayder Al-Shammari

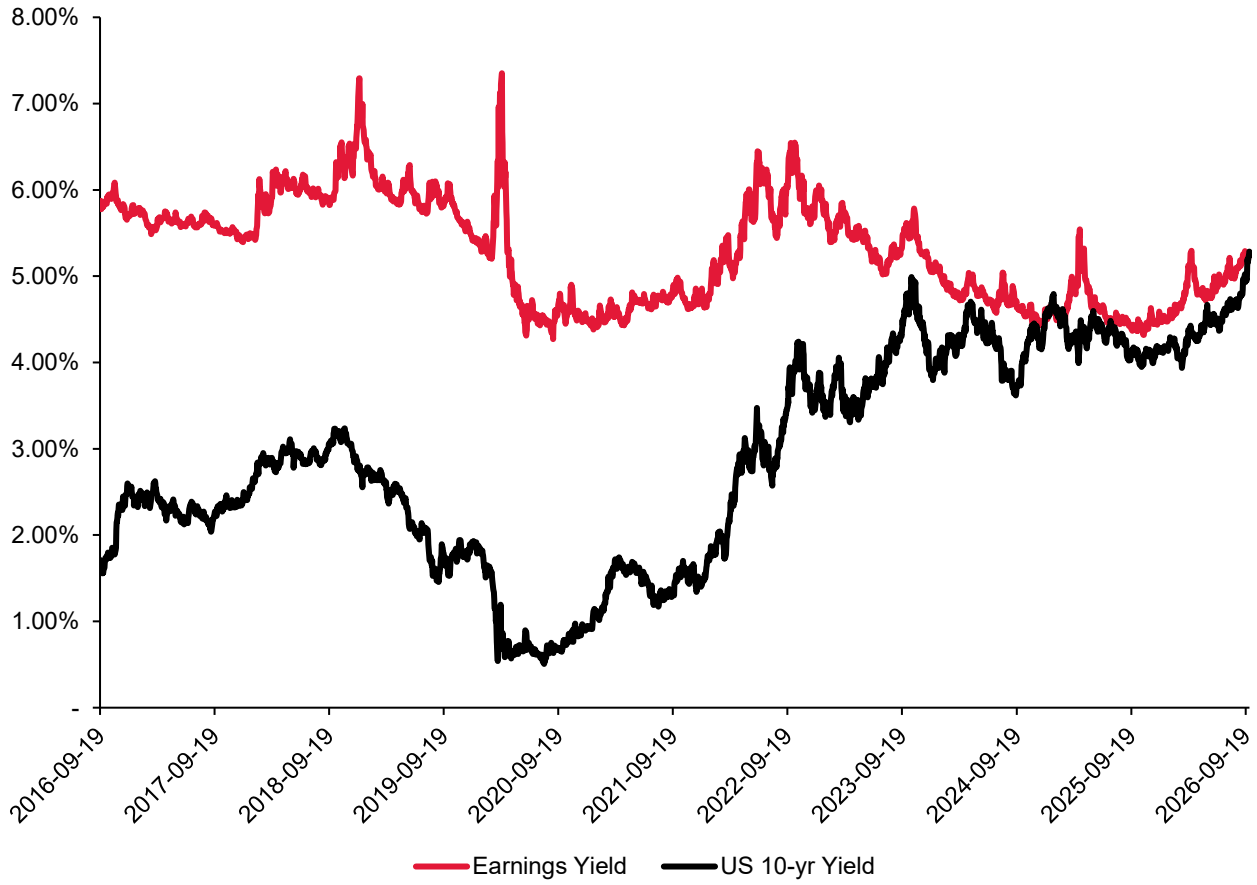
Risks Rose, Leadership Narrowed

- **Volatility Defined September:** September's defining signal was the repricing of risk rather than the headline equity decline. MSCI ACWI fell 1.09%, while the VIX rose 9.52% and MOVE surged 46.64%. The contained equity drawdown alongside sharply higher volatility shows a market becoming less tolerant of disappointment and sets the backdrop for more selective equity exposure.
- **Global Weakness Was Uneven:** Europe absorbed the largest developed-market losses, with the STOXX 600 down 2.39%, DAX 4.03% and CAC 40 4.16%. Respectively, Japan fell 0.45% and Emerging Markets 0.65%, while both retain much stronger YTD performance at +22.69% and +23.43%. September reinforced existing regional dispersion rather than producing a uniform global selloff.
- **US Resilience Masked Weak Breadth; Canada Lagged:** The S&P 500 fell just 0.35% versus -2.62% for the TSX, but US resilience was concentrated. Mega Caps gained 0.66%, while Mid Caps fell 4.22% and Small Caps 5.57%. Technology and Communication Services gained more than 4%, leaving the headline index stronger than the broader market beneath it.
- **Leadership Is Narrowing Toward Selective Exposure:** Persistent strength across multiple horizons favours Technology, Energy and Healthcare, while Financials, Real Estate and Consumer Discretionary show weaker risk/reward profiles. The allocation is no longer centred on Mega Cap Growth alone; it combines earnings strength, cyclical momentum and defensive resilience while avoiding sectors facing sustained weakness or greater sensitivity to higher rates.
- **Style Leadership Favoured Growth and Momentum:** Growth gained 1.95% in September while Value fell 3.10%, and Momentum rose 3.19% versus a 5.39% decline in Low Volatility. The spread shows capital remained concentrated in higher-conviction leadership rather than rotating toward traditional defensive styles, supporting OW Growth and Momentum over Value and Low Volatility.

Source: Bloomberg | As of: 09/30/2026

Higher Yields Raise the Stakes for Equities

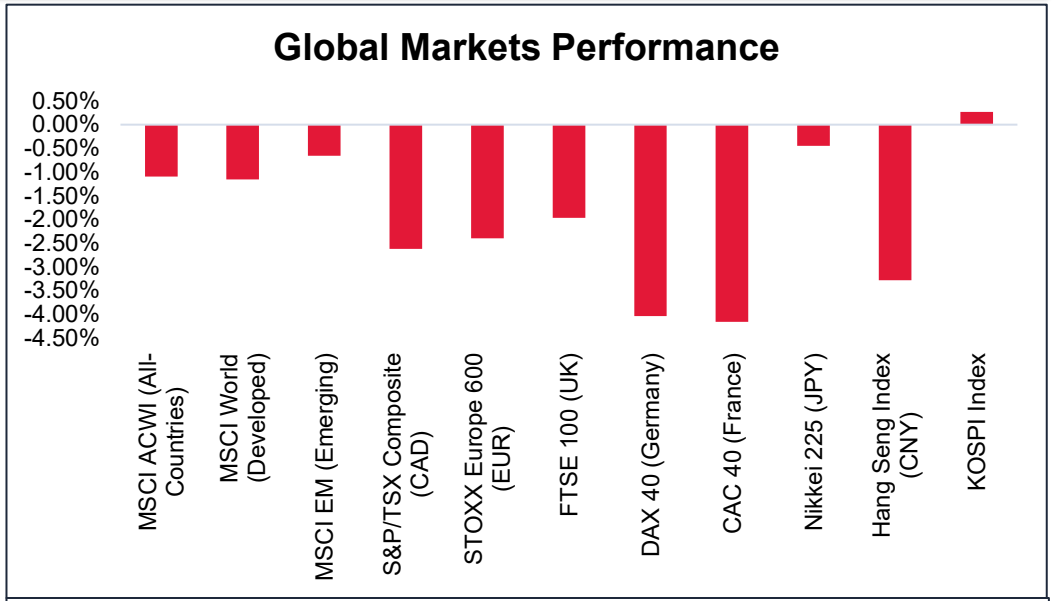
S&P 500 Earnings Yield vs. the US 10-Year Treasury

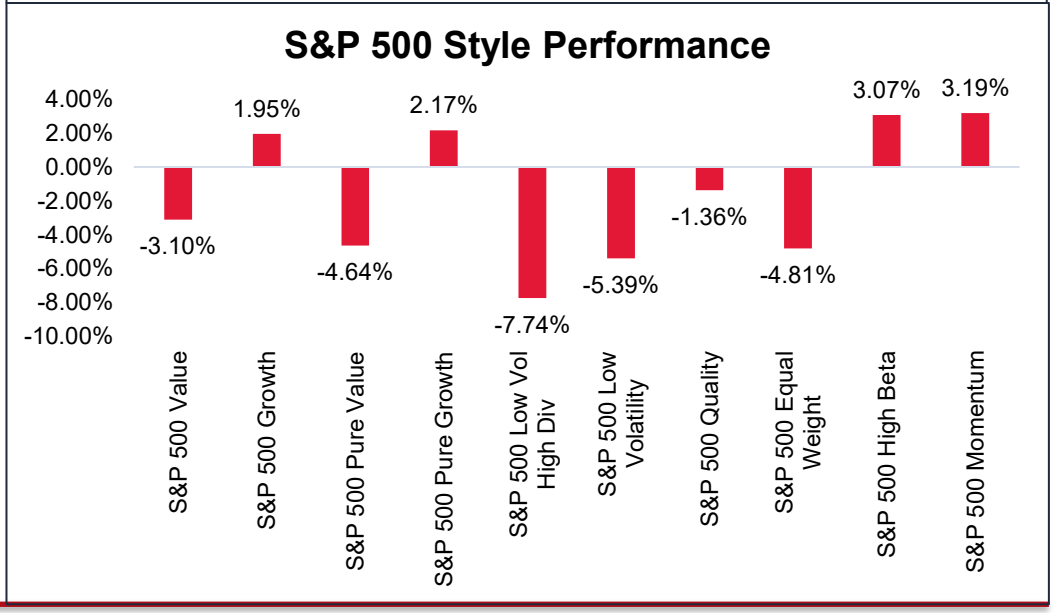


- **The Bond Hurdle Has Caught Up With Equities:** In September 2016, the S&P 500 earnings yield was 5.87% versus 1.71% on the 10-year Treasury a 416 bps advantage. By September 2026, both stood near 5.28%. A decade of convergence has sharply narrowed the relative yield benefit of holding equities. It raises the valuation hurdle, but it is not a standalone forecast of an equity correction.
- **The Pressure Point Is Earnings Disappointment:** Higher Treasury yields put pressure on equity multiples, but stronger forward earnings expectations can offset that drag. The vulnerability appears when yields remain elevated while earnings revisions weaken. September's market split, Mega Caps +0.66% versus Small Caps −5.57% reinforces the need for selective exposure to durable earnings leadership, rather than an automatic bearish call.

Source: Bloomberg | As of: 09/30/2026

S&P 500 Sectors	WTD	MTD	QTD	YTD	2025	2024
Info Tech	0.28%	4.47%	7.20%	28.38%	24.04%	36.61%
Financial	-2.12%	-7.16%	-0.12%	-1.43%	14.97%	30.50%
Healthcare	-0.27%	-0.89%	6.46%	10.15%	14.60%	2.58%
Consumer Staples	-2.23%	-3.26%	-1.90%	5.98%	3.90%	14.87%
Consumer Discretionary	-1.58%	-5.82%	-5.09%	-5.82%	6.04%	30.14%
Industrials	-1.85%	-4.42%	-9.66%	8.54%	19.27%	17.30%
Communication Services	-0.08%	4.33%	3.64%	4.48%	33.56%	40.23%
Material	-2.78%	-6.74%	-2.81%	8.82%	10.54%	-0.04%
Energy	-1.14%	-2.72%	17.23%	40.28%	8.68%	5.72%
Real Estate	-2.19%	-6.14%	-5.57%	5.31%	3.15%	5.23%
Market Cap	**WTD**	**MTD**	**QTD**	**YTD**	**2025**	**2024**
S&P 500	-0.70%	-0.35%	2.30%	12.73%	17.86%	25.00%
S&P 100 (Mega Cap)	-0.53%	0.66%	4.50%	12.24%	20.14%	30.95%
S&P 400 (Mid Cap)	-1.48%	-4.22%	-6.36%	9.87%	7.48%	13.89%
S&P 600 (Small Cap)	-1.54%	-5.57%	-7.93%	14.15%	5.99%	8.64%
Style	**WTD**	**MTD**	**QTD**	**YTD**	**2025**	**2024**
S&P 500 Value	-1.61%	-3.10%	0.90%	8.99%	13.19%	12.27%
S&P 500 Growth	0.04%	1.95%	3.44%	15.84%	22.14%	36.04%
S&P 500 Pure Value	-1.92%	-4.64%	1.31%	13.21%	17.73%	12.78%
S&P 500 Pure Growth	-0.25%	2.17%	-8.54%	25.55%	13.68%	28.80%
S&P 500 Low Vol High Div	-2.03%	-7.74%	-4.10%	4.37%	3.66%	18.34%
S&P 500 Low Volatility	-1.22%	-5.39%	-5.32%	0.52%	4.34%	14.22%
S&P 500 Quality	-0.58%	-1.36%	-6.51%	12.99%	13.39%	25.70%
S&P 500 Equal Weight	-1.59%	-4.81%	-1.87%	10.01%	11.40%	12.98%
S&P 500 High Beta	-0.73%	3.07%	-3.09%	29.57%	33.20%	8.74%
S&P 500 Momentum	-0.27%	3.19%	-6.10%	27.81%	26.83%	45.96%
CBOE Volatility Index (^VIX)	7.64%	9.52%	-0.67%	9.30%	-13.83%	39.36%
MOVE Index	15.72%	46.64%	53.49%	72.69%	-35.26%	-13.80%
Global Market	**WTD**	**MTD**	**QTD**	**YTD**	**2025**	**2024**
MSCI ACWI (All-Countries)	-0.90%	-1.09%	1.68%	13.36%	22.90%	18.03%
MSCI World (Developed)	-0.68%	-1.15%	1.96%	12.11%	21.63%	19.23%
MSCI EM (Emerging)	-2.49%	-0.65%	-0.40%	23.43%	34.33%	7.91%
S&P/TSX Composite (CAD)	-1.35%	-2.62%	1.62%	13.00%	31.71%	21.66%
STOXX Europe 600 (EUR)	-0.74%	-2.39%	-0.64%	10.24%	20.65%	9.62%
FTSE 100 (UK)	-0.92%	-1.96%	1.80%	9.52%	25.74%	9.59%
DAX 40 (Germany)	-0.83%	-4.03%	0.81%	2.89%	23.01%	18.85%
CAC 40 (France)	-1.67%	-4.16%	-4.88%	0.57%	14.28%	0.92%
Nikkei 225 (JPY)	1.32%	-0.45%	3.41%	22.69%	25.10%	21.20%
Hang Seng Index (CNY)	-0.88%	-3.28%	8.63%	-1.39%	32.50%	22.90%
KOSPI Index	-3.43%	0.27%	-19.24%	63.50%	79.19%	-8.00%





Source: Bloomberg | As of: 09/30/2026



Fixed Income

Energy, Supply and the Rising Cost of Capital

Nadeesha Abeyratne

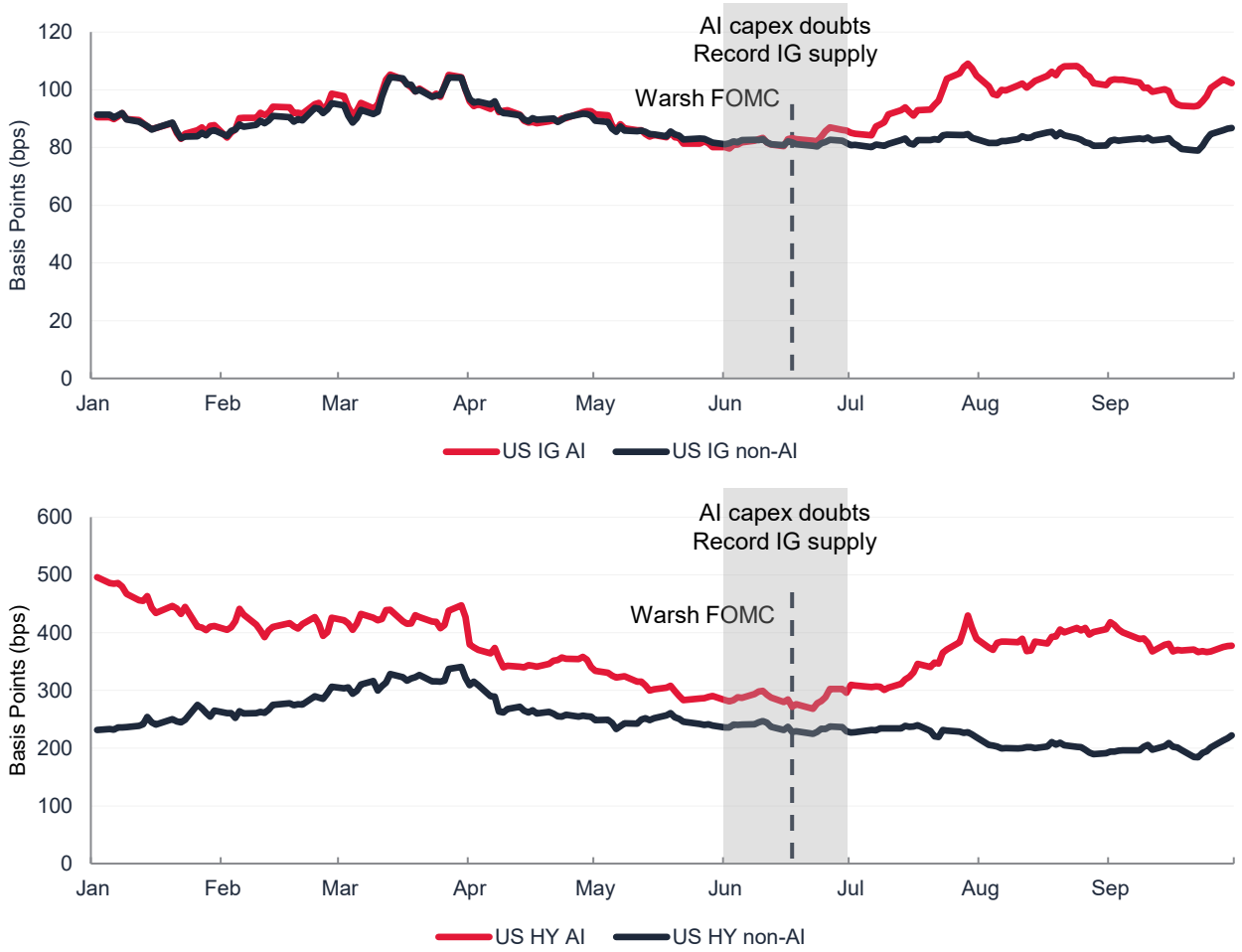
Duration Reprices, Credit Dispersion Builds

- **Global Sovereign Selloff Reprices Duration:** Energy, tighter policy, higher real yields and supply lifted global yields. The US 10-year rose 55.6 bps to 5.28%, the highest since 2022. UK, German, French, Italian, Canadian, and Japanese yields rose 34.7, 26.9, 65.4, 44.9, 20.4, and 10.1 bps, respectively, while China fell 1.4 bps. The US Treasury Index returned -2.24%, with long Treasuries at - 4.98% and short Treasuries at +0.24 %.
- **Curve Reaches Its 2026 Flat:** The 2s10s spread narrowed from ~70 bps at end-2025 to 20 bps on September 21, its 2026 low, as the Fed hike and further-tightening expectations lifted the front end. Fiscal, supply and term-premium pressure then re-steepened the curve to 41 bps by September 30, still 29 bps flatter YTD.
- **Energy and AI Reinforce the Rates Shock:** Middle East disruptions kept Brent at $100-$107/bbl and pushed US diesel to a record $6.00/gallon. One-year inflation expectations rose from 4.0% to 4.6%, supporting the Fed's 25 bp hike alongside sticky core inflation and resilient growth. AI borrowers represented nearly one-quarter of nonfinancial US dollar issuance, versus under 13% in 2025, increasing competition for capital. Riskier AI infrastructure saw the sharpest penalty, with financing yields up ~150 bps over two months versus 60 bps for projects with stronger IG support.
- **Credit Reprices, Lower Quality Absorbs Stress:** CDX IG widened 9.7 bps to 60.0, CDX HY 39.8 to 341.1, iTraxx Main 11.7 to 62.9 and Crossover 53.3 to 300.8. Cash IG OAS widened 2.9 bps to 79.7, versus HY +39.4 to 312.7 and Caa +154.5 to 992.2. Losses were material, not systemic, and concentrated in lower-quality and AI credit. Floating-rate loans returned +0.30%, outperforming fixed-rate bonds.
- **MBS Absorbs the Duration-Volatility Shock:** Agency MBS returned - 3.38%, behind the US Aggregate's - 2.52% and Treasuries' - 2.24%, as OAS widened 15.7 bps to 43.2 and yields reached 5.95%. Higher mortgage rates slowed refinancing, extended duration and intensified negative convexity as MOVE rose from 70.97 to 110.45. Proposed $200 billion Fannie Mae and Freddie Mac purchases are estimated to tighten spreads by 10 - 20 bps.

Source: Bloomberg, PIMCO | As of: 09/30/2026

AI Selloff Opens Credit Premium

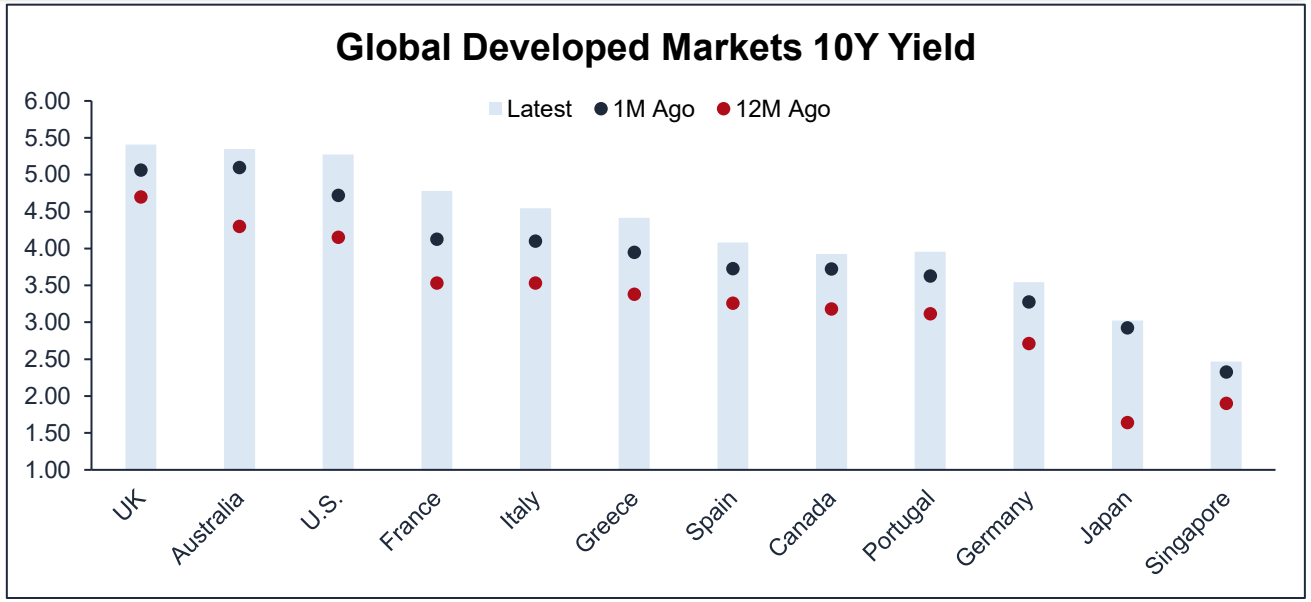
US IG & HY Option-Adjusted Spread: AI vs Non-AI (YTD)



- **Late-June Selloff Opens an AI Credit Premium:** From June 15 to July 29, IG AI OAS widened 28.6 bps versus 3.8 bps for non-AI IG, HY AI widened 150.1 bps while non-AI HY tightened 4.0 bps. The repricing began in late June and accelerated through July.
- **Premium Persists Despite Partial Retracement:** The IG AI-minus-non-AI gap peaked at 25.0 bps on August 24, while the HY gap reached 224.1 bps on September 1. By September 30, the premiums narrowed to 15.5 and 155.3 bps but remained well above their pre-selloff levels.
- **AI Supply Reprices Itself Rather Than Crowding Out Borrowers:** Stable non-AI spreads and 28% year-over-year growth in non-AI issuance indicate that the market absorbed AI supply without materially restricting other borrowers' access. Competition for capital increased, but the principal adjustment occurred through higher risk premiums within AI credit, particularly among lower-quality issuers.

Source: Bloomberg | As of: 09/30/2026

Index Name	YTM (%)	OAS (bps)	Duration (yrs.)	1-Mo. (%)	YTD (%)	1Y (%)
US						
US Aggregate	5.56	31.30	5.82	-2.52	-2.62	-1.75
US Treasury	5.13	-1.42	5.63	-2.24	-2.59	-1.89
US Long Treasury	5.65	-1.64	13.73	-4.98	-7.09	-7.66
US Short Treasury	4.21	0.58	0.37	0.24	2.59	3.68
US Treasury Floating Rate	4.20	27.91	0.01	0.35	2.98	4.10
US MBS	5.95	43.17	5.71	-3.38	-3.08	-1.65
US CMBS	7.88	278.90	2.90	-1.20	1.52	3.33
US TIPS	5.23	1.09	6.35	-2.61	-1.95	-1.99
US Municipal Bond	4.78	-	7.74	-4.36	-4.22	-2.68
US IG CREDIT (BY RATING)						
US IG Corporate	6.04	79.74	6.58	-2.64	-2.80	-2.22
US Liquid IG	6.50	98.75	7.40	-3.29	-4.20	-3.90
Aaa	5.83	37.87	10.41	-3.71	-5.62	-5.93
Aa	5.89	59.30	7.58	-2.83	-4.26	-4.15
A	5.92	68.47	6.53	-2.74	-2.98	-2.30
Baa	6.23	98.71	6.45	-2.74	-2.51	-1.89
US HIGH YIELD & LOANS						
US Liquid High Yield	8.31	312.71	3.23	-2.53	-0.08	1.40
Ba	7.18	186.19	3.84	-2.41	0.09	1.58
B	8.51	303.42	3.36	-2.24	1.01	2.61
Caa	15.35	992.17	3.05	-3.24	-1.55	-1.34
Ca-D	37.87	3256.10	2.55	-2.79	-11.64	-17.56
US Leveraged Loans	9.48	477.40	0.25	0.30	3.36	4.50
EUROPE						
Euro Aggregate	3.96	56.94	6.04	-1.87	-2.27	-2.29
Euro Treasury	3.90	47.88	6.78	-2.17	-2.91	-3.00
Euro High Yield	6.60	304.52	3.32	-1.79	0.14	0.75
Euro Leveraged Loans	8.42	500.17	0.25	0.35	2.95	3.82
Sterling Aggregate	5.4	17.93	7.14	-1.24	-1.95	0.7
ASIA & EMERGING MARKETS						
Asian-Pacific Aggregate	2.5	5.6	6.78	-1.35	1.7	5.45
Japan Govt Bond (JGB)	2.76	-0.82	7.97	-0.44	-4.73	-6.87
Asian-Pacific Japan 10+	3.73	0.3	15.82	-0.37	-10.3	-14.51
China Aggregate	1.58	10.2	5.74	0.27	2.85	3.42
EM Investment Grade	6.08	88.95	6.11	-2.82	-2.94	-2.05
EM High Yield	8.4	317.83	5.19	-2.87	1.36	6.27



Index Name	YTM (%)	OAS (bps)	Duration (yrs.)	1-Mo. (%)	YTD (%)	1Y (%)
GLOBAL						
Global Aggregate	4.44	32.45	6.14	-2.45	-2.61	-2.51
Global Treasuries	4.05	9.85	6.63	-2.18	-2.90	-3.45
Global Credit	5.37	76.06	5.77	-2.99	-3.20	-2.60
Global Corporate	5.52	84.80	5.75	-2.91	-3.09	-2.51
Global High Yield	8.10	310.64	4.01	-2.90	-0.10	2.17
Global Leveraged Loans	9.23	482.64	0.25	-0.20	2.47	3.54
Global Securitized	5.48	45.30	5.30	-3.24	-3.21	-1.96
CANADA						
Canada Aggregate	4.16	35.83	6.94	-1.18	-0.48	-1.19
Canada Treasury	3.74	-0.27	6.47	-1.20	-0.69	-1.68
Canada Long Treasury	4.22	-2.10	15.72	-2.10	-3.17	-6.75
Canada Corporate	4.57	85.24	5.36	-0.74	0.27	0.39
Canada Provincial	4.45	47.76	9.40	-1.52	-0.93	-2.04
Canada Municipal	4.63	61.77	9.36	-1.52	-0.67	-1.59
Canada Aaa	3.76	3.45	6.01	-1.16	-0.52	-1.30
Canada Baa	4.69	96.82	5.19	-0.67	0.62	0.83

Source: Bloomberg | As of: 09/30/2026

Commodities

Supply Shock Meets the Rate Hike

Daksh Singh and Essa Ansari



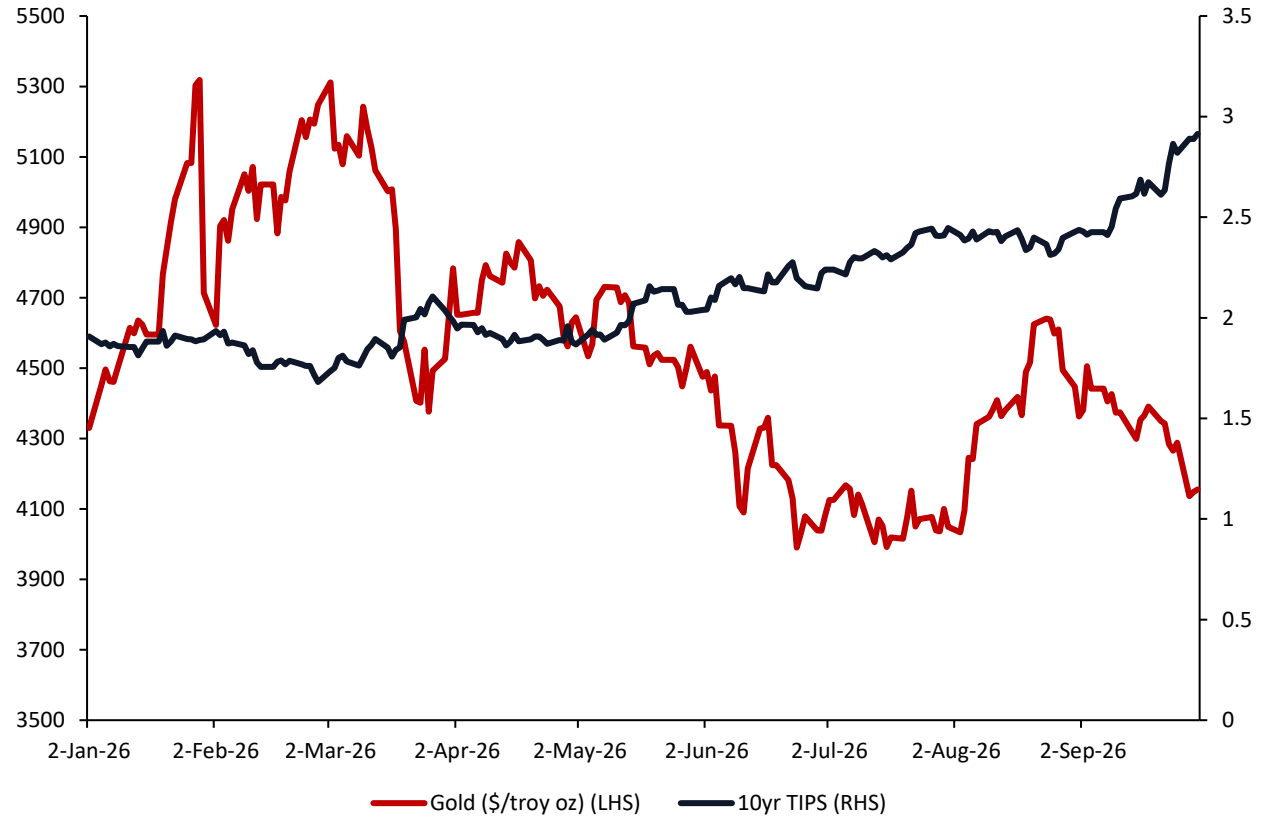
Supply Shock Meets the Rate Hike

- **Energy the Lone Gainer as Rates Weigh on the Complex:** The S&P GSCI slipped 0.54% MTD to 730.42 after reaching 767.27 on Sep. 10, and the Dow Jones Commodity Index fell 4.10% to 358.18. Energy was the only major sector higher at +2.43%, while agriculture (-8.18%) and precious metals (-5.05%) led losses. After the Fed's Sep. 16 hike of 25bp to 3.75% to 4.00%, DXY closed the month at 101.451 and 10-year TIPS at 2.9139%.
- **Pipeline Strikes Open a $13 Brent Premium:** Brent crossed $100/bbl. at $101.21 on Sep. 9 as Iran-US hostilities escalated, then peaked at $108.75 on Sep. 15 after a Houthi strike halted Saudi Arabia's 5.5 mb/d East-West pipeline, which restarted Sep. 22 at 2.2 mb/d. WTI peaked at $105.83 the same day but closed at $90.42 (+0.22% MTD), while Brent closed at $103.53 (+9.38%). The Brent-WTI spread widened to $13.11 from $4.73 at the end of August. Gasoil rose 3.19% to $1,465.00/mt. Henry Hub rose 4.20% to $3.03.
- **Copper Holds Near Highs as Aluminum Fades:** Copper touched $14,767.50/mt. on Sep. 9, above August's $14,350 high, before falling to $14,001 on Sep. 14. It recovered to $14,410 by Sep. 30, supported by tariff-driven flows into the US and a rebound in China's September PMIs on export orders. Aluminum fell to $3,169.50/mt. from a $3,357 peak on Sep. 9. Industrial metals fell 1.23%.
- **Real Yields Break the Precious Metals Bid:** Gold fell 4.75% MTD to $4,155.60/oz. and is down 4.02% YTD. Silver fell 6.27% to $60.57/oz. Palladium dropped 7.96% to $1,212.40 and platinum 3.63% to $1,702.30. Gold held at $4,353.30 into the Sep. 16 hike, from $4,362.80 on Sep. 1, while 10-year TIPS rose to 2.9139%, overpowering the structural central bank buying.
- **Grains and Cocoa Unwind August's Supply Premium:** Agriculture fell 8.18%, the weakest sector. Wheat dropped 11.55% to 675.75¢/bu. and corn 3.98% to 500.75¢/bu as August’s supply scares eased with US-Russia-Ukraine talks. Cocoa fell 18.09% to $5,367.00/mt. It is down 8.58% YTD as Middle East fertilizer fears faded.

Source: Bloomberg, Capital IQ | As of: 09/30/2026

Gold Trades the Hike

Gold vs. US 10-year TIPS Yield

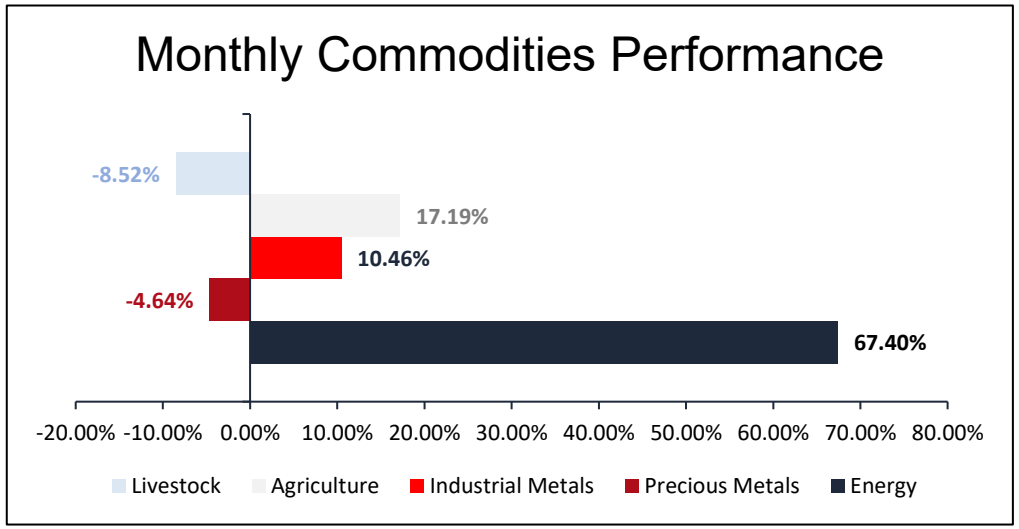


- **The Hike Answers August's Question:** August closed on a choice: a hike caps the debasement bid, accommodation revives it. The FOMC hiked 25bp to 3.75% to 4.00% on Sep. 16. Gold went from $4,362.80 on Sep. 1 to $4,353.30 on the day of the decision, then fell to $4,155.60 by month-end.
- **Real Yields, Not Inflation, Set the Price:** Ten-year TIPS rose from 2.4375% on Sep. 1 to 2.9139% on Sep. 30 as gold fell. Break evens are up only 9bp this year to 2.34% despite Brent above $100. The oil shock reads as temporary, so gold trades on real rates.
- **The Premium Starts to Turn:** Expected Fed rates drove the 10-year's 93bp rise this year, weighing on gold. Late September shifted: the ACM term premium hit 0.91% on Oct. 1, a one-year high. A move above 1.0% would revive the debasement bid.

Source: Bloomberg, Capital IQ | As of: 09/30/2026

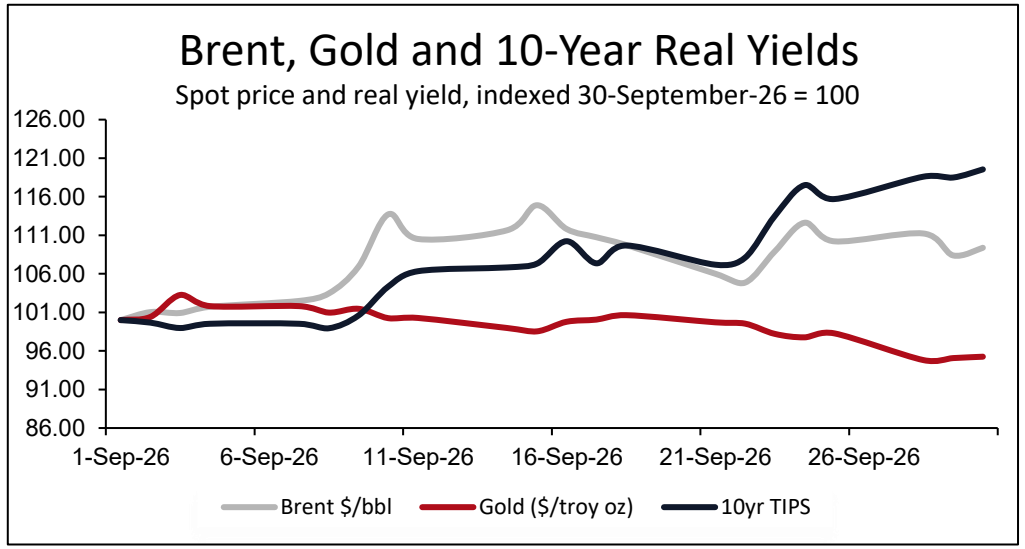
INDEX	Price	Daily	Daily %	MTD%	YTD%
Headline Indices					
S&P GSCI	730.42	-0.54%	33.29%	-0.54%	33.29%
Dow Jones Cmdty Index	358.18	-4.10%	31.58%	-4.10%	31.58%
MSCI Global Energy Index	707.09	-0.38%	36.88%	-0.38%	36.88%
Commodity Sectors					
Energy	341.06	2.43%	67.40%	2.43%	67.40%
Precious Metals	5539.79	-5.05%	-4.64%	-5.05%	-4.64%
Industrial Metals	613.05	-1.23%	10.46%	-1.23%	10.46%
Agriculture	411.51	-8.18%	17.19%	-8.18%	17.19%
Livestock	464.70	-0.62%	-8.52%	-0.62%	-8.52%

Energy	Price	MTD%	YTD%	2026E	2027E
NYM WTI Crude ($/bbl)	90.42	0.22%	57.75%	86.72	78.93
ICE Brent ($/bbl)	103.53	9.38%	70.42%	92.83	84.7
NYMEX Henry Hub Natural Gas ($/MMBtu)	3.03	4.20%	-16.36%	3.38	3.28
ICE Gasoil ($/mt)	1,465.00	3.19%	139.67%	1212.15	1077.59



Metals					
Precious					
Gold ($/troy oz)	4155.60	-4.75%	-4.02%	4432.35	4307.38
Silver ($/troy oz)	60.57	-6.27%	-14.71%	70.06	62.4
Palladium ($/troy oz)	1212.40	-7.96%	-28.32%	1866.73	1761.18
Platinum ($/troy oz)	1702.30	-3.63%	-19.92%	1381.89	1252.72
Industrial					
Copper ($/mt)	14294.00	3.06%	14.63%	13742.09	14434.24
Aluminium ($/mt)	3242.00	0.64%	7.51%	3297.14	3147.54
Nickel ($/mt)	16861.00	-1.17%	0.24%	16821.62	16345.57

Agriculture					
Corn (¢/bu)	500.75	-3.98%	14.46%	474.64	518.8
Soybeans (¢/bu)	1,293.00	-1.05%	25.59%	1226.55	1301.48
Wheat (¢/bu)	675.75	-11.55%	33.42%	658.49	704.67
Cocoa ($/mt)	5,367.00	-18.09%	-8.58%	4851.06	5541.01
Live Cattle (¢/lb)	218.68	3.11%	-7.34%	237	221.03



Source: Bloomberg, Capital IQ | As of: 09/30/2026

YORK UNIVERSITÉ UNIVERSITY

FX

Selective Dollar Strength Amid Diverging Policy Paths

Hojin Choi



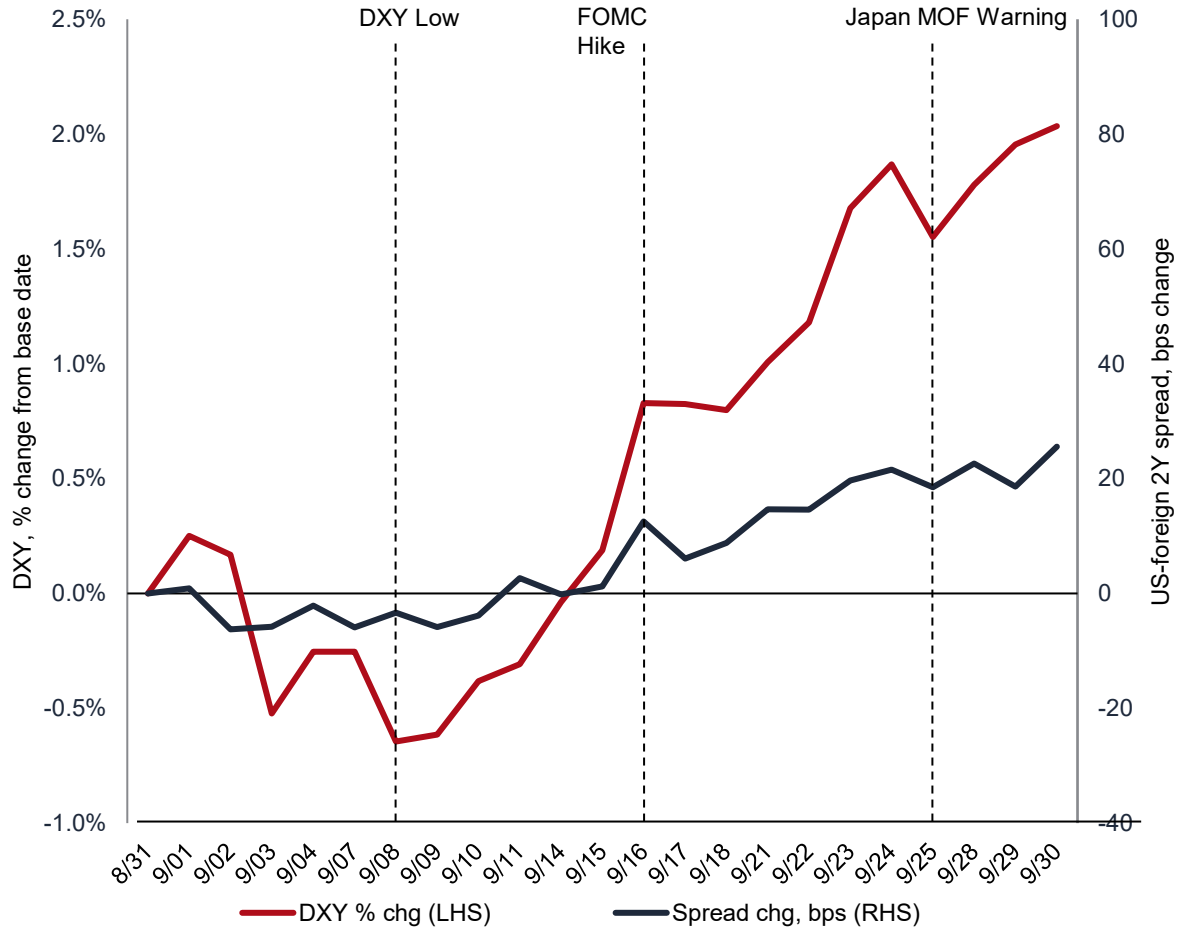
Selective Dollar Strength

- **Dollar Rebounds as Fed Pricing Shifts:** DXY recovered from its September 9 low and rose 1.8% to 101.0 by September 25. The Fed's 25 bp hike, alongside a 54 bp rise in the U.S. 2-year Treasury yield to 4.88%, helped support the dollar despite rate hikes across several other major economies.
- **USDCAD (1.39): Canadian Growth Concerns Weigh:** USDCAD rose 2.0% as Canada lost 42,000 jobs in August and the BoC held its policy rate at 2.25%. Canada Core CPI excluding gasoline rose to 2.4% from 2.2%, leaving the domestic rate outlook uncertain.
- **EURUSD (1.14): ECB Hike Fails to Lift Euro:** EURUSD fell 1.9% despite the ECB raising its deposit rate to 2.50%. The move reflected stronger relative support from U.S. yields, which continued to favour the dollar.
- **USDJPY (160.08): Yen Gains After BoJ Hike:** USDJPY fell 1.6% after the BoJ raised its policy rate to 1.25%. The yen was the only G10 currency to strengthen against the U.S. dollar over the month, although the wide rate differential remained supportive for USDJPY.
- **USDMXN (17.80): Higher U.S. Real Yields Pressure Carry:** MXN fell 3.9% as the U.S. 10-year real yield rose 49 bps, reducing the relative appeal of carry trades. Banxico held its policy rate at 6.50%, preserving a relatively wide domestic real-rate buffer.
- **Policy Divergence Drives FX:** Higher U.S. yields supported the dollar overall, while individual currencies responded differently to domestic rate decisions, inflation trends and growth conditions.

Source: Bloomberg, BLS, Japan MOF | As of: 09/30/2026

Fed Repricing Turned Dollar

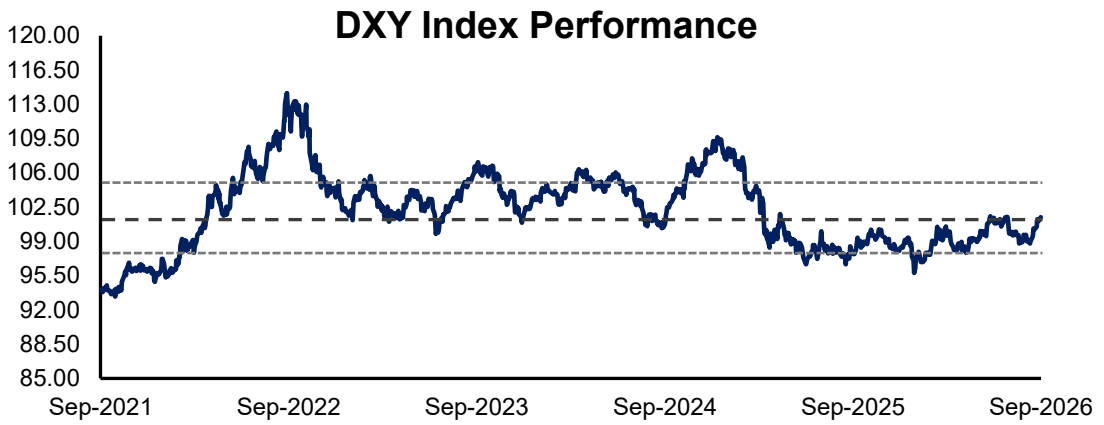
DXY vs. US-Foreign 2Y Yield Spread



- **Dollar Erases Early Slide to Gain 2%:** DXY fell to a low of about 0.6% below its August 31 close of 99.43. DXY rose 0.6% on FOMC day and gained again on September 23, when the US flash composite PMI hit a five-year high of 58.4, ending the month up about 2.0%, near 101.4.
- **US-Foreign 2Y Yield Spread Moved with the Recovery:** The spread narrowed by 6bps early in the month, then widened alongside DXY to +12bps on FOMC day and +25bps by month end. US yields led the widening, with the 2-year up 54bps against 35bps in Germany. Because the Fed, ECB and BoJ each hiked 25bps, the policy rate gaps barely changed, so the widening appears to reflect a higher expected US rate path.
- **Yen Breaks the Link:** On September 3, the DXY index fell 0.6% as the yen appreciated after a BoJ board member's comments on future rate hikes, while the spread was unchanged. Across the month's three phases, the spread still moved in the same direction as DXY: down into early September, sharply higher on FOMC day and higher again into month-end.

Source: Bloomberg, S&P Global, US Treasury | As of: 09/30/2026

FX Price performance						
Currency Pair	1-Month	3-Months	12-Months	MTD	QTD	YTD
USDCAD	2.40	-0.03	3.54	2.40	-0.03	3.54
URUSD	-2.23	-0.60	-3.28	-2.23	-0.60	-3.28
JPYUSD	-1.63	-3.32	0.23	-1.63	-3.32	0.23
USDCNY	0.24	1.27	4.27	0.24	1.27	4.27
USDCHF	3.20	3.26	5.22	3.20	3.26	5.22
AUDUSD	-2.90	0.52	4.26	-2.90	0.52	4.26
NZDUSD	4.76	0.64	1.97	4.76	0.64	1.97
GBPUSD	-2.02	0.06	-1.36	-2.02	0.06	-1.36



World FX (Historical)													
Currency Pair	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
USDCAD	1.38	1.40	1.40	1.40	1.37	1.36	1.36	1.39	1.36	1.38	1.42	1.40	1.39
URUSD	1.17	1.17	1.15	1.16	1.17	1.19	1.18	1.16	1.18	1.16	1.14	1.15	1.16
JPYUSD	147.27	147.17	154.13	155.28	156.73	154.33	156.07	158.63	156.73	159.66	162.41	159.36	160.08
USDCNY	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.15	0.15	0.15	0.15	0.15	0.15
USDCHF	0.80	0.80	0.80	0.80	0.79	0.77	0.77	0.79	0.78	0.79	0.81	0.81	0.81
AUDUSD	0.66	0.66	0.65	0.66	0.67	0.70	0.71	0.69	0.72	0.71	0.69	0.70	0.72
NZDUSD	1.69	1.72	1.75	1.74	1.74	1.65	1.67	1.73	1.69	1.69	1.76	1.70	1.69
GBPUSD	1.35	1.35	1.31	1.32	1.35	1.37	1.35	1.33	1.36	1.34	1.33	1.35	1.35

World FX (Estimates)												
Currency Pair	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27
USDCAD	1.40	1.40	1.39	1.38	1.38	1.37	1.37	1.37	1.36	1.35	1.34	1.34
URUSD	107.03	107.13	107.12	107.02	106.92	106.86	106.82	106.77	106.72	106.67	106.62	106.57
JPYUSD	153.56	153.29	152.70	152.72	152.46	152.17	151.80	151.52	151.15	150.82	150.49	150.17
USDCNY	6.71	6.70	6.70	6.69	6.68	6.68	6.67	6.67	6.66	6.66	6.65	6.65
USDCHF	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82
AUDUSD	1.39	1.38	1.36	1.35	1.35	1.34	1.33	1.33	1.33	1.32	1.32	1.32
NZDUSD	1.70	1.69	1.68	1.67	1.66	1.65	1.64	1.63	1.62	1.61	1.61	1.60
GBPUSD	0.74	0.74	0.75	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74

Source: Capital IQ, Bloomberg | As of: 09/30/2026



Alternatives

Portfolio Allocation Implications of a Higher Risk-Free Rate

Bhuvanjot Arneja

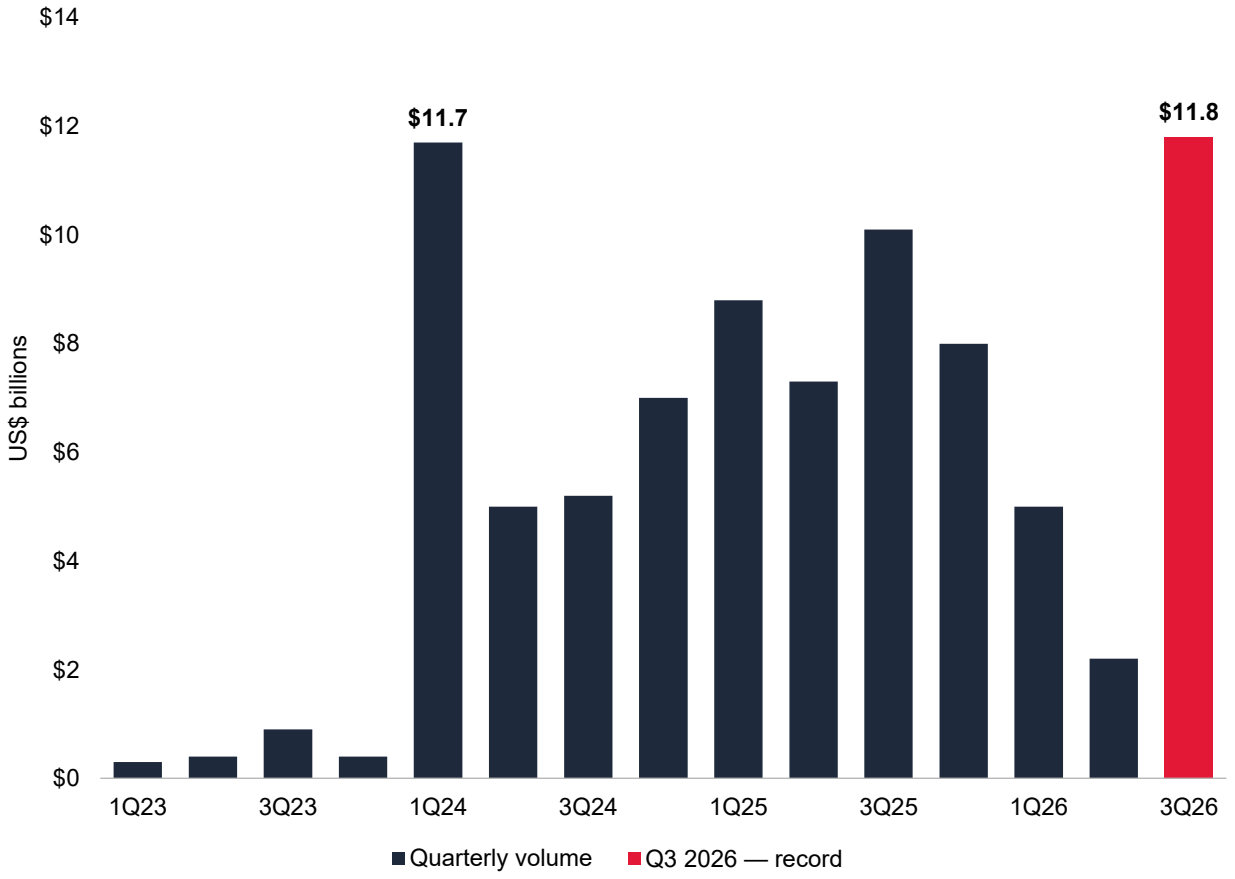
Higher Rates Raise the Allocation Bar

- **Market Regime — Cash Is the Reference Asset:** The 10-year Treasury yield closed September 30 at 5.29%, its highest level in 19 years, following the Federal Reserve's first rate increase since 2023. As the risk-free rate rises, alternative allocations should be assessed against a materially higher cash return. Higher discount rates also put pressure on the reported valuations of long-duration private assets.
- **Private Equity and Venture Capital — Relative Value Favours Sub-$1 billion Transactions:** Median buyout valuations were 11.9x EV/EBITDA versus 18.7x for the S&P 500, but transactions where priced above $1 billion were at 16.0x compared with 10.8x for transactions below $1 billion. Public markets have outperformed private equity over one-, three- and five-year horizons, while LP secondaries trade at 91% of NAV.
- **Private Credit — The Spread Premium Increasingly Reflects Credit Risk:** New-issue spreads reached SOFR+502 bps, 162 bps wider than syndicated loans. Fitch's trailing default rate was 6.3% versus 3.8% for leveraged loans, and syndicated markets are refinancing eligible private loans at tighter spreads. The 2.5-point default gap suggests the extra spread compensates for higher expected losses, not only illiquidity.
- **Real Assets — Infrastructure Retains the Stronger Relative Case:** First-half power and utilities M&A reached a record $205 billion, while the PJM 2028/29 capacity auction cleared 6,831 MW below reliability requirements. By contrast, appraised real-estate yields remain 62 bps below the risk-free rate. The PJM shortfall supports new grid investment.
- **Hedge Funds — Diversification Supports the Allocation Case:** HFRI returned 7.95% year to date versus 8.01% for a 60/40 portfolio, but its five-year Sharpe ratio is approximately 1.7 versus 0.5. With stock-bond diversification weakened, the portfolio rationale is correlation management rather than return enhancement. Risk-adjusted returns are over 3x higher.

Sources: Federal Reserve, US Treasury, PitchBook, NCREIF, Fitch Ratings and HFR. Data | As of: 09/30/2026

BSL Takeouts Pressure Private Credit

BSL Takeouts of Direct-Lending Facilities ($ billion)

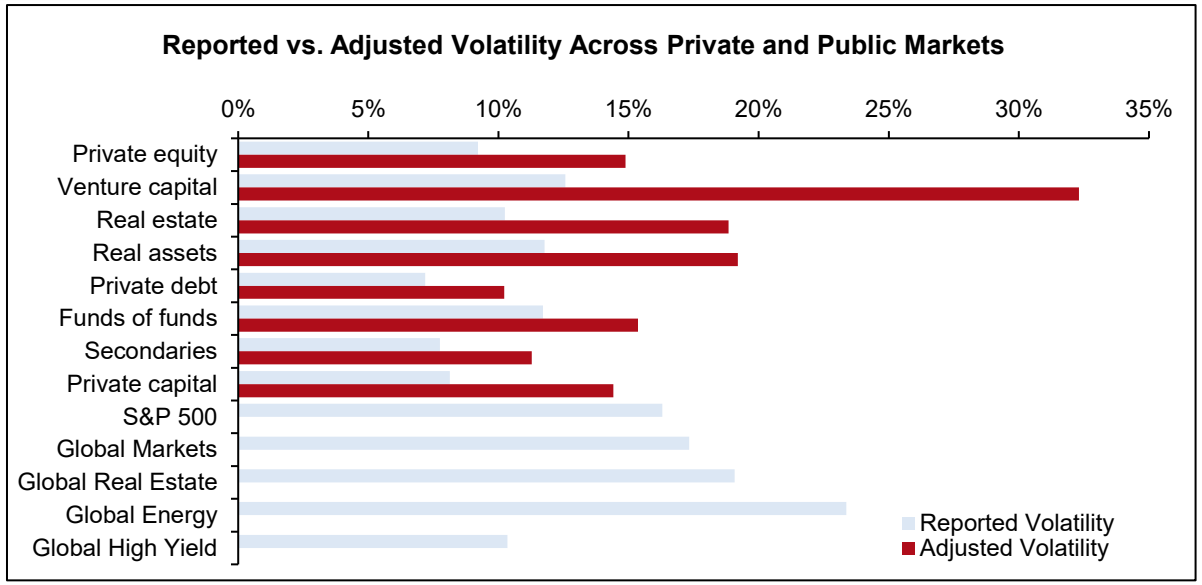


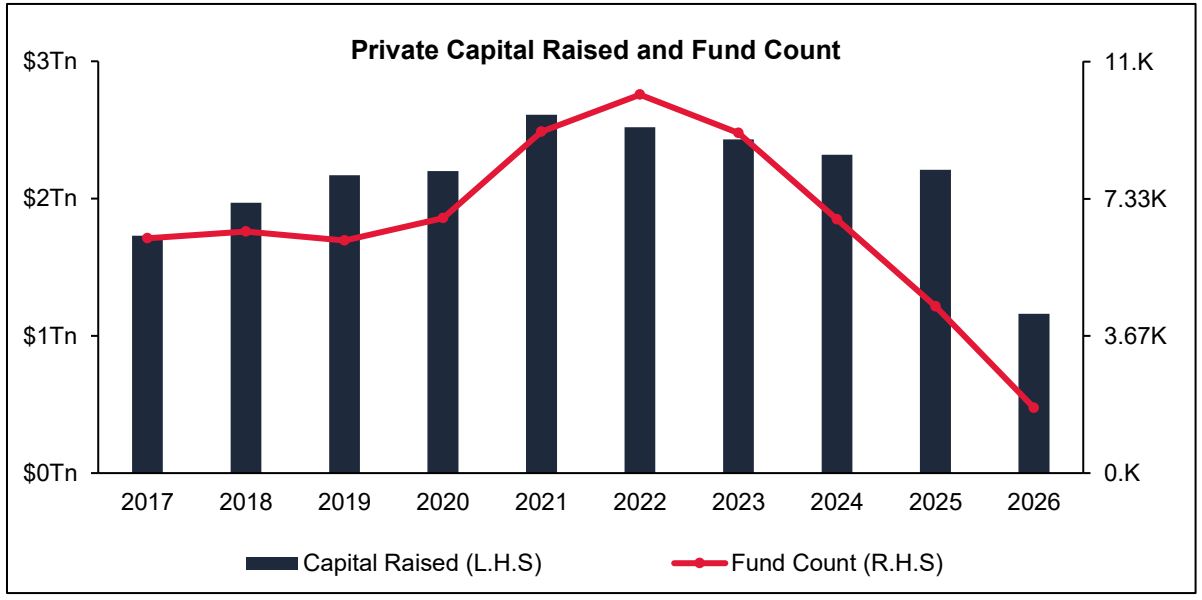
- **Record Quarterly Takeout Volume:** Approximately $12 billion of direct-lending facilities were refinanced in the broadly syndicated loan market in Q3 2026, exceeding the previous record of $11.7 billion in Q1 2024.
- **Economics Are Driving the Migration:** Five September term loan B transactions refinanced private debt. PANTHERx Rare priced at SOFR+300 bps versus SOFR+425 bps on its private first-lien facility, demonstrating the funding advantage available to qualifying issuers.
- **Portfolio Implication:** The record takeout volume is early evidence that syndicated pricing is recapturing eligible borrowers from private lenders. Q4 volume will help determine whether the shift is cyclical or persistent.

Source: PitchBook LCD. Data | As of: 09/30/2026.
Note: Includes direct-lending facilities refinanced in the broadly syndicated loan market; Q3 2026 data are partial through September 24.

Private Capital Performance: Quarterly Returns

Index	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Private Equity	0.98%	2.01%	0.70%	-0.61%
Buyout	0.95%	1.65%	0.48%	-0.48%
Growth/Expansion	0.94%	4.54%	2.01%	-2.34%
Venture Capital	2.41%	6.37%	5.07%	2.10%
Early-Stage VC	1.82%	10.77%	7.96%	1.24%
Multi- & later-stage VC	2.67%	4.87%	3.90%	2.35%
Real Estate	1.91%	-0.66%	-0.16%	-1.09%
Opportunistic	2.23%	-1.36%	-0.84%	-1.39%
Value-Add	1.28%	-0.21%	0.12%	0.73%
Real Assets	1.31%	2.16%	-1.23%	0.21%
Infrastructure	1.55%	1.95%	-1.42%	-0.96%
Natural Resources	0.18%	3.24%	-0.13%	9.66%
Private Debt	0.91%	1.22%	0.49%	-0.59%
Direct Lending	0.75%	-0.69%	1.25%	-4.06%
Distressed	1.42%	1.56%	0.78%	-1.85%
Mezzanine	1.82%	3.80%	-3.70%	8.70%
Funds of Funds	3.08%	0.92%	2.75%	1.95%
PE FoFs	3.91%	4.27%	4.84%	6.56%
VC FoFs	2.92%	-0.76%	1.87%	0.23%
Secondaries	0.78%	1.73%	-0.63%	2.06%
Private Capital	1.23%	1.89%	0.61%	-0.23%





Source: PitchBook, Morningstar | As of: 09/30/2026

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